

DON GAETZ
President of the Senate



WILL WEATHERFORD
Speaker of the House



Joint Legislative Auditing Committee

Senator Joseph Abruzzo, Chair
Representative Lake Ray, Vice Chair

Meeting Packet
Monday, February 11, 2013
2:00 P.M. to 5:00 P.M.
309 Capitol

**AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE**

DATE: Monday, February 11, 2013

TIME: 2:00 to 5:00 P.M.

PLACE: Room 309 Capitol

MEMBERS:

Senator Joseph Abruzzo, Chair
Representative Lake Ray, Vice Chair

Senator Rob Bradley
Senator Alan Hays
Senator Jeremy Ring
Senator Wilton Simpson

Representative Daphne D. Campbell
Representative Gayle B. Harrell
Representative Daniel D. Raulerson
Representative Ray Rodrigues
Representative Cynthia A. Stafford

Presentation of the Auditor General's Operational Audit of the City of Hollywood and response from City officials

Pursuant to s. 11.40(2), F.S., the Committee is expected to consider taking action against local governments that have failed to file an annual financial report and/or annual financial audit (if required) due June 30, 2012, or earlier

Pursuant to ss. 11.45(7) and 218.39(8), F.S., the Committee is expected to consider taking action against state universities, Florida College System institutions, district school boards, charter schools, and counties that have failed to take full corrective action in response to repeat audit findings

Completion of any unfinished business from the previous Committee meeting



Joint Legislative Auditing Committee
February 11, 2013



**Operational Audit of the
City of Hollywood
And
Hollywood Community
Redevelopment Agency**

Audit Overview



Period audited: 10/01/10 through 01/31/12

AUDIT FINDINGS

City of Hollywood

- ❑ Financial Urgency (1 finding)
- ❑ Financial Condition (5 findings)
- ❑ Other Administrative Matters (3 findings)

Hollywood CRA

- ❑ Budget Preparation (1 finding)
- ❑ Use of CRA funds (3 findings)



Finding 1: Financial Urgency Declaration

The Financial Urgency Statute:

Section 447.4095, Florida Statutes. Financial urgency.—In the event of a financial urgency requiring modification of an agreement, the chief executive officer or his or her representative and the bargaining agent or its representative shall meet as soon as possible to negotiate the impact of the financial urgency. If after a reasonable period of negotiation which shall not exceed 14 days, a dispute exists between the public employer and the bargaining agent, an impasse shall be deemed to have occurred, and one of the parties shall so declare in writing to the other party and to the commission. The parties shall then proceed pursuant to the provisions of s. [447.403](#). An unfair labor practice charge shall not be filed during the 14 days during which negotiations are occurring pursuant to this section.

History.—s. 2, ch. 95-218; s. 159, ch. 97-103.

Finding 1: Financial Urgency Declaration



“Financial Urgency” is not defined in law

Public Employees Relations Commission has defined financial urgency as:

A financial condition requiring immediate attention and demanding prompt and decisive action which requires the modification of an agreement; however, it is not necessarily a financial emergency or bankruptcy.

Finding 1: Financial Urgency Declaration



City's Declarations of Financial Urgency:

- ❑ September 1, 2010, for the 2010-11 fiscal year. Increase in millage and successful negotiation with the employee unions. Financial urgency not pursued through impasse.
- ❑ May 18, 2011, for the 2010-11 and 2011-12 fiscal years. Negotiations were unsuccessful resulting in unilateral changes.
 - Unfair labor practice charges filed with Public Employees Relations Commission (PERC)
 - City generally prevailed in PERC proceedings
 - Appeals were filed with the appropriate District Courts of Appeal

Finding 1: Financial Urgency Declaration



PERC findings indicated that the City had demonstrated:

- ❑ Budget shortfalls in General Fund.
- ❑ Raising taxes to close budget gap was not a legally available option for 2010-11 fiscal year and would have an adverse effect if raised enough to close the gap for 2011-12 fiscal year.
- ❑ Laying off sufficient employees not feasible due to reduction in service levels.
- ❑ Funds could not be transferred from the City's enterprise funds or the Hollywood CRA.

Finding 1: Financial Urgency Declaration



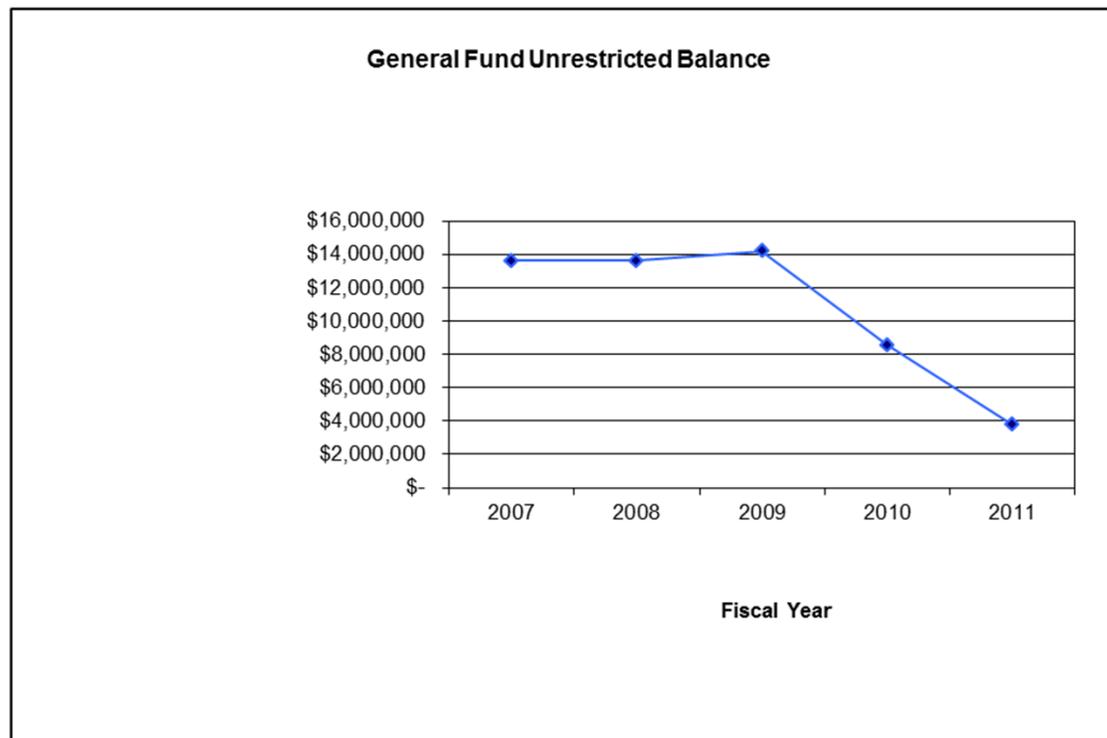
- ❑ Funds were available in the City's Water and Sewer Utility Fund.
- ❑ Excess working capital in Water and Sewer Utility Fund, based on 90-day reserve, was \$10.6 million at 9/30/10 and \$20.5 million at 9/30/11.
- ❑ Because of the City's poor financial condition, availability of excess working capital in the Water and Sewer Utility Fund to offset a portion of the budget shortfalls may have had limited impact on the City's determination of financial urgency.

Financial Condition Findings



Factors Contributing to Financial Difficulties:

- ❑ Declining General Fund fund balance and no formal plan to build up reserves (finding 2)



Financial Condition Findings



Factors Contributing to Financial Difficulties:

- ❑ Declining General Fund fund balance and no formal plan to build up reserves (finding 2)
 - City established fund balance policy targeting 17% of expenditures to be maintained in reserves.
 - At 9/30/11, target was \$26.4 million; reserve was \$4.3 million.
 - No formal plan was prepared to build up reserves; however City's reserves were projected to be \$10.8 million at 9/30/12.
- ❑ No policy establishing working capital reserves in Water and Sewer Utility Fund (finding 3)

Financial Condition Findings

Factors Contributing to Financial Difficulties:



❑ Unsustainable pension benefits (finding 4)

Pension Plan	As of October 1, 2004	As of October 1, 2009	Increase	Percent Increase
Unfunded Pension Liability:				
General Employees	\$ 77,440,712	\$ 149,370,467	\$ 71,929,755	92.88
Fire Fighters	69,270,000	126,209,903	56,939,903	82.20
Police Officers	<u>76,415,232</u>	<u>140,766,537</u>	<u>64,351,305</u>	84.21
Total	<u>\$ 223,125,944</u>	<u>\$ 416,346,907</u>	<u>\$ 193,220,963</u>	86.60
Funded Ratio (1)	<u>65.3 percent</u>	<u>53.2 percent</u>		
	<u>2004-05 Fiscal Year</u>	<u>2009-10 Fiscal Year</u>	<u>Increase</u>	<u>Percent Increase</u>
Annual Pension Cost:				
General Employees	\$ 8,825,956	\$ 16,411,715	\$ 7,585,759	85.95
Fire Fighters	3,724,852	8,914,396	5,189,544	139.32
Police Officers	<u>6,337,359</u>	<u>11,380,073</u>	<u>5,042,714</u>	79.57
Total	<u>\$ 18,888,167</u>	<u>\$ 36,706,184</u>	<u>\$ 17,818,017</u>	94.33
Note (1): The actuarial value of assets expressed as a percentage of the actuarial accrued liability.				

Source: City CAFRs

Financial Condition Findings



Factors Contributing to Financial Difficulties:

- ❑ Unsustainable pension benefits (finding 4)
 - Revisions to pension benefits for employees hired July 2009 and later, along with changes approved via referendum in September 2011 resulted in \$60 million reduction of unfunded pension liability.

Financial Condition Findings



Factors Contributing to Financial Difficulties:

- Ineffective budgeting practices & insufficient financial information provided to decision-makers (findings 5 & 6)
 - Revenue estimates too high & budget overexpenditures
 - Budgets not prepared for all funds
 - Prior year balances brought forward not included in budget
 - Budget-to-actual comparisons or financial information not provided to governing body frequently enough or timely
 - City Commission was not provided actual financial information (as of 3/31) until May and this information was only for the General Fund
 - Financial information (as of 6/30) for all other funds was provided to City Commission in late September

Other Administrative Matters & Public Records



- ❑ Bank account reconciliations were not timely prepared (finding 7)
 - 42 to 100 days after the City's 6-week guidelines
- ❑ City's vehicle maintenance and fuel management system was ineffective for monitoring miles per gallon and, therefore, reasonableness of fuel usage by vehicle (finding 8)
- ❑ Minutes of City Commission meetings were not timely prepared and some meeting minutes had not been approved by the Commission (finding 9)
 - Minutes for meetings held from March 2011 to January 2012 were approved on average 200 days after the meeting dates

CRA Findings



- ❑ Budgets adopted did not include balances brought forward from the prior fiscal years (finding 10)

Amounts not brought forward include:

- Beach District - \$36.5 million and \$34.2 million for the 2010-11 and 2011-12 fiscal years, respectively
- Downtown District - \$2.3 million for 2010-11 fiscal year



CRA Findings

- ❑ CRA expenditures were not always in accordance with law or the approved CRA Plans and CRA Plans had not been updated since 1995 and 1997 (finding 11)
- ❑ Questioned expenditures included:
 - \$1.5 million for community policing
 - \$2 million for design and construction management services
 - \$188,000 for enhanced maintenance program
- ❑ Salary and other expenditures were not allocated using a rational methodology (finding 12)
 - Allocation based on revenues
 - Time records or other systematic and rational approach should be used

CRA Findings

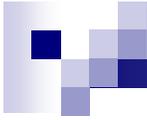


- ❑ Ending balances in the CRA trust funds, while appropriated for subsequent years, were not always expended as planned (finding 13)
 - Section 163.387(7), Florida Statutes, requires ending balances to be:
 - Used to reduce indebtedness
 - Deposited into an escrow account for the purpose of later reducing indebtedness
 - Appropriated to a specific redevelopment project(s) pursuant to the CRA plan, which project will be completed within 3 years
 - Returned to the taxing authorities that contributed the tax increment revenues that year

CRA Findings



- ❑ Ending balances in the CRA trust funds, while appropriated for subsequent years, were not always expended as planned (finding 13)
 - Beach District had \$20.3 million and \$14.7 million in ending balances at September 30, 2010 and 2011, respectively.
 - Although the CRA's five-year capital improvement plans indicated scheduled projects and the CRA Board appropriated amounts that would have required the use of accumulated prior year resources, the CRA spent very little from those resources over the 2008-09, 2009-10, and 2010-11 fiscal years.
 - The CRA did not have procedures to monitor accumulated prior year resources to ensure compliance with Section 163.387(7), Florida Statutes.



Questions?

**CITY OF HOLLYWOOD
AND
HOLLYWOOD COMMUNITY REDEVELOPMENT
AGENCY**

Operational Audit



MAYOR, VICE MAYOR, COMMISSION MEMBERS, AND CITY MANAGER

City of Hollywood Mayor, Vice Mayor, Commission Members, and City Manager who served during the period October 2010 through January 2012 are listed below:

Mayor

Peter Bober

Vice Mayor

Patty Asseff (District 1) from 2-16-2011

Heidi O'Sheehan (District 3) to 2-15-2011

Commissioners

Patty Asseff (District 1)

Quentin "Beam" Furr (District 2)

Heidi O'Sheehan (District 3)

Dick Blattner (District 4)

Fran Russo (District 5)

Linda Sherwood (District 6)

City Manager

Cathy Swanson-Rivenbark, Interim City
Manager, from June 16, 2011

Cameron D. Benson to June 15, 2011

COMMUNITY REDEVELOPMENT AGENCY CHAIRPERSON, VICE CHAIRPERSON, AND BOARD MEMBERS

The Hollywood Community Redevelopment Agency (CRA) Board consists of seven members who also serve as the Mayor, Vice Mayor, and City Commission. The Mayor and Vice Mayor also serve as the CRA Board Chairperson and Vice Chairperson, respectively. The CRA Executive Director and Deputy Director who served during the period October 2010 through January 2012 are listed below:

Executive Director

Jorge Camejo from 1-3-2011

Vacant to 1-3-2011

Deputy Director

Bryan Cahen

The audit team leader was Enrique A. Alonso, CPA, and the audit was supervised by Randy R. Arend, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 487-9031.

This report and other reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone (850) 487-9175; or by mail G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

CITY OF HOLLYWOOD AND
HOLLYWOOD COMMUNITY REDEVELOPMENT AGENCY

SUMMARY

Our operational audit of the City of Hollywood and Hollywood Community Redevelopment Agency disclosed the following:

CITY OF HOLLYWOOD

FINANCIAL URGENCY DECLARATION

Finding No. 1: The City did not consider all available funds in its determination to declare a financial urgency.

FINANCIAL CONDITION

Finding No. 2: The City needed to develop a formal plan to replenish General Fund fund balance reserves, as required by its fund balance policy.

Finding No. 3: The City needed to establish minimum target levels of working capital that should be maintained for its Water and Sewer Utility Fund.

Finding No. 4: The City had not adopted a funding policy for its defined benefit pension plans to ensure that sufficient resources would be available to fund benefits promised to employees. Additionally, scheduled wage increases and rising costs of pension benefits pursuant to collective bargaining agreements, most of which were funded by the General Fund, may have been unsustainable in the long run.

Finding No. 5: The City’s financial management and monitoring could be improved to avoid budget shortfalls due to ineffective revenue projections and overexpenditures.

Finding No. 6: The City’s adopted budgets did not include prior year balances brought forward and budgets were not adopted for its special revenue or capital projects funds, contrary to law.

OTHER ADMINISTRATIVE MATTERS

Finding No. 7: The City did not provide for timely bank account reconciliations.

Finding No. 8: The City’s fuel and fleet management systems used for numerous City-owned vehicles were ineffective for monitoring and investigating significant fluctuations in miles per gallon by vehicle.

PUBLIC RECORDS

Finding No. 9: Minutes of City Commission meetings and workshops were not timely prepared and approved.

HOLLYWOOD COMMUNITY REDEVELOPMENT AGENCY (CRA)

BUDGET PREPARATION

Finding No. 10: The CRA’s adopted budget did not include prior year balances brought forward, contrary to law.

USE OF CRA FUNDS

Finding No. 11: Several CRA expenditures were not in accordance with law or the approved CRA plans, and the Downtown District and Beach District CRA plans had not been updated since 1995 and 1997, respectively.

Finding No. 12: Some salaries and benefits costs and other expenditures were not allocated using time records documenting actual effort or another systematic and rational approach.

Finding No. 13: CRA records did not demonstrate compliance with Section 163.387(7), Florida Statutes, regarding the disposition of unexpended CRA trust fund moneys.

BACKGROUND

The City of Hollywood, incorporated in 1925, is located in Broward County on the southeastern coast of the State of Florida. The City comprises 30 square miles of land, including 6 linear miles of Atlantic Ocean beaches. The City’s permanent population is approximately 141,000, with the seasonal peak approaching 200,000. The City operates under a Commission-manager form of government. The City Commission is composed of a Mayor elected at large and six Commissioners elected by district. The seven members of the City Commission serve four-year terms. The City Commission determines policy, adopts local legislation, approves the City’s budget, sets taxes and fees, and appoints the City Manager and City Attorney. The day-to-day operations of the City are under the leadership of the City Manager. The City Commission also serves as the governing board of the Hollywood Community Redevelopment Agency, with the Mayor and Vice Mayor serving as the CRA Board Chairperson and Vice Chairperson, respectively.

In addition to general government services, the City also provides community planning and development, public safety, public works, culture, and recreation services to its residents.

FINDINGS AND RECOMMENDATIONS

CITY OF HOLLYWOOD

Financial Urgency Declaration

Chapter 447, Part II, Florida Statutes, governs public employee labor organizations. Sections 447.205 and 447.207, Florida Statutes, provide for creation of the Public Employees Relations Commission (PERC) for the purpose of handling public employee labor and employment disputes. Section 447.403, Florida Statutes, provides the required procedures for resolving impasses when a dispute exists between a public employer and a bargaining agent. Section 447.4095, Florida Statutes, provides that in the event of a financial urgency requiring modification of an agreement, the chief executive officer or his or her representative and the bargaining agent or its representative shall meet as soon as possible to negotiate the impact of the financial urgency. This Section further provides that, if after a reasonable period of negotiation not to exceed 14 days, a dispute exists between the public employer and the bargaining agent, an impasse shall be deemed to have occurred, and one of the parties shall so declare in writing to the other party and to the PERC, and the parties shall then proceed to impasse resolution pursuant to the provisions of Section 447.403, Florida Statutes. Chapter 447, Part II, Florida Statutes, does not define the term “financial urgency” nor does it establish criteria for determining whether a financial urgency exists.

The City’s 2010-11 fiscal year budget provided funding for 1,340 positions, including 483 in the Police Department; 268 in the Fire Department; 54 in the Parks, Recreation, and Arts Department; 294 in Public Works and Public Utilities Departments; and 241 in various other administrative and support departments. The majority of City employees are represented by three unions, comprised of five bargaining units, as follows: Hollywood Fire Fighters Local No. 1375, International Association of Fire Fighters, Inc. (Local No. 1375), representing the City’s fire fighters; Broward County Police Benevolent Association, Inc., representing the City’s police officers; and Hollywood, Florida, City Employees, Local 2432, American Federation of State, County, and Municipal Employees, American Federation of Labor and Congress Industrial Organizations, representing the general employees, professional employees, and

supervisory employees bargaining units. The City also maintains separate defined benefit pension plans covering general employees, fire fighters, and police officers.

According to the July 7, 2010, City Commission minutes, the City projected a General Fund budget shortfall¹ of \$13 million for the 2010-11 fiscal year as determined by City personnel. Because of the projected budget shortfall, on September 1, 2010, the City Commission passed Resolution No. R-2010-260, declaring a financial urgency pursuant to Section 447.4095, Florida Statutes, and indicating the need to modify the negotiated agreements with its bargaining units (unions). The City subsequently increased the millage rate by 11 percent from 6.0456 to 6.71 mills and the City's unions voluntarily entered into negotiations and agreed to concessions in wages and benefits, resulting in the approval of a balanced budget effective for the 2010-11 fiscal year. Thus, the financial urgency was not pursued through impasse.

In April 2011, City personnel performed a mid-year budget review for the 2010-11 fiscal year and determined that there was a projected General Fund budget shortfall of \$8.6 million due to an increase in expenditures of \$1.2 million and a revenue shortfall of \$7.4 million (see additional discussion in finding No. 5). In addition, the mid-year budget review projected a General Fund budget shortfall of \$25 million for the 2011-12 fiscal year. On May 18, 2011, the City Commission passed Resolution No. R-2011-117 declaring a financial urgency for the remainder of the 2010-11 fiscal year, and Resolution No. R-2011-118 declaring a financial urgency for the 2011-12 fiscal year. Further, through two budget resolutions, R-2011-062 and R-2011-111, the City cut operational expenditures by several million dollars, including nonpersonnel expenditures and the following personnel expenditures: nonrepresented employees received pay cuts of 7.5 percent, as well as reductions in paid holidays; and the Mayor, Commissioners, City Manager, and City Attorney voluntarily took 10 percent pay cuts.

The City's proposal for the fire fighters included a 12.5 percent wage reduction, elimination of merit increases, and other changes in workweek hours and overtime provisions for the remainder of the 2010-11 fiscal year, as well as changes to health insurance, pension, and other benefits for the 2011-12 fiscal year. Changes for the police initially included a 10 percent wage reduction, later amended to a 12.5 percent reduction, and included elimination of merit increases. Changes for general employees included a 7.5 percent wage reduction and elimination of pay for the July 4th and Labor Day holidays. According to City records, the City Commission imposed the 2010-11 fiscal year changes in wage reductions, workweek hours, and overtime, to be effective for the pay period ending June 25, 2011. Employees paid from funds in the Water and Sewer Utility, Stormwater Utility, Parking, and Sanitation Funds (Enterprise Funds) were exempted from the changes. Pursuant to the City of Hollywood Code of Ordinances, benefit changes to the City's defined-benefit pension plans required either (1) approval of the electorate via referendum or (2) a majority plus one vote of the City Commission and 50 percent plus one vote of the voting members of the retirement plan.

In June 2011, the projected 2011-12 fiscal year General Fund budget shortfall was increased to \$38 million due to a further decline in projected revenues and increasing pension costs. To address the shortfall, on July 18, 2011, the City Commission approved holding a referendum on September 13, 2011, to amend the three pension plans and, on September 7, 2011, approved amending City pension ordinances to freeze the pension plans effective September 30, 2011, and creating new pension plans effective October 1, 2011, with reduced benefits. In the referendum held on September 13, 2011, the electorate approved the new pension plans with reduced benefits. On September 21, 2011, the City Commission approved modifying and extending the June 25, 2011, changes to employee wages, workweek

¹ Expenditures and transfers out to other funds in excess of revenues and transfers in from other funds.

hours, and overtime to the 2011-12 fiscal year based on the financial urgency declaration for the 2011-12 fiscal year (Resolution No. R-2011-118).

As a result of the declarations of financial urgency, actions brought by the unions representing the City's bargaining units have resulted in numerous proceedings with PERC and the courts. The City generally prevailed in its PERC cases regarding the existence and appropriateness of declaring the financial urgencies; however, several cases were ongoing in the judicial system.

Finding No. 1: Financial Urgency Determination

PERC Hearings

On August 1, 2011, the fire fighters union (Local No. 1375) filed an unfair labor practice charge² with PERC alleging, among other things, that the City violated Section 447.501(1)(a) and (c), Florida Statutes, by declaring financial urgencies for the 2010-11 and 2011-12 fiscal years without there being bona fide financial urgencies³. Local No. 1375 did not dispute the City's budgetary projections but asserted that the City had other available options for balancing its budget than to reopen the collective bargaining agreements, including an ad valorem tax increase and layoffs.

The PERC hearing officer (hearing officer) noted that the financial urgency provision of Section 447.4095, Florida Statutes, is an evolving area of law and that no case or PERC final order had clearly determined what constituted a financial urgency. Therefore, the hearing officer looked for guidance to three recommended orders addressing the application of the financial urgency statute then pending before PERC, including one she had authored. The hearing officer then adopted her earlier language from one of the pending opinions that noted the statute was lacking in any definition of, or criteria for, a financial urgency. Based on the plain meaning of the statutory language, the hearing officer determined that a financial urgency was a financial condition calling for immediate attention, not necessarily the condition of financial emergency or bankruptcy. Consequently, in the hearing officer's recommended order, dated March 27, 2012, she rejected the union contention that modification of the contract can only occur when all other possible means to resolve a financial urgency have been exhausted and concluded that the City had demonstrated it had a financial urgency for the 2010-11 and 2011-12 fiscal years. In Final Order 12U-176 (Delgado, Concurring in part, Dissenting in part), issued July 12, 2012, PERC adopted the hearing officer's recommended order. The Final Order has been appealed to the Fourth District Court of Appeals in Case Number 4D12-2861 and was pending as of February 5, 2013.

In making the determination that the City's declaration of financial urgency was valid, the hearing officer stated the City had demonstrated that it faced a projected General Fund budget shortfall; established that raising the ad valorem tax rate for the 2010-11 fiscal year to meet its budget shortfall was not a legally available option after the start of the fiscal year, and that raising it enough to close the budget gap for the 2011-12 fiscal year would reasonably be expected to have an adverse effect on its businesses and residents; that laying off a sufficient number of fire fighters to close the budget gap was not feasible in view of the reduction in services that would result; and that funds could not be drawn from the City's enterprise funds or from the Hollywood Community Redevelopment Agency.

² The Broward County Police Benevolent Association, Inc., Chartered by the Florida Police Benevolent Association and the Hollywood City Employees Local 2432, AFSCME, each filed similar charges with PERC.

³ Section 447.501(1)(a) and (c), Florida Statutes, provides that public employers, and their agents and representatives are prohibited from interfering with, restraining, or coercing public employees in the exercise of any rights guaranteed under Part II of Chapter 447, Florida Statutes, and from refusing to bargain collectively, failing to bargain collectively in good faith, or refusing to sign a final agreement agreed upon with the certified bargaining agent for the public employees in the bargaining unit.

The City provided the hearing officer with excerpts from City Ordinance No. O-91-44 (Ordinance), enacted to authorize the issuance and refunding of bonds to pay for improvements to the water and sewer utility, to evidence that funds could not be drawn from its enterprise funds to offset shortfalls in the General Fund. However, Ordinance provisions not provided to the hearing officer indicated that moneys available after funding water and sewer utility expenses and required reserves could be used for any lawful City purpose. As further discussed below, the City had significant available funds in the Water and Sewer Utility Fund that potentially could have been used to help offset General Fund shortfalls.

Water and Sewer Utility Fund Net Assets Available for General Fund

The City's Water and Sewer Improvement Revenue Bonds are subject to the terms and conditions of City Ordinance No. O-91-44, which establishes various funds and accounts for the receipt and disbursement of revenues collected from the water and sewer utility operations. In addition to a Construction Fund, the Ordinance establishes an Enterprise Fund consisting of a Revenue Account; Renewal, Replacement and Improvement Account; General Reserve Account; Sinking Fund Account; Reserve Account; Subordinated Indebtedness Account; Rate Stabilization Account; and Impact Fee Account. The Ordinance requires that all revenues collected from the water and sewer utility operations be initially deposited to the Revenue Account and then withdrawn in such amounts as required by the Ordinance to fund current expenses of the water and sewer utility and the various other accounts. Any balance remaining after making these deposits shall be deposited to the General Reserve Account.

In general, the City deposited the amounts necessary to the Sinking Fund Account to make the periodic principal and interest payments; purchased a reserve account insurance policy to satisfy the Reserve Account requirement; had no debt requiring deposits to the Subordinated Indebtedness Account; maintained a \$10,000,000 deposit to the Rate Stabilization Account as determined by the City Commission in connection with the issuance of Water and Sewer Revenue Bonds, Series 1991; budgeted annually the amount to be deposited to the Renewal, Replacement, and Improvement Account based, in part, on a Water and Sewer Utility Fund capital improvement plan developed in conjunction with recommendations of a consulting engineer; and deposited certain specified fees collected to the Impact Fee Account. As provided in the Ordinance, any balance remaining after making these deposits was deposited to the General Reserve Account within the Water and Sewer Utility Fund.

In response to our inquiries regarding the City's understanding of the limitations on its authority to transfer moneys from the Water and Sewer Utility Fund, the Deputy City Attorney advised that Section 707 of the Ordinance requires the City to keep the funds and accounts of the Water and Sewer Utility Fund separate from all other funds and accounts of the City or any of its departments; that allowing transfers from the Water and Sewer Utility Fund to the General Fund with no repayment obligation would destroy the integrity of the Water and Sewer Utility Fund; and that unconditional transfers to the General Fund would violate Section 707 of the Ordinance and would therefore be unlawful. However, while Section 707 of the Ordinance requires that water and sewer utility funds be separately accounted for and not commingled with other City funds, Section 513 of the Ordinance provides that moneys deposited into the General Reserve Account may be used "for any other lawful purpose of the City, including loans to the general fund of the City." Accordingly, transfers may be made to the General Fund from the General Reserve Account with or without a repayment obligation.

According to the net assets balances in the Water and Sewer Utility Fund reported by the City in its Comprehensive Annual Financial Report (CAFR), the City had significant amounts of unrestricted net assets available in the Water and Sewer Utility Fund as of September 30, 2010, and 2011. As further discussed in finding No. 3, a certain level of working capital should be retained in the Water and Sewer Utility Fund. Using a conservative 90-day working capital requirement, the City had \$10.6 million and \$20.5 million in excess working capital potentially available as of

September 30, 2010, and 2011, respectively, as shown in Table 1, that could have been used to help offset the General Fund budget shortfalls.

Table 1

	Fiscal Year Ended	
	9/30/2010	9/30/2011
Current Assets	\$ 36,664,586	\$ 50,111,733
Rate Stabilization (noncurrent Asset) (1)	10,000,000	10,000,000
Current Liabilities	<u>(19,560,788)</u>	<u>(23,223,289)</u>
Total Working Capital	27,103,798	36,888,444 (A)
Annual Operating Expenses	57,853,871	57,615,827
Interest Expenses	<u>9,044,394</u>	<u>8,835,352</u>
Total Expenses	<u>66,898,265</u>	<u>66,451,179</u>
90 Days' of Expenses (Expenses/365 x 90)	<u>16,495,463</u>	<u>16,385,222 (B)</u>
Excess Working Capital	<u>\$ 10,608,335</u>	<u>\$ 20,503,222 (A - B)</u>
<p>Note (1): Pursuant to Section 510 of Ordinance O-91-44, the rate stabilization fund may be used to pay current expenses. Further, the rate stabilization fund was used by the City's rate consultant in its calculations of working capital available.</p>		

As a result of its interpretation of Ordinance provisions, the City had not considered the accumulating net assets balance in the Water and Sewer Utility Fund in addressing its General Fund budget shortfalls. Insofar as a portion of the financial resources in the Water and Sewer Utility Fund are not legally restricted, these moneys were available for consideration by the City Commission for other lawful City purposes. However, the availability of funds in the Water and Sewer Utility Fund to offset a portion of the General Fund shortfalls may have had limited impact on the City's determination that a financial urgency existed due to the underlying problems contributing to its deteriorating financial condition, as further discussed under the **Financial Condition** heading.

Recommendation: Prior to declaring a financial urgency or taking actions to address General Fund budget shortfalls, the City should consider available funds on a City-wide basis, including those available in the Water and Sewer Utility Fund.

Follow-up to Management's Response

In its response, the City refers to certain rules of statutory construction to argue that the phrase "any other lawful purpose of the City" should be interpreted to mean something other than what it clearly and plainly states. However, where the language of an ordinance conveys a clear and definite meaning, such statutory construction techniques are not necessary and the ordinance instead must be given its plain and obvious meaning.

The City also indicated that our calculation of excess working capital in Table 1 should be adjusted to include other postemployment benefits (OPEB). However, as reported in the City's CAFR, OPEB is a

noncurrent liability and the GFOA's recommended calculation of working capital includes only current assets and liabilities; therefore, including OPEB would not be appropriate.

The City further indicated that the Bond Feasibility Study (dated January 2010) included in its 2010 bond offering represented that, using the 90-day operating reserve, the City would not have had any resources available to transfer to the General Fund. However, the Bond Feasibility Study referenced by the City used amounts reported in the City's 2007-08 fiscal year CAFR and includes unexplained adjustments whereas our determinations of available working capital were based on the City's 2009-10 and 2010-11 fiscal year CAFRs, more recent information. Further, the City fails to take into consideration the fact that reported revenues in its Water and Sewer Utility Fund have increased by 38 percent (from \$60.6 million to \$83.8 million) while operating expenditures, including interest expenses, have increased by only 4 percent (from \$64 million to \$66.5 million) from the 2007-08 to the 2010-11 fiscal years, resulting in considerably more available funds.

Finally, the City's response indicated that in November 2011, Fitch upgraded its rating of the City's Water and Sewer Revenue Bonds and that transferring amounts from its Water and Sewer Utility Fund to its General Fund would have resulted in no upgrade to this rating. However, such an assertion is speculative as it is not possible to determine whether the City would not have received a rating upgrade had it used excess working capital in the Water and Sewer Utility Fund to address the General Fund projected shortfalls. We believe the City should have considered the availability of excess working capital in determining what actions to take to address the projected shortfalls, even if the City would have had to take some additional actions to strengthen its financial condition.

Financial Condition

A municipality's financial condition affects its ability to provide services, on a continuing basis, at the level and quality required for the health, safety, and welfare of its citizens. In connection with local government financial audits conducted pursuant to Section 218.39, Florida Statutes, external auditors are required to conduct financial condition assessments. In evaluating a local government's financial condition, the assessment should be made on an entity-wide basis. If deteriorating financial conditions are noted, auditors are required to include a finding in the audit report and to discuss the existence of deteriorating financial conditions with each member of the governing body.

In the management letter for the City's 2009-10 fiscal year audit, the external auditors included a finding relating to the City's significant unfunded pension liability and recommended that the City perform a comprehensive assessment of its pension plans to determine their future viability, and what the City's future funding obligations will be and how they will impact the City's future operating budgets. In the management letter for the City's 2010-11 fiscal year audit, the external auditors noted deteriorating financial conditions and indicated such conditions were caused by significant declines in the City's key revenue streams and continued increases in operating expenditures, including but not limited to, increasing levels of required contributions to its pension funds.

We reviewed the City's policies and procedures, and selected actions taken before and after the declarations of financial urgency, that affect the City's financial condition. As discussed below, our audit disclosed actions the City could take to better monitor its financial condition and to help prevent the occurrence of deteriorating financial conditions.

Finding No. 2: General Fund Fund Balance

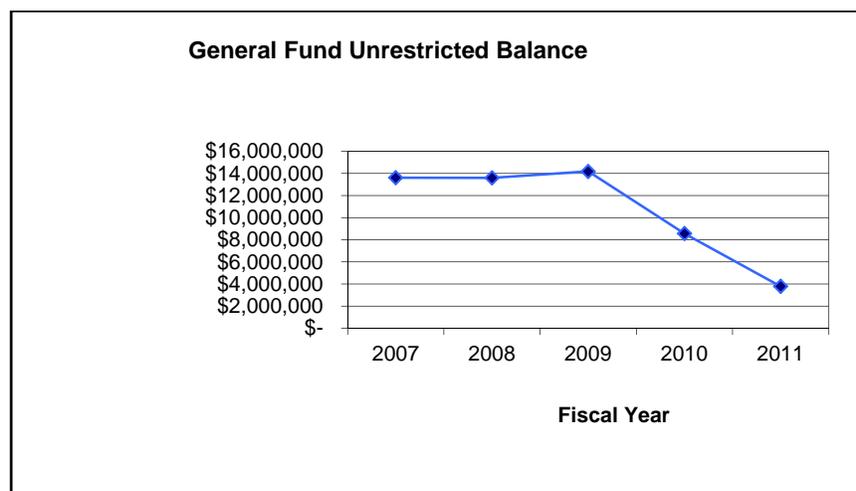
The General Fund serves as the City’s chief operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. City administration, such as the City Attorney’s office, budget and procurement services, financial services, human resources, and growth management, as well as public safety (police and fire), community development, and public works, are all funded from the General Fund. Revenues supporting general government operations include property, utilities service, and franchise taxes; licenses and permits; and various service charges.

Fund balance in a governmental fund represents the net financial resources available in the fund. The Governmental Accounting Standards Board (GASB), through issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established classifications of fund balance based on the extent to which the funds are bound by external and internal constraints. Fund balance classified as nonspendable and restricted represent funds that cannot be spent or must be spent for specific purposes based on external or legal constraints. Fund balance classified as committed is restricted for specified purposes based on formal action of the City Commission using its highest level of decision-making authority (i.e., by ordinance for municipalities), and fund balance classified as assigned or unassigned is essentially available to the City for any lawful City purpose. GASB Statement No. 54 was effective for the City’s 2010-11 fiscal year. Prior to the 2010-11 fiscal year, the resources available to the City to fund its operations were classified as unreserved fund balance.

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted⁴ fund balance that should be maintained for the General Fund, although financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the General Fund. GFOA recommends that, at a minimum, general-purpose governments maintain no less than two months (17 percent) of regular General Fund operating revenues or regular General Fund operating expenditures.

From the 2006-07 through 2010-11 fiscal years, the City’s General Fund unreserved or unrestricted (i.e., sum of committed, assigned, and unassigned) fund balance declined significantly as noted in Table 2.

Table 2



Source: City records

⁴ In its best practice, *Appropriate Level of Unrestricted Fund Balance in the General Fund*, the term “unrestricted” refers to those amounts classified as committed, assigned, and unassigned.

The significant decrease was due primarily to declining revenues, ineffective financial management and budget practices, and increasing pension funding costs, as further discussed in finding Nos. 4 and 6. As discussed previously, the City declared financial urgencies for the 2010-11 and 2011-12 fiscal years due to projected General Fund budget shortfalls.

In response to the significant fund balance decline, the City took various actions including the City Commission's adoption of a fund balance policy in September 2011 for its General Fund to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures. The fund balance policy sets a target unrestricted⁵ balance of 17 percent of General Fund operating expenditures based on GFOA recommendations and was intended to assist the City in stabilizing its long-term financial position. Based on General Fund operating expenditures for the 2010-11 fiscal year, the target unrestricted fund balance would be \$26.4 million. The policy also provides for a restricted fund balance pursuant to debt covenants of five percent of General Fund expenditures (\$7.8 million based on 2010-11 fiscal year expenditures) and a committed fund balance of five percent of General Fund expenditures for an economic stabilization reserve to "protect the City from adverse financial impacts in the event of unexpected economic events."

The General Fund fund balance policy states "if unrestricted fund balance reserves are drawn down below the established targets, the City Manager will develop and submit to the City Commission a plan for restoring the level of unrestricted fund balance." The City's reported committed fund balance of \$4.3 million as of September 30, 2011, is considered unrestricted fund balance as contemplated by the City's fund balance policy. Although this amount was well below the target level established in the fund balance policy, as of November 5, 2012, the City Manager had not, of record, submitted to the City Commission a plan for restoring unrestricted fund balance to the targeted level. In response to our inquiry, the Director of Financial Services stated that "there is no plan for restoring the fund balance to the targeted level as the targeted level (17 percent) of reserves has not been reached and then drawn upon. The City's Fund Balance policy requires a restoration plan only in the event that reserves are drawn upon." However, the fund balance policy does not support the Director of Financial Services' assertion. Nor is it apparent why the City's policy would not require a plan for reaching targeted levels regardless of the reason(s) why fund balance is below the targeted level.

Although the City did not have a formal plan for replenishing its fund balance reserves, the City raised its millage rate for the 2010-11 and 2011-12 fiscal years in part to replenish the General Fund unrestricted fund balance reserves. Based on its 2012-13 fiscal year budget, estimated fund balance brought forward from the 2011-12 fiscal year was \$10.8 million.

Recommendation: The City should develop a formal plan for replenishing General Fund fund balance reserves and continue its efforts to build General Fund fund balance reserves to the established target level.

Follow-up to Management's Response

In its response, the City reiterated its belief that its fund balance policy only requires that a formal plan be developed when the target has been reached and then drawn down, and that its fund balance policy is reflective of GFOA's recommended best practices. However, if its fund balance policy were to be applied in the manner interpreted by the City, it would not be effective until the City has fully recovered and reached its target levels and, therefore, would not be an effective tool for financial management of the City's reserves,

⁵ Pursuant to the City's fund balance policy, the term "unrestricted" refers to those amounts classified as committed, assigned, and unassigned.

and would not be consistent with the GFOA's recommended best practices, which indicate that a fund balance policy should provide for specific plans for increasing or decreasing the level of unrestricted fund balance if the unrestricted fund balance is not consistent with the policy's target level. While we agree that establishing target levels of reserves is a prudent financial practice, given the City's weak financial condition at September 30, 2011, when the City was \$22.1 million below the target level, the failure to establish a formal plan to replenish its reserves was not prudent. Given the fund balance policy's apparent lack of clarity as to whether or not a formal plan is required whenever the unrestricted fund balance falls below the target level, the City should consider amending its fund balance policy so as to clearly require that a formal plan be developed to replenish fund balance reserves whenever they are less than the target level regardless of the reasons therefor.

Finding No. 3: Water and Sewer Utility Fund Working Capital

GFOA, in its best practice titled *Appropriate Levels of Working Capital in Enterprise Funds*, recommends that local governments adopt a target amount of working capital to maintain in each enterprise fund and include such targets in a formal financial policy or plan. GFOA further recommends that to arrive at the target amount, local governments should start with a baseline of 90 days of working capital and adjust the target based on the particular characteristics of the enterprise fund (using 45 days as the minimum acceptable level). In its best practice advisory, GFOA presents various characteristics that should be considered.

Although on September 21, 2011, the City established a fund balance policy with minimum fund balance requirements through formal resolution for its General Fund, it had not established similar requirements for its Water and Sewer Utility Fund. Establishing such minimum requirements will help ensure that the City has sufficient funds to operate the water and sewer utility, and provide a basis for determining available funds that may be used for other lawful City purposes.

Recommendation: The City Commission should, by formal resolution, establish a policy indicating minimum target levels of working capital funds that should be maintained for its Water and Sewer Utility Fund.

Follow-up to Management's Response

In its response, the City indicated that our finding Nos. 1 and 3 are conflicting but does not indicate why or otherwise support this assertion.

Finding No. 4: Unsustainable Wage and Pension Benefit Increases

GFOA, in its best practice titled *Sustainable Funding Practices of Defined Benefit Pension Plans*, indicates that a fundamental financial objective of a municipality's defined benefit pension plan is to fund the long-term cost of benefits promised to plan participants, and the appropriate way to attain reasonable assurance that pension benefits will remain sustainable is for the municipality to accumulate sufficient resources for benefit payments in a systematic and disciplined manner. Long-term funding is accomplished through contributions from the employer and employee, and from investment earnings, which typically provide the largest component of funding. GFOA believes that sustainability requires that governments that sponsor or participate in defined benefit plans contribute the full amount of their actuarially determined annual required contribution (ARC) each year and adopt a funding policy targeting a 100 percent or more funded ratio (i.e., full funding). According to GFOA, failure to fund the ARC during

recessionary periods impairs investment returns by depriving the fund of its opportunity to invest when stock prices are low and long-term investment performance will suffer and will ultimately require higher contributions.

Pursuant to its agreements with the employee unions, the City provided its unions and employees with scheduled wage increases and pension benefits, most of which were funded from the City’s General Fund, that may have been unsustainable in the long run considering the economic climate (e.g., declining property values). For example, in 2009:

- The City’s agreement with the Police Benevolent Association provided for 2 percent cost of living salary increases every six months beginning October 1, 2009, through April 1, 2012, and longevity increases for continuous service of 5 percent after 10 and 15 years and 2.5 percent after 20 years of employment. Similarly, the City’s agreement with Local No. 1375 provided for 2.5 percent annual cost of living salary increases effective October 1, 2009, 2010, and 2011; longevity increases for continuous service of 5 percent after 10, 15, and 20 years employment for most employees; and potential merit increases of 5 percent annually. The City’s agreements with most other union employees anticipated 2 or 2.5 percent annual cost of living salary increases in 2009 and 2010; longevity increases for continuous service ranging from 2 to 5 percent after 10, 15, and 20 years employment; and potential merit increases ranging from 1.5 to 5 percent annually.
- The City provided pension benefits for most employees that were generally based on the average final compensation calculated based on the highest 3 or 4 years of earnings, including overtime and leave payouts for certain employee groups, multiplied by 3 to 3.3 percent per year of City employment.

The City’s annual pension costs and its unfunded actuarial accrued liability increased substantially in recent years, as shown in Table 3:

Table 3

Pension Plan	As of October 1, 2004	As of October 1, 2009	Increase	Percent Increase
Unfunded Pension Liability:				
General Employees	\$ 77,440,712	\$ 149,370,467	\$ 71,929,755	92.88
Fire Fighters	69,270,000	126,209,903	56,939,903	82.20
Police Officers	<u>76,415,232</u>	<u>140,766,537</u>	<u>64,351,305</u>	84.21
Total	<u>\$ 223,125,944</u>	<u>\$ 416,346,907</u>	<u>\$ 193,220,963</u>	86.60
Funded Ratio (1)	<u>65.3 percent</u>	<u>53.2 percent</u>		
	2004-05 Fiscal Year	2009-10 Fiscal Year	Increase	Percent Increase
Annual Pension Cost:				
General Employees	\$ 8,825,956	\$ 16,411,715	\$ 7,585,759	85.95
Fire Fighters	3,724,852	8,914,396	5,189,544	139.32
Police Officers	<u>6,337,359</u>	<u>11,380,073</u>	<u>5,042,714</u>	79.57
Total	<u>\$ 18,888,167</u>	<u>\$ 36,706,184</u>	<u>\$ 17,818,017</u>	94.33
Note (1): The actuarial value of assets expressed as a percentage of the actuarial accrued liability.				

Source: City CAFRs

As noted above, the overall unfunded pension liability and annual pension cost increased 86.60 and 94.33 percent, respectively, from October 1, 2004, to October 1, 2009, whereas General Fund revenues only increased 14.5 percent, from \$129,112,916 for the 2004-05 fiscal year to \$147,864,760 for the 2009-10 fiscal year. The increases in pension costs were caused by lower than anticipated investment returns and the increased cost of pension benefits.

The City had not adopted a pension funding policy to ensure that sufficient resources will be accumulated to fund benefits promised to its employees. Although since at least 2005, the City had generally fully funded its pension plans with the actuarially determined ARC amounts, as noted in Table 3, the funded ratio decreased from October 1, 2004, to October 1, 2009, and it will take considerably more resources to approach full funding of the pension plans. GFOA recommends that governments take measures to reduce the volatility in the ARC to create a more predictable operating budget and enhance the ability to meet funding obligations. One of the measures discussed in GFOA's best practice is to carefully consider all benefit increases for members and beneficiaries, and present the actuarially determined value of such benefit enhancements to the board of trustees of the pension plan, plan sponsor, and appropriate legislative body before they are adopted so the effects on the pension fund's actuarial accrued liability, funded ratio, and contribution rates are fully understood.

Certain pension benefits were revised for certain employees hired on or after July 15 or 16, 2009. In addition, the pension changes approved in the September 13, 2011, referendum reduced the annual pension contribution by more than \$8.5 million. The approved changes and improved investment performance contributed toward an overall reduction in the unfunded pension liability of over \$60 million from the October 1, 2009, actuarial valuation to the October 1, 2010, actuarial valuation, and an increase in the funded ratio from 53.2 percent to 58.3 percent. These changes, and the previously noted salary and benefit reductions implemented pursuant to the financial urgencies, allowed the City to balance its General Fund budget for the 2010-11 and 2011-12 fiscal years. However, regardless of whether the City declared a financial urgency or not, it would have been necessary to address the increasing salary and pension benefit costs to ensure the future financial stability of the City's General Fund and sustainability of the City's pension plans.

Recommendation: The City should adopt a funding policy for its defined benefit plans. In doing so, the City should consider GFOA's best practice recommendations to ensure sustainable funding. For collective bargaining purposes, the City should carefully evaluate the impact of projected salary and benefit package costs provided to employees over time to ensure sufficient resources will be available to fund future expenses.

Follow-up to Management's Response

In its response, the City indicated that our finding, by mentioning GFOA's recommended practice that governments should fund the full amount of their actuarially determined ARC, creates the impression that the City has not made its ARC. While we indicated in the finding that the City has generally fully funded its ARC since 2005, the point of our finding is the City should adopt a funding policy for its defined benefit plans to ensure sustainable funding of those plans.

Finding No. 5: Financial Management and Monitoring

Section 166.241(2), Florida Statutes, requires governing bodies of municipalities to adopt a budget each fiscal year, provides that the budget must regulate expenditures of the municipality, and provides that it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. According to the GFOA's *Recommended Budget Practices of the National Advisory Council on State*

and Local Budgeting (1998), regular monitoring of budgetary performance provides an early warning of potential problems, gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident, and is essential to demonstrating accountability.

On May 17, 2011, a budget-to-actual projection for the General Fund was furnished to the City Commission as of March 31, 2011, for the 2010-11 fiscal year, showing a projected net budget shortfall of \$8.6 million. Additional General Fund projections as of April 30 and May 31, 2011, indicating net budget shortfalls of \$10.2 million and \$5.4 million were furnished to the City Commission on June 9 and July 6, 2011, respectively. On September 21, 2011, the City Commission was provided interim financial statements with no budgetary data for all funds as of June 30, 2011. No budget-to-actual information was provided for the General Fund prior to May 17, 2011, and was not provided for the months of July 2011 through September 2011, and interim financial statements were not provided for other funds for any months prior to September 21, 2011. As a result, the City Commission may not have been timely apprised of General Fund revenue shortfalls and budget overexpenditures, or of the financial status of the City's other funds.

In response to the budget shortfalls, the City contracted with a consultant to perform a budget review, which included a review of the budgetary performance of the City's various funds and identification of areas with deficiencies. The City implemented some of the consultant's recommendations. The consultant's report, dated June 23, 2011, indicated that the City's General Fund revenue forecast was not conservative enough in light of the City's deteriorating financial condition and limited reserves. For example, the consultant found that the City had historically budgeted more than the minimum required 95 percent of property taxes and fire assessments fees (which are levied on property tax bills), and routinely collected less than the amount budgeted. The City's mid-year budget review also disclosed projected shortfalls of approximately \$1.3 million in franchise fees, \$1.5 million in occupational licenses and building permit fees, and \$1.3 million for a new red light camera program. At fiscal year-end, the City's actual revenue shortfall was \$6,943,692, or five percent of total actual revenues. In addition, the City initially budgeted employee benefits expenditures of negative \$2,201,624, increased that amount during the fiscal year by \$6,064,233 to \$3,862,609, and overspent the final budget by \$12,998. In response to our inquiry regarding the negative expenditures budget, we were advised that a negative appropriation was included in the General Fund for the gross amount of the expected wages and benefit reductions to be agreed to and, once the specific line item savings were determined based on the concessions made by the unions, the individual appropriation line items in the departmental operating budgets were reduced with the corresponding offsetting budget adjustment against the negative appropriation budget amount.

In an email dated May 25, 2012, to City Commission members, the Director of Financial Services provided a General Fund mid-year projection (budget-to-actual comparison) based on data as of March 31, 2012, and indicated that during the development of the 2011-12 fiscal year budget, staff identified a goal of providing monthly financial updates to the City Commission; that numerous obligations had prevented providing monthly updates and the goal may have been overly ambitious; and that additional interim projections would be distributed as more actual data became available over the course of the fiscal year. An additional projection based on data as of May 31, 2012, was provided to City Commission members by email on July 19, 2012; however, our review and inquiries disclosed that no other projections for the General Fund or any other City funds were provided as of September 11, 2012, and the two projections provided were not included in City Commission agendas or minutes. Subsequent to our inquiries, on September 28, 2012, the Director of Financial Services emailed to the City Commission members interim financial statements without budgetary data as of March 31 and June 30, 2012, for the General Fund, all enterprise funds, Central Services Fund, and Self-insurance Fund. Additionally, in an email dated October 2, 2012, to City Commission members, the Director of Financial Services provided a projection for the General Fund as of July 31, 2012.

The lack of timely, comprehensive interim financial statements, including budgetary data, clearly presenting the City's financial condition leaves the City Commission members without information necessary to gain an understanding of the City's financial status, and could lead to instances of financial mismanagement, including denying expenditures when funds are available, authorizing purchases when funds are not available, and not identifying or remedying critical budget shortfalls in a timely manner. Interim financial statements that provide practical and understandable statements of summary financial information, such as total revenues and expenditures by fund, comparisons with approved budgets, and current anticipated ending fund equity amounts, would allow the City Commission to more closely monitor the City's financial condition and provide information for financial decision-making.

Recommendation: The City should continue its efforts to improve revenue projections and ensure that future expenditures do not exceed budgetary authority. In addition, budget-to-actual comparisons for all budgeted funds should be prepared and submitted to the City Commission on a more frequent basis, such as monthly, and included in City Commission agendas and minutes.

Follow-up to Management's Response

In its response, the City indicated that there were several presentations made to City decision makers as part of the budget process and Executive Sessions held prior to the start of the 2009-10 through 2012-13 fiscal years and that our finding creates the inaccurate impression that insufficient financial information has been provided to the City Commission. As noted in our finding, the City's consultant identified deficiencies in the City's revenue forecasting. Additionally, providing no financial information to the City Commission until May, or eight months into the fiscal year, allows the Commission limited time to take action affecting the expenditures of that fiscal year. Further, providing financial information as of June 30 to the City Commission on September 21 or later does not allow sufficient time for the City Commission to take any action affecting the expenditures of that fiscal year.

The City's response further indicates that our finding fails to acknowledge that financial monitoring by the Financial Services Department led to the City uncovering budget shortfalls in the 2010-11 fiscal year and subsequently to the declaration of financial urgency. In the Financial Urgency Declaration section of our report, we have acknowledged City personnel's role in identifying the budget shortfalls that lead to the financial urgency declaration. However, providing the City Commission budget-to-actual comparisons for all budgeted funds on a more frequent basis may allow the City Commission more time to take actions needed to avoid a financial urgency declaration.

Finding No. 6: Budget Preparation and Adoption

Section 166.241(2), Florida Statutes, regarding a municipality's adopted budget, states that the amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. Our review of the City's approved budget resolutions disclosed that, contrary to law, in preparing the City's 2010-11 and 2011-12 fiscal year budgets, balances brought forward from prior fiscal years were not included in determining the amounts available for appropriations for the funds shown in Table 4:

Table 4

Fund	Balances Available to be Brought Forward From Prior Fiscal Years	
	2010-11	2011-12
Governmental: (1)		
General Fund	\$ 9,234,246	\$ 4,263,765
Debt Service Fund	58,438	194,617
General Obligation Bonds Series 2005 (2)	131,885	894,569
Gas Tax Capital Projects (2)	458,305	326,567
Proprietary:		
Water and Sewer Utility	51,886,783	69,739,053
Stormwater Utility	7,020,963	7,337,158
Golf Enterprise	(346,634)	(364,639)
Sanitation Enterprise	170,672	2,054,839
Parking Enterprise	(1,222,794)	863,515
Records Preservation	124,042	118,520
Central Services	494,718	90,716
Insurance	8,758,358	5,540,036
Note (1): Budgets were not adopted for the City's capital projects funds or special revenue funds (see discussion below).		
Note (2): Debt service fund		

Source: City Records

On June 6, 2012, the City Commission approved a budget amendment for the 2011-12 fiscal year General Fund budget to include the balance brought forward from the 2010-11 fiscal year.

Failure to consider balances brought forward in the budget diminishes the usefulness of the budget as a financial management tool and limits the City's ability to determine appropriate increases and decreases in revenues or expenditures that may be needed for the fiscal year for which the budget is being adopted. In addition, failure to consider balances brought forward could result in the amount of taxes or other revenue sources contemplated in the proposed budgets being increased beyond the amounts necessary to carry out planned expenditures or to establish reserves.

Section 166.241(2), Florida Statutes, also requires that the adopted budget show the budgeted revenues and expenditures for each fund and that the budget regulate expenditures of the municipality, and provides that it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. Accordingly, it is unlawful for the City to expend moneys for purposes not contemplated by the budget. The City received various Federal, State, and local grants, which were accounted for in the special revenue funds. Although the City Commission approves grant agreements that are the basis for grant related expenditures, the budgets adopted by the City Commission for the City's 2010-11 and 2011-12 fiscal years did not include budgets for the special revenue funds. The City also accounts for capital projects revenues and expenditures in its capital projects funds. Although the City approves a capital improvement plan that is the basis for capital projects appropriations, the budgets adopted by the City Commission for the 2010-11 and 2011-12 fiscal years did not include budgets for the capital projects funds and the capital improvement plan did not include all elements required to be included pursuant to Section 166.241(2), Florida Statutes. As provided in Table 5, the City reported

balances brought forward, revenues and transfers in, and expenditures and transfers out in the special revenue and capital projects funds for the 2010-11 fiscal year.

Table 5

Fund	2010-11 Fiscal Year		
	Balances Brought Forward	Revenues and Transfers In	Expenditures and Transfers Out
Special Revenue:			
Special Programs	\$ 2,166,623	\$ 22,223,857	\$ 4,821,079
Law Enforcement Forfeiture	2,628,659	569,418	998,930
Police Grants	(286,136)	1,940,981	1,812,606
Emergency and Disaster	183,291	758	21
Housing Loan	13,983,548		13,983,548
Local Housing Assistance (S.H.I.P.)	10,170,774	545,629	230,191
Hurricane Housing Relief	128,386		128,386
Capital Projects:			
General Obligation Bond Projects	7,325,621	6,376	3,502,921
General Capital Projects	9,720,651	2,326,419	7,344,133

Source: City CAFRs

We are unaware of any exemption from the budgeting requirements of Section 166.241(2), Florida Statutes, for revenues and expenditures accounted for in special revenue and capital projects funds.

Recommendation: The City should ensure that future annual budgets include all balances brought forward from prior fiscal years and that budgets are adopted for all funds as required by law.

Follow-up to Management’s Response

In its response, the City indicated that the 2010-11 fiscal year amount included for the General Fund in Table 4 is incorrect and indicated the amount should be \$9,162,755. However, the amount we used in Table 4 includes encumbrances and, since all balances are required to be brought forward, the amount in Table 4 is correct. The City also indicated that because many of the amounts included in Table 4 do not represent new revenue sources to the City, are restricted for future capital projects or insurance claims, or are not available as a funding source, and that our finding characterizing the budget as a diminished financial management tool is inaccurate. However, the point of our finding is that Florida law requires the City to include balances brought forward from prior fiscal years, and including all such amounts provides full disclosure and transparency to the taxpayers concerning all City resources.

Other Administrative Matters

Finding No. 7: Bank Account Reconciliations

An essential element of control over assets entrusted to a governmental organization is the periodic comparison of such assets actually determined to be on hand with the recorded accountability for the assets. Because of the

susceptibility of cash to loss, this is particularly important for cash on deposit with banking institutions. Accountability for such deposits is accomplished by the preparation, review, and approval of bank account reconciliations as soon as possible after the receipt of monthly bank statements. In the event of a loss of cash, failure to reconcile bank accounts to the accounting records could result in a failure to detect and recover the loss.

The City has two master bank accounts that control cash disbursements for checks clearing in the City's nine operating accounts. Our tests of five monthly bank account reconciliations from one master account and three from the other for the period October 2010 through January 2012 disclosed that the reconciliations were prepared from 84 to 142 days after the bank statement date, and 42 to 100 days after the six-week guideline provided in the City's policies and procedures. Effective internal control policies and procedures require that bank account reconciliations be promptly prepared on a routine basis and reviewed by supervisory personnel. Such procedures provide reasonable assurance that cash assets agree with recorded accountability and facilitate the prompt detection and correction of unrecorded or improperly recorded transactions. A similar finding was reported as a significant deficiency in the independent auditor's reports on internal control and compliance for the fiscal years ended September 30, 2009, 2010, and 2011.

The lack of timely bank account reconciliations increases the risk that errors or fraud could occur without being promptly detected.

Recommendation: The City should ensure that its established policies and procedures are followed regarding the timely preparation of bank account reconciliations.

Finding No. 8: Vehicle Maintenance and Fuel Usage

As of September 30, 2011, the City owned numerous police cars, passenger cars, light, medium, and heavy duty trucks, emergency trucks, fire trucks, dump trucks, and garbage trucks. Most City vehicles, except for fire and sanitation vehicles, are accounted for in the City's Central Services Fund. For the 2010-11 fiscal year, the City reported expenditures in its Central Services Fund for fuel and automotive supplies of \$1,721,947 and \$449,963, respectively. Implementing a vehicle maintenance program, which includes preparing vehicle maintenance logs that identify vehicle miles, fuel usage, preventative maintenance services and repairs, and dates of such services, provides vehicle cost information regarding the operating efficiency of the vehicle. Preventative maintenance is necessary to help minimize vehicle repair or replacement costs.

The City maintained a fuel management system for monitoring fuel usage and a fleet management system for monitoring preventative maintenance services and repairs for the police and general fleet vehicles. A separate system was utilized by the City for fire and sanitation vehicles and was not included in our review. Employees were required to record the odometer mileage in the fuel management system when refueling, and the fuel management system was designed to update the odometer mileage in the fleet management system on a daily basis. Our review of the City's procedures and records over fuel and fleet management disclosed the following:

- The City did not utilize the fuel management system for monitoring miles per gallon by vehicle. According to City personnel, the correct mileage was not always recorded in the fuel management system when City-owned vehicles were refueled.
- Because the fuel management system updated the mileage in the fleet management system each day, and the mileage in the fuel management system was not considered reliable, the fleet management system was limited for mileage-based preventative maintenance monitoring purposes. The fleet management system was designed to generate numerous reports to reflect the labor hours and cost, cost of parts, and history of repair work, etc.;

however, some of the reports were of limited use for monitoring purposes because of the inaccurate odometer readings and because the system only maintained five years of detailed historical repair information.

Because the fuel management and fleet management system reports were not reliable regarding mileage, City personnel utilized a manual scheduling system for routine vehicle maintenance for all City owned vehicles, with police pursuit vehicles scheduled for routine maintenance every three months and all other vehicles every six months. However, absent routine monitoring and investigation of significant fluctuations in miles per gallon by vehicle, there is an increased risk that unauthorized use of fuel would not be timely detected. In response to our inquiry, City personnel indicated the City is in the process of obtaining a new automated fuel and fleet management software system that will more accurately collect and report odometer readings and improve monitoring capabilities.

Recommendation: The City should continue its efforts to obtain a new automated fuel and fleet management software system and ensure that the new system accurately collects vehicle odometer readings. Once implemented, the City should develop procedures for monitoring vehicle maintenance, repair, and fuel usage records to ensure the economic and efficient use of City resources.

Public Records

Finding No. 9: City Commission Minutes

Section 286.011(2), Florida Statutes, requires that the minutes of City Commission (Commission) meetings 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 Commission, the minutes of each meeting should be reviewed, corrected if necessary, and approved at a subsequent Commission meeting.

The *Government-in-the-Sunshine Manual* (2011) prepared by the Office of the Attorney General indicates, in Part I, Section C.1., that the Sunshine Law extends to any gathering, whether formal or casual, of two or more members of the same board or commission to discuss some matter on which foreseeable action may be taken by the public board or commission. In addition, the *Government-in-the-Sunshine Manual* (2011), in Part I, Section D, indicates that the Sunshine Law specifically applies to informal discussions and workshops and refers to the Florida Supreme Court’s statement that “collective inquiry and discussion stages” are embraced within the terms of the statute.

Meeting agendas and results indicating whether agenda items passed were recorded and posted to the City’s Web site by the City Clerk; however, the City did not have a policy or procedure providing guidelines for timely recording, reviewing, and approving meeting minutes by the Commission. During the period October 2010 through January 2012, the Commission held 48 meetings, generally comprised of two regular meetings per month and occasional special meetings and workshops. Our review disclosed that, for meetings held from October 2010 through February 2011, minutes were approved, on average, about 90 days after the meetings were held; however, for meetings held from March 2011 through January 2012, minutes were approved, on average, more than 200 days after the meetings were held. In addition, as of September 20, 2012, minutes had not been presented to the Commission for review and approval for meetings held after January 18, 2012, or for 4 workshop meetings and a financial retreat held during the 2011 calendar year.

In response to our inquiry, the City Clerk indicated that the City was unaware workshop meetings and retreats required approved minutes, and that the delays were due to inadequate staffing in the City Clerk’s office. While the law does not require that minutes for workshop meetings and retreats be reviewed and approved, such review and approval helps ensure the accuracy of the minutes in the City’s public records.

Recommendation: The City should develop guidelines for the timely recording, review, and approval of City Commission minutes, and enhance its procedures to ensure that minutes are timely recorded, approved, and available for public inspection.

HOLLYWOOD COMMUNITY REDEVELOPMENT AGENCY

Chapter 163, Part III, Florida Statutes, also known as the “Community Redevelopment Act of 1969” (Act), authorizes the creation of a redevelopment agency for the purpose of redeveloping slums and blighted areas that are injurious to the public health, safety, morals, or welfare of the residents of the State. The Act further provides for additional requirements, including, but not limited to, the manner in which such an agency may be established, the powers of the agency, and the funding of the agency. It requires the establishment of a redevelopment trust fund and restricts the use of those funds to redevelopment activities.

Pursuant to the Act, the City requested that the Broward County Board of County Commissioners (County) delegate to the City the right and authority to exercise the power to create a community redevelopment agency. Upon County approval, the City Commission adopted Resolution R-79-46, creating the Hollywood Community Redevelopment Agency (CRA), and provided for the City Commission to be the CRA’s governing body.

The Act requires the establishment of a CRA plan and requires approval of the plan by the CRA’s governing body. Funding for the CRA is accomplished through tax increment revenues provided by each taxing authority, and expenditures of the CRA must be made in accordance with the approved CRA plan.

The CRA has designated two areas within its boundaries, the Downtown District and the Beach District. Two separate CRA plans were prepared as follows: (1) the Downtown District’s Community Redevelopment Plan for the Central City Area (last amended June 7, 1995) and (2) the Beach District’s Hollywood Beach Community Redevelopment Plan (approved June 25, 1997; no amendments). In addition, subsequent to the approval of the CRA plans, separate trust funds were established to account for the revenues and expenditures of the respective CRA districts. City ordinances and bond covenants require that the tax increment funding generated in each district be deposited to the respective trust fund and used to pay expenditures for the projects and activities identified in that district’s CRA Plan.

Section 163.356(3)(c), Florida Statutes, authorizes a CRA to employ an executive director, technical experts, and other such agents and employees, permanent and temporary, as it requires. The CRA directly employs an executive director, deputy director, code enforcement officers, maintenance supervisors and technicians, and about 13 other employees.

Budget Preparation

Finding No. 10: Budget Preparation

The CRA is a special district as defined in Section 189.403, Florida Statutes. Section 189.418(3), Florida Statutes, requires that the governing body of each special district adopt a budget by resolution each fiscal year and states that the total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. Our review of the CRA’s approved budget resolutions disclosed that, contrary to law, in preparing its 2010-11 and 2011-12 fiscal year budgets, the balances brought forward from prior fiscal years were not included in determining the amounts available for appropriations. For the 2010-11 fiscal year, the CRA did not include \$36,478,475 and \$2,341,197 available from the

2009-10 fiscal year for the Beach Community Redevelopment Fund (Beach District Trust Fund) and Downtown Community Redevelopment Fund (Downtown District Trust Fund), respectively. For the 2011-12 fiscal year, the CRA did not include the \$34,242,905 available from the 2010-11 fiscal year for the Beach District Trust Fund.

Failure to include balances available from prior fiscal years in the CRA trust funds budgets limits the transparency in total resources available to the CRA trust funds, as well as the planned uses of those funds. Additionally, as further discussed in finding No. 13, the failure to appropriate balances remaining in the CRA trust funds at the end of a fiscal year may be contrary to law, if those funds are not otherwise used as indicated in Section 163.387(7), Florida Statutes.

Recommendation: The CRA should ensure that balances brought forward from prior fiscal years are included in the adopted budgets for the CRA trust funds.

Follow-up to Management’s Response

In its response the CRA indicated that our finding “misconstrues the total fund balance number which makes it seem as though the CRA has more money ‘available’ than is actually represented as audited by independent auditors.” The CRA also noted that it “has interpreted balances brought forward to mean those funds that are unreserved. Notwithstanding the fact that the separate audits of the CRA districts indicated that significant amounts were reported as unrestricted or unreserved, the point of our finding is that, pursuant to Section 189.418, Florida Statutes, all balances are required to be brought forward from prior fiscal years, including amounts that are reserved or restricted.

The CRA further noted that the budget must be adopted prior to the end of the fiscal year and finalization of ending fund balances. While we agree that balances brought forward from prior fiscal years must be estimated for budget adoption, these amounts should be revised through a budget amendment once final amounts are known.

Use of CRA Funds

Finding No. 11: CRA Plans and CRA Expenditures

Section 163.387(1)(a), Florida Statutes, requires that funds allocated to, and deposited in, the CRA trust fund be used to finance or refinance community redevelopment pursuant to an approved CRA plan. “Redevelopment” is defined in Section 163.340(9), Florida Statutes, as undertakings, activities, or projects in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight; the reduction or prevention of crime; for the provision of affordable housing; or the rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed. Section 163.387(6), Florida Statutes, provides that moneys in the CRA trust fund may be expended for undertakings of the CRA as described in the CRA plan, including, but not limited to:

- Administrative and overhead expenses necessary or incidental to the implementation of the CRA Plan.
- Expenses of redevelopment planning, surveys, and financial analysis.
- Acquisition costs of real property in the redevelopment area.
- Clearance and preparation costs of the redevelopment area for redevelopment and relocation of site occupants.
- Repayment of principal and interest or any redemption premium for any form of indebtedness.

- Expenses incidental to, or connected with, the issuance, sale, redemption, retirement, or purchase of any form of indebtedness, including funding accounts provided for in related ordinances or resolutions authorizing the indebtedness.
- Costs for the development of affordable housing within the community redevelopment area.
- Costs for the development of community policing innovations.

Section 163.370(3)(a) through (c), Florida Statutes, set forth the prohibited uses of CRA funds, which include general government operating expenses unrelated to the planning and carrying out of a CRA plan.

Our review of selected CRA expenditures for the 2010-11 fiscal year, totaling \$5,123,346, disclosed the following:

- **Community Policing.** As noted above, certain expenditures, including community policing innovations, are authorized if they are described in the CRA plan. Section 163.340(23), Florida Statutes, defines “community policing innovation” as a policing technique or strategy designed to reduce crime by reducing opportunities for, and increasing the perceived risks of engaging in, criminal activity through visible presence of police in the community, including, but not limited to, community mobilization, neighborhood block watch, citizen patrol, citizen contact patrol, foot patrol, neighborhood storefront police stations, field interrogation, or intensified motorized patrol. Although neither of the CRA district plans contained community policing innovations, we noted that the CRA paid \$1.5 million to the City’s General Fund for a community policing program. The Beach District Trust Fund paid \$1,289,000 for one police sergeant and eight police officers and the Downtown District Trust Fund paid \$211,000 for one police sergeant and three police officers. In response to our inquiry regarding the justification for these expenditures in the CRA plans, the CRA Deputy Director indicated the costs were for an enhanced level of police services over the normal baseline and generally referred to the slum and blight findings necessary for creating a CRA, and identified several areas in the CRA plan’s objectives and functions that mentioned public safety, security, policing, or safe and sanitary conditions. However, no specific community policing innovation techniques or strategies were included in the CRA plans and, therefore, community policing expenditures would not be authorized pursuant to Section 163.387(6), Florida Statutes.
- **Hollywood Station Incentive.** The Downtown District Trust Fund paid \$300,000 to a developer, which was the second of eight such payments totaling \$2.8 million, as an incentive for constructing 600 residential housing units and commercial space in the Downtown District. Although there was an agreement between the CRA, City, and developer for the project and incentives, the project was not specifically identified in the Downtown District CRA Plan. In response to our inquiry, the CRA Deputy Director indicated that new development and redevelopment of blighted sites is at the core of what CRAs are encouraged to do. The Downtown District CRA Plan provided specific projects in a central target area, which consisted of six designated areas in the central portion of the Downtown District boundaries. However, since this project was located outside the target area and was not included in the Downtown District CRA Plan, these expenditures were not authorized pursuant to Section 163.387(6), Florida Statutes.
- **Capital Improvement Plan Operating Support.** The Beach District Trust Fund paid \$2 million to the City’s Central Services Fund which, according to the City’s budget narrative, was to pay the costs of City Design and Construction Management Department personnel in support of both the Beach and Downtown CRA districts. Although redevelopment planning, surveys, and financial analysis would be authorized CRA expenditures for projects included in the Beach District’s CRA Plan, it would not be appropriate for the Beach District Trust Fund to pay for expenditures related to CRA projects of the Downtown District.
- **Enhanced Maintenance Program.** The Downtown District Trust Fund paid \$187,885 to the City’s General Fund to reimburse the City for costs of an enhanced maintenance program. The CRA’s 2011 Annual Report indicates that the CRA funded a portion of the salaries and benefits of a three-member City public works crew that was focused city-wide. As a result, these expenditures appear to be general operating expenditures and prohibited pursuant to Section 163.370(3)(c), Florida Statutes.
- **Hollywood Office of Tourism.** The Beach District Trust Fund utilized funds, totaling \$759,362, for activities and programs of the Hollywood Office of Tourism (HOT). HOT is the official tourism marketing office for the City of Hollywood and the Beach District funds the office. Expenditures for HOT programs

and activities included: \$495,383 for advertising; \$126,757 for a cruise line marketing program; \$53,876 for travel related to training and promotional activities; and \$83,346 for other miscellaneous HOT supply, printing, and postage charges. In response to our inquiry regarding the justification for the advertising and cruise line marketing program expenditures, the CRA Deputy Director indicated the CRA works to protect and grow Hollywood's share of destination travel through integrated sales, marketing and advertising programs that drive visitation to and within Hollywood, and the Beach District CRA Plan outlines redevelopment objectives that speak directly to tourism, including enhancing Hollywood Beach as a tropical destination and re-establishing tourism as a vital industry. However, the Beach District CRA Plan did not specifically provide funding for an office of tourism, advertising, or a cruise line marketing program. Further, while expending moneys to fund events to promote completed CRA projects would appear to be authorized in the Act, expenditures for general promotion of City tourism, not just the CRA area, would not be authorized.

- **Chamber of Commerce Agreement.** The Beach District Trust Fund paid \$42,800 to the Greater Hollywood Chamber of Commerce (Chamber) pursuant to an agreement for the Chamber to promote tourism, business, and economic development in the City of Hollywood and its CRA districts. The scope of services provided with the agreement generally indicated the Chamber would continue to do its normal activities to promote business, tourism, and economic development in the City by informing and educating the business community, continuing to coordinate quarterly and other periodic seminars, creating a business guide for navigating City departments, and preparing its annual printed and online directories. The Attorney General, in Attorney General Opinion No. 2010-40, indicated that "Promoting the use of a redeveloped area would appear to fall within the purposes of the community redevelopment act. Use of community redevelopment funds to pay entities promoting tourism or providing socially beneficial programs, however, does not have an apparent nexus to carrying out the purposes of the community redevelopment act." Because these expenditures were to promote general tourism, business, and economic development in the City of Hollywood, these expenditures would not be authorized.

Section 163.362, Florida Statutes, provides requirements for the contents of CRA plans. As previously noted, the Downtown District's CRA Plan was last amended June 7, 1995, and the Beach District's CRA Plan was approved June 25, 1997, and has not been amended. The capital improvement projects listed in the Downtown and Beach Districts' CRA Plans were to be started from 1986 through 1997, and 1997 through 2003, respectively, and included dollar estimates that have likely become outdated. Further, several of the projects listed in the CRA Plans have been completed and, as noted above, the CRA expended trust fund moneys on projects that were not specifically included in its CRA plans. The Florida Redevelopment Association, a not-for-profit organization dedicated to assisting in community revitalization efforts, recommends that CRA plans be updated about every five years. More frequent updating of CRA plans allows for resetting goals and objectives and establishing the specific projects and activities to be undertaken toward meeting such goals and activities, thus providing more current guidelines establishing the authorized expenditures under the CRA plans.

Recommendation: The CRA should adopt procedures to ensure that CRA trust fund expenditures are authorized pursuant to Chapter 163, Part III, Florida Statutes, and only made pursuant to its CRA plans. In addition, the CRA should revise its CRA plans to include current projects in sufficient detail to demonstrate that expenditures of CRA funds are in accordance with Section 163.387(6), Florida Statutes. The CRA plans should include information in sufficient detail so that taxing authorities required to contribute to the CRA, and the general public, will be properly informed as to the CRA's intentions and how the CRA will accomplish its redevelopment objectives. The CRA should also request reimbursement from the City for the \$1,500,000 in CRA funds expended on community policing activities and the \$187,885 in CRA funds expended on the enhanced maintenance program. Additionally, the CRA should determine the portion of the capital improvement plan operating support paid by the Beach District Trust Fund that was applicable to the Downtown District and transfer the appropriate amount from the Downtown District Trust Fund to the Beach District Trust Fund.

Follow-up to Management's Response

In its response, the CRA stated that it refutes our finding that CRA expenditures were not in accordance with law or the approved CRA plans and does not believe the law requires all expenditures to be specifically referenced verbatim in the plan. However, Section 163.387(6), Florida Statutes, provides that CRA expenditures are only allowable if included in the CRA plan. Accordingly, one should be able to make a reasonable connection between expenditures and the plan. For example, the CRA plan included an objective to "enhance Hollywood Beach as a tropical destination and reestablish tourism as a vital industry in Hollywood Beach;" however, funding the City's office of tourism, particularly when the promotion includes events outside the CRA district, would not appear allowable or consistent with the CRA plan.

Finding No. 12: CRA Salary and Other Expenditure Allocations

Salaries and benefit costs totaling \$1.8 million for the 2010-11 fiscal year for 18 full-time and 21 part-time CRA employees, including the CRA Executive Director, Deputy Director, code enforcement officers, maintenance supervisors, and technicians, were paid by both CRA trust funds. Ideally, time records should be maintained to document the actual time and effort spent by employees on each CRA district's activities. Absent records to document the actual time and effort spent, a systematic and rational approach should be employed to allocate salary and benefit costs of employees that work with both districts. Salary and benefit costs for employees that worked entirely in one CRA district were charged to that district and salary and benefit costs for employees that worked for both districts were charged 80 percent to the Beach District and 20 percent to the Downtown District. These percentages were based upon the relative amount of revenues each District generates. However, because the relative percentages of total revenues may bear no relation to the actual time and effort spent for each district, this allocation method is not a systematic and rational approach. Thus, the CRA did not document that salaries and benefit costs were reasonably allocated between the separate CRA trust funds.

For the 2010-11 fiscal year, the Beach and Downtown Districts also paid amounts, totaling \$4,030,092 and \$478,663, respectively, to the City to reimburse it for the costs of various administrative services provided to the CRA, such as City Manager, City Clerk, legal, budget, finance, treasury, etc., and for services provided by the police and design and construction management departments. The amounts paid were agreed-upon by the City and CRA and were not supported by time records documenting actual time and effort spent by City employees on CRA activities, or allocated to the CRA using a systematic and rational approach.

Recommendation: Procedures should be implemented to ensure that expenditures for CRA activities are supported by documentation evidencing proper cost allocations for City or CRA employees providing direct time to CRA projects or activities, such as time records or activity logs, or a systematic and reasonable approach used to allocate time spent on CRA projects or activities.

Follow-up to Management's Response

In its response, the CRA indicated that the method of allocating costs between the Beach and Downtown Districts based on relative revenues is just as efficient and balanced as using time records. Based on the revenues reported by each district for the 2010-11 fiscal year, 99 percent of the revenues for each district were comprised of tax increment funding. Although it is logical that the Beach District would generate more tax revenues than the Downtown District, it is not apparent how this relates in any way to the time and effort spent by City or CRA employees on each CRA district's activities. The CRA also indicated that it disagrees that a time record method should be utilized and that many of the administrative services provided by the

City would be difficult to track using time records. While the CRA's method of allocating costs to each district may be an easy method, we do not believe it to be a rational allocation method. While we believe that a method using time records is the best approach, we recognize that there are other systematic and rational approaches that could be used to allocate these costs. For example, the cost of the City's purchasing function could be allocated among City departments and each CRA district based on the purchase orders issued.

Finding No. 13: Ending Balances in CRA Trust Funds

Section 163.387(7), Florida Statutes, provides that on the last day of a CRA's fiscal year, any money remaining in the CRA trust fund after the payment of expenses described in the CRA plan for such year must be either returned to each taxing authority that paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year; used to reduce the amount of any indebtedness to which increment revenues are pledged; deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan, which project will be completed within three years from the date of such appropriation.

In response to our inquiry, dated August 8, 2012, regarding the CRA's compliance with Section 163.387(7), Florida Statutes, CRA personnel provided us with the CRA's five-year capital improvement plans. The June 2011 five-year capital improvement plan, approved by the CRA Board, included capital improvements costing approximately \$50 million over the subsequent three years. Although the CRA maintained two CRA trust funds, the majority of activity was reported in the Beach District Trust Fund. For the fiscal years ended September 30, 2010, and 2011, the Beach District Trust Fund had accumulated net assets totaling \$20,283,543 and \$14,663,449, respectively, which were not restricted by bond covenants or other obligations and, therefore, available for appropriation by the CRA Board.

As noted in finding No. 10, the CRA's 2010-11 and 2011-12 fiscal year budgets did not include balances brought forward from the prior fiscal year. As shown in Table 6, our analysis of the CRA's estimated revenues and budgeted and actual expenditures for the Beach District Trust Fund for the 2008-09, 2009-10, and 2010-11 fiscal years disclosed that while the CRA Board amended its budgets, significantly increasing budgeted expenditures for each fiscal year, only \$6.1 million, \$1.2 million, and \$2.2 million, respectively, was effectively expended from bond proceeds or balances brought forward from the prior fiscal years.

Table 6

2008-09 Fiscal Year	Budget		Actual
	Original	Final	
Revenues and Other Financing Sources	\$ 19,524,042	\$ 19,524,042	\$ 19,616,825
Expenditures and Other Financing Uses	19,524,042	44,288,972	25,723,020
Amounts used from Prior Fiscal Years			
Balances Brought Forward	<u>\$ 0</u>	<u>\$ (24,764,930)</u>	<u>\$ (6,106,195)</u>

2009-10 Fiscal Year	Budget		Actual
	Original	Final	
Revenues and Other Financing Sources	\$ 15,414,196	\$ 15,267,454	\$ 15,540,635
Expenditures and Other Financing Uses	6,149,311	33,046,802	16,755,756
Amounts used from Prior Fiscal Years			
Balances Brought Forward	<u>\$ 9,264,885</u>	<u>\$ (17,779,348)</u>	<u>\$ (1,215,121)</u>

2010-11 Fiscal Year	Budget		Actual
	Original	Final	
Revenues and Other Financing Sources	\$ 17,254,545	\$ 17,539,595	\$ 17,703,191
Expenditures and Other Financing Uses	16,460,061	52,035,992	19,938,761
Amounts used from Prior Fiscal Years			
Balances Brought Forward	<u>\$ 794,484</u>	<u>\$ (34,496,397)</u>	<u>\$ (2,235,570)</u>

Source: City CAFRs

Thus, although the CRA’s five-year capital improvement plans indicated scheduled projects, and the CRA Board “appropriated” amounts that would have required the use of accumulated prior year resources in the Beach Fund, the CRA did not have procedures to monitor the accumulated prior year resources on a project-by-project basis in its budget and expended very little from those resources over the 2008-09, 2009-10, and 2010-11 fiscal years. Consequently, CRA records did not demonstrate compliance with Section 163.387(7), Florida Statutes, regarding the disposition of unexpended trust fund moneys.

On September 5, 2012, the CRA Board and City Commission approved using \$23 million from the Beach District Trust Fund for a loan to a developer for a resort hotel, effectively changing the approved capital improvement plan.

Recommendation: The CRA should ensure that capital improvement plans and amounts appropriated are based on realistic goals and time frames. The CRA should also take steps to ensure that its records document compliance with Section 163.387(7), Florida Statutes, including returning funds to the taxing authorities if such funds are not otherwise used in accordance with law.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. The Legislative Auditing Committee directed us to conduct this audit to address financial-related issues and concerns facing the City,

including policies and procedures that the City has established in response to the findings included in the report issued on the City's revenue forecasting practices or the recommendations of the firm hired to provide consulting services related to the City's budget development process and financial management.

We conducted this operational audit from February 2012 to September 2012 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets.

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

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring from October 2010 through January 2012, and selected actions taken subsequent thereto. Unless otherwise indicated in this report, these records and transactions 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.

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B. The response, including attachments provided with the response, may be viewed on the Auditor General's Web site.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Organizational Issues	Reviewed organizational structure of the City and CRA and assessed the functional responsibilities within the organizational structure to determine whether they were adequately separated to provide effective internal controls. Examined and reviewed documentation such as organization charts and minutes of the City’s Commission and CRA Board meetings.
Written Policies and Procedures	Determined whether the City and CRA had written policies and procedures in place for major functions. Determined whether the City maintained public records in accordance with Chapter 119, Florida Statutes.
Financial Urgency	Reviewed Section 447.4095, Florida Statutes. Obtained and reviewed the resolutions passed by the City Commission on declaring financial urgency and relevant documentation. Determined whether negotiations between the City and its labor unions took place as required by Chapter 447, Florida Statutes. Evaluated the financial position of the City’s major funds and the availability of fund balances and net assets to address General Fund revenue shortfalls.
Budgetary Controls	Reviewed a consultant’s report issued in June 2011 regarding the City’s revenue forecasting practices. Determined what actions the City had taken to address the recommendations made in that report and perform tests, as applicable. Assessed adequacy of the City and CRA’s budgetary procedures.
Cash Management	Reviewed the City’s procedures related to cash. Reviewed bank account reconciliations for completeness and supervisory approval. Evaluated basis for classifying cash amounts reported as “Restricted.”
Investments	Reviewed City policies governing investments to determine compliance with applicable laws, ordinances, resolutions, and other guidelines.
Tangible Personal Property	Compared City subsidiary ledgers with control accounts, reviewed tangible personal property inventory procedures, and reviewed procedures for disposing of surplus property.
Long-Term Debt	Reviewed City and CRA policies and procedures for issuing debt to determine compliance with applicable provisions of law. Determined whether the City and CRA complied with applicable debt covenants.
Revenue and Cash Receipts	Reviewed City policies and procedures for assessing and collecting permit fees, taxes, and other revenue sources to determine compliance with applicable provisions of law. Also, tested the accuracy of amounts collected and the timeliness of cash receipts deposited in the bank.
Payroll and Personnel	Tested City payroll disbursements and performed tests to determine whether expenditures were made in accordance with applicable laws, rules, policies and procedures, and other guidelines.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Procurement of Goods and Services	Tested City and CRA disbursements and performed tests to determine whether expenditures were in accordance with applicable laws, ordinances, resolutions, and other guidelines. Tested transactions to determine whether City purchasing cards were administered in accordance with ordinances, resolutions, and other guidelines. Tested City travel expenses to determine if employee reimbursements were paid in accordance with ordinances, resolutions, and Section 112.061, Florida Statutes.
Contracts	Tested City and CRA contractual services payments to determine whether expenditures were in accordance with applicable laws, ordinances, contracts, and other guidelines.
Insurance	Reviewed the administration of the City’s self-insurance program and methods used for acquiring excess commercial coverage to determine compliance with applicable laws, ordinances, and other guidelines.
Communication Expenditures	Reviewed City policies and procedures related to communication expenditures and performed tests to determine compliance with applicable laws, ordinances, and other guidelines.
Motor Vehicle Assignment and Use	Determined whether the City maintained adequate vehicle utilization, maintenance, and repair records for all vehicles except fire and sanitation vehicles, and whether City ordinances, resolutions, and other guidelines were followed.
Restricted Resources	Determined whether proceeds from restricted City and CRA revenue sources were properly accounted for. Tested expenditures of City and CRA grant proceeds and evaluated disposition of unexpended balances.
Community Redevelopment Agency	Determined compliance of CRA plans, expenditures, and unexpended balances with Part III, Chapter 163, Florida Statutes.

**EXHIBIT B
MANAGEMENT'S RESPONSE**

FINANCIAL URGENCY DECLARATION

Finding No. 1

Financial Urgency Determination

Notes:

- The City Commission approved two midyear budget resolutions (R-2011-062 and R-2011-111, attached as Exhibits 1-A and 1-B) to reduce various operating expenditures (non-personnel) and increase reserves in the amounts of \$481,851 and \$2,105,201 respectively.
- Table 1 revised by City to reduce figures to reflect OPEB liabilities. Amounts “available” revised to \$2.99 million (from \$10.61 million) for FY 2010 and to \$9.97 million (from \$20.50 million) for FY 2011 (revised table attached as Exhibit 1-C).

City Response:

In Finding 1, the Auditor General’s Office asserts that the City Commission was improperly advised regarding the availability of funds from the Utility Enterprise Fund (“Fund 42”) as a potential source to close the budget gap that led to the assertion by the City of Financial Urgency under Florida Statutes Sec. 447.4095, first in September of 2010 and again on May 18, 2011 (for the remainder of FY 2011 and separately for FY 2012). Specifically the Auditor General’s Office determined that funds reflected in the “Unrestricted (Deficit)” line (plus a portion of the amount allocated to RR&I capital projects) of the Comprehensive Annual Financial Report (“CAFR”) were potentially available for Fund 42 to “grant” (as opposed to “loan”) to the City’s General Fund (“GF”).

BRIEF ANSWER:

- I) The City continues to assert that the Rule of Statutory Construction known as “*Ejusdem generis*” mandates that the phrase in bond covenant Sec 513 allowing that moneys held for the credit of the General Reserve Account may be applied “(f) for any other lawful purpose of the City, including loans to the general fund of the City” is limited by the preceding five enumerated allowed uses to “lawful purposes” of the same general nature as the preceding five and not grants to the general fund.
- II) Even assuming that Fund 42 was free to grant funds to the general fund, it could only have done so from unrestricted “cash on hand.” For the following reasons, the moneys reflected in the “Unrestricted (Deficit)” line of the CAFR were not all unrestricted cash on hand and thus not an accurate measure of what might have been available for transfer to the general fund:
 - a. The Fund 42 Other Postemployment Benefits Obligation (“OPEB”) must also be funded out of cash on hand and reduces the amount potentially available for transfer to the general fund by \$7,617,000 on September 30, 2010 and \$10,528,000 on September 30, 2011.
 - b. The “Bond Feasibility Study” included in the 2010 bond offering materials represented that Fund 42 would maintain no less than a 90 day operating reserve. Had Fund 42 transferred any money to the general fund (beyond the approximately \$7,000,000 already being

transferred for general administrative expenses and payments in lieu of taxes), it would not come close to the 90 day minimum.

- III) On November 28, 2011, the Fitch Ratings Service (“Fitch”) upgraded the rating of the City’s Water and Sewer Revenue Bonds from A+ to AA- citing as a “key rating driver” the financial performance of Fund 42 and, in particular, the Fund’s total available resources. If the City had transferred in excess of \$10,000,000 to the general fund (as suggested in Finding 1) to stave off the declaration of financial urgency in April of 2011 (or \$20,000,000 in September of 2011), those “total available resources” would have been reduced by 1/3 to 2/3 and the bonds would certainly have lost the rating upgrade.

EXPLANATION:

- I) I am including, as Exhibit 1-D, the full text of Section 513 of the Bond Ordinance, O-91-44. Subsection (f), relied on by the Auditor General in reaching the conclusion that the funds reflected in the “Unrestricted (Deficit)” line of the “NET ASSETS” section of the CAFR (both FY 2010 and FY 2011 CAFR pages for Fund 42 are also attached as Exhibits 1-E and 1-F) were available for a non-repayable transfer to the general fund, is preceded by subsections (a) – (e), which describe other allowable uses for funds within this General Reserve Account. There is a rule of statutory construction known as “*ejusdem generis*.” This rule states that where the enumeration of specific things is followed by a more general word or phrase, the general phrase is construed to refer to a thing of the same nature as the preceding specific things (see 48A Fla. Jur 2d Statutes Sec.126, attached as Exhibit 1-G).

The common thread among subsections (a) – (e) of Section 513 is that each describes a use of funds that benefits, or is at least intended to benefit, the City’s water and sewer utility directly. Of course, a non-repayable transfer to the general fund does not benefit the City’s water and sewer utility in any direct way. One could perhaps argue that the City’s water and sewer utility benefits when the City as a whole is in a strong financial position, but such benefit cannot under any circumstances be characterized as a direct benefit to the utility. To the extent that a reader of subsection (f) may read “for any lawful purpose of the City” to supersede the rule of *ejusdem generis*, the remainder of subsection (f) should serve to remind the reader that the allowable uses of the General Reserve Account are limited to uses that directly benefit the water and sewer utility.

In the case of Florida Department of Revenue v. James B. Pirtle Construction Company, Inc., 690 So.2d 709, (Fla. 4th DCA 1997), the court used “*ejusdem generis*” to interpret a Florida Statute that read “[a]ll notes, bonds, and other obligations issued by the State of Florida ... and other taxing districts....” Pirtle had construction contracts with a taxing district and argued that its accounts receivable generated by such contracts were other obligations issued by the taxing district. The court disagreed, reasoning that accounts receivable arising from a government contract are not of the same nature as notes and bonds. When the government issues notes and bonds, its commitment is absolute. On the other hand, when the government executes a construction contract, disputes concerning the contractor’s performance can vitiate the government’s payment obligation.

In Brown v. Saint City Church of God of the Apostolic Faith, Inc., 717 So.2d 557 (Fla. 3d DCA 1998), a local ordinance prohibited the deposit of waste “or other material of any kind.” Brown argued that the church violated the ordinance when it deposited loose gravel on public swale area for parking purposes. However, the court, relying on *ejusdem generis*, held that the ordinance

prohibited the depositing of waste or waste-like materials, not loose gravel deposited for parking purposes. This case is particularly significant, because the ordinance includes the word “any,” just as Section 513(f) does, and because it applies *ejusdem generis* to a local ordinance.

There is an additional rule of statutory construction that holds that a statute shall not be interpreted in a manner that renders any of its provisions useless. If Section 513(f) were to be interpreted as the Auditor General suggests (i.e. allowing funds in the General Reserve account to be used for “any other lawful purpose of the City” without limitation), the previous five enumerated uses would be completely unnecessary, as they would be subsumed within the general statement. Finally, if subsection (f) meant that Fund 42 could simply give money in the General Reserve account to the general fund, why would it be necessary to say that it could also loan such money to the general fund?

In Heart of Adoptions, Inc. v. J.A., 963 So.2d 189 (Fla. 2007), the Supreme Court of Florida fully expressed this rule in the following paragraph:

The word “may” contained in section 63.062(3)(a) cannot be construed in isolation if to do so would render other sections of the chapter meaningless. We are required to give effect to “every word, phrase, sentence, and part of the statute, if possible, and words in a statute should not be construed as mere surplusage.” Moreover, “a basic rule of statutory construction provides that the Legislature does not intend to enact useless provisions, and courts should avoid readings that would render part of a statute meaningless.” “[R]elated statutory provisions must be read together to achieve a consistent whole, and ‘[w]here possible, courts must give full effect to all statutory provisions and construe related statutory provisions in harmony with one another.’ ”

For the foregoing reasons, the interpretation of Section 513(f) of O-91-44 suggested by the Auditor General is not supported by the accepted rules of statutory construction applied in Florida law.

- II) In order for the Auditor General’s Finding 1 to be meaningful, Fund 42 would have to actually be able to transfer money to the general fund. Money that is merely reflected as a “book asset,” but has no actual cash to back it up, would be of no assistance in balancing the general fund budget. For the following reasons, the values reflected in the “Unrestricted (Deficit)” line of the “NET ASSETS” section of the 2010 and 2011 CAFRs is either not in the form of funds available for transfer or is otherwise accounted for despite the “Unrestricted” heading.
- a. While the City has not yet created an OPEB Trust Fund (“OPEB Fund”), the requirement to provide for that fund is nonetheless a current obligation and Fund 42 must accrue funds in an available cash account to pay its liability and hold those funds until the OPEB Fund is created. Since no restricted funds are booked against the OPEB liability, it must be covered out of the unrestricted net assets. For the 2010 CAFR that reduces the amount available for transfer by \$7,617,000 and for 2011 by \$10,528,000.
 - b. Since any transfer to the general fund from Fund 42 must be covered by a current cash asset, in order to determine what might reasonably be available for transfer we must also consider other current demands against such funds. Currently payable obligations of Fund 42 include “Vouchers Payable” and “Accrued Wages and Leave”. As reflected in the 2010 CAFR these total \$2,817,000 and in the 2011 CAFR \$3,721,000. In addition, in accordance with the

November 2009 Rate Study, the water and sewer rates that were implemented (via Ordinances O-2009-36 & 37 for FY 2010 – 2014), were to fund, in addition to current operating expenses, \$203 million of a 5-year priority listed capital improvement program in keeping with the water and wastewater master plans. The excess RRI funding mentioned in the Auditor’s report was not truly excess funding, but rather a shift in how the \$203 million CIP was funded (See Table “3” below). The second planned bond issue (planned for September 2011) in the Rate Study was replaced with lower cost State Revolving Fund (SRF) loans and Renewal, Replacement and Improvement (RRI) and Sewer Reserve Capacity (SRC) cash funding. Table “4” below shows the projects originally scheduled with the second bond issue and how the funding was shifted to RRI, SRF and SRC. If this change had not been made, and we had gone forward with the \$37,300,334 FY 2012 Bond Issue, it would have added approximately \$35 million in additional interest costs to the program.

City of Hollywood, FL

Table 3

**Project Funding Sources Comparison
FY 2009 to FY 2013**

Funding Sources	Original Budget	Revised	Change
SRF	33,953,444	49,661,198	15,707,754
RRI	57,217,074	80,555,903	23,338,829
SRC	9,566,900	9,060,999	(505,901)
WRC	4,619,289	3,966,169	(653,120)
Grant	561,229	414,500	(146,729)
Sewer Replacement	1,622,341	1,677,588	55,247
ARRA Stimulus	2,550,000	1,524,039	(1,025,961)
Existing Bond	7,520,760	7,731,341	210,581
2010 Bond	48,645,937	48,645,937	-
2012 Bond	37,300,332	-	(37,300,332)
Total	203,557,306	203,237,674	(319,632)

City of Hollywood, FL
2nd Bond Funding Reallocation

Table 4

Project Name	Proj #	2nd Bond Budget	Reallocated To			Difference
			RRI	SRF	SRC	
Energy Master Plan	1306	-	300,000.00			300,000.00
Develop collection/transmission system hydraulic model	1600	493,500.00	93,500.00			(400,000.00)
Water Conservation Phase 2	3061	138,915.00	138,915.00			-
Water Conservation Phase 3	3063	57,881.00	57,881.00			-
DIW for MS/RO concentrate disposal	4031	15,406,657.00		14,636,364.00		(770,293.00)
Retrofit Train A	4230	1,680,000.00		1,760,700.00		80,700.00
HSP upgrades related to VFDs	4233	1,157,625.00	1,157,625.00			-
Distribution piping upgrades for short-term scenario	5104	718,819.00	718,819.00			-
Large Meter Replacement	5105	405,169.00	405,169.00			-
Water Distribution Upgrades at the North End of A1A	5106	578,813.00	1,130,063.00			551,250.00
Install US 441/State Road 7 Corridor sewer	7042	882,233.00	882,233.00			-
Install Dixie Highway Corridor Sewer	7047	327,910.00	-		327,910.00	-
Construct McKinley Street parallel interceptor	7059	394,369.00	394,369.00			-
De-grit Oxygenation Trains	7414	911,630.00	911,630.00			-
Replace PS E-02 pumps	8052	629,207.00	629,207.00			-
Replace PS E-02 and E-03 force main and ICW crossing	8524	1,792,875.00	1,792,875.00			-
Continue gravity system condition assessment and renewal/replacement (Level 2)	8528	1,215,506.00	1,215,506.00			-
I.W. System Upgrades	9078	752,456.00	752,456.00			-
Bar screens rehabilitation and repairs	9214	855,500.00	855,500.00			-
Influent pump station repairs	9302	17,364.00	17,364.00			-
Rehabilitation of Clarifier Nos.5-8 flow distribution box	9519	2,291,230.00	2,291,230.00			-
Sludge cake pumps replacement and miscellaneous repairs	9615	4,329,518.00	4,329,518.00			-
Effluent pump station - Gravity disposal system replacement and other repairs	9731	1,736,438.00	1,736,438.00			-
Switchgear, Cleaning and Recalibrating	9924	144,703.00	144,703.00			-
Mech Integrity Test	9931	382,016.00	249,271.00			(132,745.00)
Computer Control Sys (PLC) Upgr	9933	-	165,256.00			165,256.00
Maint-for WWTP and WTP		-	205,832.00			205,832.00
Total		37,300,334.00	20,575,360.00	16,397,064.00	327,910.00	-

Funding Alternatives	Revenue Bond	RRI-Cash	SRF - Loan	SRC - Cash	Total
30 year bond with level semi-annual P&I PMTS 5.5%	\$ 76,585,114.00				\$ 76,585,114.00
20 year SRF Loan with level semi-annual P&I PMTS 2.25%			\$ 20,452,707.00		
Total Cost of SRF Loan and Cash Funding			\$ 20,452,707.00	\$ 327,910.00	\$ 41,355,977.00
Savings in interest					\$ 35,229,137.00

A schedule is attached (Exhibit 1-I) that shows all the projects budgeted with RRI funds and the amount expended and contracted as of September 30, 2011. The projects not encumbered with contracts were awaiting design to be completed, bidding processes to be completed or they were awaiting sufficient RRI funds to be accumulated. We have attached a schedule (Exhibit 1-J) that shows the RRI projects with notations concerning their critical nature in meeting our Bond Ordinance requirement to properly maintain our water and sewer systems.

- c. Finally, as pointed out in Auditor General Finding 3, the Government Finance Officers Association (“GFOA”) recommends that entities such as the City’s Utilities Enterprise maintain a minimum reserve of 90 days of working capital. In fact, the same Bond Feasibility Report mentioned above, under tab 3 of the 2010 Bond Book, incorporates the 90 reserve as a management goal (see page C-20 of the Official Statement relating to the Series 2010 Bonds dated January 20, 2010, attached as Exhibit 1-K). According to the Rate Consultant, using the numbers reflected in the 2010 CAFR Fund 42, without any transfer out whatsoever, is only maintaining a 76 day reserve (and that includes the use of the Rate Stabilization Fund)!

III) Rating Downgrades – Based on the City’s prior experience, rating agencies are likely to downgrade the outstanding water and sewer revenue bonds of Fund 42 if transfers are made to

the GF that do not have a repayment obligation. In much the same manner in which bondholders are likely to litigate over such transfers, rating agencies are likely to take an unfavorable view of transfers which reduce the revenues available for operating, capital and debt service costs in the water and sewer utility system. The transfer of revenues out of Fund 42 has two negative effects on the creditworthiness of the City's outstanding water and sewer revenue bonds: a) less revenue available to cover debt service costs and b) fewer financial resources available to ensure the continuity of water and sewer operations. In their most recent rating report on the City's outstanding water and sewer revenue bonds (dated November 28, 2011), Fitch Ratings upgraded the bonds to "AA-" from "A+" (Exhibit 1-L). Under the heading of "Financial Performance Drives Upgrade", Fitch Ratings cited as a credit strength the availability of financial resources equal to 295 days of operations. The availability of such financial resources ensures that the City's water and sewer utility system can continue to meet its obligations even if the ability to bill rate payers is somehow impaired. A rating downgrade will increase the interest cost of future water and sewer revenue bond issues – resulting in the need for water and sewer rate increases to absorb the higher interest costs.

CONCLUSION:

If we look at the funds reflected in the 2010 CAFR (i.e. those that might have been available for transfer from Fund 42 to the general fund on September 30, 2010, which may have assisted in balancing the general fund budget for FY 2011 [the first time Financial Urgency was declared]), that the Auditor General suggests were available, we find a total of \$24,243,000. Deducting the amounts argued for above leaves \$3,819,000. Certainly not an insubstantial amount, but clearly nowhere near the amount of the budget gap that had to be closed in order for the City to avoid declaring Financial Urgency. For 2011, the CAFR numbers are as follows; \$34,900,000 asserted by the Auditor General to be available, less reductions of \$22,984,000, leaving \$11,916,000. Again, certainly a substantial number, but again less than one third of the amount needed to close the City's budget gap that year.

These calculations assume that any amount of money could have been transferred from Fund 42 to the general fund without a repayment obligation. As noted in point (I) above, the City remains convinced that no such transfer is, or could have been, permitted.

FINANCIAL CONDITION

Finding No. 2

General Fund Fund Balance

The Auditor General's report cites ineffective financial management and budget practices, but does not reference the change in leadership undertaken by the Commission which replaced the former City Manager and Budget Director and resulted in a restructured Department of Financial Services with direct oversight of budgeting processes.

The City's Fund Balance Policy, adopted in September 2011 as part of the reforms put in place following the City's declaration of financial urgency, does not require a formal plan to replenish fund balance reserves until such time when the fund balance would be drawn down. The policy specifically states, "If unrestricted fund balance reserves are *drawn down* below established targets, the City Manager will develop and submit to the City Commission a plan for restoring the level of unrestricted fund balance." The Auditor General's

report includes the City's response to this issue in which the City's Director of Financial Services states that "there is no plan for restoring the fund balance to the targeted level as the targeted level (17 percent) of reserves has not been reached and then drawn upon. The City's Fund Balance Policy requires a restoration plan only in the event that reserves are drawn upon." The City refutes the audit review committee's interpretation that "the fund balance policy does not support the Director of Financial Services' assertion." The plain language of the City's Fund Balance Policy simply does not require a plan for replenishment in the absence of a draw down on reserves.

The observations regarding the City's fund balance under Finding No. 2 are not new to the City. Information regarding fund balance within the City's General Fund has been included in budget presentations as far back as March 9, 2010. The City Commission was made aware that reserves were not available as a source of funding as part of the FY 2011 budget cycle. The City has expressed no intention of drawing upon reserves and over the past several fiscal years, the City Commission has taken the initiative in restoring the fund balance in the City's General Fund:

- During FY 2011, the City Commission approved two mid-year budget resolutions (Exhibits 1-A and 1-B respectively, R-2011-062 and R-2011-111) to reduce various operating expenditures (non-personnel expenditures) and increase reserves in the amounts of \$481,851 and \$2,105,201 respectively.
- The City raised the millage rate for FY 2012 to generate \$4.2 million in additional property taxes to assist in restoring the fund balance in the City's General Fund.
- Measures approved by the City Commission under financial urgency and more conservative budgeting practices turned a \$38.3 million budget gap for FY 2012 into a \$6.7 million budget surplus – resulting in the projected fund balance equal to 10.1 percent of expenditures (as compared to the prior year fund balance of 2.7 percent).

During the first public hearing September 12, 2012 for the approval of the FY 2013 budget, the Financial Services Director stated to the City Commission that the fund balance for the General Fund would be built up over the next several fiscal years through revenue surpluses and expenditure savings (statements made 10:00 minutes into the 42:00 minute public hearing).

The City's adopted Fund Balance Policy is reflective of the Government Finance Officer Association's recommended best practices. The recommendation under Finding No. 2 disregards the financial realities the City faces. As previously stated, the City intends to build up its reserves through revenue surpluses and expenditure savings over the next several years. The reduction in financial flexibility which would result from putting in place a plan that specifically earmarks money for fund balance is likely to exacerbate the budgetary challenges the City needs to manage over the next several fiscal years.

Finding No. 3

Water and Sewer Utility Fund Working Capital

The City's Water and Sewer Enterprise Fund is operating at a healthy, sustainable level with sufficient reserves to meet the commitments contained in bond documents for two months of expenditures (Exhibit 3-A). The Auditor General's findings No. 1 and No. 3 are conflicting. The City has demonstrated in its response to finding No. 1 that excess funds are not available in the Water and Sewer Fund to both maintain sufficient reserves as required by bond documents and to allow transfers to the General Fund. Additionally, any transfer of water and sewer resources to the City General Fund would diminish a credit strength noted in the most recent review of the City's water and sewer revenue bonds (Exhibit 1-L).

The City concurs with the Auditor General recommendation and has adopted a Working Capital Reserve Policy (Exhibit 3-C) consistent with the best practices of the Governmental Financial Officers Association for Enterprise Funds. The Department of Public Utilities has adopted this Working Capital Reserve Policy to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, to fund capital projects not included in the Water and Sewer Master Plans, to cover emergency repairs or maintenance repairs exceeding \$100,000 not covered by the City's insurance fund or operating budget and to reduce susceptibility to emergency or general unanticipated expenditures and/or revenue shortfalls not covered by the Utilities Rate Stabilization Account.

After the prior years' audited financial statements are issued, the policy requires the Department of Public Utilities to analyze the ending unrestricted net assets and designate a portion of the unrestricted net assets as a working capital reserve with the goal of maintaining a working capital reserve that will include, but not be limited to, 90 days of operating expenditures (based on the prior fiscal years' actual audited expenses). The working capital reserve can be used for current expenditures or any lawful purpose of Public Utilities. However, it is not to be used for transfers to the General Fund or any other non-Public Utilities Fund.

Finding No. 4

Unsustainable Wage and Pension Benefit Increases

In the initial paragraph of Finding No. 4, the Auditor General provides background on the GFOA best practices *on Sustainable Funding Practices of the Defined Benefit Pension Plans* with specific attention given to the GFOA's belief that governments should fund the full amount of their actuarially determined annual required contribution (ARC) and creates the impression that the City has not made its ARC. The City is required by Florida Statutes to fully fund the actuarially determined pension contributions as calculated in actuarial valuation reports for each of the three pension plans. The City has always met this requirement. In addition, Florida Statutes require that an actuarial valuation report be completed at least every two years for a pension plan. The City exceeds this requirement having undertaken yearly actuarial valuation reports for each of its three pension funds over the past ten years with the singular exception of 2004 in which an annual report for the police pension fund was not completed.

The lack of sustainability cited in the Auditor General's report has been an identified concern of the City for some time. Information concerning the City's pension plan contributions has been included in budget presentations over the past several fiscal years. The City Commission recognized the lack of pension plan sustainability and approved placing referenda before Hollywood voters in September 2011 to reform the City's three pension plans to increase sustainability.

Finding No. 4 recommends that the City adopt a funding policy for its defined benefit plans. This is done each year through the actuarial valuation reports completed for each of the City's pension plans. These reports provide for an amortization of the unfunded liability. The City's annual pension contribution to each of its three pension plans consists of two parts: a normal cost portion (current year portion) and a portion to amortize the unfunded liability.

The decrease in the funded ratio for the City's pension plans cited in the Auditor General's report has more to do with investment returns (i.e., widely fluctuating investment returns in the equity markets), than any other aspect (benefits, pension contributions, etc.) of the City's pension plans. It's also important to note, the steps the City has taken to increase employee pension contributions to assist in funding pension

benefits. These changes have been negotiated through the collective bargaining process with the unions representing these employees:

General Employees' Pension Plan

Fiscal Year 2009:

- Employees hired on or after 7-15-09 9.00%
- Employees hired before 7-15-09 7.00%

Fiscal Year 2010:

- Employees hired before 7-15-09 increased from 7.00% to 8.00%

Fiscal Year 2011:

- Employees hired before 7-15-09 increased from 8.00% to 9.00%

Police Pension Plan:

Fiscal Year 2008:

- Employee contributions increased from 8.00% to 8.50%

Fiscal Year 2011:

- Employee contributions increased from 8.50% to 9.25%

Fire Pension Plan:

Fiscal Year 2006:

- Employee contributions increased from 7.00% to 8.00%

The City will adopt the GFOA best practice titled *Sustainable Funding Practices of Defined Benefit Pension Plans*.

Finding No. 5

Financial Management and Monitoring

Midyear projections are not the only method used to keep City decision makers informed. In addition to midyear projections, decision makers within the City have been kept informed through presentations made as part of the budget process and through numerous Executive Sessions concerning labor negotiations. Although Florida Statutes (Sections 119.07(1) and 447.065(1)) prohibit the content of the Executive Sessions from being included as part of the City's response, briefings that included information on the City's finances, were provided to the City Commission on the following dates:

- Executive Sessions for FY 2010:
 - May 13, 2009
 - June 3, 2009
 - July 7, 2009

- Executive Sessions for FY 2011:
 - August 25, 2010
 - September 1, 2010
 - September 21, 2010

- Executive Sessions for FY 2012:
 - March 28, 2011
 - April 6, 2011
 - April 27, 2011
 - June 17, 2011
 - June 22, 2011
 - July 8, 2011
 - July 13, 2011
 - August 9, 2011

- During budget development for FY 2010, presentations were made on:
 - February 24, 2009 – Financial Retreat
 - June 23, 2009 – Budget Workshop
 - July 8, 2009 – Budget Workshop
 - September 14, 2009 – First Budget Hearing
 - September 21, 2009 – Second Budget Hearing

- During budget development for FY 2011, presentations were made on:
 - March 9, 2010 – Financial Retreat
 - July 21, 2010 – Budget Workshop
 - September 15, 2010 – First Budget Hearing
 - September 21, 2010 – Second Budget Hearing

- During budget development for FY 2012, presentations were made on:

- December 17, 2010 – Financial Planning Retreat
 - February 24, 2011 – Financial Retreat
 - July 7, 2011 – Budget Workshop
 - September 12, 2011 – First Budget Hearing
 - September 19, 2011 – Second Budget Hearing
- During budget development for FY 2013, presentations were made on:
- March 23, 2012 – Financial Retreat
 - July 10, 2012 – Budget Workshop
 - July 18, 2012 – Budget Workshop
 - September 7, 2012 – Budget Workshop
 - September 12, 2012 – First Budget Hearing
 - September 20, 2012 – Second Budget Hearing

By failing to acknowledge the list of reports and presentations indicated above, the Auditor General's Report creates the inaccurate impression that insufficient financial information has been provided to the City Commission. While the Auditor General's report cites a lack of financial monitoring, the report fails to acknowledge that financial monitoring by the Financial Services Department led to the City uncovering budget shortfalls in FY 2011 and subsequently to the declaration of financial urgency.

Over the past several fiscal years, more financial information was provided to the City Commission regarding the General Fund and such focus was appropriate given the financial condition of the City's General Fund. The financial condition of the City's General Fund was the primary cause of the City's declarations of financial urgency for fiscal years 2011 and 2012. The General Fund has the greatest impact on City residents and businesses—primarily through property taxes. The City Commission has only one opportunity per year to set the millage rate for the General Fund at the appropriate level for the upcoming fiscal year. Other City funds have greater flexibility in adjusting revenues over the course of a given fiscal year.

The Auditor General's report references the City initiated review of its budgeting processes by Munitytics, a municipal finance consulting firm, but only briefly mentions the City's acceptance of those findings or how the Munitytics report recommendations have been implemented. Many of the improper budget practices the Auditor General cites from the Munitytics report occurred in FY 2011. Those practices have been corrected in fiscal years 2012 and 2013. Further, this finding fails to mention that the City established a Revenue Estimating Committee in February 2012 to enhance revenue forecasting for the General Fund and prevent the types of mistakes made during the FY 2011 budget cycle.

The report does include the observation, although not legally required, that City staff identified a goal of providing monthly financial updates to the City Commission. As the report indicates, staff informed the City Commission that numerous obligations had prevented providing monthly updates and that the goal may have been overly ambitious. Current personnel levels limit the ability of the Financial Services Department to provide monthly updates. To meet the obligations of monthly financial reporting, the City would need to add two Senior Accountant positions at an estimated cost (including benefits) of \$184,400 to the City's General Fund.

Although available resources limit the ability to provide monthly financial statements to the City Commission, the City has taken many steps over the past several fiscal years to increase the transparency of

the City's finances by increasing the amount of financial information available on the City's website. The financial information available on the City's website includes:

- Comprehensive Annual Financial Reports (10 years)
- Adopted Operating Budget Books (9 years)
- Actuarial Valuation Reports (2 years)
- Pension Fund Financial Statements (2 years)
- Financial Snapshot (Current Financial Position of General Fund)
- Quarterly Investment Report
- Quarterly Delinquency Report
- Quarterly Report on Liens Waived or Voided

While the City does not concur with the Finding No. 5, the City does agree with the recommendation that future midyear projections should be presented to the City Commission (in addition to being distributed electronically).

Finding No. 6

Budget Preparation and Adoption

Several of the figures included on page 15 of the Auditor General's report are incorrect. The figure for General Fund in 2010-11 column should be \$9,162,755 (not \$9,234,246).

While the City does not concur with all portions of Finding No. 6, it does concur with certain portions of Finding No. 6 and agrees that budgeting practices implemented within the City's General Fund during fiscal year 2012 should be extended to other City funds.

Budgets for several of the City's funds are not tied to a specific fiscal year. These funds include project-oriented budgets that are more keyed to a grant or project period. Under present budget processes, the annual capital budget is adopted by the City Commission early enough in the fiscal year to be included in the printing of the adopted operating budget book. Despite this, in future budget development cycles, the City will attempt to include the annual capital budget as part of the City Manager's recommended budget in July. Inclusion of the capital budget in the City Manager's recommended budget will not eliminate the need for the rollover of capital projects at the beginning of each fiscal year. As previously stated, these capital projects are not always tied to an individual fiscal year.

Several of the Special Revenue funds included in Table 5 of the Auditor General's report were consolidated as part of the City's required implementation of GASB Pronouncement No. 54 in fiscal year 2011:

- The Housing Loan fund (fund 65) was consolidated into Special Programs (fund 11)
- The Hurricane Housing Relief fund (fund 67) was consolidated into Local Housing Assistance/S.H.I.P. (fund 64)

As a result, the Housing Loan fund (fund 65) and the Hurricane Housing Relief fund (fund 67) will no longer be presented as Special Revenue Funds in the City's Comprehensive Annual Financial Report ("CAFR") and will not need an annual budget adopted in future years.

The balances identified in Table 4 of the Auditor General's Report do not represent new revenue sources to the City. Many of the larger amounts within Table 4 (e.g., for the Water and Sewer Utility fund and the Insurance fund) are restricted for future capital projects and future insurance claims. Further, the balances for the City's General Fund fall under the minimum thresholds for reserves and as such are not available as

a funding source for recurring City expenditures. Given the restrictions on these funds, the statements in the AG Report characterizing the budget as a diminished financial management tool are inaccurate.

The City concurs with the Auditor General that prior budget practices need to be corrected. The City believes it has already corrected those prior budget practices within the General Fund and that the current budget practices of the General Fund need to be extended to other City Funds.

To implement this change, the City will reconcile balances within various funds during fiscal year 2013 using audited fund balance/net asset figures after completion of the fiscal year 2012 CAFR (estimated timeframe of April 2013). In addition, the City will include estimated fund balance/net asset amounts, as appropriate, in the fiscal year 2014 budget development cycle. The budgetary changes to be implemented will follow the model established in the City's General Fund during fiscal year 2012. As is currently done annually, the City will still need to adopt a rollover resolution (in the October/November timeframe) for grants and capital projects which are not aligned to a single fiscal year.

Finding No. 7

Bank Account Reconciliations

The City uses a wide variety of well-established financial safeguards to prevent fraud or misappropriation of funds, and has received clean yearly financial audits for the past 36 years. The City ensures segregation of duties among its cash handling staff which is a key accounting control in the handling of cash and in its bank reconciliation process. Additionally, the City utilizes anti-fraud services available through its banking institution to safeguard the City's checking and cash accounts from fraud or misappropriation. These services include the following: 1) "Positive pay" which systematically compares checks presented to the bank for payment to the City's issued-check files to detect serial numbers and dollar amounts that don't match which usually is a sign of fraud. The City is notified to review these exceptions and then instructs the bank to either reject or pay the check. The Positive Pay service has been successful on many occasions in thwarting criminal attempts to process fraudulent check payments against the City bank accounts; 2) ACH "fraud filter" which automatically stops any ACH debits presented (except those that are specifically authorized) against a particular bank account. The City can instruct the bank to automatically reject the debits, or can opt to review each ACH debit and decide whether any should be paid; and 3) "Payment Authorization" which prevents any checks from being paid against bank accounts that are used for concentration or depository purposes only, and not as checking accounts.

While the City concurs that the timeliness of its bank reconciliation process can be improved, it should be noted that other than timeliness of bank reconciliations, no other issues related to the bank reconciliation process such as lack of segregation of duties, unreconciled cash accounts, misappropriation of assets, potential fraud, etc. were identified by the Auditor General's audit staff in the course of their audit work.

Because of the time lag in receiving all reconciliation back up and reports from the bank, reconciliations are considered timely when prepared within two months after month end, except during year-end close out activity periods where this period for completion may be longer as noted by the auditors. During fiscal year 2011, the City was not able to make much improvement in this area due to staffing reductions brought on by budgetary cutbacks and increased demands on staff associated with the City's implementation of Financial Urgency under Florida Statutes Section 447.4095. The City is moving forward with the Auditor General's recommendation and is reviewing its processes and practices in this area to see how they can be streamlined and/or improved for greater efficiency and timeliness. The City will continue to focus on making improvements in this area within the staffing constraints currently imposed.

OTHER ADMINISTRATIVE MATTERS

Finding No. 8

Vehicle Maintenance and Fuel Usage

Departmental personnel have the ability to investigate and track fuel consumption and fluctuations by vehicle and by Department (see attached sample – Exhibit A). Additionally, Public Works on a daily basis tracks fuel usage in the tanks and documents readings off the pump dispensers (see Exhibit 8-A1). Also, on a daily basis the fuel management program sends polling results (documented information of all transactions) such as PINS successfully entered, usage of fuel, employee number, time and date, vehicle number, etc., from the “Fueling Trak” program via computer into the fuel management data system (see attached report Exhibit 8-A2). This is a check and balance system for all the information.

During the period covered by the Auditor General’s review and currently, the Department of Public Works uses the fleet management software called MCMS from Assetworks for programming, managing, tracking and monitoring vehicle maintenance for the fleet. This software enables Public Works Fleet personnel to schedule vehicles for regular and preventive maintenance. We track and document parts, costs, labor and various repairs through this program. We also track repairs and inventory via the work order system, invoices, purchase orders, and requisitions (see attached examples – Exhibit 8-B). We also rely on the current fleet management system to see when the last preventive maintenance occurred, and when the three month to six month preventive maintenance needs to occur per vehicle. Vehicles and equipment are placed on a preventive maintenance schedule based on historical information obtained through the MCMS software and based on historical data including frequency of use, type of use, and year, type and condition of the vehicle (see Exhibits 8-C – Recent Repair History, Exhibit 8-D – Calendars for both Police and General Fleet indicating dates/schedule for preventative maintenance).

The clerical specialist enters into the computer program the date schedule and calendar for the preventive maintenance per vehicle. (See Exhibit 8-D). After this calendaring is scheduled, the clerical specialist sends out notices via email to each Department and Division notifying them of the required scheduled date for the preventive maintenance on their particular vehicle or vehicles. (See Exhibit 8-D-1).

An issue that we have had is a problem in the documentation of mileage when certain City employees fuel up at the City yard fuel station. City staff may inadvertently enter the wrong mileage into the fuel system when fueling. Although the incorrect data is entered, the individual can still fuel their vehicle. To address this occurrence, fleet staff conducts checks of vehicles when they are repaired, and/or come in for preventative maintenance, and staff then manually corrects the mileage information in the system. The Fleet Management System and the Fuel Management System are two different software programs. There has been a technical software issue regarding mileage and the two systems entering different numbers for mileage on the same vehicle. When an employee fuels the vehicle on the next occurrence, the fuel system software can enter the incorrect mileage again, therefore, the mileage does need to be corrected again manually in the Fleet Maintenance System by staff. The City has tried to correct this mileage glitch in the two software systems, but has been unsuccessful. However, we also list the corrected mileage on the work order, vehicle repair tag and repair ticket. Therefore, we are manually correcting the problem. (See Exhibit 8-E).

The Department of Public Works is in the process of going out for bids on a new fleet management and fueling system software procurement that once installed, will eliminate this particular issue from occurring. The incorrect entries with the mileage issue in the fueling software does not, in any way, change the validity of the other information in the fleet management program and fueling software system or the City’s ability to depend upon those systems for reports and tracking. Also, we catch and correct the incorrect

information in the program as mentioned previously. In addition, a sticker is placed on the windshield of each vehicle when it comes in for preventative maintenance. On this sticker Fleet staff lists the current mileage and date on the vehicle, (Exhibit 8-E1) so this acts as another check and balance.

There is some manual scheduling for preventive maintenance that occurs, however it is also based on reports derived from the fleet management software, and the type, condition, year of vehicle, and use of vehicle are also considered and are in the system as well (see attached exhibits).

As previously mentioned, the City is in the process of obtaining a new automated fuel and fleet management software system. This program will enhance the efficiency of our tracking by eliminating the need to manually correct mileage or odometer reading issues. It will also prevent communication issues between the software systems since there will only be one system purchased for both programs under one company provider. This new fleet management and fueling software system does not rely on entry at the fuel pumps being accurate and can prevent such inaccuracies and prevent fueling of a vehicle as well. In addition, the new software programs will have a financial management component as well.

The City began looking into the purchase of a new fleet management and fueling software program in July 2012, because the City wanted a more comprehensive and automated system that would also incorporate a vehicle replacement fund, depreciation and financial component. The City also wanted a program that would retain fleet data over the life of vehicles, and not just the five year historical data, and would eliminate any mileage operator entry errors. We started this process prior to the Auditor's office beginning field work in the Public Works Department and we have met with various manufacturers, have evaluated various software programs, have worked on draft specifications, and are currently preparing the Request for Bids with Procurement and Financial Services. Additionally on July 18, 2012, the Financial Services Department, through a Budget Resolution, brought the software purchase before the City Commission for approval. We plan to have the program purchased, installed, data entered and staff trained making the system fully operational in the next three or four months.

Finding No.9 Public Records

Florida Statutes do not dictate a policy or procedure for the recording or approval of minutes. They simply require that minutes be recorded. The City's current procedures are in full compliance with State Statutes and the recommendations of the Government in the Sunshine Manual.

The City concurs with the Auditor's finding that Regular Commission Meeting minutes from March 2011 through January 2012 were approved not as promptly as they had been historically. However, it should be noted State Statutes do not require minutes be formally approved, nor do they establish any time frame for the approval of minutes. Although not required law, within 24 hours of a City Commission meeting or workshop, staff makes available to the public via the City's website, "agenda results" along with the video and audio recordings of the meeting. Staff does this as the public has indicated the actual recording of the meeting is the most useful to them. This probably also explains the fact that the City Clerk's office does not receive regular public records requests for meeting minutes. In addition, the City updated its video streaming and capturing software in August 2012 allowing for better clarity of viewing, as well as the ability to download MP4 video files to various devices available on the market.

The audit findings refer to the Government-in-the-Sunshine Manual (2011) Part I, Section C.1 and Part I, Section D. Part I, Section C.1, addresses the number of board members required to be present at a meeting for the Sunshine Law to be applicable (Exhibit 9-A). City Clerk staff concurs that any gathering, whether formal or casual, of two or more members of the same board or commission to discuss some matter on

which foreseeable action will be taken by the public board or commission is subject to the Sunshine Law. This is why all meetings of the City Commission, including workshops and retreats, are posted on the Sunshine Board and the City Clerk, or designated staff, attends the meetings to record the minutes.

Part I, Section D, actually is addressing what types of discussions are covered by the Sunshine Law, informal discussions, and workshops (Exhibit 9-B). City Clerk staff concurs the Sunshine Law specifically applies to informal discussion and workshops, again, this is why all meeting of the City Commission, including workshops and retreats, are posted on the Sunshine Board and the City Clerk, or designated staff, attends the meetings to record the minutes.

The City's current processes related to meeting minutes exceed the requirements of state law in that all minutes of meetings in which formal action of the Commission is taken are presented to the Commission for formal approval. The City Clerk concurs that this approval process could be completed more expeditiously. A part of the delay in the recent past can be attributed to the City's financial condition which necessitated the reduction in personnel; as a result the City Clerk's Office workforce was reduced 27%.

To address the Auditor General's recommendation, the City is researching whether resources are available to hire additional staff and what guidelines or procedure enhancements may be necessary for finalizing meeting minutes. The City Clerk's office is also continuing to work diligently to expedite and complete in final format those minutes which will be presented to the City Commission for approval.

Hollywood Community Redevelopment Agency

BUDGET PREPARATION

Finding No. 10 Budget Preparation

This finding, as outlined in the Audit General's report, misconstrues the total fund balance number which makes it seem as though the CRA has more money "available" than is actually represented as audited by independent auditors. The report states, "For the 2010-11 fiscal year, the CRA did not include \$36,478,475 and \$2,341,197 available from the 2009-10 fiscal year for the Beach Community Redevelopment Fund (Beach District Trust Fund) and Downtown Community Redevelopment Fund (Downtown District Trust Fund), respectively. For the 2011-12 fiscal year, the CRA did not include the \$34,242,905 available from the 2010-11 fiscal year for the Beach District Trust Fund." This is not an accurate finding. These totals are represented in our Comprehensive Annual Financial Report (CAFR) balance sheet listed as the "Total Fund Balance". What the Report fails to acknowledge is that those funds are all listed in the CAFR as reserved for debt service, grants and special programs, capital improvement program (CIP) and real estate held for resale (Exhibit 10-A).

The CRA Board approves the adopted budgets by Resolution each year pursuant to State Statute. A capital improvement plan is brought forward in an open public meeting annually which outlines the amount of funding available and where those funds will be expended (Exhibit 10-B). It is inaccurate to surmise that by not including available balances brought forward during the initial budget approval, there is a lack of transparency.

The CRA refutes the use of the phrase "contrary to law" in the Auditor General's findings. Any violation of law would have been flagged by our own independent auditors. We acknowledge that the State Statute states "the total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves." However, it's important to note the State Statute does not expressly define balances brought forward. In fact, Section 189.418(3), Florida Statute, was amended effective October 1, 2011 changing the words from "amounts carried over" to "balances brought forward." The CRA has interpreted balances brought forward to mean those funds that are unreserved. Based on the CAFR, the total fund balance as shown is listed as reserved. Further, significant portions of the funds are contractually obligated and therefore cannot be construed as available. Although balance sheets simply state the amount of the asset/liability with no explanation and are finalized six months after approval of the CRA Budget, any balance brought forward would simply be an estimate of past revenue that is expended as part of the CIP.

Additionally, the CRA financial audits performed by an independent auditor are finalized by March 31 of each year. The CRA provides an annual report by March 31 of each year to the Governing Body (City Commission) and in the annual report it is stated that the numbers are preliminary unaudited. In the September 30, 2011 preliminary unaudited balance sheet located in our annual report it is specifically noted that "Investments at fair value represent funds on hand, where a significant portion of the funds have been designated for non-bond related capital improvement projects and/or obligations as outlined in the CRA Capital Improvement Plan approved by the CRA Board on June 1, 2011 pursuant to R-2011-27" (Exhibit 10-C). This estimate outlined in the annual report is not known at the time of budget approval. These numbers are finalized by independent outside auditors and included in the CAFR. Six months prior to the finalization of the audit report, the CRA pursuant to Florida Statute 189.418(3) is required to adopt a budget by resolution each fiscal year. This occurs prior to the beginning of each fiscal year.

Any funds remaining in the trust fund at the end of the fiscal year do not get used for operational purposes unless specifically rolled over for previously approved or committed projects from the previous fiscal year. Therefore, they are not considered as part of budget preparation or as part of the balance brought forward as revenue. All remaining funds continue to be an investment at fair value as part of the balance sheet and get rolled over or designated as outlined in the CIP. The CRA will seek to better define what constitutes balances brought forward and will take every step to make sure this is outlined and included in some method as the CRA budget is approved each fiscal year.

USE OF CRA FUNDS

Finding No. 11

CRA Plans and CRA Expenditures

The CRA refutes the finding that CRA expenditures were not in accordance with law or the approved CRA plans. The CRA, like all CRA's statewide, does not believe the law requires all expenditures to be specifically referenced verbatim in the plan. The CRA has relied on a multi-pronged approach when meeting the test of appropriate expenditures which is an accepted and common practice within redevelopment districts:

- Does it meet the definition of "Redevelopment" as defined in Section 163.340(9) as undertakings, activities, or projects in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, the reduction or prevention of crime; for the provision of affordable housing; or the rehabilitation and revitalizations of coastal resort and tourist areas that are deteriorating and economically distressed and is the objective in the plan.
- Does it meet and support the vision and mission of the Redevelopment Agency?
- Does it meet one of the Redevelopment Objectives as laid out in the plan? (Exhibit 11-A)
- Is the concept in the Redevelopment Plan?

The Auditor General's Report additionally suggests that the Hollywood CRA amend the Redevelopment Plan for the Beach and Downtown. It should be noted that there is no requirement for the redevelopment plans to be amended pursuant to Chapter 163 or any other applicable laws. The Florida Redevelopment Association, which has no governing power, only recommends that plan be updated every five years. The process for amendment of such plans is outlined in Florida Statute 163.361. The CRA Board, at the urging of its Executive Director, set forth on a goal setting process in February 2011. The CRA Board selected as its third (3rd) highest priority, "to revise and amend the Redevelopment Plan" and finalized the goal setting documents in October of 2011 (Exhibit 11-B). Staff is currently researching and working towards the amendment of each plan. Since the redevelopment plan was referenced in Auditor General's findings the clarification for each expenditure is as follows:

Community Policing Innovations \$1.5 Million

Community Policing Innovations are clearly an approved expenditure if provided for in the plan and it is true that the CRA does not specifically have community policing innovations outlined in the plan. However, the CRA pays for an enhanced level of police service over and above normal police zone patrols in both districts. It is not considered community policing based on the Statute, rather these enhanced officers are in addition to normal patrols and are necessary expenses that are incidental to the implementation of the plan as allowed pursuant to State Statute.

The expenditures are for enhanced police services for the Beach (1 sergeant and 8 officers) and Downtown (1 sergeant and 3 officers). The Hollywood Police Beach Unit provides bicycle, T-3 and ATV patrols of the beach Broadwalk and sand areas from 7 a.m. through 2 a.m. seven days per week. Downtown officers provide directed patrol in the Downtown Hollywood District to include the ArtsPark at Young Circle from 7 a.m. through 4 a.m., and adjust their schedules as the need for police services dictates. Downtown officers place special emphasis on quality of life issues such as vagrancy, public drunkenness, prostitution and street level drug dealing. Included in this cost are the salaries, benefits, including pensions, vehicles and all operating costs. The City of Hollywood pays for the normal baseline police services in existing zones, the CRA provides for an enhanced police presence to augment what is normally provided.

As mentioned before, although the CRA redevelopment plan does not specifically have a community policing strategy, the premise of ensuring a safe environment to redevelop is at the core of the redevelopment agency's mission. Pursuant to the Statute, funds used as part of the Plan for purposes of redevelopment are not limited to what is listed below.

State Statute also states:

(6) Moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.

Hollywood Station Incentive

The CRA maintains that this expenditure is consistent with the agency's Downtown District CRA Plan. Pursuant to the Development Agreement dated June 16, 2004 among the City of Hollywood, the Hollywood CRA and Hollywood Dixie Associates, the developer would build for sale condominium units with parking and retail and in exchange the CRA would provide a cash incentive with the development of the phase I project. On June 17, 2010 the CRA entered into a First Amendment among the City of Hollywood, the Hollywood CRA, PB Hollywood 1, Hollywood Station LLC and PB Hollywood II Lofts, LLC. Since PB was the successor in interest in the project the CRA would be required to pay the incentive to PB in the amount of \$300,000 per year for eight consecutive years.

New development and redevelopment of blighted sites is at the core of what a CRA encourages. The Downtown redevelopment plan has subdistrict policies, and although this development is not located in the "Redevelopment Target Area" as contemplated in the plan, it is very clearly within the CRA District. Page

29, subsection 7 of the Downtown plan is entitled “Redevelopment Outside the Target Area,” and specifically states that substantial redevelopment should not be precluded from occurring in other areas of the district (Exhibit 11-C). It further states, “in fact, it is hoped that the initiative taken by the City within the Redevelopment Target Area would generate additional investor interest and development opportunities in those other subdistricts.” The redevelopment of this site and the associated incentives are proper pursuant to our Redevelopment Plan.

Capital Improvement Plan Operating Support

The Beach District transferred \$2,000,000 to the Central Services Fund (Fund 57) for the operating support provided by the Design and Construction Management team, including salaries and benefits, to project manage our Capital Improvement Program. Since 2006, the CRA has benefitted from high quality professional services at a better rate than industry standards. Contracting with the City is no different than hiring an outside contractor for these services.

Although the City’s budget narrative states that this was to pay the costs of City personnel in support of both districts, records show that at year ending September 30, 2011, capital improvement expenditures made did not necessitate the services of Design and Construction Management. Conversely, the Beach district has invested millions of dollars in beach projects and utilized the services of Design and Construction Management.

Enhanced Maintenance Program

The CRA had been paying a portion of the salaries of the City’s part-time employees working to clean the downtown area. In 2011, it was determined that they would no longer be providing the service and that the CRA would hire a private firm to provide supplemental maintenance to what the City was providing. The City now continues to provide the baseline level of service at no cost to the CRA, while the CRA contracts and directly funds a supplemental maintenance program.

Hollywood Office of Tourism

The report states that the Beach District Plan did not specifically provide funding for an office of tourism, advertising or cruise line marketing program. As mentioned previously, state statutes governing community redevelopment agencies do not require the exact words being in the plan, rather we make sure it meets the definition of redevelopment, it meets the vision and mission of the Agency and it meets one of the Redevelopment Objectives of the Plan. In fact, two (2) of the twelve (12) Redevelopment Objectives outlined in the Plan specifically recognize Tourism.

- To enhance Hollywood Beach as a tropical destination;
- To re-establish tourism as a vital industry in Hollywood Beach.

Further, pages 38-40 of the Redevelopment Plan (Exhibit 11-D) provide the basis for promoting a variety of tourist activities targeted at a diversified market. The CRA works to protect and grow Hollywood Beach’s share of destination travel and does so through integrated sales, marketing and advertising programs that drive visitation to and within Hollywood. Strategic, integrated and targeted campaigns are the cornerstone of the CRA’s efforts for maximizing market share. This integrated strategy also includes online, web and print promotions. Media objectives reinforce brand awareness of Hollywood Beach; target niche markets (couples considering destination weddings, cultural arts enthusiasts, ecotourists); create preference for Hollywood’s downtown and beaches by targeting various key markets (those arriving by air; the drive market interested in downtown/beach destination within driving distance; vacationers extending cruise vacation and local Hollywood / tri-county residents); and drive traffic to Hollywood CRA’s tourism website.

The report seems to suggest that through the Hollywood Office of Tourism, the CRA is paying for the benefit of the entire City. As a dependent special district, the CRA resides within the City of Hollywood. The Beach is the single most significant reason visitors come to Hollywood and Page 17 of the Plan outlines Redevelopment Objectives that speak directly to Tourism including the enhancement of Hollywood Beach as a tropical destination and re-establishing tourism as a vital industry. If the City of Hollywood and every business within the City excel due to the promotion of the Beach, it makes for a stronger tax base for the Beach District.

Chamber of Commerce Agreement

The CRA had entered into an Agreement with the Chamber of Commerce to provide business representation, tourism, business and economic development seminars, creating business friendly programs, creating an educational program and print and post an online directory. These services were provided for the benefit of promoting CRA objectives within the district to business owners and to those outside who wanted to relocate or move into the CRA. After the 2011 agreement for services ended, the contract was not renewed.

Finding No. 12 CRA Salary and Other Expenditure Allocations

It should be noted that the CRA spends less than 10% of its' total expenditures on Administration. This finding does not suggest any violation of State Statutes or redevelopment plans; rather it is a difference of opinion on how to allocate salaries. The audit review team suggests that the CRA should use time records to determine amount of time spent between downtown and beach related activities for internal staff. While this is one way to allocate salaries, it is not the way the agency has chosen to make this allocation. The method currently utilized by the CRA is just as efficient and balanced.

To maximize efficiency, the Agency's staff provides services for both districts. Upon the recent merger of staff, it was determined that the easiest and most effective measurement to delineate services was to use a measurement that could be tracked on a global scale. As one Agency, the total amount of revenues received in any given year, has been rounded to approximately 80% beach revenues to 20% downtown revenues. Salaries for those employees who work specifically for one district are paid from that district (e.g. beach maintenance personnel are paid 100% from the beach.) All other CRA employees who work for both districts are paid based on an 80% (beach) and 20% (downtown) ratio. This ratio was determined based on the approximate revenues generated by each district. Although, there is annual fluctuation, the percentage is always roughly at the 80/20 split.

This merger of the administration of the districts, was directed by the CRA Board to more effectively and efficiently manage the CRA organization utilizing the economies of scale. Office space, copy machines, office supplies, telephone services, computer services, etc. are also charged this way. The measurement is predictable and can be utilized easily to reflect the appropriate cost. It would be virtually impossible to determine and predict prior to budget approval, a time record keeping method for staff and services. This would create uncertainty in the budget process since presumably the impact to salary allocations would not be known until year end.

The report also suggests that the time record method should be used by those City agencies that provide administrative staff time for CRA services. As described previously it was determined that this method of payment was the easiest and most effective measurement to delineate services. Although, the services were outlined many years ago and the amounts were agreed upon, we concur that an interlocal agreement for the purpose of providing services and establishing reasonable parameters for these services should be entered into between the City and CRA; however, we disagree that a time record method should be utilized. Many

of the administrative services provided by the City of Hollywood would be difficult to track using the suggested method.

The only difference would be in the design and construction management and police disciplines. The City has purchased project tracking software that can be utilized when the design and construction management staff work on specific projects. Through an Interlocal Agreement, staff can agree on a cap and then transfer funds at year end.

Finding No. 13

Ending Balance in CRA Trust Funds

The report states that all funds have been properly appropriated as approved on the five year Capital Improvement Program with a majority of the funds currently available being originally committed back in 2006 for the Ocean Village at Hollywood Beach project that did not materialize and have since been re-obligated to Margaritaville. Had either of these projects moved forward in a timely manner, this finding would not have been made.

It should be noted that in 2006 the City of Hollywood, CRA and Ocean Village at Hollywood Beach entered into a binding contract to develop the Johnson Street site. The CRA had agreed to fund the construction of a 1,500 space parking garage and pay for public improvements on the site. This amount would have easily exceeded what was in the “fund balance” at the time, and we would have likely needed to borrow additional funds to cover the costs associated with this project. Since it didn’t move forward, and the Agreement was terminated in 2009, the City and CRA immediately issued a new RFP for a project on this site. All Ocean Village development project obligated funds would have then fallen back into the fund balance and been re-pledged to the CIP program.

\$15 million of these funds were set aside upon the contractual obligation in 2011 with Margaritaville Hollywood Beach LLC, to work with the City and the Developer on the development of a new project. An additional amendment approved by the CRA Board has now allocated \$23 million towards this project over the next two years. These funds have been rolled over yearly as they are already approved pursuant to CRA Board action and are reserved for this purpose. These funds will be fully expended upon construction of the project. If the project does not move forward, these funds will be utilized toward further implementing other CRA projects as identified in the CIP.

It is our intent and has been our intent to spend these funds for this redevelopment purpose as soon as the developer is ready to commence construction based upon the approved schedule and contractual obligations. This entire balance will be expended within the next two years to construct Margaritaville, the Phase III Underground Utilities and streetscape project, and a parking garage on City-owned land on the beach. The majority of funds that remain unexpended are contractually obligated to be expended.

The CRA has based its plans on realistic goals and time frames; however when third parties are involved sometimes projects take additional time. Florida Statutes do not provide for contingencies when moneys in the trust fund are approved, contractually obligated but not yet spent based on the time frames allowed. There is no intent by the CRA to continue to build reserves for the sake of building reserves. It is clearly the CRA’s intent to use the majority of these funds to partner with a Developer to utilize City-owned land for a major redevelopment site that will be a catalyst for additional redevelopment and will provide for significant tax revenue for the taxing authorities when the CRA expires.

Local Government Financial Reporting – Materials Provided

1. **Summary:** Local Government Financial Reporting Requirements and Enforcement Authority Related to the Joint Legislative Auditing Committee and Action Taken
2. **Lists of Non-Filers:** Local Governments Not in Compliance with Financial Reporting Requirements
 - List 1: Municipalities (*staff recommends type of action*)
 - List 2: Special Districts (*Independent & Dependent; staff recommends action*)
 - List 3: Special Districts (*staff recommends a delay of action until a specified date*)
 - List 4: Special Districts (*staff recommends an indefinite delay of action*)
3. Notification from the Auditor General and the Department of Financial Services
4. **Florida Statutes:** related to Local Government Financial Reporting
 - s. 11.40(2) (Legislative Auditing Committee)
 - s. 189.421 (Failure of District to Disclose Financial Reports)
 - s. 189.4044 (Special Procedures for Inactive Districts)
 - s. 218.32 (Annual Financial Reports)
 - s. 218.39 (Annual Financial Audit Reports)

Local Government Financial Reporting
Summary of Requirements and Enforcement Authority
Related to the Joint Legislative Auditing Committee and Action Taken

The Joint Legislative Auditing Committee (Committee) has the authority to enforce penalties against local governmental entities that fail to file certain reports, including an annual financial report and an annual financial audit report.

Annual Financial Report (AFR)

- All counties, municipalities, and independent special districts¹ were required to file an AFR with the Department of Financial Services (DFS) for FY 2010-11 no later than 9 months after the end of the fiscal year (June 30, 2012, for most entities)² [s. 218.32(1), F.S.]
- Dependent special districts are also required to file an AFR, but they may be required to file the report with their county or municipality rather than with DFS [s. 218.32(1)(a) & (b), F.S.]
- Either staff of the entity or a certified public accountant may complete the AFR; specified staff of the entity are required to complete the certification page
- DFS notifies the Committee of the entities that have failed to file the AFR [s. 218.32(1)(f), F.S.]
- Committee staff monitors the submission of late-filed AFRs and contacts all entities that continue to be non-compliant³
- DFS will assist entity staff in completion of the electronic AFR once the entity has the information needed
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

Annual Financial Audit⁴ (audit)

- The following table shows the audit requirements for counties, municipalities, and special districts [s. 218.39(1), F.S.]:

Type of Entity	Audit Requirement
Counties	Annual audit required
Municipalities – Revenues or expenditures over \$250,000	Annual audit required
Municipalities – Revenues or expenditures between \$100,000 and \$250,000	Audit required if an audit has not been provided for during the previous two fiscal years
Municipalities – Revenues or expenditures below \$100,000	No audit required
Special Districts – Revenue or expenditures over \$100,000	Annual audit required
Special Districts – Revenue or expenditure between \$50,000 and \$100,000	Audit required if an audit has not been provided for during the previous two fiscal years
Special Districts – Revenue or expenditures below \$50,000	No audit required

¹ As of February 7, 2013, the Department of Economic Opportunity’s website lists 1633 active special districts; 993 are independent and 640 are dependent. A dependent special district has at least one of several characteristics including: the governing board is the same as the one for a single county or single municipality or its governing board members are appointed by the governing board of a single county or single municipality. An independent special district has no dependent characteristics.

² All counties, municipalities, and most special districts follow a fiscal year of October 1st to September 30th.

³ Committee staff notify each entity that has failed to file an AFR. Correspondence is sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the AFR requirement and possible penalty.

⁴ The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects.

- Audit reports for FY 2010-11 were required to be filed with the Auditor General no later than 9 months after the end of the fiscal year (June 30, 2012, for most entities) [s. 218.39(1), F.S.]
- Audits must be conducted by an independent certified public accountant (CPA) retained by the entity and paid from its public funds [s. 218.39(1), F.S.]⁵
- If an entity has not filed an AFR, the Auditor General may not have sufficient information to determine if an audit was required
- After June 30th, the Auditor General sent a letter to all entities that either *were* or *may have been* required to provide for an audit and file the audit report with the Auditor General but have failed to do so
- The Auditor General notifies the Committee of the entities that have failed to file an audit report [s. 11.45(7)(a), F.S.]
- Committee staff monitors the submission of late-filed audit reports and contacts entities that continue to be non-compliant⁶
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

Committee Hearings: Authority and Action Taken

- The Committee is authorized to take action, as follows, against entities that fail to file an AFR or an audit report [s. 11.40(2), F.S.]:

Type of Entity	Penalty
Counties and Municipalities	Direct the Department of Revenue (DOR) and DFS to withhold any funds not pledged for bond debt service satisfaction which are payable to the entity until the entity complies with the law. ⁷ Withholding begins 30 days after the agencies have received notification.
Special Districts	Notify the Department of Economic Opportunity (DEO) to proceed pursuant to provisions of ss. 189.4044 or 189.421, F.S. If no registered agent information is available, the department may declare the special district to be inactive after public notice is provided in a local newspaper. Otherwise, within 60 days of notification, or within 60 days after any extension the department has provided as authorized in law, the department files a petition for writ of certiorari in Leon County circuit court to compel compliance.

- During the years 2009 through 2011 the Committee directed action against a total of 49 municipalities and over 160 special districts. Most of these entities filed the required reports either by the date Committee staff was directed to notify DFS, DOR, or the Department of Community Affairs (DCA)/DEO, as applicable, or within the timeframe the state agencies had to commence with action once notified by the Committee.⁸ When the required reports are filed prior to the effective date of the action, revenue is not withheld (counties, municipalities) and legal action does not occur (special districts).
- As a result of the Committee's action in the past three years, revenue has been withheld from nine municipalities, six special districts were declared inactive, and a petition was filed in court against 12 special districts.

⁵ The Auditor General may conduct a financial audit of a local governmental entity, either under his own authority or at the direction of the Committee. If this occurs and the entity is timely notified, the entity is not required to engage a private CPA to conduct an audit. The Auditor General conducts very few audits of local governmental entities. Generally, if an audit is conducted it is an operational audit, not a financial audit.

⁶ Committee staff notify each entity that has failed to file an audit report. Correspondence is sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the audit requirement and possible penalty.

⁷ To date, the Committee has not taken action against any county. All counties have filed the required reports by the dates of the Committee hearings. The Committee has directed DOR and DFS to withhold revenue from a number of municipalities. DOR withholds Municipal Revenue Sharing and Half-Cent Sales Tax funds from municipalities that would otherwise receive these funds. Municipal Revenue Sharing funds are restored to the municipality if the municipality files the required report(s) prior to the end of the state's fiscal year. Half-Cent Sales Tax funds are redistributed and are not available to be restored to the municipality once a distribution is made. DFS has withheld grant funds from some municipalities. These funds are released to the municipality once the required report(s) are filed.

⁸DCA no longer exists; this function is now handled by DEO. DFS and DOR are provided 30 days and DEO is provided 60 days to commence with action.

LIST 1:
MUNICIPALITIES

	Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Mayo, Town of (Lafayette)	5	7	FY 2010-11 AFR	FY 2010-11 audit report was submitted to Auditor General's Office on 6/28/2012. No response received to 11/15/2012 letter.	Take action by 2/20/13
2	Montverde, Town of (Lake)	11	32	FY 2010-11 AFR and Audit Report	Per town staff on 2/6/2013, audit has been completed, and audit report is being bound. Reports expected to be submitted as soon as audit report is received (delayed due to unusual and extenuating circumstances at Town).	Take action on 3/30/2013 if not received
3	Noma, Town of (Holmes)	1	5	FY 2010-11 AFR and Audit Report	Per correspondence received from Town Clerk on 2/7/2013, audit is in progress. Checking with auditor regarding expected date that audit report will be issued.	Take action on 3/30/2013 if not received
4	Weeki Wachee, City of (Hernando)	11	44	FY 2008-09 Audit Report	City has not responded to any correspondence sent.	Continue action

LIST 1:
MUNICIPALITIES

	Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
5	Westville, Town of (Holmes)	1	5	FY 2010-11 AFR and Audit Report	<p>Per correspondence received from Town Clerk <u>on 1/25/2013</u>, they are waiting on financial reports from CPA firm and will try to get it expedited as soon as possible.</p> <p>Per telephone conversation with CPA firm <u>on 2/11/2013</u>, they have not been engaged to perform an audit for FY 2010-11. Last contact they had with Town staff was in August 2012; Town had hired a bookkeeper to input transactions in accounting system.</p>	Take action on 3/30/2013 if not received

LIST 2:
SPECIAL DISTRICTS
(INDEPENDENT)

[NOTE: (1) CDD boundaries are often difficult to determine. Therefore, for most CDDs listed, all House and Senate districts for the county in which the CDD is located are listed.]

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Baker Fire District (Okaloosa)	2	3	FY 2009-10 Audit Report	FY 2010-11 audit report was submitted to Auditor General's Office on 11/14/2012. DEO has an open court case against District relating to FY 2009-10 audit. District mistakenly thought that audit required for court case was FY 2010-11 and had CPA firm perform an audit for that year. District has requested that the Committee allow audit requirement for FY 2009-10 to be waived, since an audit for FY 2010-11 was performed.	Discontinue action relating to FY 2009-10 audit report
2	Bermont Drainage District (Charlotte)	26, 28, 30	75	FY 2010-11 AFR and Audit Report* (if audit threshold met)	No response received to 11/15/2012 letter.	Take action by 2/20/13

LIST 2:
SPECIAL DISTRICTS
(INDEPENDENT)

[NOTE: (1) CDD boundaries are often difficult to determine. Therefore, for most CDDs listed, all House and Senate districts for the county in which the CDD is located are listed.]

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
3	Children's Services Council of Alachua County (Alachua)	7	10, 20, 21	FY 2010-11 AFR	Received letter from County Attorney's office in December 2012 stating that Council has been inactive since its creation in 2002. He plans to seek approval from Alachua County BCC to implement procedures in s. 189.4044, F.S., to declare the Council inactive and rescind the ordinance that created it.	No action
4	Duval Soil and Water Conservation District (Duval)	4	13, 14	FY 2010-11 AFR and Audit Report* (if audit threshold met)	No response received to 11/15/2012 letter.	Take action by 2/20/13
5	Hollywood Beach CDD 1 (Broward)	33	100, 101	FY 2010-11 AFR and Audit Report* (if audit threshold met)	No response received to 11/15/2012 letter.	Take action by 2/20/13
6	New River CDD (Pasco) [independent special district - created by Pasco County]	17, 18	36, 37, 38	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report;	Correspondence from District's registered agent on 9/7/ 2012 re: status of financial reports stated that they were expected to be submitted by 12/31/2012. (Note: Committee directed DEO to take state action regarding FY 2009-10 reports on 7/9/2012.)	Take action on FY 2010-11 financial reports by 2/20/13

LIST 2:
SPECIAL DISTRICTS
(INDEPENDENT)

[NOTE: (1) CDD boundaries are often difficult to determine. Therefore, for most CDDs listed, all House and Senate districts for the county in which the CDD is located are listed.]

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
7	Pembroke Harbor CDD (Broward)	36	104	FY 2010-11 AFR and Audit Report	Per District manager on 8/13/2012 to DEO, audited financial statements expected by 9/30/2012. No response received to 11/15/2012 letter.	Take action by 2/20/13
8	Polk Soil and Water Conservation District (Polk)	21	56	FY 2010-11 AFR and Audit Report* (if audit threshold met)	No response received to 11/15/2012 letter.	Take action by 2/20/13
9	River Bend CDD (Hillsborough)	24	58	FY 2010-11 AFR and Audit Report	Received e-mail on 9/7/2012 from District's registered agent with letter attached re: status of AFR and audit report. Expected to be submitted to by 10/31/2012 No response received to 11/15/2012 letter.	Take action by 2/20/13
10	RiverPark CDD (Hillsborough)	17, 19, 22, 24, 26	57, 58, 59, 60, 61, 62, 63, 64, 70	FY 2010-11 AFR and Audit Report	No response received to 11/15/2012 letter.	Take action by 2/20/13

LIST 2:
SPECIAL DISTRICTS
(INDEPENDENT)

[NOTE: (1) CDD boundaries are often difficult to determine. Therefore, for most CDDs listed, all House and Senate districts for the county in which the CDD is located are listed.]

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
11	South Fork East CDD (Hillsborough)	19	57, 59, 60	FY 2010-11 AFR and Audit Report	Received e-mail on 9/7/2012 from District's registered agent with letter attached re: status of AFR and audit report. Expected to be submitted to by 10/31/2012 No response received to 11/15/2012 letter.	Take action by 2/20/13
12	Wakulla Soil and Water Conservation District (Wakulla)	3	7	FY 2010-11 AFR and Audit Report* (if audit threshold met)	No response received to 11/15/2012 letter.	Take action by 2/20/13

LIST 2:
SPECIAL DISTRICTS
(DEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	City of Perry Community Redevelopment Agency (Taylor)	3	7	FY 2010-11 Audit Report	CRA reported to DEO as a special district in summer of 2012, although it's been in existence since 1993; CRA has been included in City's financial statements as part of General Fund and audited as such, rather than reported in a separate fund.	No action
2	Winter Park Housing Authority (Orange)	13	47	FY 2010-11 AFR	No response received to 11/19/2012 letter.	Take action by 2/20/13

LIST 3:
MUNICIPALITIES AND
SPECIAL DISTRICTS

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Caryville, Town of (Washington)	1	5	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report; FY 2008-09 AFR; FY 2006-07 AFR; FY 2004-05 AFR	<p>CPA firm is currently working to complete audit for FY 2009-10 – have had some issues with poor recordkeeping.</p> <p>Per conversation with CPA firm <u>on 2/11/2013</u>, draft audit report was sent late last week to Town. Report on financial statements includes major qualifications to opinion, though, due to lack of accounting records. Report should be issued in next few weeks. Not sure if Town met audit threshold for FY 2010-11; however, due to state of accounting records, doubts that an audit could be performed.</p>	<p>Delay action relating to AFRs for FY 2009-10 and FY 2010-11 and audit report for FY 2009-10 until 4/30/13</p> <p>No action relating to AFRs for FY 2004-05 and FY 2006-07 and audit report for FY 2010-11.</p> <p>Committee staff</p>
2	Highland Meadows CDD (Polk) [independent special district - created by City of Davenport]	15	41	FY 2010-11 AFR and Audit Report	<p>CDD submitted FY 2008-09 and FY 2009-10 audit reports and AFRs in 12/2012 and 1/2013, respectively..</p> <p>Correspondence from registered agent's office <u>on 2/8/ 2013</u> stated that FY 2010-11 audit is currently in progress. Estimate that audit report will be issued by end of February 2013.</p>	Delay action until 4/30/2013

LIST 3:
MUNICIPALITIES AND
SPECIAL DISTRICTS

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
3	Springfield, City of (Bay)	1	6	FY 2010-11 AFR and Audit Report	Per mayor, due to extenuating circumstances relating to accounting software and bookkeeping issues, start of audit has been delayed. Audit should begin soon, and they hope to have it completed by mid to late March 2013. FY 2011-12 audit is expected to start soon after the FY 2010-11 audit is completed.	Delay action until 4/30/2013
4	Springfield Community Redevelopment Agency (Bay) [dependent special district - created by City of Springfield]	1	6	FY 2010-11 AFR	See note for City of Springfield (component unit of City of Springfield)	Delay action until 4/30/2013

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Bella Verde Golf CDD (Pasco) [created by Pasco County]	17	36, 37, 38	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report; FY 2008-09 AFR and Audit Report; FY 2007-08 Audit Report	<p><u>In 2010 and 2011</u>, previous Committees and Committee Chairs approved delays of state action due to foreclosure and developer bankruptcy issues at CDD.</p> <p>Based on correspondence from CDD management company <u>in 12/2011</u>, the previous Committee approved an extension until 6/30/2012, since pledge of funds from landowners/potential new owners had not yet been received to complete audit.</p> <p><u>In July 2012</u>, since financial reports were not submitted and no additional communication was received from registered agent, DEO was notified to proceed with state action in accordance with law.</p> <p><u>On 9/7/2012</u>, Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of FY 2010-11 AFR and audit report. Could file AFR on basis of unaudited financials in 60 days; however, audited financial statements may take a year or more depending on legal actions.</p>	Delay action on FY 2010-11 financial reports

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
2	Buckeye Park CDD (Manatee) [created by Manatee County]	19, 26	70, 71, 73	FY 2010-11 AFR and Audit Report	<u>On 9/7/2012</u> , Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of AFR and audit report. Could file AFR on basis of unaudited financials in 60 days; however, audited financial statements may take a year or more depending on legal actions.	Delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
3	CrossCreek CDD (Manatee) [created by Manatee County]	19, 26	70, 71, 73	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report; FY 2008-09 AFR and Audit Report	<p><u>In 2011</u>, previous Committee Chairs approved a delay of state action due to lack of funds and foreclosure issues at CDD.</p> <p>Based on correspondence from CDD management company <u>in 12/2011</u>, the previous Committee approved an extension until 6/30/2012,, since pledge of funds from landowners/potential new owners not yet received to complete audit.</p> <p><u>In July 2012</u>, since financial reports were not submitted and no additional communication was received from registered agent, DEO was notified to proceed with state action in accordance with law.</p> <p><u>On 9/7/2012</u>, Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of FY 2010-11 AFR and audit report. Could file AFR on basis of unaudited financials in 60 days; however, audited financial statements may take a year or more depending on legal actions.</p>	Delay action on FY 2010-11 financial reports

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
4	Hardee County Housing Authority (Hardee)	26	56	FY 2010-11 AFR	<p>Correspondence from Authority's registered agent <u>on 12/4/2012</u> re: status of AFR stated that, until recently, the Authority had been without a quorum for almost two years, waiting on governor to appoint new members. New board working to appoint auditor to complete audits for FY 2009-10, 2010-11, and 2011-12.</p> <p><u>On 2/7/2013</u>, spoke with Authority's registered agent regarding status. Auditor has been hired; Board is meeting on 2/10/2013 with management company regarding audits.</p>	Delay action
5	Lakeside Landings CDD (Polk) [created by City of Winter Haven]	15	41	FY 2010-11 Audit Report	<p><u>On 11/15/2012</u>, Committee staff received an e-mail from District's registered agent re: status of FY 2010-11 audit report. AFR was submitted on basis of unaudited financials; however, there are not funds for audit since the "developer and majority landowner has abandoned project. The lands within District are being marketed for sale to a new owner. When a new owner is located, the District will have its audit completed."</p>	Delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
6	Morningside CDD (Bay) [created by Town of Cedar Grove, which was dissolved in October 2008 – local governing authority is now Bay County]	1	5, 6	FY 2010-11 Audit Report; FY 2009-10 Audit Report	Per registered agent in <u>12/2011</u> , no one can locate developer, and District is unable to pay for audit due to lack of funds. Bank is trying to foreclose on land, but has been unsuccessful to date. <u>On 10/9/2012</u> , Committee staff received an e-mail from District's registered agent re: status of FY 2010-11 audit report. It stated that "the District is waiting on funding, and if received, will have the audit completed." It further stated that "At this time we are unable to estimate when the audit will be completed." Correspondence from registered agent's office <u>on 2/8/ 2013</u> stated that the District's situation has not changed.	Continue to delay action
7	Oakmont Grove CDD (Polk) [created by Polk County]	15	41	FY 2010-11 AFR and Audit Report	<u>On 10/9/2012</u> , Committee staff received an e-mail from DEO with letter from District's registered agent t attached re: status of FY 2010-11 AFR and audit report. It stated that "the District is waiting on funding, and if received, will have the audit completed." It further stated that "At this time we are unable to estimate when the audit will be completed or the AFR filed."	Delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
8	Santa Rosa Bay Bridge Authority (Santa Rosa) [created by Chapter 348, Part IX, F.S., now Part IV]	2	2, 3	FY 2010-11 AFR and Audit Report; FY 2009-10 Audit Report; FY 2008-09 Audit Report	<p><u>At April 4, 2011 meeting</u>, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that Authority does not have funds to pay for an audit and expects that soon there will not be sufficient funds for bond payments. Same situation as in previous years (Authority only has restricted funds, which cannot be used to pay for an audit. DOT's Inspector General's Office compiles financial statements for Authority and also staffs day-to-day operations of Authority.)</p> <p><u>On June 30, 2011</u>, the Authority was unable to make its \$5 million bond payment, and the trustee alerted the bondholders to the default. Since the bonds were not backed by the full faith and credit of the state the state is not liable for the debt. DOT continues to operate and maintain the bridge.</p> <p><u>At December 4, 2011 meeting</u>, Committee approved to delay state action until a later date. FY 2009-10 AFR was submitted to DFS on 12/21/2011.</p> <p>Pending update on current status- left voicemail message on <u>2/11/2013</u>.</p>	Continue to delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
9	Southbay CDD (Manatee) [created by Manatee County]	18, 21, 23	67, 68, 69	FY 2007-08 Audit Report	<p><u>In August 2010</u>, previous Chairs approved delay of state action until a later date since District is unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation.</p> <p><u>At April 4, 2011 meeting</u>, Committee approved to continue to delay state action until a later date since District's situation has not changed. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p> <p>Correspondence from CDD management company <u>on 11/15/ 2011</u> stated that the District's situation has not changed.</p> <p>Pending update on current status- left voicemail message <u>on 2/11/2013</u>.</p>	Continue to delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
10	Southern Hills Plantation III CDD (Hernando) [created by City of Brooksville]	18	34, 35	FY 2010-11 Audit Report	<p>FY 2010-11 AFR submitted to DFS on 8/3/2012.</p> <p><u>On 10/9/2012</u>, Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of FY 2010-11 audit report. It stated that "the District is waiting on funding, and if received, will have the audit completed.' It further stated that "At this time we are unable to estimate when the audit will be completed."</p> <p>Correspondence from registered agent's office <u>on 2/8/ 2013</u> stated that the District's situation has not changed.</p>	Delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
11	Tidewater Preserve CDD (Manatee) [created by City of Bradenton]	18	55	FY 2009-10 AFR and Audit Report; FY 2008-09 Audit Report	<p><u>In August 2010</u>, previous Committee Chairs approved no state action since District is in process of dissolving.</p> <p><u>At April 4, 2011 meeting</u>, Committee approved to delay state action until a later date since correspondence from registered agent in March 2011 stated that City of Bradenton (City) has passed an ordinance to allow dissolution of the District subject to no objection by Manatee County (County). The County has objected for reasons addressed in his letter, which has delayed the dissolution.</p> <p>Correspondence received from registered agent on <u>9/30/2011</u> indicates that the County still has objections. The city attorney will be attempting to mediate a resolution shortly which will allow the County to withdraw its objections.</p> <p>Sent letter to County on <u>10/13/2011</u>, requesting status of dissolution.</p> <p>Per correspondence received from registered agent on <u>11/17/2011</u>, no change in District's situation; he has not heard from the County either.</p> <p>Letter received from County Administrator for County on <u>1/30/2013</u>, regarding status relating to dissolution of District. County is working with City toward resolution of issues.</p>	Continue to delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
12	Vizcaya in Kendall CDD (Broward) [created by Miami-Dade County]	40	115	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report; FY 2008-09 AFR and Audit Report; FY 2007-08 Audit Report	<p><u>In August 2010</u>, previous Committee Chairs approved delay of state action until a later date since developer has filed bankruptcy and bank is looking at property, but no agreement yet. No funds for audit now, but anticipate having audit performed once situation is resolved.</p> <p><u>At April 4, 2011 meeting</u>, Committee approved to continue to delay state action until a later date since District's situation has not changed. Per a telephone conversation with the District's registered agent on 10/13/2011, the District is in the process of finalizing agreements with the District's two new owners. Once everything is finalized and the District returns to active development, he expects progress to be made toward getting all financial requirements of the District current.</p> <p>Per telephone conversation with registered agent <u>on 10/13/2011</u>, District is in process of finalizing agreements with its new owners, and he expects progress to be made toward getting all financial requirements of the District current once active development is underway.</p> <p>Per correspondence from registered agent <u>on 12/2/2011</u>, new developer is providing funds to cover costs of audits for FY 2007-08 through FY 2010-11. Audits should be starting soon.</p> <p>Pending update on current status- left voicemail message <u>on 2/11/2013</u>.</p>	Continue to delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
13	Westridge CDD (Polk) [created by Polk County]	15	41	FY 2010-11 AFR and Audit Report	<p><u>On 10/9/2012</u>, Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of FY 2010-11 AFR and audit report. It stated that "the District is waiting on funding, and if received, will have the audit completed.' It further stated that "At this time we are unable to estimate when the audit will be completed or the AFR filed."</p> <p>Correspondence from registered agent's office <u>on 2/8/ 2013</u> stated that the District's situation has not changed.</p>	Delay action

LIST 4:
SPECIAL DISTRICTS
(INDEPENDENT)

	District Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
14	Zephyr Ridge CDD (Pasco) [created by Pasco County]	17	38	FY 2010-11 AFR and Audit Report; FY 2009-10 AFR and Audit Report	<p>Per registered agent <u>in 12/2011</u>, the District is unable to pay for audit due to lack of funds. District is currently trying to foreclose on developer on behalf of bondholders.</p> <p><u>On 10/9/2012</u>, Committee staff received an e-mail from DEO with letter from District's registered agent attached re: status of FY 2010-11 AFR and audit report. It stated that "the District is waiting on funding, and if received, will have the audit completed.' It further stated that "At this time we are unable to estimate when the audit will be completed or the AFR filed."</p> <p><u>On 2/8/2013</u>, Committee staff received a status update from registered agent's office. An auditor has been engaged to perform audit.</p>	Delay action

Dubose, Kathy

From: DAVID WARD <DAVIDWARD@AUD.STATE.FL.US>
Sent: Tuesday, September 11, 2012 4:56 PM
To: Mayfield, Debbie
Cc: Dubose, Kathy; White, Deborah
Subject: 2010-11 FY Section 11.45(7)(a), FS, Notification
Attachments: Attachment A and B for LAC.xlsb

Pursuant to Section 11.45(7)(a), Florida Statutes, this letter is to notify you of the results of our determination as to which local governmental entities were required to provide for an audit for the 2010-11 fiscal year but failed to do so. A separate notification regarding district school boards, charter schools, and charter technical career centers that failed to provide for an audit for the 2010-11 fiscal year was made to you in an email dated June 25, 2012. A recap of our determination for local governmental entities as of September 11, 2012, is as follows:

Description	Counties (1)	Municipalities (1)	Special Districts	Total
Individual Entity Reports Received	66	384	791	1,241
Included in Another Entity's Audit Report (2)	n/a	n/a	444	444
Not Required to File (3)	n/a	7	243	250
Unable to Determine Whether Audit Was Required (4)	n/a	2	23	25
Did Not File Required Audit Report	0	17	42	59
Total Entities	66	410	1,543	2,019

- (1) The consolidated city/county government of Jacksonville/Duval County is classified as a municipality for purposes of this letter.
- (2) Includes dependent special districts that were included in audit reports of counties or municipalities.
- (3) Entities did not meet the threshold for required submission of audit reports.
- (4) Unable to obtain sufficient information to determine whether these entities met the threshold requiring submission of audit reports.

For the 2010-11 fiscal year, pursuant to Section 218.39(1), Florida Statutes, the following local governments were required to provide for an annual financial audit of their accounts and records within 9 months after the end of their respective fiscal year:

- Each county
- Each municipality with revenues, or the total of expenditures and expenses, in excess of \$250,000
- Each municipality with revenues, or the total of expenditures and expenses, between \$100,000 and \$250,000 that has not been subject to a financial audit for the two preceding fiscal years

- Each special district with revenues, or the total of expenditures and expenses, in excess of \$100,000
- Each special district with revenues, or the total of expenditures and expenses, between \$50,000 and \$100,000 that has not been subject to a financial audit for the two preceding fiscal years

Section 218.39(7), Florida Statutes, requires that any financial audit report required under Section 218.39(1), Florida Statutes, be submitted to the Auditor General within 45 days after delivery of the audit report to the local governmental entity, but no later than 9 months after the end of the fiscal year of the local governmental entity. The following is a summary of those local governmental entities that did not submit audit reports to us:

- A total of 59 local governmental entities that were required to provide for an audit for the 2010-11 fiscal year have not submitted an audit report to us. These local governmental entities are listed on Attachment A.
- An additional 25 local governmental entities may have been required to provide for an audit for the 2010-11 fiscal year, but have not submitted an audit report to us. Because sufficient financial information was not readily available, it was not practical for us to determine whether an audit was required. These local governmental entities are listed on Attachment B.

Please advise if you or your staff have any questions regarding this information.

Attachments

David T. Ward, CPA

Audit Supervisor
Auditor General, State of Florida
111 West Madison Street, 401A
Tallahassee, FL 32399-1450
Office (850) 488-0960
FAX (850) 488-4403

In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.

**Alphabetical List of Local Governmental Entities
For Which 2010-11 Fiscal Year Audit Reports
Have Not Been Received - Audit Was Required**

Attachment A

**Applicable
Note**

MUNICIPALITIES

1	Alford, Town of	1, 3
2	Astatula, Town of	1
3	Belle Glade, City of	1, 3
4	Belleair, Town of	1, 3
5	Boynton Beach, City of	1, 3
6	Chattahoochee, City of	1, 3
7	Esto, Town of	1, 2, 3
8	Gretna, Town of	1, 3
9	Montverde, Town of	1, 3
10	Noma, Town of	1
11	North Miami, City of	1, 3
12	Quincy, City of	1, 3
13	Springfield, City of	1
14	St. Lucie Village, Town of	1
15	Sweetwater, City of	1, 3
16	Vernon, City of	1, 3
17	Westville, Town of	1

INDEPENDENT SPECIAL DISTRICTS

1	Baker Fire District	1, 2
2	Bella Verde Golf Community Development District	1, 2, 4
3	Buckeye Park Community Development District	1, 3
4	Chapel Creek Community Development District	1, 3
5	City Center Community Development District	1
6	City Gate Community Development District	1
7	Cordoba Ranch Community Development District	1, 2, 4
8	CrossCreek Community Development District	1, 2, 4
9	Deer Run Community Development District	1, 3
10	Dorcas Fire District	1
11	Eastpoint Water And Sewer District	1, 3
12	Greater Lakes/Sawgrass Bay Community Development District	1, 3
13	Hamilton County Development Authority	1
14	Hendry-LaBelle Recreation Board	1, 3
15	Highland Meadows Community Development District	1, 2, 4
16	Lakeside Landings Community Development District	1, 4
17	Morningside Community Development District	2, 4
18	New River Community Development District	1, 4
19	Northwest Florida Transportation Corridor Authority	1, 3
20	Oakmont Grove Community Development District	1, 4
21	Palm River Community Development District	1, 4
22	Panther Trace II Community Development District	1, 3
23	Parkway Center Community Development District	1, 3
24	Pembroke Harbor Community Development District	1

**Alphabetical List of Local Governmental Entities
For Which 2010-11 Fiscal Year Audit Reports
Have Not Been Received - Audit Was Required**

**Applicable
Note**

25	Port St. Joe Port Authority	1
26	River Bend Community Development District	1, 3
27	Rivercrest Community Development District	1, 3
28	RiverPark Community Development District	1, 2, 4
29	Six Mile Creek Community Development District	1, 4
30	South Fork East Community Development District	1, 3
31	Southern Hills Plantation III Community Development District	1, 2, 4
32	Sunrise Lakes Phase IV Recreation District	1
33	Suwannee Valley Transit Authority	1
34	Sweetwater Creek Community Development District	1, 3
35	Villa Vizcaya Community Development District	1, 3
36	Vizcaya in Kendall Community Development District	1, 2
37	Wentworth Estates Community Development District	1
38	Westridge Community Development District	1, 4
39	Yellow River Soil & Water Conservation District	1
40	Zephyr Ridge Community Development District	1, 4

DEPENDENT SPECIAL DISTRICTS

41	Escambia-Pensacola Human Relations Commission	1
42	Hillsborough County Industrial Development Authority	1

NOTES

(1)	Based on previous audit reports or other financial reports filed by the entity, the entity was required to provide for an audit for the 2010-11 fiscal year.
(2)	According to available financial information, the entity did not provide for an audit for either of the prior two fiscal years and had revenues or expenditures/expenses in an amount that requires an audit.
(3)	Entity indicated that the audit was in progress; however, as of September 11, 2012, we had not received the audit report.
(4)	Entity responded that no funds are available to obtain an audit.

Dubose, Kathy

From: Hsieh, Tim W <Tim.Hsieh@myfloridacfo.com>
Sent: Tuesday, October 02, 2012 4:10 PM
To: Dubose, Kathy; 'Jack.Gaskins@deo.myflorida.com'
Cc: MARILYN ROSETTI; Smith, Christina; Sweet, Rick; Young, Justin; Hsieh, Tim W
Subject: Non-Compliant Local Governments with Section 218.32, F.S. for Fiscal Year 2011
Attachments: 2011 Noncompliant AFR.pdf

Local governments are required by Section 218.32, Florida Statutes, to submit an annual financial report (AFR) to the Department of Financial Services no later than 9 months after the end of the fiscal year. Pursuant to Section 218.32(1)(f), Florida Statutes, attached is a listing of local governments that did not meet the reporting requirement for fiscal year 2011. The listing includes those local governments that have not submitted an AFR as of October 1, 2012 (no date indicated in the "AFR Received" column) and those local governments that submitted an AFR after the due date. Please note the due date varies depending on the local government's fiscal year end.

Please contact me at 413-5746 or Tim.Hsieh@myfloridacfo.com or Justin Young at 413-5712 or Justin.Young@myfloridacfo.com if you have any questions.

Timothy Hsieh, CPA
Chief, Bureau of Financial Reporting
Florida Department of Financial Services
200 East Gaines Street
Tallahassee, FL 32399-0354
Tel: 850-413-5746; Fax: 850-413-5548
E-mail: tim.hsieh@myfloridacfo.com

Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
Counties		
100034	Lafayette	8/8/2012
100039	Liberty	7/2/2012
100044	Monroe	
Cities		
200002	Alford	
200010	Astatula	
200017	Baldwin	7/16/2012
200018	Bartow	7/17/2012
200025	Belleair	8/31/2012
200028	Belleair Shore	
200031	Biscayne Park	7/26/2012
200036	Boynton Beach	
200046	Bushnell	9/28/2012
200049	Campbellton	
200053	Caryville	
200058	Century	7/5/2012
200059	Chattahoochee	9/24/2012
200076	Crestview	8/7/2012
200087	Deerfield Beach	7/5/2012
200096	Eatonville	8/3/2012
200101	Esto	
200112	Fort Myers Beach	9/17/2012
200122	Golden Beach	9/12/2012
200132	Gretna	9/20/2012
200139	Hampton	
200143	Hawthorne	8/1/2012
200169	Islandia	
200172	Jacob City	7/10/2012
200191	Lake Butler	8/14/2012
200194	Lake Hamilton	9/24/2012
200225	Mangonia Park	8/8/2012
200232	Mayo	
200246	Minneola	9/18/2012
200249	Montverde	
200259	Noma	
200262	North Miami	9/14/2012
200268	Oakland	8/30/2012
200271	Ocean Breeze Park	9/19/2012
200276	Opa-locka	
200284	Pahokee	8/2/2012
200297	Paxton	
200303	Pierson	8/24/2012
200317	Quincy	
200339	Sea Ranch Lakes	
200342	Seminole	8/15/2012
200352	Springfield	
200358	Sweetwater	
200372	Vernon	
200375	Virginia Gardens	9/4/2012
200387	Westville	
200391	Williston	7/21/2012
200393	Windermere	

Notes:

1: FY ended 3/31/11 AFR was due 12/31/11

2: FY ended 6/30/11 AFR was due 3/31/12

Unless noted, the remaining governments' FY ended 9/30/11 AFR was due 6/30/12

* Indicates Dependent Special District

As of October 1, 2012

Page 1 of 6

Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
Special Districts		
300058	Alachua County Housing Authority *	
300060	Alachua Soil and Water Conservation District	8/23/2012
300835	Ali-Baba Neighborhood Improvement District *	
301549	Allen Plantation Community Development District	
300342	Almarante Fire District	9/9/2012
301640	Amelia Concourse Community Development District	8/9/2012
301794	Aqua Isles Community Development District	
300164	Area Housing Commission ¹	6/29/2012
301552	Avelar Creek Community Development District	7/2/2012
300343	Baker Fire District	
300952	Bartow Community Redevelopment Agency *	7/17/2012
300954	Bartow Municipal Airport Development Authority *	7/17/2012
300067	Bay Soil & Water Conservation District	7/16/2012
300068	Beach Mosquito Control District	7/17/2012
301445	Bella Verde Golf Community Development District	
301143	Belmont Lakes Community Development District	8/8/2012
300119	Bermont Drainage District	
301214	Blackman Fire District	7/17/2012
300915	Boca Raton Housing Authority *	
300508	Brevard County Educational Facilities Authority *	8/2/2012
300858	Brooksville Housing Authority *	
301652	Buckeye Park Community Development District	
300249	Campbellton-Graceville Hospital	8/3/2012
300762	Cape Canaveral Beautification Board *	
301460	Chapel Creek Community Development District	
300533	Charlotte Soil and Water Conservation Dist	
300078	Children`s Services Council of Brevard County	7/16/2012
300357	Children`s Services Council of Okeechobee County	7/18/2012
300118	Chipola River Soil and Water Conservation District	7/12/2012
300999	ChIPLEY Housing Authority ²	6/14/2012
300322	Circle Square Woods Community Development District	
301300	City Center Community Development District	
301927	City of Live Oak Community Redevelopment Agency *	
301929	City of Perry Community Redevelopment Agency *	
301157	Civil Service Board of Santa Rosa County	7/17/2012
300150	Columbia County Housing Authority	7/19/2012
301238	Community Redevelopment Agency of the Town of Fort Myers Beach *	9/17/2012
301566	Cordoba Ranch Community Development District	
300900	Crestview Community Redevelopment Agency *	8/7/2012
301568	CrossCreek Community Development District	
300094	Cypress Cove Community Development District	7/27/2012
301666	Cypress Shadows Community Development District	9/17/2012
300773	Dania Beach Housing Authority *	
301669	Deer Run Community Development District	
301239	Deerfield Beach Community Redevelopment Agency *	7/5/2012
300777	Deerfield Beach Housing Authority *	
300998	Defuniak Springs Housing Authority *	7/1/2012
300993	Deland Housing Authority *	
300919	Delray Beach Housing Authority ¹	2/21/2012
300239	Delta Farms Water Control District	7/26/2012
300161	Dixie Soil and Water Conservation District	7/17/2012
300237	Doctors Memorial Hospital	7/26/2012

Notes:

1: FY ended 3/31/11 AFR was due 12/31/11

2: FY ended 6/30/11 AFR was due 3/31/12

Unless noted, the remaining governments' FY ended 9/30/11 AFR was due 6/30/12

* Indicates Dependent Special District

Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
300346	Dorcas Fire District	9/24/2012
300156	Downtown Development Authority City of Miami	7/23/2012
300162	Duval Soil and Water Conservation District	
300272	East Mulloch Drainage District	7/13/2012
300176	Eastpoint Water and Sewer District	
300836	East-West Neighborhood Improvement District *	
300012	Englewood Area Fire Control District	7/21/2012
300845	Escambia-Pensacola Human Relations Commission *	
301303	Fiddler's Creek Community Development District #2	
300172	Flagler Soil and Water Conservation District	8/14/2012
300017	Florida Atlantic Research and Development Authority	7/29/2012
300348	Florosa Fire Control District	7/10/2012
301243	Flow Way Community Development District	8/1/2012
300779	Fort Lauderdale Housing Authority *	9/24/2012
300882	Fort Myers Housing Authority *	
301680	Fox Branch Ranch Community Development District	9/10/2012
300177	Franklin Soil and Water Conservation District	7/12/2012
300754	Gainesville Housing Authority ¹	3/28/2012
300278	Gateway Services Community Development District	7/13/2012
300183	Gilchrist County Housing Authority	
301683	Grand Bay at Doral Community Development District	7/20/2012
301574	Greater Lakes/Sawgrass Bay Community Development District	
300854	Gretna Housing Authority *	9/20/2012
300855	Gretna Neighborhood Improvement District *	9/20/2012
300191	Hamilton County Development Authority	
300193	Hamilton County Soil and Water Conservation District	7/27/2012
301247	Harbour Lake Estates Community Development District	7/21/2012
301858	Hardee County Housing Authority	
300021	Hastings Drainage District	8/2/2012
301541	Hawthorne Community Redevelopment Agency *	8/1/2012
301688	Hawthorne Mill Community Development District	9/10/2012
301577	Heights Community Development District, The	7/13/2012
300204	Hendry-La Belle Recreation Board	9/14/2012
300220	Heritage Isles Community Development District	7/25/2012
300815	Hialeah Housing Authority *	
301578	Highland Lakes Community Development District	9/10/2012
301579	Highland Meadows Community Development District	
301248	Highlands County Housing Authority	8/6/2012
300409	Highlands Road and Bridge District	
301891	Hillcrest Preserve Community Development District	
300605	Hillsborough County Industrial Development Authority *	9/14/2012
300606	Hillsborough Educational Facilities Authority *	
300789	Hollywood Housing Authority *	
301377	Holmes County Housing Authority	7/19/2012
300238	Holmes Creek Soil and Water Conservation Dist	
300350	Holt Fire District	8/29/2012
300953	Housing Authority of Bartow ¹	5/18/2012
300073	Housing Authority of Brevard County	8/7/2012
300760	Housing Authority of Springfield *	
300950	Housing Authority of Tarpon Springs *	
300899	Housing Authority of The City of Fernandina Beach *	
300969	Housing Authority of The City of Fort Pierce ²	4/13/2012
300961	Housing Authority of The City of Lakeland *	

Notes:

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* Indicates Dependent Special District

As of October 1, 2012

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Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
300962	Housing Authority of The City of Mulberry *	
300908	Housing Authority of The City of Orlando *	
300797	Housing Authority of The City of Pompano Beach *	
300978	Housing Authority of The City of Sarasota *	
301378	Huntington Community Development District	
300241	Indian River County Housing Authority	7/27/2012
300251	Jackson County Hospital District	7/18/2012
300250	Jackson County Soil and Water Conservation District	7/20/2012
300252	Jefferson Soil and Water Conservation District	7/3/2012
301813	Kenmare at Lake Annie Community Development District	
301853	Lake Beluthahatchee Community Development District	8/19/2012
300988	Lake Butler Community Redevelopment Agency *	8/14/2012
300957	Lake Wales Housing Authority *	
300179	Lanark Village Water and Sewer District	
301699	Lauderhill Housing Authority *	7/3/2012
301290	Lee County Educational Facilities Authority *	7/18/2012
300281	Lee County Housing Authority	8/6/2012
300638	Lee County Industrial Development Authority *	7/5/2012
300640	Lee Soil and Water Conservation District	
300301	Levy County Housing Authority	8/23/2012
300987	Live Oak Housing Authority ¹	1/17/2012
300302	Levy Soil and Water Conservation District	7/19/2012
300756	Macclenny Housing Authority ²	5/2/2012
301702	Mainstreet Community Development District (Lee County)	
300311	Manatee County Housing Authority	7/3/2012
300870	Marianna Housing Authority *	
300657	Martin County Health Facilities Authority *	
300330	Martin Soil and Water Conservation District	7/16/2012
301706	Mayfair Community Development District (Polk County)	
300973	Milton Housing Authority ¹	2/6/2012
300659	Monroe County Comprehensive Plan Land Authority *	
300334	Monroe County Housing Authority	
300661	Monroe County Industrial Development Authority *	
301587	Moultrie Creek Community Development District	
301862	Naples Reserve Community Development District	8/1/2012
300340	Nassau Soil and Water Conservation District	8/8/2012
301588	New River Community Development District	
300837	Niles Garden Neighborhood Improvement District *	
301590	North Miami Community Redevelopment Agency *	9/14/2012
300834	North Miami Health Facilities Authority *	9/14/2012
300028	Northwest Florida Regional Housing Authority	
301709	Northwest Florida Transportation Corridor Authority	
301394	Oakmont Grove Community Development District	
300893	Ocala Housing Authority *	
300499	Orange Hill Soil and Water Conservation Distr	8/29/2012
300997	Ormond Beach Housing Authority *	
301884	Osceola County Expressway Authority	7/26/2012
300967	Palatka Housing Authority ¹	6/5/2012
300686	Palm Beach County Health Facilities Auth *	8/7/2012
301715	Palm River Community Development District	
300758	Panama City Housing Authority *	
301209	Panther Trace Community Development District	8/10/2012
301349	Panther Trace II Community Development District	

Notes:

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* Indicates Dependent Special District

Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
300228	Parkway Center Community Development District	9/27/2012
300415	Pasco County Housing Authority	7/17/2012
300417	Pasco Heights Road and Bridge District	
301827	Pembroke Harbor Community Development District	
300465	Pinecraft Lighting District	
301716	Pinellas County License Board	8/14/2012
300865	Plant City Housing Authority *	
300704	Polk County Industrial Development Authority *	7/23/2012
300436	Polk Soil and Water Conservation District	
301829	Polk Transit Authority	8/3/2012
300189	Port St. Joe Port Authority	
301211	Preserve at Wilderness Lake Community Dev Dist	8/9/2012
300806	Punta Gorda Housing Authority ¹	4/17/2012
301149	Quincy Community Redevelopment Agency *	
300368	Ranger Drainage District	7/13/2012
300208	Ridge Water Control District	7/17/2012
301508	River Bend Community Development District	
301184	Rivercrest Community Development District	
301725	RiverPark Community Development District	
300925	Riviera Beach Housing Authority *	
300290	San Carlos Estates Water Control District	8/8/2012
300985	Sanford Housing Authority *	
300153	Santa Fe Soil and Water Conservation District	7/17/2012
300461	Santa Rosa Bay Bridge Authority	
300470	Seminole County Expressway Authority	
300471	Seminole County Housing Authority	
300109	South Broward Hospital District	9/8/2011
300157	South Dade Soil and Water Conservation District	8/31/2012
301404	South Fork East Community Development District	
301409	Southern Hills Plantation III Community Development District	8/3/2012
301732	Southwest Florida Expressway Authority	
301734	Springfield Community Redevelopment Agency *	
300947	St. Petersburg Housing Authority *	
301415	Suncoast Community Development District	8/8/2012
300045	Sunny Isles Reclamation and Water Control Board	
300110	Sunrise Lakes Phase IV Recreation District	
300478	Suwannee County Conservation District	7/23/2012
300476	Suwannee County Housing Authority	8/25/2012
300047	Suwannee Valley Transit Authority	
300887	Tallahassee Housing Authority *	
300299	Tallahassee-Leon County Civic Center Authority	8/28/2012
300480	Taylor Soil and Water Conservation District	8/9/2012
301834	Terra Bella Community Development District (New)	9/20/2012
300294	Tice Fire Protection and Rescue Service District	7/12/2012
300112	Tindall Hammock Irrigation and Soil Conservation District	8/9/2012
301337	Town of Eatonville Community Redevelopment Agency *	8/3/2012
300190	Tupelo Soil and Water Conservation District	7/12/2012
301442	Tuscany Community Development District	7/27/2012
301920	Twin Creeks Community Development District	
300482	Union County Housing Authority ¹	1/17/2012
300979	Venice Housing Authority ¹	1/17/2012
301616	Villa Vizcaya Community Development District	9/19/2012
301283	Vizcaya Community Development District	

Notes:

1: FY ended 3/31/11 AFR was due 12/31/11

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Unless noted, the remaining governments' FY ended 9/30/11 AFR was due 6/30/12

* Indicates Dependent Special District

Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2011

Government ID	Local Government Name	AFR Received
301519	Vizcaya in Kendall Community Development District	
300741	Volusia County Health Facilities Authority *	7/17/2012
300743	Volusia County Industrial Development Authority *	
300491	Wakulla Soil and Water Conservation District	
301754	Waterleaf Community Development District (Hillsborough Co)	9/11/2012
301621	Waterstone Community Development District	8/31/2012
301434	Wentworth Estates Community Development District	
300928	West Palm Beach Housing Authority ¹	1/18/2012
301435	West Villages Improvement District	7/26/2012
300236	Westchase East Community Development District	8/2/2012
301622	Westlake Village Community Development District	9/10/2012
301342	Westridge Community Development District	
301758	Williams Community Development District Number Five	8/23/2012
301759	Williams Community Development District Number Four	8/23/2012
301760	Williams Community Development District Number One	8/23/2012
301761	Williams Community Development District Number Seven	8/23/2012
301762	Williams Community Development District Number Six	8/23/2012
301763	Williams Community Development District Number Three	8/23/2012
301764	Williams Community Development District Number Two	8/23/2012
301765	Williston Community Redevelopment Agency *	7/21/2012
300963	Winter Haven Housing Authority *	
300910	Winter Park Housing Authority *	
301436	Woodlands Community Development District	7/3/2012
300356	Yellow River Soil & Water Conservation Dist	7/13/2012
301625	Zephyr Ridge Community Development District	
Other Entities		
500007	Apalachee Regional Planning Council	8/30/2012
500021	Florida Intergovernmental Financing Commission	9/28/2012
500020	Florida Ports Financing Commission	
500044	Florida Rural Utility Financing Commission	
500012	South Florida Regional Planning Council	

Notes:

1: FY ended 3/31/11 AFR was due 12/31/11

2: FY ended 6/30/11 AFR was due 3/31/12

Unless noted, the remaining governments' FY ended 9/30/11 AFR was due 6/30/12

* Indicates Dependent Special District

11.40 Legislative Auditing Committee.—

(2) Following notification by the Auditor General, the Department of Financial Services, or the Division of Bond Finance of the State Board of Administration of the failure of a local governmental entity, district school board, charter school, or charter technical career center to comply with the applicable provisions within s. 11.45(5)-(7), s. 218.32(1), or s. 218.38, the Legislative Auditing Committee may schedule a hearing to determine if the entity should be subject to further state action. If the committee determines that the entity should be subject to further state action, the committee shall:

(a) In the case of a local governmental entity or district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to such entity until the entity complies with the law. The committee shall specify the date such action shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law. The Department of Revenue and the Department of Financial Services may implement the provisions of this paragraph.

(b) In the case of a special district, 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 s. 189.4044 or s. 189.421.

(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.

189.4044 Special procedures for inactive districts.—

(1) The department shall declare inactive any special district in this state by documenting that:

(a) The special district meets one of the following criteria:

1. The registered agent of the district, the chair of the governing body of the district, or the governing body of the appropriate local general-purpose government notifies the department in writing that the district has taken no action for 2 or more years;

2. Following an inquiry from the department, the registered agent of the district, the chair of the governing body of the district, or the governing body of the appropriate local general-purpose government notifies the department in writing that the district has not had a governing board or a sufficient number of governing board members to constitute a quorum for 2 or more years or the registered agent of the district, the chair of the governing body of the district, or the governing body of the appropriate local general-purpose government fails to respond to the department's inquiry within 21 days;

3. The department determines, pursuant to s. 189.421, that the district has failed to file any of the reports listed in s. 189.419;

4. The district has not had a registered office and agent on file with the department for 1 or more years; or

5. The governing body of a special district provides documentation to the department that it has unanimously adopted a resolution declaring the special district inactive. The special district shall be responsible for payment of any expenses associated with its dissolution.

(b) The department, special district, or local general-purpose government published a notice of proposed declaration of inactive status in a newspaper of general circulation in the county or municipality in which the territory of the special district is located and sent a copy of such notice by certified mail to the registered agent or chair of the board, if any. Such notice must include the name of the special district, the law under which it was organized and operating, a general description of the territory included in the special district, and a statement that any objections must be filed pursuant to chapter 120 within 21 days after the publication date; and

(c) Twenty-one days have elapsed from the publication date of the notice of proposed declaration of inactive status and no administrative appeals were filed.

(2) If any special district is declared inactive pursuant to this section, the property or assets of the special district are subject to legal process for payment of any debts of the district. After the payment of all the debts of said inactive special district, the remainder of its property or assets shall escheat to the county or municipality wherein located. If, however, it shall be necessary, in order to pay any

such debt, to levy any tax or taxes on the property in the territory or limits of the inactive special district, the same may be assessed and levied by order of the local general-purpose government wherein the same is situated and shall be assessed by the county property appraiser and collected by the county tax collector.

(3) In the case of a district created by special act of the Legislature, the department shall send a notice of declaration of inactive status to the Speaker of the House of Representatives and the President of the Senate. The notice of declaration of inactive status shall reference each known special act creating or amending the charter of any special district declared to be inactive under this section. The declaration of inactive status shall be sufficient notice as required by s. 10, Art. III of the State Constitution to authorize the Legislature to repeal any special laws so reported. In the case of a district created by one or more local general-purpose governments, the department shall send a notice of declaration of inactive status to the chair of the governing body of each local general-purpose government that created the district. In the case of a district created by interlocal agreement, the department shall send a notice of declaration of inactive status to the chair of the governing body of each local general-purpose government which entered into the interlocal agreement.

(4) The entity that created a special district declared inactive under this section must dissolve the special district by repealing its enabling laws or by other appropriate means. Any special district declared inactive pursuant to subparagraph (1)(a)5. may be dissolved without a referendum.

History.—s. 10, ch. 89-169; s. 10, ch. 97-255; s. 143, ch. 2001-266; s. 17, ch. 2004-305; s. 12, ch. 2011-144; s. 3, ch. 2012-16.

189.421 Failure of district to disclose financial reports.—

(1)(a) If notified pursuant to s. 189.419(1), (4), or (5), the department shall attempt to assist a special district in complying with its financial reporting requirements by sending a certified letter to the special district, and, if the special district is dependent, sending a copy of that letter to the chair of the local governing authority. The letter must include a description of the required report, including statutory submission deadlines, a contact telephone number for technical assistance to help the special district comply, a 60-day deadline for filing the required report with the appropriate entity, the address where the report must be filed, and an explanation of the penalties for noncompliance.

(b) A special district that is unable to meet the 60-day reporting deadline must provide written notice to the department before the expiration of the deadline stating the reason the special district is unable to comply with the deadline, the steps the special district is taking to prevent the noncompliance from reoccurring, and the estimated date that the special district will file the report with the appropriate agency. The district's written response does not constitute an extension by the department; however, the department shall forward the written response to:

1. If the written response refers to the reports required under s. 218.32 or s. 218.39, the Legislative Auditing Committee for its consideration in determining whether the special district should be subject to further state action in accordance with s. 11.40(2)(b).

2. If the written response refers to the reports or information requirements listed in s. 189.419(1), the local general-purpose government or governments for their consideration in determining whether the oversight review process set forth in s. 189.428 should be undertaken.

3. If the written response refers to the reports or information required under s. 112.63, the Department of Management Services for its consideration in determining whether the special district should be subject to further state action in accordance with s. 112.63(4)(d)2.

(2) Failure of a special district to comply with the actuarial and financial reporting requirements under s. 112.63, s. 218.32, or s. 218.39 after the procedures of subsection (1) are exhausted shall be deemed final action of the special district. The actuarial and financial reporting requirements are declared to be essential requirements of law. Remedy for noncompliance shall be by writ of certiorari as set forth in subsection (4).

(3) Pursuant to s. 11.40(2)(b), the Legislative Auditing Committee shall notify the department of those districts that fail to file the required reports. If the procedures described in subsection (1) have not yet been initiated, the department shall initiate such procedures upon receiving the notice from the

Legislative Auditing Committee. Otherwise, within 60 days after receiving such notice, or within 60 days after the expiration of the 60-day deadline provided in subsection (1), whichever occurs later, the department, notwithstanding the provisions of chapter 120, shall file a petition for writ of certiorari with the circuit court. Venue for all actions pursuant to this subsection is in Leon County. The court shall award the prevailing party attorney's fees and costs unless affirmatively waived by all parties. A writ of certiorari shall be issued unless a respondent establishes that the notification of the Legislative Auditing Committee was issued as a result of material error. Proceedings under this subsection are otherwise governed by the Rules of Appellate Procedure.

(4) Pursuant to s. 112.63(4)(d)2., the Department of Management Services may notify the department of those special districts that have failed to file the required adjustments, additional information, or report or statement after the procedures of subsection (1) have been exhausted. Within 60 days after receiving such notice or within 60 days after the 60-day deadline provided in subsection (1), whichever occurs later, the department, notwithstanding chapter 120, shall file a petition for writ of certiorari with the circuit court. Venue for all actions pursuant to this subsection is in Leon County. The court shall award the prevailing party attorney's fees and costs unless affirmatively waived by all parties. A writ of certiorari shall be issued unless a respondent establishes that the notification of the Department of Management Services was issued as a result of material error. Proceedings under this subsection are otherwise governed by the Rules of Appellate Procedure.

History.—s. 10, ch. 79-183; s. 79, ch. 81-259; s. 27, ch. 89-169; s. 80, ch. 92-279; s. 55, ch. 92-326; s. 961, ch. 95-147; s. 32, ch. 96-410; s. 20, ch. 97-255; s. 21, ch. 2004-305; s. 23, ch. 2011-34; s. 16, ch. 2011-144; s. 19, ch. 2012-5.

Note.—Former s. 189.008.

218.32 Annual financial reports; local governmental entities.—

(1)(a) Each local governmental entity that is determined to be a reporting entity, as defined by generally accepted accounting principles, and each independent special district as defined in s. 189.403, shall submit to the department a copy of its annual financial report for the previous fiscal year in a format prescribed by the department. The annual financial report must include a list of each local governmental entity included in the report and each local governmental entity that failed to provide financial information as required by paragraph (b). The chair of the governing body and the chief financial officer of each local governmental entity shall sign the annual financial report submitted pursuant to this subsection attesting to the accuracy of the information included in the report. The county annual financial report must be a single document that covers each county agency.

(b) Each component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with the reporting requirements contained in this section.

(c) Each regional planning council created under s. 186.504, each local government finance commission, board, or council, and each municipal power corporation created as a separate legal or administrative entity by interlocal agreement under s. 163.01(7) shall submit to the department a copy of its audit report and an annual financial report for the previous fiscal year in a format prescribed by the department.

(d) Each local governmental entity that is required to provide for an audit under s. 218.39(1) must submit a copy of the audit report and annual financial report to the department within 45 days after the completion of the audit report but no later than 9 months after the end of the fiscal year.

(e) Each local governmental entity that is not required to provide for an audit under s. 218.39 must submit the annual financial report to the department no later than 9 months after the end of the fiscal year. The department shall consult with the Auditor General in the development of the format of annual financial reports submitted pursuant to this paragraph. The format must include balance sheet information used by the Auditor General pursuant to s. 11.45(7)(f). The department must forward the financial information contained within the annual financial reports to the Auditor General in electronic form. This paragraph does not apply to housing authorities created under chapter 421.

(f) If the department does not receive a completed annual financial report from a local governmental entity within the required period, it shall notify the Legislative Auditing Committee and the Special District Information Program of the

Department of ¹Economic Opportunity of the entity's failure to comply with the reporting requirements.

(g) Each local governmental entity's website must provide a link to the department's website to view the entity's annual financial report submitted to the department pursuant to this section. If the local governmental entity does not have an official website, the county government's website must provide the required link for the local governmental entity.

(2) The department shall annually by December 1 file a verified report with the Governor, the Legislature, the Auditor General, and the Special District Information Program of the Department of Economic Opportunity showing the revenues, both locally derived and derived from intergovernmental transfers, and the expenditures of each local governmental entity, regional planning council, local government finance commission, and municipal power corporation that is required to submit an annual financial report. The report must include, but is not limited to:

(a) The total revenues and expenditures of each local governmental entity that is a component unit included in the annual financial report of the reporting entity.

(b) The amount of outstanding long-term debt by each local governmental entity. For purposes of this paragraph, the term "long-term debt" means any agreement or series of agreements to pay money, which, at inception, contemplate terms of payment exceeding 1 year in duration.

(3) The department shall notify the President of the Senate and the Speaker of the House of Representatives of any municipality that has not reported any financial activity for the last 4 fiscal years. Such notice must be sufficient to initiate dissolution procedures as described in s. 165.051(1)(a). Any special law authorizing the incorporation or creation of the municipality must be included within the notification.

History.—s. 2, ch. 73-349; s. 15, ch. 77-165; s. 46, ch. 79-164; s. 5, ch. 79-183; s. 4, ch. 79-589; s. 42, ch. 80-274; s. 18, ch. 81-167; s. 16, ch. 83-55; s. 2, ch. 83-106; s. 43, ch. 89-169; s. 55, ch. 91-45; s. 93, ch. 92-152; s. 90, ch. 92-279; s. 55, ch. 92-326; s. 36, ch. 94-249; s. 18, ch. 96-324; s. 8, ch. 2000-152; s. 5, ch. 2000-264; s. 62, ch. 2001-266; s. 26, ch. 2004-305; s. 25, ch. 2011-34; s. 85, ch. 2011-142; s. 18, ch. 2011-144.

¹Note.—The reference to the Department of Economic Opportunity was substituted for a reference to the Department of Community Affairs by the editors. Section 65, ch. 2011-142, transferred the Special District Information Program to the Department of Economic Opportunity from the Department of Community Affairs.

218.39 Annual financial audit reports.—

(1) If, by the first day in any fiscal year, a local governmental entity, district school board, charter school, or charter technical career center has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds:

(a) Each county.

(b) Any municipality with revenues or the total of expenditures and expenses in excess of \$250,000, as reported on the fund financial statements.

(c) Any special district with revenues or the total of expenditures and expenses in excess of \$100,000, as reported on the fund financial statements.

(d) Each district school board.

(e) Each charter school established under s. 1002.33.

(f) Each charter technical center established under s. 1002.34.

(g) Each municipality with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, as reported on the fund financial statements, which has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(h) Each special district with revenues or the total of expenditures and expenses between \$50,000 and \$100,000, as reported on the fund financial statement, which has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(2) The county audit report must be a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including reports on compliance and internal control, management letters, and financial statements as required by rules adopted by the Auditor General. In addition, if a board of county commissioners elects to have a separate audit of its financial accounts and records in the manner required by rules adopted by the Auditor General for other county agencies, the separate audit must be included in the county audit report.

(3)(a) A dependent special district may provide for an annual financial audit by being included in the audit of the local governmental entity upon which it is dependent. An independent special district may not make provision for an annual financial audit by being included in the audit of another local governmental entity.

(b) A special district that is a component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local

governmental entity, with financial information necessary to comply with this section. The failure of a component unit to provide this financial information must be noted in the annual financial audit report of the local governmental entity.

(4) A management letter shall be prepared and included as a part of each financial audit report.

(5) At the conclusion of the audit, the auditor shall discuss with 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 board of the charter school or the chair's designee, or the chair of the board of the charter technical career center or the chair's designee, as appropriate, all of the auditor's comments that will be included in the audit report. If the officer is not available to discuss the auditor's comments, their discussion is presumed when the comments are delivered in writing to his or her office. The auditor shall notify each member of the governing body of a local governmental entity, district school board, charter school, or charter technical career center for which:

(a) Deteriorating financial conditions exist that may cause a condition described in s. 218.503(1) to occur if actions are not taken to address such conditions.

(b) A fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit. Resources available to cover reported deficits include fund balance or net assets that are not otherwise restricted by federal, state, or local laws, bond covenants, contractual agreements, or other legal constraints. Property, plant, and equipment, the disposal of which would impair the ability of a local governmental entity, charter school, charter technical career center, or district school board to carry out its functions, are not considered resources available to cover reported deficits.

(6) The officer's written statement of explanation or rebuttal concerning the auditor's findings, including corrective action to be taken, must be filed with the governing body of the local governmental entity, district school board, charter school, or charter technical career center within 30 days after the delivery of the auditor's findings.

(7) All audits conducted pursuant to this section must be conducted in accordance with the rules of the Auditor General adopted pursuant to s. 11.45.

Upon completion of the audit, the auditor shall prepare an audit report in accordance with the rules of the Auditor General. The audit report shall be filed with the Auditor General within 45 days after delivery of the audit report to the governing body of the audited entity, but no later than 9 months after the end of the audited entity's fiscal year. The audit report must include a written statement describing corrective actions to be taken in response to each of the auditor's recommendations included in the audit report.

(8) The Auditor General shall notify the Legislative Auditing Committee of any audit report prepared pursuant to this section 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.

(a) 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.

(b) If the committee determines that the written statement is not sufficient, it 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 board of the charter school or the chair's designee, or the chair of the board of the charter technical career center or the chair's designee, as appropriate, to appear before the committee.

(c) If the committee determines that an 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).

(9) The predecessor auditor of a district school board shall provide the Auditor General access to the prior year's working papers in accordance with the Statements on Auditing Standards, including documentation of planning, internal control, audit results, and other matters of continuing accounting and auditing significance, such as the working paper analysis of balance sheet accounts and those relating to contingencies.

(10) Each charter school and charter technical career center must file a copy of its audit report with the sponsoring entity; the local district school board, if not the sponsoring entity; the Auditor General; and with the Department of Education.

(11) This section does not apply to housing authorities created under chapter 421.

(12) Notwithstanding the provisions of any local law, the provisions of this section shall govern.

History.—s. 65, ch. 2001-266; s. 924, ch. 2002-387; s. 28, ch. 2004-305; s. 2, ch. 2006-190; s. 2, ch. 2009-214; s. 20, ch. 2011-144; s. 25, ch. 2012-5; s. 1, ch. 2012-38.

**Audit Findings Not Corrected
Educational Entities and Counties**

Audit Findings Not Corrected – Educational Entities and Counties: Materials Provided

1. **Summary:** Failure to Correct Audit Findings – Educational Entities and Local Governments
2. **Audit Findings Reported to the Committee:**
 - State College and Universities
 - District School Boards
 - Charter Schools
 - County Constitutional Officers
3. **Notifications** from the Auditor General

Failure to Correct Audit Findings

Educational Entities and Local Governments

Recent legislation provides the Joint Legislative Auditing Committee (Committee) with 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 may proceed in accordance with s. 11.40(2), F.S.¹ [*s. 11.45(7)(j), F.S.*]

- **Other Educational Entities and Local Governmental Entities:** The Auditor General is required to notify the Committee of any audit report prepared pursuant to s. 218.39, F.S., (*reports prepared by private CPAs for audits of school districts, charter schools, 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 board of the charter school or the chair's designee, or the chair of the board of the 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

¹ Current provisions of s. 11.40(2), F.S., do not include any action applicable to colleges and universities.

funds not pledged for bond debt service satisfaction which are payable to such entity until the entity complies with the law. The Committee shall specify the date such action shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law. The Department of Revenue and the Department of Financial Services may implement the provisions of this paragraph.

- (b) In the case of a special district, 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 s. 189.4044 or s. 189.421.
- (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.

Notifications Received from the Auditor General

The Committee received the first notifications from the Auditor General during late 2012. The Auditor General is required by law to conduct audits of state universities, Florida College System institutions, and district school boards.² Also, the Auditor General routinely reviews financial audits of district school boards, charter schools, and local governmental entities that are performed by independent, private CPAs. Based on all of these audits, the Auditor General reported the following breakdown of the educational entities and counties that have failed to correct audit findings:

Type of Entity	Number with Repeat Audit Findings ³	Total Number of Repeat Findings
Colleges	5	8
Universities	4	12
District School Boards	33	33 94
Charter Schools	27 ⁴	27 36
Counties	36 ⁵	179 179

} corrected after meeting

Note: The Committee has also received notifications for Municipalities and Special Districts; these will be provided at the next Committee meeting.

Committee Action

If the Committee members decide to take action, the first step is to direct the governing body of each entity (or selected entities) to provide a written statement to the Committee to explain the corrective action that has occurred or is planned or to provide the reasons no corrective action is planned.

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

³For 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.

⁴These charter schools are located in 19 counties.

⁵Separate audits are conducted of most County Constitutional Officers (Board of County Commissioners, Tax Collector, Property Appraiser, Clerk of Circuit Court, Supervisor of Elections, and the Sheriff); repeat audit findings were reported for 90 Constitutional Officers in these counties.

State Colleges and Universities

Failed to Take Full Corrective Action in Response to a Recommendation that was Included in the 2010-11 Fiscal Year Operational Audit Report and the Two Preceding Operational Audit Reports¹

Institution Name	Audit Finding
Broward College	Needed to strengthen its procedures for assessing user fees.
Chipola College	Had not developed and tested a written disaster recovery plan for its information technology (IT) operations.
Florida Keys Community College	Records did not always include a written analysis or other documentation to evidence the basis used for costs and market adjustment amounts included in the calculation of continuing workforce education course fees.
	Records did not always include a written analysis or other documentation to evidence the basis used for costs and market adjustment amounts included in the calculation of recreation and leisure course fees.
	Procedures for ensuring that full-time faculty's work schedules are complete and accurate needed improvement.
Florida State College at Jacksonville	Some inappropriate and unnecessary IT access privileges existed.
Hillsborough Community College	Certain IT policies and procedures were in development or existed only in draft form and had not been approved by management.
	Had not developed a written, comprehensive IT risk assessment.
Florida Atlantic University	Contrary to Section 1009.285, F.S., some students enrolled in the same undergraduate credit class more than twice received an exception from paying full instructional costs more than once for the same class.
	Controls over decentralized collections needed improvement.
	Controls over the issuance of complimentary athletic event tickets needed improvement.
	Procedures for monitoring purchasing card usage needed improvement.
Florida International University	Controls over parking citation receivables needed improvement.
	Controls over tangible personal property needed improvement.
	Vehicle usage logs were not always complete and did not always include evidence of supervisory review.
	Procedures for monitoring motor fuel consumption needed improvement.
	Controls over its credit card programs needed improvement.
University of Florida	Procedures for documenting and monitoring alternate work location agreements needed improvement.
	Needed to establish an adequate alternate IT processing facility.
University of South Florida	Needed to improve controls over its purchasing card program.

¹ These operational audits have been conducted by the Office of the Auditor General. Pursuant to Section 11.45(2)(f), F.S., the Auditor General is required to conduct an operational audit of the accounts and records of state universities and state colleges at least once every three years.

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation that was Included in the 2010-11 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

District School Board	Audit Finding
Bay	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
	Procedures for reviewing information technology (IT) access privileges needed enhancement as some inappropriate or unnecessary access privileges existed within the District.
Bradford	The IT disaster recovery plan could be enhanced.
	The District lacked written policies and procedures for certain IT functions.
	The District had not classified IT data according to sensitivity or level of significance, or maintained documentation of user access authorization.
	An IT security awareness training program had not been implemented.
	The District did not have a formal program change methodology that documented the IT program change process and did not restrict programmers from accessing or updating production programs and data.
Certain IT security controls related to logging, user authentication, and data loss prevention needed improvement.	
Columbia	The District lacked written policies and procedures for certain IT functions.
	The District did not independently test and approve IT program changes or restrict programmers from accessing or updating production data.
	Procedures had not been implemented to review IT logs of the modifications of sensitive or critical tables, files, and transactions.
Dixie	The District lacked written policies and procedures for certain IT functions.
Escambia	Required background screenings for certain District employees and a non-instructional contractor were not timely obtained.
	Records did not evidence that independent reconciliations of child care fee collections and deposits with projected fee collections based on attendance records and approved fee rates were performed.
Franklin	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

¹ The majority of these 2010-11 Fiscal Year audits were conducted by the Auditor General; the exceptions are the audits of Manatee, Palm Beach, Polk, Santa Rosa, Sarasota, and Volusia District School Boards, which were conducted by private certified public accountants. Pursuant to Section 11.45(2)(e), F.S., the Auditor General is required to conduct a financial audit annually of the smaller district school boards (counties with a population of less than 150,000) and once every three years for the larger district school boards. The larger district school boards are required to obtain their own auditor for each of the two years that the Auditor General does not conduct the audit. The Auditor General is required to conduct an operational audit of all school districts at least once every three years.

District School Board	Audit Finding
Gadsden	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.
	A comprehensive written IT disaster recovery plan had not been established.
	IT security controls related to logging, monitoring, and review of system activity needed improvement.
	The District needs to enhance procedures to ensure that federal Title I program expenditures are necessary and reasonable for the proper and efficient performance of the program. Questioned costs in the past three years were \$27,680 (FY 2010-11), \$138,756.04 (FY 2009-10), and \$29,017.84 (FY 2008-09).
Glades	Improvements could be made in controls over IT functions relating to oversight of IT operations, written policies and procedures, security controls, and the disaster recovery plan.
Gulf	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.
	The District lacked written policies and procedures for certain IT functions.
Hardee	Improvements are needed to monitor meal costs per school.
	Controls over Federal expenditures for the food service program could be enhanced.
Hendry	The District lacked written policies and procedures for certain IT functions.
Indian River	The District needed to enhance its procedures for timely obtaining background screening and fingerprints for District personnel who have direct contact with students.
	The District did not maintain complete, well-documented procedures to establish the duties and responsibilities of Maintenance Department personnel in properly monitoring and completing projects, complying with applicable building and life safety codes, and tracking facility and equipment warranties.
	Management of IT access privileges needed improvement.
	Improvements were needed in the IT change management process as the District did not restrict programmers from updating production programs and data.
	IT security controls related to user authentication, logging, and monitoring needed improvement. Procedures to ensure the timely removal of IT access privileges for former employees needed to be enhanced.
Jackson	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

District School Board	Audit Finding
Jefferson	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.
	Controls over the issuance of student diplomas could be enhanced.
	The District lacked written policies and procedures for certain IT functions.
	The IT disaster recovery plan lacked key disaster recovery control elements and had not been tested.
	The District needed to improve IT security controls related to network and application access and authorization.
	A comprehensive IT security awareness training program had not been implemented.
Lafayette	The District lacked written policies and procedures for certain IT functions.
Lake	The District needed to enhance its payroll processing controls over time records.
	Procedures to ensure compliance with certain facility safety standards could be enhanced.
	The District lacked written policies and procedures for certain IT functions.
	The IT disaster recovery plan had not been tested.
Lee	Enhancements were needed in monitoring the required insurance coverage of the District's charter schools.
Leon	Extended Day Enrichment Program fee collection procedures could be strengthened.
	The District did not deactivate the IT access privileges of some former employees in a timely manner.
	IT security controls related to user authentication needed improvement.
Manatee	Improvements were needed in procedures to ensure the accurate reporting of instructional contact hours for adult general education courses to the Florida Department of Education.
Martin	Existing policies relating to ethics and antifraud could be enhanced.
Monroe	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
	Improvements were needed in controls over food service collections.
	The District needed to enhance controls over after school day care and adult education program fees.
	Payroll processing procedures could be enhanced to ensure that employee work time is appropriately documented, approved, and paid in accordance with Board intent.
	A formal plan needs to be established to adequately fund the property self-insurance program for wind damage.
	Improvements were needed to enhance the accountability and control of gasoline and diesel fuel usage.
	The IT disaster recovery plan had not been tested.
	Allocations of salaries and benefits charged to the federal Child Nutrition Cluster programs were not adequately documented.
	Controls over charges to Federal programs could be improved to help ensure that grant activities are properly managed and monitored and that Federal funds are only spent for grant activities. Questioned costs in the past three years were \$2,072.90 (FY 2010-11), \$29,440.50 (FY 2009-10), and \$111,312.94 (FY 2008-09).

District School Board	Audit Finding
Okeechobee	The District needed to enhance controls over school internal fund collections and related deposits.
	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
Palm Beach	IT access controls within the PeopleSoft application environment and the operating system needed improvement.
	The District should consider using an internal service fund to account for and report all of its self-insurance programs in order to provide for separate accounting and increased transparency.
	The District should consider using one bank or a few specific banks that can provide maximum services with the minimum cost and relocate accounts for the school locations accordingly.
Pinellas	Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.
	The District did not timely obtain required background rescreenings for certain District employees.
	Subsidiary capital asset records could be improved.
	Improvements were needed in controls over maintenance, warehouse, and transportation inventories.
	Enhancements were needed in monitoring required insurance coverage of the District's charter schools.
	The District transferred \$6,157,936 of student fees from the workforce development program to an unrestricted account during the 2004-05 through 2007-08 fiscal years, contrary to guidance from the Florida Department of Education, and District records did not evidence resolution of the unauthorized transfers as of January 2012.
	During the 2004-05 fiscal year, the District transferred \$3,033,923 more from the workforce development program to the General Fund for reimbursement of indirect costs than was allowable by law. As of January 2012, the District still had not returned these moneys to the workforce development program account.
	The District did not have written policies and procedures for reviewing IT access privileges and some inappropriate access privileges were allowed to the finance and human resource applications.
	IT security controls related to user authentication needed improvement.
Polk	Improvements are needed to enhance the controls over and the reporting on investments to comply with Board policy.
Putnam	During the 2008-09 fiscal year, the District transferred \$2,464,721 from the internal service fund to the General fund without making a determination of the portion that should be credited to Federal programs. Subsequently, District transferred \$998,075 back to the internal service fund; however, as of January 2012, the District still had not made a determination of the portion of the \$1,466,646 that should be credited to Federal programs.
Santa Rosa	Improvements could be made in financial reporting procedures to ensure that account balances, transactions, and required supplementary information are properly reported.
	IT risk assessment practices could be improved.
	The disaster recovery plan omitted consideration of certain key IT processes.
	Certain IT security controls related to user authentication could be enhanced.

District School Board	Audit Finding
Sarasota	Improvements are needed in procedures over the financial reporting process to ensure that all financial statements are prepared in accordance with generally accepted accounting principles. The District had not developed a formal IT security policy.
Taylor	Bank account reconciliation procedures were not effective. Financial reporting procedures needed to be improved. The District needed to enhance its budgetary process and ensure that monthly financial statements are timely provided to the Board. Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. The District lacked written policies and procedures for certain IT functions.
Volusia	Improvements were needed in IT program change controls.
Wakulla	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. The IT disaster recovery plan lacked key disaster recovery control elements and had not been tested. IT security controls related to user authentication and data loss prevention needed improvement.
Walton	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.
Washington	Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. IT security controls related to data loss prevention and management of access privileges needed improvement.

NOTES:

1. **Material Weakness:** 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.

2. **Significant Deficiency:** 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 that was included in the 2010-11 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Charter School	Audit Finding
Alachua	Caring & Sharing Learning School	The School over-expended the budget of the General Fund. The School did not always maintain adequate supporting documentation for its expenditures. Consequently, it was not always possible to determine that the School's expenditures were necessary and reasonable and for an authorized public purpose.
	Healthy Learning Academy	Inadequate separation of duties. Whenever possible, duties should be separated so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.
	Hoggetowne Middle School	Auditor needed to recommend four adjusting journal entries; the School should have procedures in place to identify and make these adjustments.
	Micanopy Area Cooperative School	Auditor needed to recommend six adjusting journal entries; the School should have procedures in place to identify and make these adjustments.
Bay	Bay Haven Charter Academy Elementary School	Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. Inadequate design of internal control over the preparation of the financial statements.
	Bay Haven Charter Academy Middle School	Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. Inadequate design of internal control over the preparation of the financial statements.
Brevard	Imagine Schools at West Melbourne	The School's deductible for Property Damage Liability Insurance is \$25,000 per occurrence, not the \$1,000 maximum as required by the charter school agreement. The School's deductible for School Leaders' Errors and Omissions Insurance is \$10,000 per occurrence, not the \$5,000 maximum as required by the charter school agreement.
Broward	Touchdowns4Life	The School's cash balance was in an overdrawn position as of June 30, 2011. There were large variances between amounts budgeted verses actual revenue and expenses incurred.

¹ These audits have been conducted by private certified public accountants, as required by section 218.39(1), Florida Statutes.

County	Charter School	Audit Finding
Citrus	Academy of Environmental Science	Inadequate separation of duties. Employee who maintains accounting records also handles cash collections, cosigns checks, and reconciles bank statements. Auditor acknowledges that personnel may not always be available to permit appropriate separation, the auditor thinks it is important that the School is made aware of the condition.
Escambia	Beulah Academy of Science	Inadequate separation of duties. Small size of staff is a factor; however, management should continue to review its internal control structure and separate duties among its staff to the greatest extent possible so one individual does not perform both custodial and recording functions with certain assets. Modifications of original budget amounts were not made in sufficient amounts to prevent actual expenditures from exceeding budgeted expenditures.
	Escambia Charter School	Inadequate separation of duties. Small size of staff is a factor; however, management should continue to review its internal control structure and separate duties among its staff to the greatest extent possible so one individual does not perform both custodial and recording functions with certain assets. Modifications of original budget amounts were not made in sufficient amounts to prevent actual expenditures from exceeding budgeted expenditures.
Gadsden	Crossroad Academy Charter School	Management relies on the audit firm to draft the financial statements and related disclosures.
Indian River	Sebastian Charter Junior High	Inadequate segregation of duties between authorization, custody, and recordkeeping processes for assets. Auditors recognize that small size of staff limits extent to which duties can be separated and recommend that Board continue its high degree of involvement in financial process.
	St. Peter's Academy	The payroll-related liabilities were not paid in a timely manner on one occasion during the most recent audit period.
Leon	The School of Arts and Sciences Foundation	The School does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles and hires outside assistance; auditor understands the cost-benefit of hiring someone with the expertise is not practical.
Manatee	Imagine School at Lakewood Ranch	Actual expenditures exceeded final budgeted appropriations of the general fund; during the most recent audit period, the budget was exceeded by \$285,954.
Miami-Dade	Archimedean Academy	There is an increasing amount of accounts receivable due for 90 days or more; need to review the collections policy.

County	Charter School	Audit Finding
Monroe	Treasure Village Montessori	Inadequate separation of duties. For example, the Principal of the School approves purchases and is also a signer on checks.
		The School does not have an in-house detail of fixed assets; the current detail was prepared by the previous auditors.
Orange	Nap Ford Community School	Inadequate separation of duties. One person has the primary responsibility for most of the accounting duties.
	Rio Grande Charter School of Excellence	It was necessary for the auditor to propose several adjusting journal entries relating to the year-end closing procedures. Also, additional procedures to ensure timely bank reconciliations should be implemented and monitored.
Pinellas	Academie DaVinci Charter School, Inc.	The School does not prepare year-end adjustments to convert its cash basis general ledger to an accrual basis general ledger, as required by generally accepted accounting principles.
	Pinellas Preparatory Academy	Inadequate separation of duties due to small size of staff. Situation dictates that Board of Directors remains involved in financial affairs to provide oversight and independent review functions.
Polk	Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School	Inadequate separation of duties. The size of the 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 suggests that the Board of Directors continue to remain involved in the financial affairs to provide oversight and independent review functions.
Seminole	Choices in Learning	The School's staff does not have the knowledge and expertise to perform all of the functions necessary to prepare the financial statements and note disclosures in accordance with generally accepted accounting principles. It was necessary for the auditor to propose several material adjustments to the financial statements.
St. Johns	ABLE School	The auditor noted errors in the following accounts: Cash-Checking, Accounts Receivable, Accounts Payable, and Deposits Payable. Also, an adjustment was made to the accrued payroll account. These conditions indicate a lack of attention to the proper maintenance and adjustment of asset and liability accounts.
		The School does not provide a documentation trail (audit trail) to prove that amounts collected from the cafeteria are deposited into the bank.
Volusia	Boston Avenue Charter School	Inadequate separation of duties. One person has the primary responsibility for most of the accounting duties surrounding the cash receipts function. Management should revise procedures to include more appropriate separation of duties over cash receipts; where not possible, the Board of Directors should be aware that closer supervision and review is the most practical method to minimize this weakness.

County	Charter School	Audit Finding
Walton	The Seaside School	The School relied on the auditor to propose significant adjustments to prepare its annual financial statements in accordance with generally accepted accounting principles.

NOTES:

1. **Material Weakness:** 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.

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

County Constitutional Officers

Failed to Take Full Corrective Action in Response to a Recommendation that was included in the 2010-11 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Constitutional Officer	Audit Finding
Baker	Board of County Commissioners	<p>Inadequate separation of duties. To the extent possible, given the availability of personnel, the County should implement a system of checks and balances. Steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p> <p>Financial reporting. The County should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.</p>
	Clerk of the Circuit Court	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or to all phases of a transaction.
	Property Appraiser	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or to all phases of a transaction.
	Supervisor of Election	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or to all phases of a transaction.
	Sheriff	<p>Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or to all phases of a transaction.</p> <p>Noncompliance with rules related to tangible personal property. The Office was unable to produce a subsidiary record for its tangible personal property and did not conduct physical inventories during the year.</p> <p>Financial reporting. The Office should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.</p>

¹ These audits have been conducted by private certified public accountants, as required by section 218.39(1), Florida Statutes.

County	Constitutional Officer	Audit Finding
Baker	Tax Collector	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or to all phases of a transaction.
Bradford	Board of County Commissioners	The County provided funding to four volunteer fire departments and three municipal fire departments through its annual budget process to provide fire protection services within the unincorporated areas of the County; however, there were no written agreements in effect that documented the responsibilities and requirements of the parties.
	Clerk of the Circuit Court	Inadequate separation of duties. Where feasible, the Clerk should separate incompatible duties.
	Property Appraiser	Inadequate separation of duties. Where feasible, the Property Appraiser should separate incompatible duties.
	Sheriff	Inadequate separation of duties. Where feasible, the Sheriff should separate incompatible duties. The final budget amendment to the FY 2010-11 budget was not submitted and approved until December 2011, which was after the statutory deadline. Employee pay rates were not documented in the employees' personnel files.
	Tax Collector	Inadequate separation of duties. Where feasible, the Tax Collector should separate incompatible duties.
Brevard	Board of County Commissioners	The County is not in compliance with statutory requirements for expenditures for court-related functions. The County is not in compliance with statutory requirements related to unclaimed property.
	Clerk of the Circuit Court	The Clerk failed to pursue the collection of unpaid court-related balances within the statutory timeframe in 2 out of 25 sample cases tested. The Clerk lacks adequate systems for the accumulation and reporting of case load data for Article V compliance with performance measures.
		Jurors were not compensated for juror service in a timely manner.
Broward	Board of County Commissioners	Improvements in internal controls over the preparation of the <i>Schedule of Expenditures of Federal Awards and State Financial Assistance</i> are needed to ensure its accuracy and completeness.

County	Constitutional Officer	Audit Finding
Calhoun	Property Appraiser	Inadequate separation of duties. The auditor recognizes that the small size of the office makes it impractical to provide total separation of incompatible duties; however, controls should be implemented to help compensate for the weakness and to provide checks and balances.
	Sheriff	Inadequate separation of duties. Due to a limited number of employees; the office recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure.
	Supervisor of Election	Inadequate separation of duties. The auditor recognizes that the small size of the office makes it impractical to provide total separation of incompatible duties; however, controls should be implemented to help compensate for the weakness and to provide checks and balances.
	Tax Collector	Inadequate separation of duties. Due to a limited number of employees; the office recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure. No warrants were issued for delinquent personal property taxes as required by law.
Charlotte	Board of County Commissioners	Appropriate firewall testing by a qualified third-party provider has not been performed.
Citrus	Board of County Commissioners	The fund balances of certain governmental funds, including the General Fund, continue to decline. Although these decreases were budgeted and anticipated by management, the County could find itself in a deteriorating financial condition should these decreases continue or if emergencies arise which require unanticipated expenditures.
Dixie	Board of County Commissioners	The County payroll system provides overtime pay when the 40-hour work week includes sick time; as a result, management cannot ensure whether the County is in compliance with Federal labor laws.
		Auditor proposed material adjustments to the County's financial statements and assisted with the preparation of the County's financial statements.
		Documentation was not available to support the tax-exempt monthly travel allowances received by the Commissioners, as required by IRS rules and regulations. Inadequate internal controls over the administration of state and federal grants.

County	Constitutional Officer	Audit Finding
Dixie	Clerk of the Circuit Court	<p>Inadequate separation of duties. Where possible, the Office should provide compensating controls.</p> <p>The Registry Fund has several individual balances that relate to cases that have been inactive or have been adjudicated for more than five years. The Office should proceed with final disposition of such unclaimed funds in accordance with state law.</p> <p>Year-end fund balances are not detailed as the Office does not keep adequate subsidiary ledgers for the Registry Fund, Cash Bonds Fund, or the Tax Deed Fund.</p> <p>Inadequate procedures are in place to monitor the transactions of certain Agency Funds (including the Registry of the Court Fund, Bond Fund, and Tax Deed Fund) to ensure that all collections are distributed properly.</p> <p>Collection Performance measures were not met as of June 30, 2011, for Circuit Criminal, County Criminal, Criminal Traffic, Civil Traffic, and Juvenile Delinquency.</p>
	Supervisor of Election	<p>Inadequate separation of duties. To the extent possible, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p> <p>Auditor proposed material adjustments to the Office's financial statements and assisted with the preparation of the Office's financial statements.</p>
	Sheriff	<p>Certain employees who record cash transactions in the accounting records also have access to cash collections and perform bank reconciliations. To the extent possible, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p> <p>Internal controls were not sufficient to ensure accountability of the resources of the Inmate Trust Fund.</p> <p>It was necessary for the auditor to assist in the preparation of the Sheriff's financial statements.</p>
Escambia	Sheriff	<p>Financial activity of the internal service fund is not timely recorded.</p> <p>The Internal Service Fund in which the Office's compensated absences balances are recorded has a significant accumulated deficit. In order for the fund to maintain its classification as an internal service fund, sufficient charges for services to participating funds should be charged to reimburse current expenses and eliminate the deficit.</p>

County	Constitutional Officer	Audit Finding
Franklin	Board of County Commissioners	Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles.
		Inadequate design of internal controls over the preparation of the financial statements exists.
	Clerk of the Circuit Court	Inadequate separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.
		Inadequate design of internal controls over the preparation of the financial statements exists.
	Property Appraiser	Inadequate separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.
		Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles.
		Inadequate design of internal controls over the preparation of the financial statements exists.
	Supervisor of Election	Inadequate separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.
		Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles.
		Inadequate design of internal controls over the preparation of the financial statements exists.
	Sheriff	Inadequate separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.
		Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles.
	Inadequate design of internal controls over the preparation of the financial statements exists.	
	Office expenditures exceeded the approved budget.	

County	Constitutional Officer	Audit Finding
Franklin	Tax Collector	<p>Inadequate separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.</p> <p>Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles.</p> <p>Inadequate design of internal controls over the preparation of the financial statements exists.</p>
Gadsden	Sheriff	<p>Certain fees, commissions, and other funds collected by the Office were not timely remitted to the Board of County Commissioners as required by State law.</p>
Gilchrist	Board of County Commissioners	<p>Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p>
	Supervisor of Election	<p>It was necessary for auditor to assist with the preparation of the Office's financial statements in order to present them in conformity with generally accepted accounting principles.</p>
	Sheriff	<p>Material adjustments to the Office's financial statements were required for conformity with generally accepted accounting principles.</p> <p>Inadequate separation of duties. Whenever possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p>
Gulf	Property Appraiser	<p>Lack of separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.</p>
	Supervisor of Elections	<p>Lack of separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.</p>
	Sheriff	<p>Lack of separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.</p>

County	Constitutional Officer	Audit Finding
Gulf	Tax Collector	Lack of separation of duties. In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly.
Hamilton	Board of County Commissioners	Recreation receipts did not agree to the number of participants and rate per participant. Also, a markup on concession goods sold should be established, and the profit should be computed periodically. A comparison should be made of the established markup and the computed markup, and any significant variance explained.
Hardee	Supervisor of Elections	<p>Management requested that the auditor prepare the financial statements, including the related notes to the financial statements. Material audit adjustments were necessary in order for the financial statements to be in conformity with generally accepted accounting principles.</p> <p>Salary payments to the Supervisor of Elections were more than the statutory amount.</p> <p>Inadequate separation of duties. Bookkeeper initiates, prepares, disburses, and signs checks, and also prepares bank deposits and bank reconciliations.</p>
	Sheriff	<p>Inadequate separation of duties. The bookkeeper initiates, prepares and disburses checks; prepares the bank deposits and bank reconciliations; and has signature on bank accounts.</p> <p>Management requested that the auditor prepare the financial statements, including the related notes to the financial statements.</p> <p>Material audit adjustments were necessary in order for the financial statements to be in conformity with generally accepted accounting principles.</p> <p>Accounting department has inadequate general ledger software.</p>
	Tax Collector	Inadequate separation of duties. Due to limited staffing, the Tax Collector initiates, prepares, and disburses checks and also prepares bank deposits and bank reconciliations. In addition, the Tax Collector initiates, prepares, and reviews journal entries.

County	Constitutional Officer	Audit Finding
Holmes	Board of County Commissioners	<p>The County's accounting system does not provide an electronic means to record and account for encumbrances, which results in extremely inefficient use of staff resources.</p> <p>The current module used to account for capital assets and depreciation of such assets does not provide all needed reports.</p> <p>The County does not maintain a usage or perpetual inventory system for parts and supplies held in the County's shop.</p> <p>Auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with general accepted accounting principles.</p> <p>Certain receivables, payables, and grant accruals and deferrals were not properly recorded at year end.</p> <p>The County did not implement GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions</i>.</p> <p>Eight of 60 building permits tested were issued with incomplete supporting documentation for fees collected.</p> <p>Inadequate separation of duties related to ambulance fees and accounts receivable. Also, there is no formal bad debt policy for accounts receivable.</p>
	Clerk of the Circuit Court	<p>Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards.</p>
	Property Appraiser	<p>Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards.</p>
	Supervisor of Elections	<p>Staff's lack of institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards.</p>

County	Constitutional Officer	Audit Finding	
Holmes	Sheriff	<p>Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards.</p> <p>Lack of adequate disbursement controls. The Chief Financial Officer's (CFO) responsibilities include accounts payable, check register review and approval, and preparation of bank account reconciliations. The CFO is not an authorized check signer. The CFO has IT rights to create vendors and general ledger access and authorization.</p>	
	Tax Collector	<p>Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards.</p>	
Jackson	Board of County Commissioners	<p>The County has not properly recorded in its fixed assets detail all of the County-owned land.</p> <p>Inadequate separation of duties. The individual responsible for the receipt of payments in the Fire and Rescue Department also is responsible for the posting of payments and charges to the accounts receivable ledger and is responsible for the mailing statements.</p> <p>The Board had not adopted written policies and procedures governing the accounting or administration of its grant programs.</p> <p>The Board does not have a policy covering travel reimbursement when an employee with a County vehicle elects to use their personal car for trips to allow their spouse to accompany them.</p> <p>The Board does not have a written cell phone or internet usage policy.</p>	
		Property Appraiser	<p>Inadequate separation of duties between employees who have record keeping responsibility and custody of assets due to limited staff. Continued effort should be made to separate those duties as much as possible.</p>
		Sheriff	<p>Inadequate separation of accounting and administrative duties due to limited staff. At a minimum the Sheriff should receive and review unopened bank statements each month.</p>
		Tax Collector	<p>Inadequate separation of duties between employees who have record keeping responsibility and custody of assets due to limited staff. Continued effort should be made to separate those duties as much as possible.</p>
Jefferson	Board of County Commissioners	<p>Overpayments were made to a landlord receiving payment from the Department of Housing and Urban Development's HUD Section 8 Housing Assistance Program. Payment amount was not adjusted to reflect the annual recertification of one applicant as required by grant terms.</p>	

County	Constitutional Officer	Audit Finding
Jefferson	Board of County Commissioners, Clerk of the Circuit Court, Property Appraiser, Supervisor Elections, Sheriff, and Tax Collector	<p>Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review.</p> <p>No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical.</p>
	Tax Collector	Cash balance did not reconcile to installments collected for next year's taxes and other amounts collected. Also, there was approximately \$17,723 of undisbursed taxes and fees in excess of tax installments in the tax account.
	Lafayette	Board of County Commissioners
Lee	Property Appraiser	Certain account balances were not properly reconciled on a periodic basis. Also, the year-end excess fee calculation was not properly calculated by the statutory deadline.
Levy	Board of County Commissioners	It was necessary for the auditor to assist with the preparation of the Board's financial statements.
	Clerk of the Circuit Court	It was necessary for the auditor to assist with the preparation of the Clerk's financial statements.
	Supervisor of Elections	<p>Inadequate separation of duties due to limited staff. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.</p> <p>It was necessary for the auditor to assist with the preparation of the Supervisor of Elections' financial statements.</p>
	Sheriff	Inadequate separation of duties due to limited staff. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.
	Tax Collector	It was necessary for the auditor to assist with the preparation of the Tax Collectors' financial statements.

County	Constitutional Officer	Audit Finding
Liberty	Board of County Commissioners	<p>The auditor identified and corrected numerous posting errors to the general ledger accounts, which substantially changed the overall financial results. As a result of these adjustments, several funds incurred expenditures in excess of appropriations.</p> <p>Grants are administered by various County departments; therefore, management should periodically monitor the financial activity of those departments and require them to provide periodic reports on grant activities to the Board. Also, one department should be assigned responsibility for compiling all grant information necessary for the preparation of the <i>Schedule of Federal Awards and State Financial Assistance</i>.</p> <p>Although required, a physical inventory of fixed assets was not performed during the year; also, the County does not have a fixed asset system in place that would calculate depreciation expense on fixed assets.</p>
	Sheriff	<p>Written policies and procedures were not in place or were not up-to-date for personnel, purchasing, payroll, investigative funds, property, or other general operations.</p>
Madison	Tax Collector	<p>Inadequate separation of duties. We understand that the size of the Tax Collector's staff may preclude certain internal controls that would be preferred if the office staff were larger. However, we believe that this office should segregate as many duties as possible.</p>
Martin	Board of County Commissioners	<p>A penetration and vulnerability test of the IT network has not been performed.</p> <p>There is no formal disaster recovery plan for recovering from a disaster affecting data processing services and the loss of financial systems and data.</p> <p>There is no formal process in place for periodic review of access to the County's General Ledger and Financial System access.</p>
	Sheriff	<p>Access authorization for IT program applications is not documented on standard forms.</p>
Miami-Dade	Board of County Commissioners	<p>Required documentation relating to some tenants of low income housing was not available at the Miami-Dade Public Housing Agency (a department of the County).</p>

County	Constitutional Officer	Audit Finding
Miami-Dade	Board of County Commissioners (cont.)	<p>Controls were not in place at the Miami-Dade Public Housing Agency to ensure the proper recording of all financial information in a timely and accurate manner. As a result, several significant prior year adjustments had to be made to financial information.</p> <p>The Miami-Dade Public Housing Agency did not comply with all federal requirements regarding eligibility and tenant recertifications.</p> <p>Deficiencies were identified related to access to the PeopleSoft Financials system at the Miami-Dade County Aviation Department.</p> <p>A number of important weaknesses were noted in The Public Health Trust of Miami-Dade County's IT general control environment relating to access controls and certain policies and procedures. Given these weaknesses, the auditors were unable to rely on specific IT application controls throughout the significant transaction cycles.</p>
Nassau	Sheriff	<p>Inadequate separation of duties. One employee signs checks, initiates bank transfers, reconciles bank statements, and prepares and post journal entries. The auditor recommends that incompatible accounting duties be separated among employees where it is feasible to do so.</p> <p>Unclaimed property was not appropriately handled as required by law; auditors noted a significant number of stale-dated checks.</p>
Okeechobee	Board of County Commissioners	<p>Certain monies collected were not deposited on a daily basis as required by Board policy.</p> <p>Material adjustments were necessary to correct the Board's trial balances and financial statement.</p>
Orange	Supervisor of Election	<p>The Supervisor of Elections did not remit unclaimed property (outstanding checks dating back to 1998) to the State, as required by law.</p>
Osceola	Clerk of the Circuit Court	<p>There is no formally documented IT disaster recovery plan.</p> <p>The Clerk did not meet the performance measure standards established by the Clerk of Court Operations Corporation.</p>
Pasco	Board of County Commissioners	<p>Errors in the preparation of the Schedule of Expenditures of Federal Awards and State Projects.</p>
Putnam	Supervisor of Election	<p>Inadequate separation of duties; duties should be separated to the extent possible so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.</p> <p>It was necessary for the auditor to assist with the preparation of the financial statements; auditors proposed material adjustments to the financial statements in order to comply with generally accepted accounting principles.</p>

February 2013

County	Constitutional Officer	Audit Finding
Putnam	Sheriff	It was necessary for the auditor to assist with the preparation of the financial statements.
Santa Rosa	Board of County Commissioners	Policies related to security deposits at the landfill have not been finalized.
		Written procedures and written controls have not been developed related to residential and commercial leases at Navarre Beach.
Suwannee	Board of County Commissioners	The Board has not complied with requirements related to the cost of health benefits for retirees; an actuarial study is required in order to disclose related costs in the financial statements.
Union	Property Appraiser	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.
	Supervisor of Election	Inadequate separation of duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.
Wakulla	Board of County Commissioners	Purchase orders are not always used prior to an expenditure taking place as required by the County Purchasing Policy.
		The following deficiencies were noted in the accounting for the State Housing Initiatives Program (SHIP) grant: (1) revenues and expenditures were not separately identified and tracked by grant program year; and (2) Funds expended and encumbered per the SHIP annual reports could not be precisely reconciled with the related financial records maintained by the finance office.

County	Constitutional Officer	Audit Finding
Washington	Board of County Commissioners	<p>Property, equipment, and infrastructure were not recorded on the capital asset listing, and property records do not include a complete listing of buildings, land, and infrastructure owned by the County. Because of the lack of sufficient detail, the capital asset listing is unauditible.</p> <p>The County did not compute accumulated depreciation on purchases of capital assets prior to fiscal year ending September 30, 2003, due to the lack of capital asset records.</p> <p>Inadequate separation of duties. Controls should be implemented to separate custody of assets, recordkeeping, and authorization to the greatest extent possible.</p> <p>No individual on staff has the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles. County has to hire someone to provide bookkeeping services and a firm to prepare the financial statements; auditor understands that hiring someone with this expertise may not be cost effective.</p> <p>Certain accounting transactions were misclassified.</p> <p>Accounts receivable for EMS charges were not recorded at year end. Contractual adjustments for EMS were not recorded for part of 2009.</p> <p>There are no written accounting policies and procedures.</p> <p>Documentation of personal and/or business use of automobiles does not appear to be in compliance with Internal Revenue Service regulations.</p> <p>The County needs to improve their controls over credit cards issued to employees for the purchase of fuel and general items.</p>
	Clerk of the Circuit Court	<p>Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability to achieve ideal separation of duties; however, the Clerk should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances.</p> <p>No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. Clerk has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical.</p>

County	Constitutional Officer	Audit Finding
Washington	Property Appraiser	<p data-bbox="596 277 1770 448">Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability to achieve ideal separation of duties; however, the Property Appraiser should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances.</p> <p data-bbox="596 456 1770 594">No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. Property Appraiser has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical.</p>
	Supervisor of Elections	<p data-bbox="596 610 1770 813">Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of County finance office staff limits the ability to achieve ideal separation of duties; however, the Board of County Commissioners and Supervisor of Elections should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances.</p> <p data-bbox="596 821 1770 959">No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Supervisor of Elections has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical.</p>
	Sheriff	<p data-bbox="596 979 1770 1149">Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability to achieve ideal separation of duties; however, the Sheriff should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances.</p> <p data-bbox="596 1157 1770 1255">No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Sheriff has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical.</p>

County	Constitutional Officer	Audit Finding
Washington	Tax Collector	<p>Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of staff limits the ability to achieve ideal separation of duties; however, the Tax Collector should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances.</p> <p>No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Tax Collector has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical.</p> <p>No warrants were issued for delinquent personal property taxes as required by state law.</p>

NOTES:

1. **Material Weakness:** 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.

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

Dubose, Kathy

From: JIM STULTZ <JIMSTULTZ@AUD.STATE.FL.US>
Sent: Thursday, August 09, 2012 3:26 PM
To: Mayfield, Debbie
Cc: Dubose, Kathy; White, Deborah
Subject: 2010-11 Fiscal Year Notification pursuant to Section 11.45(7)(j), Florida Statutes
Attachments: 2011 State Colleges & Universities Recurring Findings Notification.docx

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to Section 11.45, Florida Statutes, which indicates that a State college or university has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.

This email is to notify you that:

- All State colleges and universities have taken full corrective actions in response to our recommendations in the two preceding financial audit reports.
- For the State colleges and universities on the attached list, our 2010-11 fiscal year operational audit disclosed that the college or university had failed to take full corrective action in response to one or more recommendations included in our two preceding operational audit reports.

James R. Stultz, CPA

Audit Manager
Auditor General, State of Florida
jimstultz@aud.state.fl.us
(850) 922-2263

STATE COLLEGES AND UNIVERSITIES THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR OPERATIONAL AUDIT REPORT
 AND THE TWO PRECEDING OPERATIONAL AUDIT REPORTS

<u>COLLEGE / UNIVERSITY</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBER(S)</u>
Broward College	2012-038	3
	2010-097	2
	2008-049	3
Chipola College	2012-018	7
	2010-039	4
	2008-096	2
Florida Keys Community College	2012-076	3, 4, 8
	2010-156	1, 2, 7
	2008-098	3, 4, 10
Florida State College at Jacksonville	2012-073	11
	2010-168	11
	2008-163	6
Hillsborough Community College	2012-069	3, 5
	2010-047	5, 9
	2008-038	7, 14
Florida Atlantic University	2012-095	5, 6, 7, 9
	2010-131	1, 2, 4, 6
	2008-048	1, 2, 4, 7
Florida International University	2012-092	1, 2, 3, 4, 5
	2010-096	5, 6, 8, 9, 11
	2008-120	1, 2, 7, 9, 10
University of Florida	2012-072	3, 7
	2010-078	5, 7
	2008-045	9, 19
University of South Florida	2012-132	3
	2010-077	4
	2008-079	9

Dubose, Kathy

From: GREG CENTERS <GREGCENTERS@AUD.STATE.FL.US>
Sent: Monday, September 10, 2012 8:59 AM
To: Mayfield, Debbie
Cc: Dubose, Kathy; White, Deborah
Subject: 2010-11 Fiscal Year Notification of Recurring DSB Findings
Attachments: 2011 DSB Recurring Findings For LAC Chair.docx

Representative Mayfield,

Section 218.39(8), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This email is to notify you of those district school boards for which the 2010-11 fiscal year audits disclosed that the district school board had failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports. Please see the attached document containing the name of the district school board and a reference to the recurring findings. We have also included those district school boards with operational audit findings for the 2010-11 fiscal year that were included in the two preceding operational audit reports (i.e., Auditor General combined financial, operational, and Federal Single Audit report(s) or Auditor General operational audit report(s)).

Sincerely,

Greg

Gregory L. Centers, CPA

Audit Manager

Auditor General, State of Florida

gregcenters@aud.state.fl.us

(850) 487-9039

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARDS</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBER(S)</u>
Bay	2012-157, pg. 69	Financial 1,8
	2011-138	Financial 1,5
	2010-133	Financial 1,2
Bradford	2012-137, pg. 56	Financial 2,3,4,5,6,7
	2011-120	Financial 6,7,8,9,10,11
	2010-129	Financial 6,7,8,9,10,11
Columbia	2012-051, pg. 64	Financial 3,4,5
	2011-112	Financial 3,4,5
	2010-142	Financial 3,4,5
Dixie	2012-128, pg. 55	Financial 3
	2011-131	Financial 6
	2010-111	Financial 4
Escambia	2012-037, pg. 6	Operational 3,7
	2009-029	Operational 5,6
	2006-181	Operational 8,6
Franklin	2012-134, pg. 54	Financial 1,6
	2011-137	Financial 1,8
	2010-126	Financial 1,7
Gadsden	2012-149, pg. 56	Financial 3,6,8, Federal 3
	2011-163	Financial 7,12,13, Federal 2
	2010-166	Financial 6,9,12, Federal 2

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Glades	2012-093, pg. 49	Financial 3
	2011-092	Financial 5,6,7,8
	2010-085	Financial 3,4,5,6

Gulf	2012-039, pg. 58	Financial 3, 4
	2011-067	Financial 4, 5
	2010-050	Financial 5, 3

Hardee	2012-089, pg. 62	Financial 4, Federal 1
	2011-115	Financial 3, Federal 1
	2010-057	Financial 1, Federal 1

Hendry	2012-158, pg. 61	Financial 4
	2011-091	Financial 7
	2010-140	Financial 7

Indian River	2012-036, pg. 6	Operational 3,4,6,7,8,9
	2011-055	Operational 4,5,8,9,10,11
	2010-075	Financial 4,5,2,10,11,8

Jackson	2012-080, pg. 62	Financial 5
	2011-160	Financial 6
	2010-103	Financial 1

Jefferson	2012-168, pg. 54	Financial 1,6,7,8,9,10,11
	2011-154	Financial 1,10,9,12,13,14,11
	2010-146	Financial 3,6,7,9,10,11,8

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Lafayette	2012-109, pg. 54	Financial 5
	2011-100	Financial 3
	2010-098	Financial 2

Lake	2012-077, pg. 6	Operational 3,7,10,14
	CPA Firm FY 2009-10	Management Letter 1
	CPA Firm FY 2008-09	Management Letter 1
	2009-067	Operational 4,5,15,16
	2006-205	Operational 10, 2, 3
	2006-171	IT 8,12

Lee	2012-063, pg. 9	Operational 5
	2009-048	Operational 4
	2006-197	Operational 11

Leon	2012-136, pg. 69	Financial 2,8,11
	CPA Firm FY 2009-10	10-06
	CPA Firm FY 2008-09	08-3
	2009-189	Operational 2,9,8
	2006-191	Operational 1
	2006-165	IT 5,4

Manatee	CPA Firm FY 2010-11, pg. 197	11-01
	2011-050	Operational 9
	CPA Firm FY 2008-09	09-2

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Martin	2012-029, pg. 3	Operational 1
	2011-056	Operational 1
	2010-072	Financial 2

Monroe	2012-170, pg. 76	Financial 1,9,10,11,12,14,15 Federal 1,2
	2011-170	Financial 1,3,11,2,13,9,16 Federal 3,2
	2010-181	Financial 4,6,9,10,7,13,8,20 Federal 2,1

Okeechobee	2012-140, pg. 53	Financial 1,2
	2011-143	Financial 1,2
	2010-149	Financial 1,2

Palm Beach	CPA Firm FY 2010-11, pg. 229	2009-1,2009-2,2010-2
	2011-168	Financial 11
	CPA Firm FY 2009-10	2009-1,2009-2,2010-2
	CPA Firm FY 2008-09	2009-1,2009-2,2009-6

Pinellas	2012-150, pg. 74	Financial 2,8,10,13, 15,17,18,19,22,20
	CPA Firm 2009-10	2010-1, 2010-2, ML IT Access Issue 1, ML IT Risk Assessment
	CPA Firm 2008-09	2009-1, 2009-4, Observation #3, Observation #2
	2009-186	Operational 14, 4,7,16,11,12,19
	2006-188	Operational 13,1,3,12,14,15,9

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Polk	CPA Firm 2010-11, pg. 200	2011-01
	CPA Firm 2009-10 2010-171	2010-01
		9

Putnam	2012-167, pg. 81	Federal 3
	2011-162	Federal 1
	2010-152	Federal 1

Santa Rosa	CPA Firm 2010-11, pg. 65	IC2009-1, ML2011-4
	2011-133	1,9,10,11
	2010-128	1,3,4,5

Sarasota	CPA Firm 2010-11, pg. 187	2010-1,2010-5
	CPA Firm 2009-10 2010-069	2010-1,2010-5
	2010-044	Financial 1
		Operational 7

Taylor	2012-163, pg. 56	Financial 1,2,3,8,9
	2011-161	Financial 2,1,4,6,12
	2010-170	Financial 3,4,2,11,12

Volusia	CPA Firm 2010-11, pg. 4	2011-4
	CPA Firm 2009-10 2010-059	3
		3

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Wakulla	<u>2012-148, pg. 61</u>	Financial 6,7,9
	<u>2011-146</u>	Financial 2,8,9
	<u>2010-080</u>	Financial 1,4,6

Walton	<u>2012-127, pg. 56</u>	Financial 4
	<u>2011-066</u>	Financial 4
	<u>2010-054</u>	Financial 1

Washington	<u>2012-154, pg. 67</u>	Financial 3,7
	<u>2011-144</u>	Financial 4,6
	<u>2010-119</u>	Financial 3,6

Dubose, Kathy

From: DAVID WARD <DAVIDWARD@AUD.STATE.FL.US>
Sent: Wednesday, August 01, 2012 1:56 PM
To: Mayfield, Debbie
Cc: Dubose, Kathy; White, Deborah
Subject: 2010-11 FY notification pursuant to Section 218.39(8), Florida Statutes
Attachments: 2011 CS uncorrected findings notification.docx

Section 218.39(8), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This email is sent to notify you that the charter schools on the attached listing have failed to take full corrective action in response to a recommendation that was included in the 2010-11 fiscal year financial audit report and the two preceding financial audit reports.

David T. Ward, CPA

Audit Supervisor
Auditor General, State of Florida
111 West Madison Street, 401A
Tallahassee, FL 32399-1450
Office (850) 488-0960
FAX (850) 488-4403

In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.

LIST OF CHARTER SCHOOLS THAT FAILED TO
TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
THAT WAS INCLUDED IN THE 2010-11 FISCAL YEAR FINANCIAL AUDIT REPORT
AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

COUNTY	CHARTER SCHOOL	FINDING NUMBER(S)
Alachua	Caring & Sharing Learning School	11-1, 11-2
	Healthy Learning Academy	11-1
	Hoggetowne Middle School	11-01
	Micanopy Area Cooperative School	11-01
Bay	Bay Haven Charter Academy Elementary School	11-1, 11-2
	Bay Haven Charter Academy Middle School	11-1, 11-2
Brevard	Imagine Schools at West Melbourne	07-1, 08-1
Broward	Touchdowns4Life	11-2, 11-3
Citrus	Academy of Environmental Science	11-1
Escambia	Beulah Academy of Science	08-1, 09-2
	Escambia Charter School	2009-1, 2009-5
Gadsden	Crossroad Academy Charter School	10-01
Indian River	Sebastian Charter Junior High	2010-01
	St. Peter's Academy	10-6
Leon	The School of Arts and Sciences Foundation	2011-1
Manatee	Imagine School at Lakewood Ranch	09-2
Miami-Dade	Archimedean Academy	2008-1
Monroe	Treasure Village Montessori	2009-1, 2009-4
Orange	Nap Ford Community School	2011-1
	Rio Grande Charter School of Excellence	2011-01
Pinellas	Academie Da Vinci Charter School	2011-1
	Pinellas Preparatory Academy	1
Polk	Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School	1981-1
Seminole	Choices in Learning	2011-01
St. Johns	ABLE School	11-01, 11-02
Volusia	Boston Avenue Charter School	2011-01
Walton	The Seaside School	2009-1

Dubose, Kathy

From: DAVID WARD <DAVIDWARD@AUD.STATE.FL.US>
Sent: Thursday, December 13, 2012 4:44 PM
To: ABRUZZO.JOSEPH
Cc: Dubose, Kathy; White, Deborah
Subject: 2010-11 FY Notification Pursuant to Section 218.39(8), Florida Statutes
Attachments: 2010-11 FY notification pursuant to Section 218.39(8), Florida Statutes.xlsb

Section 218.39(8), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This email is sent to notify you of those local governmental entities for which the 2010-11 fiscal year audit report disclosed that the entity failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports. Please see the attached document containing the name of the local governmental entity and a reference to the recurring finding(s).

David T. Ward, CPA

Audit Supervisor
Auditor General, State of Florida
111 West Madison Street, 401A
Tallahassee, FL 32399-1450
Office (850) 488-0960
FAX (850) 488-4403

In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Number	Page Number (1)	Revision or Addendum (2)
COUNTIES				
Baker County	Board of County Commissioners	11-1	62	No
	Board of County Commissioners	11-2	62	
	Clerk of the Circuit Court	11-1	88	
	Property Appraiser	11-1	157	
	Supervisor of Election	11-1	176	
	Sheriff	11-1	116	
	Sheriff	11-2	116	
	Sheriff	11-3	116	
	Tax Collector	11-1	138	
Bradford County	Board of County Commissioners	ML 2009-1	76	Yes
	Clerk of the Circuit Court	2009-1	104	
	Property Appraiser	2009-1	178	
	Sheriff	2009-1	135	
	Sheriff	2010-1	135	
	Sheriff	ML 2009-1	136	
	Tax Collector	2009-1	157	
Brevard County	Board of County Commissioners	09-3	168	No
	Board of County Commissioners	09-7	169	
	Clerk of the Circuit Court	08-02	253	
	Clerk of the Circuit Court	08-03	254	
	Clerk of the Circuit Court	08-05	255	
Broward County	Board of County Commissioners	SA 2011-4	186 Part 1	Yes
	Board of County Commissioners	SA 2011-4	186 Part 1	
Calhoun County	Property Appraiser	04-01	68	Yes
	Supervisor of Election	04-01	68	
	Sheriff	04-02	68	
	Tax Collector	04-02	68	
	Tax Collector	06-02	22 Revised Report	
Charlotte County	Board of County Commissioners	11-01	149	Yes
Citrus County	Board of County Commissioners	2010-01	191	Yes
Dixie County	Board of County Commissioners	11-1	65	Yes
	Board of County Commissioners	11-2	65	
	Board of County Commissioners	11-3	65	
	Board of County Commissioners	11-7	66	
	Board of County Commissioners	11-9	66	
	Clerk of the Circuit Court	11-1	98	
	Clerk of the Circuit Court	11-2	98	
	Clerk of the Circuit Court	11-3	98	
	Clerk of the Circuit Court	11-4	98	
	Clerk of the Circuit Court	11-6	99	
	Supervisor of Election	11-1	184	
	Supervisor of Election	11-2	184	
	Sheriff	11-1	128	
	Sheriff	11-2	128	
	Sheriff	11-3	128	
Escambia County	Sheriff	2008-2	74 Part 2	No
	Sheriff	2009-1	74 Part 2	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Number	Page Number (1)	Revision or Addendum (2)
Franklin County	Board of County Commissioners	11-01	84	No
	Board of County Commissioners	11-02	84	
	Clerk of the Circuit Court	11-01	110	
	Clerk of the Circuit Court	11-02	111	
	Property Appraiser	11-01	176	
	Property Appraiser	11-02	177	
	Property Appraiser	11-03	177	
	Supervisor of Election	11-01	194	
	Supervisor of Election	11-02	195	
	Supervisor of Election	11-03	195	
	Sheriff	11-01	136	
	Sheriff	11-02	137	
	Sheriff	11-03	137	
	Sheriff	11-04	137	
	Tax Collector	11-01	158	
	Tax Collector	11-02	159	
Tax Collector	11-03	159		
Gadsden County	Sheriff	2009-1	152	Yes
Gilchrist County	Board of County Commissioners	11-1	60	No
	Supervisor of Election	11-1	175	
	Sheriff	11-1	116	
	Sheriff	11-2	116	
Gulf County	Property Appraiser	11-01	199	Yes
	Supervisor of Election	11-01	218	
	Sheriff	11-01	157	
	Tax Collector	11-01	180	
Hamilton County	Board of County Commissioners	2008-01	85	No
Hardee County	Supervisor of Election	11-01	271	Yes
	Supervisor of Election	11-03	272	
	Supervisor of Election	11-04	272	
	Sheriff	2011-01	210	
	Sheriff	2011-02	210	
	Sheriff	2011-03	211	
	Sheriff	2011-04	211	
	Tax Collector	2011-01	234	
Holmes County	Board of County Commissioners	01-2	86	Yes
	Board of County Commissioners	06-1	87	
	Board of County Commissioners	07-05	87	
	Board of County Commissioners	11-01	79	
	Board of County Commissioners	11-02	80	
	Board of County Commissioners	11-03	80	
	Board of County Commissioners	11-08	87	
	Board of County Commissioners	11-09	88	
	Board of County Commissioners	11-09	88	
	Board of County Commissioners	11-09	88	
	Clerk of the Circuit Court	11-01	115	
	Property Appraiser	11-01	133	
	Supervisor of Election	11-01	174	
	Sheriff	11-01	199	
	Sheriff	11-02	200	
	Tax Collector	11-01	155	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Number	Page Number (1)	Revision or Addendum (2)
Jackson County	Board of County Commissioners	08-04	76	Yes
	Board of County Commissioners	ML 06-01	79	
	Board of County Commissioners	ML 06-02	79	
	Board of County Commissioners	ML 06-03	79	
	Board of County Commissioners	ML 06-04	80	
	Property Appraiser	PA 06-01	194	
	Sheriff	SH 06-01	219	
	Tax Collector	TC 06-01	263	
Jefferson County	Board of County Commissioners	2009-5	61	No
	Board of County Commissioners	2008-1	61	
	Board of County Commissioners	2008-2	62	
	Clerk of the Circuit Court	2008-1	61	
	Clerk of the Circuit Court	2008-2	62	
	Property Appraiser	2008-1	61	
	Property Appraiser	2008-2	62	
	Supervisor of Election	2008-1	61	
	Supervisor of Election	2008-2	62	
	Sheriff	2008-1	61	
	Sheriff	2008-2	62	
	Tax Collector	2008-1	61	
	Tax Collector	2008-2	62	
	Tax Collector	2009-1	62	
Lafayette County	Board of County Commissioners	03-01	48	Yes
	Board of County Commissioners	03-02	49	
Lee County	Property Appraiser	2011-01	246	No
Levy County	Board of County Commissioners	11-1	72	No
	Clerk of the Circuit Court	11-1	99	
	Supervisor of Election	11-1	181	
	Supervisor of Election	11-2	181	
	Sheriff	11-1	124	
	Tax Collector	11-1	146	
Liberty County	Board of County Commissioners	01-3	77	Yes
	Board of County Commissioners	01-4	78	
	Board of County Commissioners	2009-1	82	
	Sheriff	No finding number given.	116	
Madison County	Tax Collector	2011-1	164	Yes
Martin County	Board of County Commissioners	2011-1	397	No
	Board of County Commissioners	2011-2	397	
	Board of County Commissioners	2011-3	398	
	Sheriff	2011-1	411	
Miami-Dade County	Board of County Commissioners	09-9	34 Part 2	Yes
	Board of County Commissioners	11-1	142 Part 2	
	Board of County Commissioners	11-2	143 Part 2	
	Board of County Commissioners	2010-01	45 Part 2	
	Board of County Commissioners	2011-01	52 Part 2	
Nassau County	Sheriff	2009 IC-1	224	Yes
	Sheriff	2009 ML-1	225	
Okeechobee County	Board of County Commissioners	2009-04	152	Yes
	Board of County Commissioners	2011-01	147	
Orange County	Supervisor of Election	2011-1	131 Part 2	Yes
Osceola County	Clerk of the Circuit Court	10-01	24 Part 2	Yes
	Clerk of the Circuit Court	10-02	24 Part 2	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2010-11 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Number	Page Number (1)	Revision or Addendum (2)
Pasco County	Board of County Commissioners	2009-BCC-ML-1	248	Yes
Putnam County	Supervisor of Election	11-1	270	No
	Supervisor of Election	11-2	270	
	Sheriff	11-1	208	
Santa Rosa County	Board of County Commissioners	2008-4	118	No
	Board of County Commissioners	2008-5	118	
Suwannee County	Board of County Commissioners	No finding number given.	87	No
Union County	Property Appraiser	11-01	140	No
	Supervisor of Election	11-01	175	
Wakulla County	Board of County Commissioners	06-02	95	Yes
	Board of County Commissioners	2010-1	96	
	Board of County Commissioners	2010-1	96	
Washington County	Board of County Commissioners	97-01	70	Yes
	Board of County Commissioners	03-01	70	
	Board of County Commissioners	05-01	71	
	Board of County Commissioners	07-01	71	
	Board of County Commissioners	09-03	72	
	Board of County Commissioners	09-04	72	
	Board of County Commissioners	ML 05-01	80	
	Board of County Commissioners	ML 05-02	80	
	Board of County Commissioners	ML 05-03	81	
	Clerk of the Circuit Court	03-03	73	
	Clerk of the Circuit Court	07-09	73	
	Property Appraiser	03-03	74	
	Property Appraiser	07-11	74	
	Supervisor of Election	03-03	75	
	Supervisor of Election	07-12	75	
	Sheriff	03-01	74	
	Sheriff	07-10	75	
	Tax Collector	03-03	76	
	Tax Collector	07-13	76	
	Tax Collector	ML 05-01	81	

Audit of Okaloosa County Oversight of Tourist Development Council – Materials Provided

1. **Auditor General Presentation** (*original presentation with details*)
2. **Auditor General Audit**
3. **Information provided by Okaloosa County:**
 - Report of Internal Review by Nabors, Giblin & Nickerson, P.A., dated June 13, 2012
 - Joint Letter from the Okaloosa County Sheriff's Office and State Attorney's Office, dated May 9, 2012
 - Okaloosa Board of County Commissioners' Action Items Presentation, dated December 18, 2012
 - Final AGO Report and Okaloosa County BCC Corrective Action Plan, dated January, 2013
 - Letters from Okaloosa Sheriff's Office and State Attorney's Office, dated February 1, 2013 and February 6, 2013, respectively
 - Okaloosa County Board of County Commissioners 7-point Strategy
4. **Correspondence received by the Joint Legislative Auditing Committee:**
 - From Jimmy Judkins, Attorney at Law, on behalf of Curtis Zimmerman
 - From the following citizens:
 - Michael J. Barnes (*with the following attachments*):
 - Request for Resignation – Wayne Harris
 - Report on Improper Deferred Compensation Payments at Okaloosa County Tax Collector Office
 - S. 932.7055, F.S., and Okaloosa County Law Enforcement Trust Fund Expenditure Reports
 - John Dezzuto (*two messages*)
 - Jocelyn Donahoo
 - Kirby Locklear
 - Steven Menchel
(*Mr. Menchel also attached "Report on Corruption in the Okaloosa County Sheriff's Office Accreditation," Prepared by Menchel for Sheriff. Due to its size it is not included, but is available upon request.*)
 - Ed Winkelseth

**OKALOOSA COUNTY BOARD OF COUNTY
COMMISSIONERS' OVERSIGHT OF THE
TOURIST DEVELOPMENT COUNCIL AND USE OF
TOURIST DEVELOPMENT TAXES AND FUNDS
RECEIVED FROM BRITISH PETROLEUM**

REPORT NO. 2013-085

Audit Period May 2010 – May 2012

BACKGROUND

- ❑ The scope of our audit focused primarily on the internal controls relevant to the use of tourist development taxes and funds received directly or indirectly from BP.
- ❑ 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.
- ❑ We consulted with law enforcement during the audit to ensure we did not interfere with their investigations.

TOURIST DEVELOPMENT TAXES

Table 2

Percent Distribution	County Ordinance Use Restrictions	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
First Percent	Beach Restoration and Monitoring	\$ 1,279,729.89	\$ 2,618,533.35	\$ 767,211.49	\$ 4,665,474.73
Second and Fifth Percents	Tourism Promotion	1,433,297.49	2,055,208.23	859,276.86	4,347,782.58
Second and Fifth Percents	Tourism Administration	383,918.97	550,502.20	230,163.45	1,164,584.62
Second and Fifth Percents	Beach Improvement, Facilities, Landscaping, and Maintenance	691,054.15	990,903.97	414,294.20	2,096,252.32
Second and Fifth Percents	Contingency and Statutory Improvements	51,189.19	73,400.29	30,688.46	155,277.94
Total Second and Fifth Percents		2,559,459.80	3,670,014.69	1,534,422.97	7,763,897.46
Third Percent	Tourism Promotion	383,918.97	785,560.00	230,163.45	1,399,642.42
Third Percent	Beach Improvement, Facilities, Facilities Operations, Landscaping, and Maintenance	895,810.93	1,832,973.35	537,048.04	3,265,832.32
Total Third Percent		1,279,729.90	2,618,533.35	767,211.49	4,665,474.74
Fourth Percent	Convention Center Debt Service	1,279,729.90	2,618,533.35	767,211.49	4,665,474.74
Total		\$ 6,398,649.49	\$ 11,525,614.74	\$ 3,836,057.44	\$ 21,760,321.67

Source: General Ledger

FUNDS RECEIVED FROM BP

Table 3				
Type	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
Negotiated Settlements				
Tourist Development Taxes Lost Revenues (1)	\$	\$ 1,567,052.00	\$	\$ 1,567,052.00
Water and Sewer Department Lost Revenues		110,345.57		110,345.57
Total Negotiated Settlements		1,677,397.57		1,677,397.57
Reimbursements				
BP Claims Reimbursements	1,116,113.85	146,801.86		1,262,915.71
Performance Based				
Emergency Medical Services Aid Stations	634,041.00			634,041.00
Grants				
Tourism Promotion (1)	750,000.00			750,000.00
Tourism Promotion (1)	1,371,939.00			1,371,939.00
Tourism Promotion (1)		6,506,013.00		6,506,013.00
Total Grants	2,121,939.00	6,506,013.00		8,627,952.00
Total	\$ 3,872,093.85	\$ 8,330,212.43	\$	\$ 12,202,306.28
Note (1): Total Received for Tourism Promotion	\$ 2,121,939.00	\$ 8,073,065.00	\$	\$ 10,195,004.00

Source: General Ledger

FINDINGS AND RECOMMENDATIONS

- ❑ 25 findings and recommendations in the following broad categories:
 - Organizational oversight
 - Fraud controls and control risk assessments
 - Procurement
 - Special events grants and sponsorships
 - Allowable uses of restricted resources
 - Miscellaneous

FINDING 1: BUDGET PREP AND MONITORING

Table 2		
Percent Distribution	County Ordinance Use Restrictions	Total
First Percent	Beach Restoration and Monitoring	\$4,665,474.73
Second and Fifth Percents	Tourism Promotion	4,347,782.58
Second and Fifth Percents	Tourism Administration	1,164,584.62
Second and Fifth Percents	Beach Improvement, Facilities, Landscaping, and Maintenance	2,096,252.32
Second and Fifth Percents	Contingency and Statutory Improvements	155,277.94
Total Second and Fifth Percents		7,763,897.46
Third Percent	Tourism Promotion	1,399,642.42
Third Percent	Beach Improvement, Facilities, Facilities Operations, Landscaping, and Maintenance	3,265,832.32
Total Third Percent		4,665,474.74
Fourth Percent	Convention Center Debt Service	4,665,474.74
Total		\$21,760,321.67

Source: General Ledger

FINDING 1: BUDGET PREP AND MONITORING

- ❑ The BCC did not adopt and use budgets for these revenues at the level of their restriction (e.g., tourism promotion) or by project.
- ❑ Budgets at these levels are important and need to be incorporated into the county's accounting records to ensure that funds are spent in accordance with law and BCC intentions.
- ❑ As of May 31, 2012, County records indicated cumulative overexpenditures from tourist development taxes restricted for tourism promotion of \$4.2 million.

FINDING 2: TDC DUTIES AND RESPONSIBILITIES

- ❑ By law, the TDC is only an advisory council to the BCC. Final action and approval rests with the BCC to ensure actions are in accordance with BCC intentions.
- ❑ We noted actions taken by the TDC and TDC subcommittees that did not appear advisory in nature and provided examples of those actions in our report.

FINDING 3: TDC MONITORING OF EXPENDITURES

- ❑ By law, the TDC must continuously review expenditures of tourist development taxes, receive quarterly expenditure reports, and report possible unauthorized expenditures to the BCC.
- ❑ We noted that the TDC did not regularly receive expenditure reports to enable it to carry out its responsibilities.

FINDING 4: CONFLICTS OF INTEREST

- ❑ Section 112.313, F.S., prohibits procurement transactions and contractual relationships that may result in a conflict of interest.
- ❑ We noted County procurement transactions involving BCC, TDC, or TDC subcommittee members.
 - \$27,067 paid to chamber of commerce; a BCC member, was the executive director of the chamber.
 - \$17,500 paid for two companies to promote volleyball tournaments; a TDC member, was an owner or director of these companies.
 - \$2,200 paid for aerial advertising to a company; a TDC subcommittee member, was the president of the company.
- ❑ Waivers or disclosures allowed by law were not documented in County records.

FINDINGS 5 AND 6: FRAUD CONTROLS & CONTROL RISK ASSESSMENTS

- ❑ BCC policies and procedures did not include a written fraud response plan (e.g., investigation protocols and guidance on reporting known or suspected fraud to authorities) or periodic control risk assessments.
- ❑ Periodic risk assessments were not performed for each department, including the tourist development department, to identify and address potential fraud or control risks (e.g., the risk that assets may be misappropriated).
- ❑ Had these risks been timely identified and addressed by the County, the risks and impact of many of the issues discussed in our report may have been minimized.

FINDING 7: COMPETITIVE PROCUREMENT BY THE COUNTY

- ❑ County policies and procedures require the use of specified competitive procurement for certain goods and services.
- ❑ We noted goods and services acquired that were not competitively procured and that the selection of two advertising and marketing firms did not follow County policies and procedures or good business practices.
- ❑ Failure to follow County policies and procedures could expose the County to challenges or legal actions and increases the risk that firms may be selected without the requisite qualifications and experience.

FINDING 8: CONTRACT DESIGN

- ❑ Contracts with the two advertising and marketing firms entered into during 2011 did not include certain necessary provisions to protect the County's interests.
- ❑ Examples: 1) One firm's contract did not require the firm to provide cost estimates or obtain BCC approval of projects and campaigns. 2) Neither contract required the firms to competitively procure goods or services purchased on behalf of the county, or to submit sufficiently detailed and supported invoices to allow for an effective preaudit by county personnel.
- ❑ An agreement with a contractor who assisted in responding to the oil spill allowed the contractor to be compensated at time plus expenses, but did not specify the nature and type of expenses to be reimbursed.

FINDING 9: CONTRACT MONITORING AND PAYMENTS

- ❑ The two advertising and marketing firms were paid \$12.7 million during the audit period.
- ❑ One of these firms was paid a monthly retainer in addition to reimbursements for purchases made on behalf of the County. We noted some questionable payments to the firm as follows:
 - \$143,000 for services of an integrated marketing associate and sales/public relations associate, although these services appear to be the types of services already covered by the retainer.
 - \$20,500 for social media management and \$3,400 for out-of-pocket expenses under the first contract (May 2010 – September 2011), although the contract did not provide for the firm to be paid such expenses.

FINDING 9: CONTRACT MONITORING AND PAYMENTS

- ❑ We noted \$12.1 million paid to the two firms that were inadequately supported to allow for an effective preaudit by County personnel.
- ❑ A majority of the payments were supported only by firm invoices and not by invoices from the vendor providing the goods and services.
- ❑ As a result, County records did not demonstrate the accuracy of the billings or that the purchases were reasonable, allowable, and served a public purpose.
- ❑ Several invoices incorrectly or inadequately described what was actually purchased.

FINDING 9: CONTRACT MONITORING AND PAYMENTS

- ❑ We also noted a total of \$1.1 million paid to the two firms that, according to invoices, related to certain expenses of an airline company such as: 1) advertising expenses, 2) unspecified marketing and advertising initiatives, and 3) out-of-pocket expenses.
- ❑ The County had no contract or agreement with the company. County records did not indicate why the payments were made, how the payments benefited the County, or why they were considered to be allowable uses of tourist development taxes or BP funds.

FINDING 9: CONTRACT MONITORING AND PAYMENTS

- We recommended that the County continue its efforts to obtain adequate support for payments made to the firms, consult with its legal counsel, determine whether the County is entitled to recover any questionable billings, and take action to recover those billings.

FINDING 10: COMPETITIVE PROCUREMENT BY CONTRACTORS

- ❑ As noted earlier, significant amounts of purchases were made through the two advertising and marketing firms.
- ❑ County records did not demonstrate that the firms competitively procured the goods or services.
- ❑ Our report includes three examples (a yacht, three motor vehicles, beach towels) of purchases that should have been competitively procured, but were not.

FINDING 11: ADVANCE PAYMENTS

- ❑ By law, the County is prohibited from making advance payments unless it saves money, or the goods or services are essential and can only be purchased if paid for in advance.
- ❑ We noted instances where that was not the case, including three instances where the County paid in advance for services that were never rendered or were not rendered in full.

FINDING 12: APPROVAL OF PURCHASES

- ❑ County policies and procedures specify the employees who must approve purchases. These approvals vary with the type and amount of each purchase.
- ❑ We noted instances where the required approvals were not obtained, including instances where the BCC chairman was allowed to approve purchases in lieu of the County Administrator.

FINDING 13: PURCHASING CARD CONTROLS

- ❑ From May 2010 – May 2012, p-card purchases from tourist development taxes and BP grant funds totaled \$600,000.
- ❑ P-card controls needed to be improved, including the need to maintain receipts and documentation to clearly document the public purpose served by the purchases.
- ❑ Exhibit B in our report provides details of inadequately supported p-card purchases.

FINDING 14: TRAVEL EXPENDITURES

- ❑ By law, the County is required to use travel vouchers. County policies and procedures also require preapproval for some travel (TDC members and employees) but not all travel (contracted employees, travel writers, etc.)
- ❑ Preapprove of travel not required for all authorized persons.
- ❑ Our tests disclosed travel expenditures that were not supported by travel vouchers.

FINDING 15: SPECIAL EVENTS GRANTS

- ❑ From May 2010 – May 2012, \$341,000 in special events grants were awarded to various organizations to increase tourism and the use of lodging facilities.
- ❑ No written policies and procedures were in effect to govern these awards.
- ❑ Other deficiencies: 1) no written agreements with recipients, 2) no documentation of how awards were used, and 3) no evidence that awards were effective.

FINDING 16: SPONSORSHIPS

- ❑ From May 2010 – May 2012, \$478,000 in sponsorships were provided to various organizations to increase tourism and the use of the convention center.
- ❑ No written policies and procedures were in effect to govern sponsorships.
- ❑ Other deficiencies: 1) no written agreements with recipients, 2) no documentation of how the sponsorships were used, and 3) no evidence that the sponsorships were effective.

FINDING 17: TOURIST DEVELOPMENT TAXES – STATUTORY COMPLIANCE

- ❑ By law, any use of tourist development taxes not expressly authorized is prohibited.
- ❑ From May 2010 – May 2012, the County used \$1.9 million of the taxes to fund a portion of lifeguarding and beach patrol services and \$564,000 in taxes to fund a portion of the beach shuttle.
- ❑ Neither use is expressly authorized by law.

FINDING 17: TOURIST DEVELOPMENT TAXES – STATUTORY COMPLIANCE

- ❑ AGO 90-55 concluded tourist development taxes could not be used to provide lifeguards or other general governmental functions owed to the public at large.
- ❑ We recommended that the County seek an opinion from the Attorney General as to the allowability of the \$2.5 million in expenditures.

FINDING 17: TOURIST DEVELOPMENT TAXES – STATUTORY COMPLIANCE

- ❑ The County acknowledged the finding and recommendation as it relates to lifeguard services, agreed that clarification is needed, and is considering what type of clarification should be obtained.
- ❑ Although the County indicated beach shuttle services are not a general governmental function owed to the public at large, beginning in the 2012-13 fiscal year, the County stopped funding the beach shuttle from tourist development taxes.

FINDING 18: BP GRANT COMPLIANCE

- ❑ The County received a \$6.5 million BP grant through the Florida's Coastal Northwest Communications Council (FCNCC).
- ❑ The grant agreement indicated funds were intended to be used for promotion and awareness building expenditures not already planned or that would not normally be made to promote tourism.
- ❑ Lack of support for firm invoices made it difficult to identify all exceptions; however, we did note several exceptions.

FINDING 18: BP GRANT COMPLIANCE

- ❑ Examples: 1) \$61,000 in routine monthly fees, and 2) \$57,000 in special event grants previously paid with tourist development taxes.
- ❑ This appears contrary to the terms of the grant agreement, so we recommended the County consult with the FCNCC as to the allowability of the questioned costs totaling \$117,994.

FINDING 19: BP GRANT COMPLIANCE – DEBIT CARD PROGRAM

- ❑ The County received a \$1.4 million BP grant from FCNCC of which \$1 million was used to buy 5,000 debit cards worth \$200 each.
- ❑ The cards were intended to be given away to lodging guests who met certain criteria in hopes that the cards would be used at local businesses.
- ❑ County records indicated that 3,651 cards were used for this purpose; however our tests disclosed that some of these cards were not, of record, used for an authorized purpose.

FINDING 19: BP GRANT COMPLIANCE – DEBIT CARD PROGRAM

- ❑ The former TDC Director controlled the distribution of the remaining 1,349 cards that were not provided to lodging guests. Of those debit cards:
 - 1,000 cards were given to an airline company with no written agreement as to how cards were to be used.
 - 46 cards were used by individuals associated with the TDC (e.g., the TDC Director, certain employees and contracted personnel).
 - 1 card was used as a prize in a local golf tournament.
 - 302 cards were either not used or County records didn't demonstrate how they were used.

FINDING 19: BP GRANT COMPLIANCE – DEBIT CARD PROGRAM

- ❑ In total, we noted \$207,730.45 of purchases with these debit cards for which County records did not evidence the purchases were allowable uses.
- ❑ We recommended the County consult with the FCNCC as to the allowability of \$207,000 in questioned costs.

FINDING 20: BP CLAIMS/REIMBURSEMENTS

- ❑ Given the scope of the audit, even though already approved by BP, we reviewed the use of BP claims and reimbursements.
- ❑ BP paid the county \$634,000 to provide medical aid stations for beach clean-up crews.
- ❑ The rate billed for an EMS vehicle at one station was contrary to the rate in the BP agreement. The resulting overcharge was \$27,000.

FINDING 20: BP CLAIMS/REIMBURSEMENTS

- ❑ The County also contracted with a vendor to help respond to the oil spill and received \$981,000 in reimbursements from BP related to the vendor's costs.
- ❑ We reviewed documentation related to selected reimbursements, not all reimbursements.
- ❑ We noted \$385,000 of the above that was inadequately supported or was for goods or services not clearly allowed by contract/related to vendor provided services.

FINDING 20: BP CLAIMS/REIMBURSEMENTS

Inadequately supported reimbursement claims:

- ❑ \$370,000 in salaries not supported by vendor employee's time records.
- ❑ \$6,100 in boat rentals unsupported by boat owner invoices.
- ❑ \$3,200 spent at restaurants and convenient stores with inadequate documentation of either items purchased, purchaser, or consumer.
- ❑ \$5,700 for questionable items including alcohol, personal hygiene products, medications, out-of-county or state lodging, car rental, and airfare.

FINDINGS 21 THROUGH 25:

- ❑ 21 - Controls over use of fuel cards needed improvement.
- ❑ 22 – The County incorrectly classified and recorded certain expenditures.
- ❑ 23 – The BCC had not adopted written policies, and the County had not established adequate controls, over electronic funds transfers.
- ❑ 24 – Controls over employee access privileges to data and information technology resources needed improvement.
- ❑ 25 – The County did not always comply with the Sunshine Law regarding recording minutes of TDC and TDC subcommittee meetings.

Questions?

**OKALOOSA COUNTY BOARD OF COUNTY
COMMISSIONERS' OVERSIGHT OF THE
TOURIST DEVELOPMENT COUNCIL
AND USE OF TOURIST DEVELOPMENT
TAXES AND FUNDS RECEIVED FROM
BRITISH PETROLEUM**

Operational Audit



**BOARD OF COUNTY COMMISSIONERS, COUNTY ADMINISTRATOR, CLERK OF THE
CIRCUIT COURT, TOURIST DEVELOPMENT COUNCIL, AND EXECUTIVE DIRECTOR
OF THE TOURIST DEVELOPMENT COUNCIL**

The Okaloosa County Board of County Commissioners, County Administrator, Clerk of the Circuit Court, Tourist Development Council, and Executive Director of the Tourist Development Council who served during the period May 2010 through May 2012 are listed below:

<u>Board of County Commissioners</u>	<u>District No.</u>
Wayne Harris, Chair to 12-31-2010	1
John Jannazo to 11-15-2010	2
Dave Parisot from 11-16-2010, Vice Chair from 1-1-2012	2
Bill Roberts, Vice Chair from 1-1-2011 to 12-31-2011	3
Don Amunds, Vice Chair to 12-31-2010, Chair from 1-1-2012	4
James Campbell, Chair from 1-1-2011 to 12-31-2011	5
 <u>County Administrator</u>	
James D. Curry	
 <u>Clerk of the Circuit Court</u>	
Don W. Howard	
 <u>Tourist Development Council</u>	
Kathy Houchins, Chair from 10-1-2010	
Robert "Bobby" Nabors, Vice Chair from 12-15-2010	
Dennis "Nick" Nicholson, Chair to 9-30-2010	
Warren Gourley, Vice Chair to 12-14-2010	
Timothy M. Edwards	
Patricia Hardiman	
Larry Hines	
Lino Maldonado	
James Campbell, Board Liaison to 11-25-2011	
Dave Parisot, Board Liaison from 11-26-2011	
 <u>Executive Director of the Tourist Development Council</u>	
Darrel Jones to 5-31-2010	
Mark Bellinger from 5-13-2010 to 5-4-2012 (Deceased)	
Greg Donovan, Interim from 5-5-2012	

The audit team leader was Kenneth C. Danley, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 487-9031.

This report and other reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone (850) 487-9175; or by mail G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**OKALOOSA COUNTY BOARD OF COUNTY COMMISSIONERS' OVERSIGHT OF THE TOURIST
DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS
RECEIVED FROM BRITISH PETROLEUM**

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DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS
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**OKALOOSA COUNTY BOARD OF COUNTY COMMISSIONERS' OVERSIGHT
OF THE TOURIST DEVELOPMENT COUNCIL
AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS RECEIVED
FROM BRITISH PETROLEUM**

SUMMARY

Our operational audit of the Okaloosa County Board of County Commissioners' oversight of the Tourist Development Council and use of tourist development taxes and funds received from British Petroleum disclosed the following:

ORGANIZATIONAL OVERSIGHT

Finding No. 1: The Board of County Commissioners (BCC) did not establish annual budgets for expenditures from restricted resources at the level the resources were restricted, or project budgets for each advertising project and marketing campaign, to ensure that available resources were not overspent.

Finding No. 2: The Tourist Development Council (TDC) and TDC subcommittees performed duties that were not of an advisory nature, contrary to law.

Finding No. 3: The TDC did not continuously review all expenditures of tourist development taxes, contrary to law.

Finding No. 4: The County purchased goods and services from companies or organizations that were affiliated with members of the BCC, TDC, or a TDC subcommittee, contrary to law.

FRAUD CONTROLS AND CONTROL RISK ASSESSMENTS

Finding No. 5: The BCC had not adopted a fraud response plan, and the County did not perform periodic fraud risk assessments or establish action plans to implement and monitor fraud controls.

Finding No. 6: The County did not perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources to identify and respond to identified control risks.

PROCUREMENT OF GOODS AND SERVICES

Finding No. 7: The County did not consistently follow prescribed policies and procedures relating to the competitive procurement of goods and services, including the selection of two advertising and marketing firms.

Finding No. 8: The County negotiated and entered into contracts that did not contain adequate provisions to effectively protect the County's interests.

Finding No. 9: The County did not perform an adequate review or preaudit of invoices submitted by two advertising and marketing firms, including a comparison of payment requests to the provisions of contracts. As a result, the County paid two advertising and marketing firms \$12.1 million without obtaining adequate documentation supporting the goods or services received, including payments of several invoices that incorrectly or inadequately described the actual goods or services purchased.

Finding No. 10: The County did not ensure that goods or services acquired through two advertising and marketing firms were competitively procured.

Finding No. 11: The County paid for certain goods and services in advance of their receipt, including certain goods and services acquired through two advertising and marketing firms, contrary to law and the State Constitution. Some services for which the County paid in advance were not subsequently provided.

Finding No. 12: The County did not consistently follow prescribed policies and procedures relating to the approval of purchases, including purchases made through two advertising and marketing firms.

Finding No. 13: The County did not consistently follow prescribed policies and procedures relating to the use of purchasing cards (p-cards), document the receipt of goods and services purchased with p-cards that were not immediately provided to the purchaser, or document the public purpose served by the p-card expenditures.

TRAVEL

Finding No. 14: The County needed to enhance its policies and procedures to ensure that travel expenditures were preapproved and adequately documented.

SPECIAL EVENTS GRANTS AND SPONSORSHIPS

Finding No. 15: The BCC had not adopted written policies and procedures relating to special events grants, and the County did not document that the special events grants were used for allowable purposes or were effective in increasing tourism and the use of lodging facilities.

Finding No. 16: The BCC had not adopted written policies and procedures relating to sponsorships of organizations or events. In addition, the County did not consistently document the purpose for which the sponsorships were provided, that the sponsorships were used for allowable purposes, or that the sponsorships were effective in achieving the purposes for which they were provided.

ALLOWABLE USES OF RESTRICTED RESOURCES

Finding No. 17: The County paid \$2.5 million from tourist development taxes for lifeguarding, beach patrol, and beach shuttle services that were not expressly authorized by law.

Finding No. 18: The County paid \$117,994 for various goods and services from British Petroleum (BP) grant funds that were, in the past, paid from tourist development taxes, contrary to grant provisions.

Finding No. 19: As part of the Emerald Coast Money Debit Card Program, the County used \$207,730 of BP grant funds for purposes that County records did not evidence were allowed by grant provisions.

Finding No. 20: The County overcharged BP \$27,063 in connection with medical support services provided, and County records did not adequately support the allowability of \$385,185 in reimbursements received from BP.

MOTOR VEHICLES

Finding No. 21: The County had not established adequate controls over the use of fuel cards.

ACCOUNTING CONTROLS

Finding No. 22: The County incorrectly classified and recorded certain expenditures in the accounting records, contrary to guidance provided by the Florida Department of Financial Services.

ELECTRONIC FUNDS TRANSFERS

Finding No. 23: The BCC had not adopted written policies and procedures, and the County had not established adequate controls, over the authorization and processing of electronic funds transfers.

INFORMATION TECHNOLOGY CONTROLS

Finding No. 24: The County had not established adequate controls over employee access privileges to data and information technology resources.

PUBLIC RECORDS

Finding No. 25: The County did not record minutes of a TDC and TDC subcommittee meeting, contrary to law. In addition, the minutes of the remaining meetings were not signed or otherwise designated to indicate the minutes were the official minutes approved by the TDC or TDC subcommittees.

BACKGROUND

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 of the accounts and records of any governmental entity created or established by law. In May 2012, the Auditor General received a request to perform an audit of the Okaloosa County Tourist Development Council (TDC) and Board of County Commissioners (BCC) with respect to the use of tourist development taxes and funds received from British Petroleum¹ (BP). Specific concerns expressed included a criminal investigation of the TDC and its former Executive Director relating to the likely misuse of public funds, including tourist development taxes and amounts paid by BP following the 2010 Deepwater Horizon Oil Spill². Pursuant to Section 11.45(3)(a), Florida Statutes, we performed this operational audit.

Okaloosa County Tourist Development Council. The BCC created the TDC in 1986 by adopting County Ordinance No. 86-06. Pursuant to Section 125.0104(4)(e), Florida Statutes, the TDC's primary purpose is to act in an advisory capacity to the BCC in matters relating to tourism and to review expenditures of tourist development taxes to ensure that they are made for authorized purposes. The TDC is composed of nine members appointed by the BCC and has an Executive Director employed by the County that manages the County's Tourist Development Department. Two TDC subcommittees, the Promotion Review Subcommittee and the Marketing Subcommittee, met during the period May 2010 through May 2012. These subcommittees were composed of the former TDC Executive Director and various appointed local business representatives.

The County accounted for its tourist development activities in the Tourist Development Special Revenue Fund and Convention Center Enterprise Fund. Table 1 summarizes the revenues received during the period May 2010 through May 2012 that were accounted for in these funds.

¹ Funds received from British Petroleum were pursuant to agreements with British Petroleum Exploration and Production, Inc., or British Petroleum PLC.

² On April 20, 2010, an explosion occurred on the mobile drilling platform Deepwater Horizon, located in the Gulf of Mexico approximately 130 miles southeast of New Orleans, Louisiana. Due to the threat that oil leaking from the drilling platform and well posed to the State of Florida, the Governor declared a state of emergency for certain counties, including Okaloosa County. In an effort to assist the State in paying the costs incurred in response to damages resulting from the explosion and oil spill, BP provided moneys to the State, certain local governments, and certain nonprofit organizations.

Table 1				
Revenue	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
Tourist Development Special Revenue Fund				
Tourist Development Taxes	\$ 3,839,189.69	\$ 6,288,548.04	\$ 2,301,634.46	\$ 12,429,372.19
Beach Restoration Municipal Services Benefit Unit	70,988.84	881,665.58	850,214.86	1,802,869.28
Florida Department of Transportation Mass Transit Grants	82,113.74	218,520.30	225,860.66	526,494.70
British Petroleum	2,121,939.00	8,073,065.00		10,195,004.00
Investments	11,612.56	43,539.52	205,360.23	260,512.31
Other	14,766.51	5,000.00	76,112.46	95,878.97
Total Tourist Development Special Revenue Fund	6,140,610.34	15,510,338.44	3,659,182.67	25,310,131.45
Convention Center Enterprise Fund				
Tourist Development Taxes	2,559,459.80	5,237,066.70	1,534,422.98	9,330,949.48
Charges for Services	384,373.68	720,598.20	457,489.93	1,562,461.81
Investments	15,378.72	104,165.90	73,531.93	193,076.55
Other	231.08	311.53	200.49	743.10
Total Convention Center Enterprise Fund	2,959,443.28	6,062,142.33	2,065,645.33	11,087,230.94
Total Revenues for Both Funds	\$ 9,100,053.62	\$ 21,572,480.77	\$ 5,724,828.00	\$ 36,397,362.39

Source: General Ledger

Tourist Development Taxes. A major source of revenue used by the County for tourism promotion was tourist development taxes. Of the total revenues shown in the table above, \$21,760,321.67, or 59.8 percent, was tourist development taxes. Section 125.0104, Florida Statutes, governs how counties can assess and use tourist development taxes and allows counties to assess up to 6 percent of each dollar collected from rents of living quarters or accommodations in short-term (less than six months) facilities. This Section specifies how counties that assess tourist development taxes can use each percent of the tax and requires that counties assessing tourist development taxes establish county ordinances that specify how each percent of the tax will be used. The BCC assessed tourist development taxes of 5 percent and established ordinances governing the use of the tourist development taxes. Table 2 provides an analysis of tourist development taxes collected by the County during the period May 2010 through May 2012, showing collections by percent and ordinance restriction.

Table 2					
Percent Distribution	County Ordinance Use Restrictions	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
First Percent	Beach Restoration and Monitoring	\$ 1,279,729.89	\$ 2,618,533.35	\$ 767,211.49	\$ 4,665,474.73
Second and Fifth Percents	Tourism Promotion	1,433,297.49	2,055,208.23	859,276.86	4,347,782.58
Second and Fifth Percents	Tourism Administration	383,918.97	550,502.20	230,163.45	1,164,584.62
Second and Fifth Percents	Beach Improvement, Facilities, Landscaping, and Maintenance	691,054.15	990,903.97	414,294.20	2,096,252.32
Second and Fifth Percents	Contingency and Statutory Improvements	51,189.19	73,400.29	30,688.46	155,277.94
Total Second and Fifth Percents		2,559,459.80	3,670,014.69	1,534,422.97	7,763,897.46
Third Percent	Tourism Promotion	383,918.97	785,560.00	230,163.45	1,399,642.42
Third Percent	Beach Improvement, Facilities, Facilities Operations, Landscaping, and Maintenance	895,810.93	1,832,973.35	537,048.04	3,265,832.32
Total Third Percent		1,279,729.90	2,618,533.35	767,211.49	4,665,474.74
Fourth Percent	Convention Center Debt Service	1,279,729.90	2,618,533.35	767,211.49	4,665,474.74
Total		\$ 6,398,649.49	\$ 11,525,614.74	\$ 3,836,057.44	\$ 21,760,321.67

Source: General Ledger

Of the tourist development taxes collected, the first, second, and fifth percents were accounted for as revenues in the Tourist Development Special Revenue Fund. The third and fourth percents were accounted for as revenues in the Convention Center Enterprise Fund. The County generally used the tourist development taxes as follows:

- **First Percent.** To restore and monitor nine and one-half miles of County beaches, including the beaches within the Destin city limits.
- **Second and Fifth Percents.** To promote tourism, operate the Tourist Development Department, maintain beaches, and set aside moneys for contingencies.
- **Third Percent.** To promote and operate the Emerald Coast Convention Center (convention center).
- **Fourth Percent.** To pay debt service on revenue bonds issued to construct the convention center.

BP Funds. Table 3 provides a summary of funds received from BP during the period May 2010 through May 2012.

Table 3				
Type	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
Negotiated Settlements				
Tourist Development Taxes Lost Revenues (1)	\$	\$ 1,567,052.00	\$	\$ 1,567,052.00
Water and Sewer Department Lost Revenues		110,345.57		110,345.57
Total Negotiated Settlements		1,677,397.57		1,677,397.57
Reimbursements				
BP Claims Reimbursements	1,116,113.85	146,801.86		1,262,915.71
Performance Based				
Emergency Medical Services Aid Stations	634,041.00			634,041.00
Grants				
Tourism Promotion (1)	750,000.00			750,000.00
Tourism Promotion (1)	1,371,939.00			1,371,939.00
Tourism Promotion (1)		6,506,013.00		6,506,013.00
Total Grants	2,121,939.00	6,506,013.00		8,627,952.00
Total	\$ 3,872,093.85	\$ 8,330,212.43	\$	\$ 12,202,306.28
Note (1): Total Received for Tourism Promotion	\$ 2,121,939.00	\$ 8,073,065.00	\$	\$ 10,195,004.00

Source: General Ledger

The County experienced a decline in tourism after the oil spill that impacted the receipt of tourist development taxes and water and sewer billings. As a result, the County filed claims with BP for lost revenues. BP subsequently negotiated a settlement of these claims and awarded the County \$1,677,397.57. In addition, the County incurred expenditures related to beach monitoring and cleanup during the period immediately following the oil spill, and BP reimbursed the County \$1,262,915.71 for these expenditures. BP also contracted with the County to provide Emergency Medical Services aid stations at locations specified by BP representatives to assist workers while performing monitoring and cleanup activities. The contract provided that the County would be paid at set rates per hour of service, and it received \$634,041 for these services. After the cleanup, the County received three BP grants totaling \$8,627,952 to help rebuild and promote area tourism. These grants could be spent on a wide variety of activities including advertising, promotions, special events, and other activities.

FINDINGS AND RECOMMENDATIONS

Organizational Oversight

The BCC is entrusted by the public with the proper and efficient administration of public funds. The Okaloosa County Clerk of the Circuit Court (CCC), as ex-officio clerk of the BCC, auditor, recorder, and custodian of all County funds, is responsible for preauditing expenditures to determine whether the expenditures are lawful and properly supported prior to payment. Additionally, pursuant to Section 125.17, Florida Statutes, the CCC is required to keep the BCC’s minutes and accounts and perform such other duties as the BCC may direct. Further, the TDC is responsible for monitoring expenditures of tourist development taxes.

The BCC, TDC, and CCC did not exercise sufficient control over tourist development taxes or funds received from BP to ensure that expenditures of public funds were made in accordance with BCC intentions, grants, or contractual agreements, or were lawful, properly supported, and served a public purpose. Primary issues of concern relate to the failure to budget for and control expenditures at appropriate levels and the failure to obtain adequate support for invoices submitted for payment, especially those invoices related to contracts with two advertising and marketing firms. These and numerous other issues of concern are discussed in this report.

Finding No. 1: Budget Preparation and Monitoring

As discussed in the Background section of this report, all of the resources accounted for in the Tourist Development Special Revenue Fund and substantially all of the resources accounted for in the Convention Center Enterprise Fund were restricted for various specific purposes (e.g., tourism promotion, tourism administration, beach maintenance). However, the BCC did not adopt budgets for these restricted resources at the level of their restriction. To track the available balances of each percent of tourist development taxes, BP grant funds, and other resources at the level of their restriction, the CCC maintained a computerized spreadsheet of the revenues and expenditures at these levels. Although CCC personnel indicated that the spreadsheet was provided to the former TDC Executive Director, County records did not evidence that the spreadsheet was provided to the BCC.

As of May 31, 2012, the CCC’s spreadsheet indicated that, although tourist development taxes were not overspent in total or at the total statutory percent levels noted in Table 2, the County had overspent the portion of the second and fifth percents of tourist development taxes that was restricted by ordinance for tourism promotion by \$3.5 million. Likewise, the CCC’s spreadsheet indicated that the County had overspent the portion of the third percent of tourist development taxes that was restricted by ordinance for tourism promotion by \$689,000. As a result, funds restricted by ordinance for other purposes were used to promote tourism. CCC personnel stated that, although the spreadsheet

calculated available tourist development taxes at the ordinance restriction level, it was used primarily to ensure that tourist development taxes were not overspent in total or at the total statutory percent levels. The spreadsheet was not used by the CCC to reject invoices presented for payment when sufficient funds were not available at the ordinance restriction level.

The Tourist Development Department also engaged in various advertising projects and marketing campaigns to accomplish its goals and objectives. However, project-level budgets were not established, and expenditures were not consistently identified by project. Project budgets are an important tool in effectively allocating and managing available resources. They not only serve to control expenditures, but project budgets help to ensure that available resources are spent in accordance with applicable restrictions and BCC intentions. As noted in finding No. 8, the County could also more effectively monitor advertising and marketing expenditures by requiring that all vendor invoices be referenced to specific BCC-approved advertising projects and marketing campaigns.

In September 2012, the BCC adopted budget policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures require the TDC to submit an annual marketing plan to the BCC for approval and all expenditures to conform to the approved marketing plan. As of November 13, 2012, the 2012-13 fiscal year marketing plan had not been submitted to the BCC.

Recommendation: The BCC should adopt budgets to control expenditures from restricted resources at the level of their restriction and by each specific project funded by these restricted resources. Corresponding budgets should be incorporated into the accounting records to provide for the effective control of expenditures, and the BCC and TDC should perform periodic budget-to-actual comparisons. The CCC should reject invoices presented for payment when sufficient authorized funds are not available to pay for them.

Finding No. 2: TDC Duties and Responsibilities

As noted in the Background section of this report, the BCC created the TDC as an advisory council pursuant to Section 125.0104(4)(e), Florida Statutes. County ordinances and the TDC's operations and procedures manual in effect during the period May 2010 through May 2012 generally prescribed to the TDC only the advisory duties provided for in Section 125.0104(4)(e), Florida Statutes. However, our review of the actions taken by the TDC and TDC subcommittees disclosed that they performed certain duties that were not of an advisory nature. For example, we noted the following actions taken by the TDC or TDC subcommittees during the period May 2010 through May 2012 for which County records did not evidence BCC approval:

- On October 10, 2010, the TDC voted to give the former TDC Executive Director authority to spend up to \$50,000 from BP grants to investigate and move forward with the use of three-dimensional and virtual reality technology for marketing purposes.
- On August 27, 2011, the TDC voted to designate \$300,000 from BP grants for special events funding.
- On various dates, the TDC and TDC subcommittees approved the use of a total of \$341,361.89 in tourist development taxes and BP grants to support special events in the County as further discussed in finding No. 15. In September 2012, the BCC approved revisions to the TDC's operations and procedures manual that allow the TDC to approve funding requests for special events.

When the TDC or TDC subcommittees authorize expenditures without BCC approval, the County is at an increased risk that expenditures will be made that are not in accordance with BCC intentions.

Recommendation: The BCC should implement policies and procedures to ensure that the TDC performs only those duties authorized by Section 125.0104(4)(e), Florida Statutes, and County ordinances.

Finding No. 3: TDC Monitoring of Expenditures

Section 125.0104(4)(e), Florida Statutes, requires the TDC to continuously review all expenditures of tourist development taxes and receive, at least quarterly, expenditure reports from the BCC or its designee. In addition, this Section requires the TDC to report expenditures it believes to be unauthorized to the BCC and the Florida Department of Revenue. In response to our inquiry, the TDC's legal counsel indicated that the TDC reviewed planned expenditures as part of the annual budget review and adoption process. However, the TDC did not regularly receive summary or detailed reports of expenditures of tourist development taxes. When timely, detailed expenditure reports are not provided to the TDC for review, the TDC cannot effectively carry out its responsibility to continuously review these expenditures, and the County is at an increased risk that unauthorized expenditures, such as those noted in finding No. 9, could be made and not timely detected by the TDC. In May 2012, the TDC began receiving monthly expenditure reports for its review.

Recommendation: The TDC should continue to strengthen its monitoring controls by ensuring that it timely receives and reviews detailed reports of expenditures of tourist development taxes as required by Section 125.0104(4)(e), Florida Statutes.

Finding No. 4: Conflicts of Interest

Pursuant to Section 112.313(3), Florida Statutes, no county employee acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, may either directly or indirectly purchase, rent, or lease any realty, goods, or services for the county from any business entity in which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor, or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. This Section further prohibits a county public officer or employee from acting in a private capacity to rent, lease, or sell any realty, goods, or services to the county or any agency thereof. Pursuant to Section 112.313(7)(a), Florida Statutes, no county public officer or employee may have or hold any employment or contractual relationship with any business entity or agency that is subject to the regulation of, or is doing business, with the county. This Section further prohibits a county public officer or employee from having or holding any employment or contractual relationship that will create a continuing or frequently recurring conflict between his or her public duties, or that would impede the full and faithful discharge of his or her duties. Section 112.313(1), Florida Statutes, defines a public officer to include any person elected or appointed to hold office in any agency, including any person serving on an advisory body.

County records supporting many purchases made through two advertising and marketing firms were inadequate to determine whether the payments were made to business entities or agencies that could potentially represent conflicts of interest pursuant to the laws noted above. However, based on available supporting documentation, we noted purchases during the period May 2010 through May 2012 that appear contrary to the laws noted above. For example, we noted the following purchases made through an advertising and marketing firm:

- The County paid \$27,066.95 for sponsorships of a local chamber of commerce. A BCC member was, at the time, the executive director of the chamber of commerce.

- The County paid \$17,500 for two companies to promote and advertise local volleyball tournaments. A TDC member was, at the time, an owner or director of these companies.
- The County paid \$2,200 for a company to provide aerial advertising. A TDC Marketing Subcommittee member was, at the time, the president of the company.

Section 112.313(12), Florida Statutes, states that the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to persons serving on advisory boards such as the TDC and TDC Marketing Subcommittee may be waived in a particular instance by the appointing body upon full disclosure of the transaction or relationship prior to the waiver and an affirmative vote in favor of waiver by a two-thirds vote of the appointing body. However, no such waivers were recorded in BCC or TDC meeting minutes.

Recommendation: The BCC should implement policies and procedures to ensure that future purchases of goods and services are not made from vendors in which a potential conflict of interest exists or that waivers of the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to TDC and TDC subcommittee members, are granted and documented in accordance with Section 112.313(12), Florida Statutes.

Fraud Controls and Control Risk Assessments
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Finding No. 5: Fraud Controls

An effective anti-fraud program is an important part of an organization’s system of internal control. It can decrease the risk of fraud occurring in an organization and minimize the impact of fraud on an organization should it occur. Comprehensive fraud policies and procedures are an important part of an effective anti-fraud program. BCC policies and procedures in effect during the period May 2010 through May 2012 included a code of conduct, addressed unlawful and prohibited actions, and provided consequences for these actions. In addition, the BCC had adopted a whistleblower’s protection policy that provided protection to individuals who reported known or suspected violations of statutes, rules, or regulations. However, these policies and procedures did not include a written fraud response plan that addressed investigation protocols and guidance on reporting known or suspected fraud to the appropriate authorities. Without a written fraud response plan, the County is at an increased risk that known or suspected fraud may not be investigated and reported in accordance with BCC intentions.

In addition to comprehensive fraud policies and procedures, an effective anti-fraud program includes periodic fraud risk assessments and fraud controls monitoring. In response to our inquiry, County personnel indicated that identifying and assessing fraud risks are routinely part of the continual monitoring and interaction of the County Administrator and CCC. County personnel also provided examples of recent risks identified and controls put in place to mitigate these risks. However, the County had not performed and documented periodic fraud risk assessments of the operations of each County department, including the Tourist Development Department. Such fraud risk assessments would provide greater assurance of identifying potential fraud risks that may be unique to each department. Once potential fraud risks are identified, written action plans that implement and monitor controls designed to mitigate these risks would provide greater assurance of preventing or detecting fraud.

Recommendation: The BCC should strengthen its anti-fraud program by adopting a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls.

Finding No. 6: Control Risk Assessments

As discussed in the Background section of this report, the County is responsible for collecting, accounting for, and making disbursements from restricted resources, including tourist development taxes and funds received from BP. Therefore, it is important that the County identify the control risks associated with these activities and develop internal controls to mitigate significant control risks identified. Performing periodic control risk assessments can help to identify and analyze these risks. Control risk assessments should involve a systematic identification of circumstances or events that could prevent the County's goals and objectives from being met, an assessment of the probability and significance of these circumstances or events, and a determination on the part of County management as to whether it is cost-beneficial to implement controls to prevent or detect these circumstances or events. As a practical matter, a formal control risk assessment could be performed and documented on an annual basis; however, as a good business practice, the control risk assessment process should be ongoing as new internal and external threats constantly develop.

Upon inquiry, County personnel indicated that they had not performed and documented a recent control risk assessment relating to the activities of collecting, accounting for, and making disbursements from restricted resources, including tourist development taxes and funds received from BP. Periodic control risk assessments would provide greater assurance of identifying potential control weaknesses, such as those noted throughout this report, and would help ensure that adequate internal controls are in place to minimize the risks that control weaknesses could adversely affect the County's operations.

Recommendation: The County should perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources, including tourist development taxes and funds received from BP.

Procurement of Goods and Services
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Finding No. 7: Competitive Procurement by the County

County purchasing policies and procedures in effect during the period May 2010 through May 2012 required a minimum of three written quotes for nonexempt purchases (i.e., purchases that were not sole source, per State contract, etc.) in excess of \$2,500 up to \$50,000, and formal bids were required for nonexempt purchases in excess of \$50,000. County purchasing policies and procedures that governed the selection of firms providing professional services required the following:

- The requesting department must seek BCC approval to distribute a request for proposal (RFP) and establish a selection committee to review the responses to the RFP, prioritize the contending firms, and negotiate an agreement with the selected firm;
- The selection committee's rankings of prospective firms should be based on the firm's capabilities, including ability, adequacy of personnel, past record, recent experience, current workload, and location; and
- The selection committee's recommended priority list must be presented to the BCC for approval prior to the commencement of negotiations with the selected firm.

Our test of six purchases made by the County during the period May 2010 through May 2012, totaling \$134,260.41 and funded from tourist development taxes or BP grant funds, disclosed three purchases, totaling \$68,650, for which three written quotes were not obtained. These purchases included \$49,500 for production services at beach concerts, \$12,800 for towing and deployment of a tug boat, and \$6,350 for an artist to provide custom artwork for the

convention center. County personnel indicated the custom artwork was a sole source purchase, but they could not provide a sole source purchase data sheet that, per County purchasing policies and procedures, must be completed and attached to the purchase requisition.

In January 2011, the County issued an RFP for “marketing/advertising/public relations/Web site/research for the TDC, Emerald Coast Convention and Visitors Bureau, Inc., Okaloosa Film Commission, and Emerald Coast Convention Center.” Prior to that time and through September 19, 2011, the County operated under an existing contract with an advertising and marketing firm that was negotiated prior to May 2010. Our review of the selection process of the firms that were awarded contracts based on their responses to the RFP disclosed that the County did not follow the purchasing policies and procedures noted above, as follows:

- The TDC did not obtain BCC approval to distribute the RFP or establish a selection committee to review the responses to the RFP, contrary to County purchasing policies and procedures. An initial evaluation committee composed of four TDC members, the former TDC Executive Director, and the General Manager of the convention center ranked the responses to the RFP and selected four firms to make subsequent presentations to the TDC. However, TDC records did not document the discussions or decisions of the initial evaluation committee.
- A final selection committee composed of seven TDC members and the former TDC Executive Director ranked the four firms based on their presentations. However, the ranking sheets provided for our review were not signed by the seven TDC members. In addition, only three of the seven ranking sheets listed the individual criteria evaluated by the selection committee, and these criteria were not the same as the criteria required by County purchasing policies and procedures. In April 2011, the TDC approved the former TDC Executive Director’s recommendation to award contracts to two advertising and marketing firms ranked first and second on the ranking sheets. One of the two firms was the same firm already under contract with the County as previously discussed above. The selection committee’s recommendation was not presented to the BCC for approval prior to the commencement of negotiations with the firms, contrary to County purchasing policies and procedures. Instead, negotiations with the firms were conducted by the former TDC Executive Director. Although the BCC approved the contracts, which were effective June 7, 2011, and September 20, 2011, respectively, the County’s selection procedures were not followed.

Failure to adequately document the selection process for professional services, including the criteria used in each selection committee member’s ranking and signed ranking sheets for each selection committee member, could expose the County to legal action should a firm wish to challenge the County’s selection. In addition, failure to follow County purchasing policies and procedures regarding the selection of professional services puts the County at an increased risk that firms may be selected without the requisite qualifications and experience to address the County’s needs.

Recommendation: The County should ensure that purchases are procured in accordance with County policies and procedures. In addition, the County should strengthen its procurement procedures to ensure that the selection process for the acquisition of professional services is documented and services are acquired pursuant to County purchasing policies and procedures. These procedures should require maintenance of documentation evidencing the basis for decisions made by selection committees and the signing of ranking sheets by each selection committee member.

Finding No. 8: Contract Design

As a matter of good business practice, contracts should be designed to effectively protect the interests of the contracting parties. Contracts should include specific information about the requirements of all contracting parties and avoid the use of ambiguous or undefined terminology. As discussed in finding No. 7, the County contracted with two advertising and marketing firms in 2011. The County’s contractual relationship was such that the firms provided

total turn-key services for the County. Generally, the firms provided advertising management and artistic services and contracted with other vendors to deliver the actual services and products. The firms paid the other vendors and claimed reimbursement on invoices submitted to the County for payment. Each of the contracts with the firms detailed the scope of services to be provided, the compensation for these services, and various general provisions and requirements.

Our review of the 2011 advertising and marketing contracts with these firms disclosed that the contracts did not contain necessary provisions to protect the County’s interests. We noted that the contract with one of the firms did not require the firm to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, or state the advertising project or marketing campaign with which invoices were associated. Neither contract required the firms to competitively procure goods and services in accordance with County purchasing policies and procedures. In addition, the firms were not required to submit invoices, including invoices from third-party vendors, in sufficient detail to allow for an effective preaudit to ensure the goods or services purchased were actually received and that the correct amounts were charged. The deficiencies in the design of both contracts may have contributed to the unauthorized and inadequately supported expenditures noted in finding No. 9.

The County also entered into an agreement with a contractor that assisted County personnel in responding to the oil spill. The County generally issued task orders to the contractor for specific services at specific amounts of compensation. However, we noted one task order that provided for various services to be compensated at “time plus expenses,” and the task order did not specify the types or amounts of contractor expenses that would be reimbursed by the County. The deficiencies in the design of this contract may have contributed to the inadequately supported expenditures noted in finding No. 20.

Recommendation: The County should strengthen its procurement procedures to ensure that all contracts include provisions that specify the types and amounts of contractor expenses for which the contractor is to be reimbursed and require the contractor to submit sufficiently detailed invoices to allow for an effective County preaudit. Additionally the contracts for advertising and marketing services firms should include provisions to competitively procure goods and services in accordance with County purchasing policies and procedures, and require the firms to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, and state the advertising project or marketing campaign with which invoices are associated.

Finding No. 9: Contract Monitoring and Contract Payments

As discussed in finding Nos. 7 and 8, the County contracted with two advertising and marketing firms and made significant payments to the firms during the period May 2010 through May 2012 as indicated in the following table:

Table 4			
5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
\$ 1,603,223.05	\$ 6,175,224.70	\$ 4,929,601.44	\$ 12,708,049.19

Source: General Ledger

Our review of the contracts with the firms and the related contract payments disclosed significant deficiencies in County procedures relating to contract monitoring and preauditing of contract invoices.

Contract Monitoring. The contracts with one of the firms provided that the firm would perform various services, including advertising, marketing, promotions, and public relations, for a specified monthly fee. Prior to September 20,

2011, this fee was \$26,000 per month. Beginning on September 20, 2011, pursuant to a new contract, this fee was \$38,400 per month, a 47.7 percent increase. Our review of the invoices submitted by the firm disclosed that County personnel did not effectively monitor contract payments to ensure that the invoices submitted were in accordance with provisions of the contracts. For example, in addition to the monthly fees noted above, the County paid the firm an additional \$142,942.30 for the services of an integrated marketing associate and a sales/public relations associate. However, based on the description of services to be provided pursuant to the contracts, these services appear to be the types of services covered by the monthly fee, in which case the firm would not be entitled to the additional payments for services. In addition, during the period covered by the contract in effect prior to September 19, 2011, the firm was paid \$3,351.23 for out-of-pocket expenses and \$20,500 for social media management and support services although the contract did not provide for the firm to be paid for such expenses.

Support for Invoices. Our review of payments made by the County to the two advertising and marketing firms disclosed that payments totaling \$12.1 million from tourist development taxes or BP grant funds were inadequately supported at the time the invoices were approved and paid. In many instances, the payment requests were only supported by invoices, with no supporting documentation of the services provided by the respective firms or invoices and documentation from third-party vendors that documented the goods or services they provided. In these instances, the County's records did not evidence how the purchases served a public purpose or that the purchases were allowable uses of restricted resources. Details concerning support for specific payments were provided to the County. Additional issues regarding related internal controls are discussed in finding Nos. 10, 11, 15, 16, 18, and 22.

Upon beginning our audit fieldwork, we became aware that a payment for promotion and advertising services had allegedly been misappropriated for the purchase of a house by the former TDC Executive Director. Our further review of supporting documentation for this transaction disclosed that the County paid \$747,000 from BP grant funds for an item described on an advertising and marketing firm's invoice as "Boast the Coast National Television Campaign and Promotion." After the payment was made to the firm, the former TDC Executive Director instructed the firm, via e-mail, to wire the moneys to a designated bank account. The moneys were then used by the former Executive Director for the purchase of a house titled to a revocable trust for him and his wife.

The two advertising and marketing firms subsequently provided additional documentation to the County related to certain inadequately supported payments. While it was not practical for us, upon post-audit, to review all of the additional documentation provided to the County, we reviewed the documentation provided by the firms relating to certain payments, totaling \$1.4 million, which we judgmentally selected based on amount, invoice description, or other factors. Our review of the documentation for the selected payments disclosed the following:

- Four payments, totaling \$155,400, were paid to one firm on invoices that incorrectly or inadequately described the goods or services purchased. The goods or services purchased were not allowable expenditures of tourist development taxes or BP grant funds and included the following:
 - The County paid the firm \$48,000 from tourist development taxes for an item described on the firm's invoice as a "prize for 2010-2011 Internet/viral video contest." The item actually purchased was a Porsche that was titled to the former TDC Executive Director.
 - The County paid the firm \$47,000 from tourist development taxes for items described on the firm's invoice as "convention center marketing services." The items actually purchased included \$19,620.69 in food and drinks in connection with a County Christmas party, a TDC holiday party, and a harbor cruise for employees. The remaining \$27,379.31 of the \$47,000 invoice was paid to a vendor that provided food services to the convention center. County personnel indicated that the moneys were paid to the vendor to establish a marketing fund for the purpose of promoting the vendor's off-premise catering sales on which the County receives a 17 percent commission. However, County records indicate that \$5,000 of the moneys was donated to a local charity at the request of the former

TDC Executive Director; \$576.50 was spent on a floral arrangement at one of the County's visitor centers; \$640.50 was spent on cake pops as part of a welcome package to attendees at a local chamber of commerce luncheon; \$244 was spent on alcoholic beverages, sodas, and water provided to band members who performed at the County Christmas party; and \$207.76 was spent on vendor brochures. As of November 16, 2012, almost 13 months after the disbursement to the vendor, \$20,710.55 of the moneys had not been spent.

While reviewing these expenditures, we identified other firm invoices and invoices paid directly to other vendors that, when combined with the \$19,620.69 and \$244 in food and drinks discussed above, showed that the County paid a total of \$42,871.20 for the County Christmas party that included food and drinks, bar setup, cocktail reception and tables, stage décor, and entertainment; \$3,921.77 for the TDC holiday party; and \$991.72 for the harbor cruise.

- The County paid the firm \$31,400 from tourist development taxes for what was described on the firm's invoice as "Harbor Walk/Destin Harbor Advertising." The \$31,400 was actually used to purchase furniture for the Destin TDC office, except for three pieces of furniture, totaling \$6,250, that were ultimately located in the former TDC Executive Director's home.
 - The County paid the firm \$29,000 from tourist development taxes for what was described on the firm's invoice as "Destin Harbor Marketing and Advertising." Upon inquiry by County personnel, firm personnel stated that the payment was invoiced at the former TDC Executive Director's request and that they did not know what the payment was for. The firm subsequently returned the moneys to the County.
- Nine payments, totaling \$1.1 million, were paid to the two firms based on their invoices for goods or services provided to, or on behalf of, an airline company. According to descriptions provided on the invoices, the goods and services purchased included, but were not limited to, such items as advertising, monthly retainer fees, unspecified marketing and advertising initiatives, and out-of-pocket expenses. County records did not evidence a contract between the County and the airline company regarding these payments, how the payments benefited the County, or how the goods or services purchased were allowable uses of tourist development taxes or BP grant funds from which they were paid.
- Two payments, totaling \$95,021.30, were paid to one firm from tourist development taxes for a branding reception to unveil a newly developed logo for the Emerald Coast and to discuss plans to brand the area to a national audience. The cost of the reception included \$55,906.38 for audio-visual equipment and marketing services; \$15,250.80 for event décor; \$7,855 for media services; and \$16,009.12 in labor, food, and beverages, including \$2,898 in alcoholic beverages. County records did not evidence that these expenditures were reasonable or necessary or that the BCC had established guidance on the reasonableness or necessity of TDC expenditures.

When payments are made without adequate supporting documentation, the County is at an increased risk that expenditures do not serve an authorized public purpose, are unallowable uses of restricted resources, are not necessary and reasonable costs associated with an existing advertising project or marketing campaign approved by the BCC, or are not properly billed in accordance with contract provisions. Had County personnel who approved the payments, or CCC personnel who paid the invoices, required the firms to submit adequate supporting documentation to the County before the payments were made, the questioned billings noted above may have been detected and denied.

In May 2012, the BCC approved procedures that require a written task order be prepared and approved for all subsequent payments made to the firms. In June 2012, the BCC terminated the contracts with both firms effective September 30, 2012. In September 2012, the BCC adopted contract payment policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures provide that no invoice will be processed by the CCC without an approved task order and that no invoice will be approved unless the actual invoice from the provider of the goods or services has been received.

Recommendation: The County should continue to strengthen its monitoring and preaudit procedures to ensure that contract provisions are properly monitored and payments are supported by adequate documentation to allow for an effective preaudit. The County should also continue its efforts to obtain supporting documentation for payments made to the two advertising and marketing firms. In addition, the BCC, in consultation with its legal counsel, should determine whether the County is entitled to recover any questioned billings, and take appropriate action to recover such billings. Finally, the BCC should adopt written policies and procedures that provide guidance on the reasonableness and necessity of TDC expenditures.

Finding No. 10: Competitive Procurement by Contractors

As discussed in finding No. 7, County purchasing policies and procedures required competitive procurement for nonexempt purchases in excess of \$2,500. County records supporting many payments made to two advertising and marketing firms were inadequate to determine whether the goods or services purchased should have been competitively procured pursuant to County purchasing policies and procedures. However, based on available supporting documentation, we noted certain goods and services purchased through the firms that should have been competitively procured, but were not. For example, we noted the following:

- The County purchased a yacht for \$710,000. County records did not evidence that formal bids were obtained for this purchase.
- The County purchased three motor vehicles (two automobiles and a sports utility vehicle) for \$129,809, each costing less than \$50,000. County records did not evidence that three written quotes were obtained for these purchases.
- The County purchased 508 beach towels for \$8,832. County records did not evidence that three written quotes were obtained for this purchase.

County personnel indicated the goods and services purchased through the firms were not competitively procured, and the County relied on the firms to obtain the goods or services at the lowest cost consistent with acceptable quality. As noted in finding No. 8, the 2011 contracts with the firms did not require the firms to competitively procure goods and services in accordance with County purchasing policies and procedures. Given that over \$12 million was expended for goods and services acquired through the firms, failure to use a competitive procurement process in accordance with County purchasing policies and procedures resulted in limited assurance that the costs of the goods and services were competitive and reasonable.

Recommendation: The County should ensure that goods and services purchased through contractors are competitively procured in accordance with County purchasing policies and procedures.

Finding No. 11: Advance Payments

Pursuant to Article VII, Section 10, of the State Constitution, the County may not become a joint owner with, or stockholder of, or give, lend, or use its taxing power or credit to aid any corporation, association, partnership, or person. As noted by the Attorney General in various opinions³, the purpose of this provision is “to protect public funds and resources from being exploited in assisting or promoting private ventures when the public would be at most incidentally benefited.” Section 28.235, Florida Statutes, provides that the CCC can make advance payments on behalf of the County for goods and services pursuant to rules or procedures adopted by the State Chief Financial

³ For example, see Attorney General Opinion No. 2012-26.

Officer (CFO) for advance payment of invoices submitted to State agencies. The CFO established such rules and procedures in the *Reference Guide for State Expenditures*, which provides that advance payments may be made if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the operations of the agency and the goods or services are available only if advance payment is made.

Our tests of 14 advance payments made during the period May 2010 through May 2012, totaling \$399,885.52 and funded from tourist development taxes or BP grant funds, disclosed 6 advance payments for goods or services, totaling \$118,166.66, that County records did not evidence met the CFO criteria. These included, for example, 4 payments totaling \$80,000 made to local chambers of commerce for tourism-related services that were paid at the beginning of the fiscal years in which the services were provided.

County records supporting many payments made to two advertising and marketing firms were inadequate to determine whether the payments were advance payments. However, based on available supporting documentation at the time of payment and additional documentation subsequently obtained by the County, we noted several advance payments to the firms for which County records did not evidence met the CFO criteria. Further, the County overpaid for, or did not receive, certain services that were paid for in advance. For example, we noted the following:

- The County paid \$24,001 from BP grant funds in advance to one firm for a driver to transport a recreational vehicle to promotional events and for certain expenses associated with the driver's travel costs. The County paid for the driver to provide 123 days of services at \$187 per day plus \$1,000 in expenses. However, a travel schedule provided for our review that County personnel indicated was the only known support for the driver's services showed a potential of only 43 days of services and \$1,000 in expenses, resulting in an overpayment of \$14,960. County personnel indicated the County is attempting to recover these funds.
- The County paid \$38,400 from BP grant funds in advance to one firm for the services of a promotional spokesman. The County paid for the spokesman to provide 32 days of services at \$1,200 per day. However, County records indicated that the spokesman only provided 23 days of services, resulting in an overpayment of \$10,800. County personnel indicated the County is attempting to recover these funds.
- The County paid \$25,000 from tourist development taxes in advance to one firm for a musical group to perform concerts. However, the County subsequently determined that no concerts were performed or were planned in the future, and County personnel indicated the County is attempting to recover these funds.

CCC personnel indicated that they attempted to identify and deny requests for advance payment not authorized by Florida Statutes; however, they did not identify and deny the above requests for advance payment. In addition, the County did not have procedures in place to ensure that advance payments met the CFO criteria and that goods and services paid for in advance were subsequently received or that appropriate amounts were refunded. Notwithstanding legal requirements relating to advance payments, when goods and services are unnecessarily paid for in advance of their receipt, the County is at an increased risk that the goods or services may not be provided, and the County's recourse may be limited should disagreements arise between the County and the vendor. In September 2012, the BCC adopted policies and procedures as part of the TDC's operations and procedures manual that require all advance payments to be specifically approved by the BCC.

Recommendation: The County should continue to strengthen their purchasing procedures to ensure that advance payments are approved and paid only if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the County's operations and the goods or services being paid for are available only if advance payment is made. Additionally, the County should establish procedures to ensure that goods or services paid for in advance are either subsequently received by the County or a refund of the overpayment is pursued. Further, the County should continue its efforts to recover the questioned payments noted above.

Finding No. 12: Approval of Purchases

County purchasing policies and procedures required that noncontract purchases under \$25,000 be approved by the issuing department head and the Purchasing Director; purchases between \$25,000 and \$50,000 be approved by the issuing department head, the Purchasing Director, and the County Administrator; and purchases in excess of \$50,000 be approved by the BCC. Contract progress payments under \$25,000 were required to be approved by the issuing department head, and contract progress payments over \$25,000 were required to be approved by the County Administrator.

Our test of 45 purchases, totaling \$1.2 million and funded from tourist development taxes or BP grant funds, disclosed 3 purchases (6.7 percent), totaling \$53,730, that were not approved by one or more required employees, contrary to County purchasing policies and procedures. These payments included a \$49,500 payment for production services at beach concerts, a \$2,430 payment for promotional golf caps, and an \$1,800 payment for two tables of ten people at a dinner and silent auction for a charitable organization. According to County personnel, the reasons why the payments were not approved varied. For example, the rigging and production services were not procured through the Purchasing Department but were directly purchased by an employee, contrary to County purchasing policies and procedures. Therefore, the Purchasing Director's approval was not obtained.

We also scanned the payments made to two advertising and marketing firms and noted that the BCC Chairman was permitted to approve certain purchases rather than the County Administrator, contrary to County purchasing policies and procedures. Upon inquiry, the County Administrator indicated that he was unaware of any formal action taken by the BCC specifically authorizing a change in the responsibilities for expenditure approvals, but that there may have been an assumption that the BCC Chairman was authorized to approve the expenditures since the former TDC Executive Director reported directly to the BCC Chairman.

When payments are not approved as required by County purchasing policies and procedures, the County is at an increased risk that it will pay for unallowed or inadequately supported expenditures. In February 2012, the County eliminated the practice of allowing the BCC Chairman to approve expenditures rather than the County Administrator.

Recommendation: The County should ensure that required approvals are obtained for all purchases in accordance with County purchasing policies and procedures.

Finding No. 13: Purchasing Card Controls

The County provided purchasing cards (p-cards) to approved employees in an effort to efficiently and effectively process and expedite low dollar purchases of goods and services, and the County established policies and procedures to provide guidelines on the proper use of these cards. Our review disclosed that improvements were needed in the design and monitoring of County p-card policies and procedures, as follows:

- County p-card policies and procedures required that departments review p-card expenditures to ensure goods and services obtained were necessary and appropriate. However, these policies and procedures did not specify who was required to approve the expenditures. County records did not evidence that the former TDC Executive Director's p-card expenditures were approved by another employee.
- County p-card policies and procedures required the p-card user and reviewer to sign a preprinted statement on monthly p-card expenditure reports certifying that they reviewed the expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives. However, we noted that the preprinted statement did not appear on many of the expenditure reports.

- County p-card policies and procedures required that employees receiving p-cards sign certification and receipt forms documenting that the employees accepted the terms and conditions for the use of the p-cards. Although requested, we were not provided 2 of 17 p-card certification and receipt forms we selected for testing. Of the 15 forms we were provided, 5 forms were dated subsequent to our request, and 5 forms were not dated (i.e., there was no indication that the employees signed the agreements prior to receiving their p-cards).

During the period May 2010 through May 2012, the County paid \$600,000 in p-card expenditures from tourist development taxes or BP grant funds. Our tests of 60 such expenditures, totaling \$37,000, disclosed the following:

- 25 of 60 purchases (41.7 percent), totaling \$18,324.05, were for goods or services not immediately provided to the purchaser (e.g., internet or phone orders), and County records did not evidence that the purchaser subsequently acknowledged that the goods or services were received.
- 28 of 60 purchases (46.7 percent), totaling \$14,680.37, were not supported by detailed receipts or explanations that clearly documented the public purpose of the expenditures. These purchases are included on Exhibit B.

In the absence of an independent review and approval of p-card transactions, certification statements from the p-card user and reviewer, timely completed certification and receipt forms, documentation that goods or services were received, and detailed receipts and explanations as to the purpose of the expenditures, the County is at an increased risk that expenditures may be made that are not in accordance with County p-card policies and procedures or that do not serve an authorized public purpose.

Recommendation: The County should strengthen its p-card policies and procedures to ensure that an independent review and approval is documented for all purchases; that employees and reviewers certify they reviewed the applicable p-card expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives; that p-card certification and receipt forms are timely signed by employees; that employees acknowledge the receipt of goods and services; and that County records evidence the authorized public purpose served by the expenditures.

Travel

Finding No. 14: Travel Expenditures

Section 112.061, Florida Statutes, generally provides travel requirements for public officers, employees, and other authorized persons, and requires that all authorized travelers submit travel voucher forms when submitting travel expenditures for approval and payment. The travel voucher form should state the purpose of the travel. It should also include a certification signed by the traveler indicating the truth and correctness of the claim in every material matter, the travel expenses were necessary and incurred by the traveler in the performance of his or her official duties, the per diem claimed was reduced for any meals or lodging included in the convention or conference registration fees claimed by the traveler, and the voucher conforms in every respect with the requirements of Section 112.061, Florida Statutes. Pursuant to Section 125.0104(9), Florida Statutes, the TDC is also authorized and empowered to make expenditures for transportation, lodging, meals, and other reasonable and necessary items and services for such persons, as determined by the head of the TDC, in connection with the performance of promotional and other TDC duties. Complete and detailed justification for all travel and entertainment-related expenditures made pursuant to Section 125.0104(9), Florida Statutes, are also required to be shown on travel vouchers or attachments to the travel vouchers.

The BCC established various policies and procedures governing travel, including a requirement in the TDC operations and procedures manual that TDC employees and members obtain preapproval for travel. However, CCC personnel indicated they did not routinely verify that travel of TDC employees and members was preapproved. County policies and procedures did not require that travel of other authorized persons (e.g., contracted employees, travel writers, and tour brokers performing promotional and other duties) be preapproved. In the absence of the preapproval of travel, the County is at an increased risk that unauthorized or unnecessary travel expenditures may be incurred.

County personnel classified and recorded \$113,000 in travel expenditures during the period May 2010 through May 2012 paid from tourist development taxes or BP grant funds. As similarly noted in finding No. 22, additional travel expenditures were incorrectly classified and recorded under other object codes. As a result, the total amount of travel expenditures incurred during the period was not readily quantifiable using the County’s accounting records. Our review of selected expenditures recorded as travel noted above, as well as selected misclassified travel expenditures we noted during other testing, indicated that the County paid \$41,225.32 in travel-related expenditures that were not supported by travel vouchers.

In the absence of properly completed and signed travel vouchers, the County is at an increased risk that unallowed or unjustified travel expenditures may be incurred. For example, we noted that the County paid \$1,151.80 in airfare for a candidate interviewing for an open sales position at the convention center. The Director of Human Resources had previously informed the former TDC Executive Director that the County would not pay for these travel costs. However, at the former TDC Executive Director’s direction, the travel costs were subsequently paid by one of the advertising and marketing firms and invoiced back to the County.

Recommendation: The County should strengthen its procedures to ensure the preapproval of travel expenditures for all authorized persons and the use of properly completed and signed travel vouchers to support all travel expenditures and entertainment-related expenditures pursuant to law.

Special Events Grants and Sponsorships

Finding No. 15: Special Events Grants

To increase tourism and the use of lodging facilities in the County, the TDC and TDC Marketing Subcommittee awarded \$341,361.89 in special events grants paid from tourist development taxes or BP grant funds during the period May 2010 through May 2012. These grants were awarded to groups or organizations that planned, coordinated, or managed special events that were expected to benefit area tourism. Examples of special events grants awarded included \$32,000 for the Florida State H.O.G. Rally, \$17,740 for the Emerald Coast Poker Run, and \$2,400 for the Greater Gulf Coast Beer Festival.

The BCC had not developed written policies and procedures addressing the criteria used to award special events grants, the methodology for calculating the amounts of the grants, the persons authorized to approve the grants, or the responsibilities of grant recipients to document that the grants were used for allowable purposes. In practice, the TDC and TDC Marketing Subcommittee awarded the grants in advance of the special events by approving written requests for funding received from groups or organizations. The TDC did not require grant recipients to sign a written agreement acknowledging the terms and conditions of the grants, provide documentation of expenses to evidence that the grants were used for allowable purposes, or provide evidence that the special events were effective in increasing the use of lodging facilities. In the absence of written agreements, the BCC’s legal recourse may be limited should disagreements arise with the grant recipients. In addition, without an accounting of how the grants

were used and the amount of the increase in the use of lodging facilities that resulted from the special events, the County had no assurance that the grants were used for allowable purposes or were effective in increasing the use of lodging facilities.

In September 2012, the BCC adopted special events grants policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures included the criteria for awarding grants, the persons responsible for approving the grants, authorized and unauthorized uses of the grants, and a requirement that the grant recipients subsequently document expenses and the increase in the use of lodging facilities. However, the policies and procedures did not address the methodology for calculating the amounts of the grants or require that the grant recipients sign a written agreement acknowledging the terms and conditions of the grants.

Recommendation: The BCC should continue to strengthen its special events grant policies and procedures by addressing the methodology for calculating the amounts of the grants and requiring grant recipients to sign a written agreement acknowledging the terms and conditions of the grants.

Finding No. 16: Sponsorships

In addition to the special events grants discussed in finding No. 15, the County paid for sponsorships to support various organizations or events. The sponsorships were generally approved by the former TDC Executive Director. However, County records did not evidence the sponsorships were approved by the BCC.

Our review of selected expenditures disclosed \$478,471.95 in sponsorships paid from tourist development taxes or BP grant funds during the period May 2010 through May 2012. Examples of the sponsorships paid included \$10,000 to the Horizons Foundation of Okaloosa County, \$9,000 to the Fisher House of the Emerald Coast, and \$500 to the Fort Walton Beach Rotary Club.

The BCC had not developed written policies or procedures addressing sponsorships, and the purpose of sponsorships was not consistently documented in County records. Sponsorship recipients were not required to sign a written agreement acknowledging the terms and conditions of the sponsorship, provide documentation evidencing how the sponsorship moneys were used, or provide evidence that the sponsorships were effective in achieving their intended purpose. In the absence of written agreements, the BCC's legal recourse may be limited should disagreements arise with sponsorship recipients. In addition, without an accounting of how the sponsorships were used and a means to determine whether the sponsorships were effective in achieving their purpose, the County cannot demonstrate that the sponsorships were used for allowable purposes or were effective in achieving their purpose.

In September 2012, the BCC adopted sponsorship policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures provided that sponsorships of community, civic, cultural, or other organizations may be authorized by the BCC, upon recommendation from the TDC, to promote and attract increased tourism or enhance and develop the use of the convention center. However, the policies and procedures did not address the methodology for calculating the amounts of the sponsorships, address the responsibilities of the sponsorship recipients to document that the sponsorships are used for allowable purposes, or require sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships.

Recommendation: The BCC should continue to strengthen its sponsorship policies and procedures by addressing the methodology for calculating the amount of sponsorships, requiring sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships, and requiring sponsorship recipients to provide documentation evidencing how the sponsorship moneys were used and that the sponsorships were effective in achieving their intended purpose.

Allowable Uses of Restricted Resources

Finding No. 17: Tourist Development Taxes – Statutory Compliance

As discussed in the Background section of this report, Section 125.0104, Florida Statutes, governs the use of tourist development taxes and indicates the various purposes for which they may be used. This Section further provides that any use of tourist development taxes not expressly authorized is prohibited. During the period May 2010 through May 2012, the County paid \$1,912,095.68 from tourist development taxes to fund a portion of lifeguarding and beach patrol services provided by the City of Destin Fire Department and the Okaloosa County Beach Safety Department. Section 125.0104, Florida Statutes, does not expressly authorize such expenditures as allowable uses of tourist development taxes.

In response to our inquiries, County personnel provided three opinions from legal counsel indicating that tourist development taxes may be used to fund lifeguard and beach patrol services, provided that the BCC makes a legislative determination that the primary purpose of these services is related to either promoting tourism within the County or the improvement or enhancement of beach facilities. However, in Attorney General Opinion No. 90-55, dated July 23, 1990, the Attorney General concluded that tourist development taxes may not be used to fund lifeguarding services or general governmental functions owed to the public at large.

During the period May 2010 through May 2012, the County also used \$564,000 in tourist development taxes to fund a portion of the County’s beach shuttle service. Section 125.0104, Florida Statutes, does not expressly authorize such expenditures as allowable uses of tourist development taxes. As part of its tourist development plan in effect during the period May 2010 through May 2012, the BCC concluded that providing beach shuttle services was a proactive step to reduce seasonal tourism traffic congestion and encourage efficient and environmentally friendly transportation choices, established a permanent and dependable connection between the beaches and adjacent tourist destinations, and was necessary to promote the convention center and provide an alternate mode of access thereto. However, transportation services are a general government function owed to the public at large and, as such, do not appear to be an allowable use of tourist development taxes. Beginning with the 2012-13 fiscal year, the BCC funded the beach shuttle services from other revenue sources.

Recommendation: The County should seek an opinion from the Attorney General as to the allowability of the \$2,476,095.68 of questioned expenditures and, if appropriate based on the Attorney General’s opinion, should restore this amount to the tourist development taxes accounts.

Finding No. 18: BP Grant Funds – Grant Compliance

As discussed in the Background section of this report, the County received funds from BP after the oil spill to help rebuild and promote area tourism, including a \$6,506,013 grant through Florida’s Coastal Northwest Communications Council, Inc. (FCNCC). Pursuant to the grant agreement, these funds were intended to be used for promotion and

awareness building expenditures not already planned or that would not normally be made to promote tourism (i.e., for expenditures to procure goods or services not previously paid with tourist development taxes).

County records supporting many payments made to the two advertising and marketing firms were inadequate to determine whether the payments to the firms were already planned or would normally be made to promote tourism. However, based on available supporting documentation, we noted certain goods and services purchased with the BP grant funds noted above that were for goods or services previously paid for by the County with tourist development taxes. For example, we noted expenditures totaling \$61,000 in routine monthly fees paid to one firm from BP grant funds that were for services previously paid with tourist development taxes. Likewise, we noted expenditures totaling \$56,994 in special events grants paid to one firm from BP grant funds that were previously paid with tourist development taxes. County personnel indicated that the former TDC Executive Director was allowed to use his judgment in determining the funding source for these expenditures. As the above expenditures, totaling \$117,994, were for goods or services previously paid with tourist development taxes, these expenditures represent questioned costs subject to disallowance by the grantor.

Recommendation: **The County should consult with the FCNCC as to the allowability of the \$117,994 in questioned costs.**

Finding No. 19: BP Grant Funds – Grant Compliance and Controls over Debit Card Program

Funds received from BP by the County after the oil spill to help rebuild and promote area tourism included a \$1,371,939 grant through the FCNCC. The BCC approved the use of \$1,000,000 from this grant to conduct the Emerald Coast Money Debit Card Program (Program). The Program provided that 5,000 debit cards, each worth \$200, would be given to guests that paid for a minimum two-night stay at preapproved lodging facilities located in Destin, Fort Walton Beach, Okaloosa Island, Mary Esther, or Cinco Bayou. County records related to the Program indicated that the majority of the debit cards appear to have been issued to guests at lodging facilities as intended. However, we noted deficiencies in the controls over the Program as discussed below.

The Program provided that guests would obtain debit cards by presenting identification and qualifying paid receipts from lodging facilities to the Emerald Coast Visitor's Center. County records indicated that 3,651 debit cards, totaling \$730,200, were issued for this purpose. However, our test of the issuance of 60 of the 3,651 debit cards disclosed that for 6 debit cards (10 percent), totaling \$1,200, including 2 debit cards that were issued to the former TDC Executive Director, supporting documentation did not include a qualifying paid receipt from a lodging facility. For these 6 debit cards, County records did not demonstrate that the debit cards were issued pursuant to the approved Program and, as such, the \$1,200 represents questioned costs subject to disallowance by the grantor.

The former TDC Executive Director controlled the distribution of the remaining 1,349 debit cards, totaling \$269,800, of which 302 debit cards were either not used or County records did not evidence how they were used. However, County records evidenced that 1,047 debit cards were not issued pursuant to the approved Program as follows:

- 1,000 debit cards totaling \$200,000 were issued to an airline company. However, the County did not have a written agreement with the company stating the purpose for which the debit cards were issued.
- 46 debit cards were partially used by individuals, including the former TDC Executive Director, to purchase a variety of goods and services totaling \$6,330.45. These goods and services included such items as furniture and furnishings, lodging, food and drinks, alcoholic beverages, tips, entertainment, gas, sales taxes, and other unspecified items.
- One debit card was used as a prize in a local golf tournament.

County records did not evidence that the above purchases and uses were allowable uses of the grant funds. As such, these purchases and uses totaling \$207,730.45 represent questioned costs subject to disallowance by the grantor.

Recommendation: **The County should consult with the FCNCC as to the allowability of the \$207,730.45 in questioned costs.**

Finding No. 20: BP Claims and Reimbursements

During the aftermath of the oil spill, BP contracted with the County to provide four land-based medical aid stations for clean-up crews working along the beaches. BP paid the County \$634,041 for these services based on a Medical Services Support Agreement that provided hourly rates to be paid for the various services provided at each station. Our tests of invoices submitted to BP by the County disclosed errors in the rates used and calculations made by County personnel. For example, the County invoiced BP for an ambulance at one of the stations at a rate of \$100 per hour when the agreement provided for a rate of \$50 per hour, resulting in an overcharge of \$27,062.50. County personnel indicated that they used the rate of \$100 per hour since it was the rate listed in the County's emergency medical services fee schedule and was the same rate listed in the agreement for the other stations.

BP also entered into a Deepwater Horizon Funding Agreement (Agreement) with the Florida Division of Emergency Management through which the County could request reimbursements from BP for costs it incurred in responding to the oil spill. The Agreement required the County to include complete documentation, including invoices, checks, and proof of payment with its requests for reimbursement, and subsequent guidelines indicated that BP would generally reimburse the costs of increased or additional public services, response and removal costs, and lost revenues as a direct result of the oil spill. The County received \$1,262,915.71 in reimbursements from BP, of which \$981,447.70 (77.7 percent) related to payments the County made to a contractor that assisted County personnel in responding to the oil spill. We reviewed selected documentation supporting the reimbursements the County received from BP for the payments made to the contractor and noted certain costs that were inadequately supported or were for goods and services not clearly related to increased or additional public services, response and removal costs, or lost revenues. For example, we noted the following:

- The County received reimbursements, totaling \$370,208, for wages paid to the contractor's employees. However, the County did not require the contractor to provide time cards or work logs to support the number of hours used to calculate wages.
- The County received reimbursements for rental fees, totaling \$6,122.36, for boats rented by the contractor. However, the County did not require the contractor to provide invoices from the boat owners to support the rental fee amounts.
- The County received reimbursements, totaling \$3,199.04, for purchases made at restaurants and convenience stores. However, the County did not require the contractor to provide invoices or receipts indicating the items purchased and, in some cases, the person(s) that received or consumed them. As a result, County records did not evidence that the items purchased were necessary and allowable costs related to the response to the oil spill.
- The County received reimbursements, totaling \$5,655.23, for various goods or services for which County records did not evidence were necessary and allowable costs incurred by the contractor in responding to the oil spill. These goods and services included such items as an alcoholic beverage, personal hygiene products, prescription drugs, over-the-counter medications, out-of-state lodging and car rental, and airfare to and from locations outside the County.

County personnel indicated that they obtained the best available supporting documentation for the contractor's expenses under the circumstances, provided that support to BP, and BP approved the expenditures as reimbursable

costs. Although BP reimbursed the County for these expenditures, the above reimbursements, totaling \$385,184.63, were not supported by documentation required by the Agreement.

Recommendation: For future reimbursement agreements, the County should ensure that reimbursement requests are made pursuant to terms of the agreements, including submission of required supporting documentation.

Motor Vehicles

Finding No. 21: Fuel Cards

The County issued fuel cards for use in its vehicles, including those vehicles assigned to the Tourist Development Department and the convention center, and the Fleet Operations Department was responsible for compiling the monthly fuel charges invoiced by vendors and allocating the fuel charges to user departments. User departments were then responsible for reconciling the monthly fuel charges to gas receipts submitted by employees.

During the period May 2010 through May 2012, the Tourist Development Department and the convention center were charged \$24,146.86 for fuel purchased using fuel cards. Our review of these charges and the procedures used by County personnel to ensure the propriety of these charges disclosed the following deficiencies:

- The Fleet Operations Department generated exception reports, by vehicle, to identify unusual fuel consumption. However, the parameters for generating exceptions on these reports were default parameters of the tracking software and were not reasonable. For example, the fuel limits for vehicles assigned to the Tourist Development Department and the convention center ranged from 250 to 400 gallons per day and 900 to 1,050 gallons per week. When such high parameters are used for generating exceptions, the County is at an increased risk that unusual fuel consumption will not be detected.
- All six user department reconciliations of fuel card charges to gas receipts that we reviewed were not signed by the employees that prepared the reconciliations, and County records did not evidence that supervisory personnel reviewed and approved the reconciliations. In the absence of this information, County records did not evidence that the reconciliations were performed or reviewed and approved by an individual that did not use the fuel cards assigned to the departments' vehicles.
- Gas receipts for \$3,672.25 (79.3 percent) of \$4,628.43 in fuel charges that we reviewed were not retained by the user departments. County personnel indicated that the gas receipts may have been lost, destroyed, or not turned in by employees. In the absence of gas receipts, the County cannot demonstrate that fuel charges invoiced by vendors were accurately billed, and user departments cannot demonstrate that fuel costs charged to their departments were accurately allocated.

Recommendation: The County should strengthen its vehicle usage procedures to include more reasonable fuel consumption parameters, the effective use of fuel card exception reports and user department reconciliations of fuel charges to gas receipts, and the retention of all gas receipts by user departments.

Accounting Controls

Finding No. 22: Classification and Reporting of Expenditures

Section 218.32, Florida Statutes, requires that local government reporting entities submit annual financial reports to the Florida Department of Financial Services (DFS). Section 218.33, Florida Statutes, provides that the DFS shall make reasonable rules and regulations regarding uniform accounting practices and procedures by local governmental

entities, including a uniform classification of accounts, as it considers necessary to assure the use of proper accounting and fiscal management techniques. To that end, the DFS developed a *Uniform Accounting System Manual for Florida Counties (Manual)* to be used as the standard for classifying and recording financial information. The *Manual* provides for expenditures to be recorded and reported using object (e.g., personnel expenses, operating expenses, capital outlay) and sub-object (e.g., salaries and wages, professional services, machinery and equipment) codes to identify the types of the expenditures.

Our tests of 60 purchasing card transactions, totaling \$37,000 and funded from tourist development taxes or BP grant funds, disclosed 5 transactions (8.3 percent), totaling \$4,180.68, that were incorrectly classified and recorded by object or sub-object codes. Additionally, County records supporting many payments made to the two advertising and marketing firms were inadequate to determine whether the payments were classified and recorded correctly. However, based on available supporting documentation at the time of payment and additional documentation subsequently obtained by the County, we noted several payments to the firms that were incorrectly classified and recorded by object or sub-object codes. Examples of payments that were incorrectly classified and recorded included the following:

- The County purchased two recreational vehicles for a total of \$94,766. The recreational vehicles were purchased for the TDC to use in advertising projects and marketing campaigns. These expenditures were incorrectly classified and recorded as operating expenditures (contracted services – public relations) rather than as capital outlay expenditures (machinery and equipment).
- The County purchased an exterior marquee for the convention center for \$81,237.50 that was incorrectly classified and recorded as an operating expenditure (contracted services – advertising) rather than as a capital outlay expenditure (infrastructure).
- The County purchased two televisions for a total of \$2,208.88. The televisions were purchased to be used in the recreational vehicles noted above. These expenditures were incorrectly classified and recorded as operating expenditures (motor vehicle repair and maintenance) rather than as capital outlay expenditures (machinery and equipment).

County personnel indicated that payments made to the two advertising and marketing firms were often coded to contracted services – advertising regardless of the purpose of the payments. When expenditures are not correctly classified and recorded in the accounting records, management may draw incorrect conclusions about the activities funded from restricted resources such as tourist development taxes and BP grant funds, and their ability to make informed decisions based upon these records may be compromised.

Recommendation: The County should strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the *Manual*.

Electronic Funds Transfers

Finding No. 23: Controls Over Electronic Funds Transfers

Section 668.006, Florida Statutes, requires the head of each agency to implement control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. The County used electronic funds transfers (EFTs) to make certain types payments, including payments to vendors and banking institutions, and had established a funds transfer agreement with a bank to provide these services. County records indicated that 13 EFTs, totaling \$15.5 million, were made during the period May 2010

through May 2012 that involved tourist development taxes or funds received from BP. Our review disclosed that the County needed to strengthen its controls over EFTs as follows:

- The BCC had not developed written policies and procedures regarding the authorization and processing of EFTs, contrary to law.
- Employees that could initiate wire transfers also had the ability to record journal entries in the accounting system, allowing them both access to County assets and the accounting records for these assets.
- The funds transfer agreement with the bank allowed authorized users designated by the CCC to electronically initiate EFTs without the approval of another employee before the funds were transferred.
- The funds transfer agreement with the bank did not restrict the locations where County funds could be transferred, allowed nonrepetitive EFTs up to \$20,000,000, and allowed unlimited dollar amounts of repetitive EFTs.
- The funds transfer agreement with the bank had not been updated to reflect changes in CCC personnel and authorized an employee who terminated with the CCC in May 2005 to initiate and approve EFTs.

While our tests did not disclose any EFTs that were made for unauthorized purposes, such tests cannot substitute for management’s responsibility to establish effective internal controls. Without written policies and procedures and effective controls governing EFT activities, the County is at an increased risk that unauthorized transfers could occur and not be timely detected. In September 2012, the CCC updated its funds transfer agreement with the bank to delete the terminated employee noted above.

Recommendation: The BCC should develop written policies and procedures addressing EFTs as required by Section 668.006, Florida Statutes, including providing for an adequate separation of duties over access to County assets and the related accounting records, and documenting independent approvals before the funds are transferred. In addition, the CCC should revise its funds transfer agreement with the bank to address the deficiencies noted above and timely update its funds transfer agreement with the bank when changes in authorized personnel occur.

Information Technology Controls
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Finding No. 24: Access Controls

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, creation, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, add, or delete data. Further, effective access controls provide employees access privileges that restrict employees from performing incompatible functions or functions outside of their area of responsibility. Periodically reviewing the appropriateness of IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job responsibilities.

As part of our review of the County’s expenditure payment process, we noted certain deficiencies in access controls as follows:

- All employees in the CCC’s Finance Department, including accounts payable and payroll employees, had the ability to record journal entries. However, CCC procedures did not provide for an independent review of all journal entries recorded in the accounting system to determine that the journal entries were properly authorized. County IT personnel indicated that, due to software limitations, an employee’s ability to record journal entries could not be limited without also limiting the employee’s ability to view certain accounting records.

- Two CCC payroll employees and the CCC's Financial Services Manager had the ability to record pay rate and other changes in the payroll system. These employees also had the ability to process payroll transactions and print payroll checks. However, CCC procedures did not provide for an independent review of all changes recorded in the payroll system to determine that the changes were properly authorized by the Human Resources Department.
- Two CCC accounts payable employees had the ability to add new vendors and make other changes in the master vendor file. These employees also had the ability to process and pay vendor invoices, and print and distribute checks to vendors. However, CCC procedures did not provide for an independent review of all changes made to the master vendor file to determine that the changes were properly authorized by the Purchasing Department.

We also noted that end-user departments were not routinely required to review employee access privileges to County resources (e.g., accounting records, payroll system data, master vendor files) to determine whether these access privileges were necessary and appropriate given an employee's job responsibilities. Without such reviews, unnecessary or incompatible access privileges may not be timely detected and addressed by the County, increasing the risk of unauthorized disclosure, modification, creation, or destruction of data and IT resources.

Recommendation: The County should strengthen its procedures to include the periodic review of access privileges granted to employees and timely remove or modify unnecessary or incompatible access privileges detected.

Public Records

Finding No. 25: TDC and TDC Subcommittee Meeting Minutes

Section 286.011, Florida Statutes, commonly referred to as the Sunshine Law, requires that minutes of public board or commission meetings be promptly recorded and open to public inspection. Florida's *Government-in-the-Sunshine Manual*, compiled by the Florida Attorney General's Office, further provides that advisory boards and committees created by public agencies may be subject to the Sunshine Law, even though their recommendations are not binding upon the entities that create them. When an advisory board or committee has been delegated decision-making authority as opposed to mere information-gathering or fact-finding authority, their meetings must be open to public scrutiny, regardless of the review procedures eventually used by the traditional governmental body.

The TDC is responsible for advising the BCC on the implementation of its tourist development plan, including making recommendations to the BCC regarding the effective use of tourist development taxes. In carrying out its responsibilities, the TDC established two standing subcommittees that met during the period May 2010 through May 2012. The Promotion Review Subcommittee met periodically until October 2010 when it was disbanded. The Marketing Subcommittee was then formed and began meeting in May 2011. The stated responsibilities of both subcommittees included reviewing and recommending advertising and marketing consultants to the TDC and reviewing and recommending specific tourism marketing proposals presented to the TDC by private industry and nonprofit organizations. As discussed in finding No. 15, the TDC and TDC Marketing Subcommittee also awarded special event grants to selected groups or organizations. Based on their responsibilities, both the TDC and the TDC subcommittees are subject to the Sunshine Law.

The minutes of the TDC and TDC subcommittee meetings were generally recorded, approved at subsequent meetings, and electronically stored by the County. However, our review of the minutes of the TDC and TDC subcommittee meetings disclosed that County procedures for maintaining official records of the meetings needed improvement. For example, we noted that minutes were not recorded for a TDC meeting and a TDC subcommittee

meeting held on December 8, 2010, and October 28, 2010, respectively. We also noted that the minutes of the remaining meetings were not signed by the committee or subcommittee chairman or the employee who recorded the minutes. In addition, we noted several meetings for which two versions of the minutes were retained by the County. The County’s legal counsel indicated that the different versions represented draft and final versions of the minutes, and a specific file for the final approved and official meeting minutes of the TDC and TDC subcommittees was not maintained.

In the absence of meeting minutes signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes, the County cannot demonstrate that the minutes made available for public inspection represent the official record of the discussions and actions taken at the meetings. In September 2012, the BCC adopted policies and procedures regarding TDC and TDC subcommittee minutes as part of the TDC’s operations and procedures manual. These policies and procedures require written minutes to be maintained for all TDC and TDC subcommittee meetings and an audio recording of each TDC meeting to be made and retained as a public record.

Recommendation: The County should continue to strengthen its procedures for maintaining official minutes of the TDC and TDC subcommittees by recording minutes for all meetings and requiring that the final approved minutes made available for public inspection be signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes.

RELATED INFORMATION

The State Attorney, 1st Judicial Circuit, and several law enforcement agencies, including the Okaloosa County Sheriff’s Office, the Florida Department of Law Enforcement, and the Federal Bureau of Investigation, are investigating alleged improprieties involving the TDC and the former TDC Executive Director. At the close of our audit fieldwork, these investigations were ongoing.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. This audit was conducted pursuant to Section 11.45(3)(a), Florida Statutes, based on a May 15, 2012, request by the then Senate President-designate.

We conducted this operational audit from May 2012 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management’s control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.

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

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring from May 1, 2010, through May 31, 2012, and selected actions taken subsequent thereto. Unless otherwise indicated in this report, these records and transactions 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.

AUTHORITY

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

David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit C.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Organizational oversight.	Reviewed County controls related to the receipt, use, and monitoring of tourist development taxes and funds received from BP.
Fraud controls and control risk assessments.	Reviewed the County’s anti-fraud program and determined whether the County had performed recent fraud and control assessments to identify and address potential risks.
Public records.	Examined BCC, TDC, and TDC subcommittee meeting minutes for evidence of compliance with selected Sunshine Law requirements (e.g., preparation and retention of official minutes).
Competitive procurement.	Examined County records relating to the procurement of goods and services (including professional services) from tourist development taxes and BP grant funds to determine compliance with laws, rules, and County purchasing policies and procedures.
Contract design, monitoring, and preauditing of contract invoices.	Reviewed contracts to determine whether they were adequately designed to protect the interests of the County, and examined County records relating to contract payments from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, County purchasing policies and procedures, and the terms of the contracts.
Purchasing card transactions.	Tested purchasing card transactions from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.
Travel expenditures.	Tested travel expenditures from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.
Salary and other expenditure transactions.	Tested salary and other expenditure payments from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

BP claims and reimbursements.	Examined supporting documentation for claims submitted by the County to BP for reimbursement of expenditures related to the oil spill to determine whether the expenditures were properly supported and allowable under the terms of the reimbursement agreements.
Use of BP grant funds.	Examined supporting documentation relating to the expenditure of BP grant funds to determine whether the County established adequate controls over the use of grant funds and complied with grant provisions and restrictions.
Electronic funds transfers.	Reviewed County procedures related to electronic funds transfers to determine whether controls were adequate and tested supporting documentation to determine whether selected electronic funds transfers were properly authorized and supported.
Journal entries.	Tested journal entries involving tourist development taxes and funds received from BP to determine whether the entries were properly approved, adequately supported, and allowable uses of restricted resources.
Motor vehicles.	Reviewed County policies and procedures relating to vehicle usage and fuel cards to determine whether controls were adequate to ensure County assets were properly safeguarded.
IT controls.	For selected CCC employees, determined the appropriateness and necessity of access privileges to IT resources related to journal entries, payroll records, and the master vendor file.

**EXHIBIT B
INADEQUATELY SUPPORTED PURCHASING CARD EXPENDITURES
FOR THE PERIOD MAY 1, 2010, THROUGH MAY 31, 2012**

Date	Vendor	Description of Expenditure per Supporting Documentation	Funding Source	Inadequately Supported Amount	Deficiency in Support (Type)
10/26/11	Sams Internet	Two 46" TVs for RVs	BP Grant	\$ 2,208.88	A
01/13/12	A Storage Solutions of Destin	Unit 1012 rental to 7/12	TDT - 2nd and 5th Percents	1,100.00	A
01/13/12	A Storage Solutions of Destin	Rent storage unit 1010	TDT - 2nd and 5th Percents	1,100.00	A
02/25/11	Toomey's Mardi Gras	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	1,022.40	A
08/23/10	Marina Café	IEDC hospitality dinner	TDT - 2nd and 5th Percents	908.40	B
12/12/11	Sams Internet	46" TV for Destin TDC	TDT - 2nd and 5th Percents	898.00	A
10/15/10	Wal-Mart	47" TV	TDT - 2nd and 5th Percents	798.00	A
02/24/11	Sears	Refrigerator	TDT - 2nd and 5th Percents	763.46	A
01/12/12	Oriental Trading Company	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	704.00	A
12/12/11	Sams Internet	42" TV and mounting bracket	TDT - 2nd and 5th Percents	656.79	A
12/08/11	National Pen	Holiday cards	TDT - 3rd Percent	575.90	A
12/14/11	Wine Country Gift Baskets	Client gift baskets	TDT - 3rd Percent	569.43	A
01/11/12	A Storage Solutions of Destin	Unit R126 rental to 6/11/12	TDT - 2nd and 5th Percents	550.00	A
03/20/12	Epromos	Client thank you gifts	TDT - 3rd Percent	470.16	A
03/16/12	Target	Public relations (gift cards)	TDT - 3rd Percent	373.00	A
01/12/12	Toomey's Mardi Gras	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	349.00	A
10/26/11	Electric Motor Repair Service	New motor, seal, gasket, and o-ring	TDT - 2nd and 5th Percents	310.00	A
12/15/11	Publix	I-Tunes cards for office laptops and assorted chocolates for business affiliates	TDT - 2nd and 5th Percents	309.98	A
11/17/11	Old Time Pottery	Kitchen and cleaning supplies	TDT - 2nd and 5th Percents	199.80	A
10/26/11	Sams Internet	Compact refrigerators	TDT - 2nd and 5th Percents	192.44	A
12/13/11	The Trophy Center, Inc.	Awards	TDT - 2nd and 5th Percents	149.50	A
04/26/11	Waterworx Car Wash	Purchase (Wheels n Wax, Detail Upcharge, and Interior Detail)	TDT - 2nd and 5th Percents	104.99	A
09/12/11	Culligan Water Solutions	Bottled water service	TDT - 2nd and 5th Percents	80.95	A
10/22/10	Camelia City Florist	ACAE flowers for Ralph Stacy's funeral	TDT - 2nd and 5th Percents	80.00	A
04/24/12	Edible Arrangements	Warren Gourley	TDT - 2nd and 5th Percents	72.00	A
08/12/11	Staples	Coffee, creamer, sports bottles	TDT - 2nd and 5th Percents	63.96	A
07/07/10	Anglers Beachside Grill	Business lunch	TDT - 2nd and 5th Percents	52.34	A,B
08/31/10	Waterworx Car Wash	Purchase	TDT - 2nd and 5th Percents	16.99	A
Total Inadequately Support Purchasing Card Expenditures				\$14,680.37	
Deficiencies:					
A – Supporting documentation did not indicate how the expenditure served an authorized purpose or was an allowable use of the restricted resource.					
B – Supporting documentation did not indicate the names of the people attending the event. Consequently, it was not evident that this expenditure served an authorized purpose or was an allowable use of the restricted resource.					

EXHIBIT C
MANAGEMENT'S RESPONSE



County Administrator's Office

State of Florida

January 8, 2013

David W. Martin
Auditor General
Local Government Audits/Section 342
111 West Madison Street
Tallahassee, FL 32399-1450

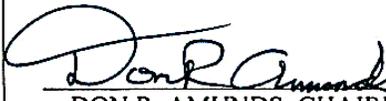
Re: Okaloosa County Board of County Commissioner' Oversight of
the Tourist Development Council and Use of Tourist Development
Taxes and Funds Received From British Petroleum

Dear Mr. Martin:

In response to the preliminary and tentative findings and recommendations provided by your office, enclosed is a joint response from the Okaloosa County Board of County Commissioners and the Clerk of Court for Okaloosa County. The joint response contains written statements of explanation concerning each of the findings and corrective actions taken and proposed.

We appreciate the time that you and your staff have spent and the thoroughness demonstrated during the audit process.

If you require any further information, please do not hesitate to contact us through the County Administrator's Office at 850-651-7515.


DON R. AMUNDS, CHAIRMAN
BOARD OF COUNTY COMMISSIONERS



DON W. HOWARD, CLERK
CLERK OF COURT


Enclosures

Okaloosa County Administration Building
1804 Lewis Turner Blvd., Suite 400
Fort Walton Beach, FL 32547
(850) 651-7515 • FAX: (850) 651-7551
e-mail: jcurry@co.okaloosa.fl.us

**OKALOOSA COUNTY'S RESPONSE TO THE PRELIMINARY AND TENTATIVE AUDIT
FINDINGS AND RECOMMENDATIONS ON THE OVERSIGHT OF THE TOURIST
DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS
RECEIVED FROM BRITISH PETROLEUM**

The Board of County Commissioners is in receipt of the Preliminary and Tentative Audit Findings and Recommendations which may be included in the operational audit of the Auditor General on the Oversight of the Tourist Development Council (TDC) and use of Tourist Development Taxes and funds received from British Petroleum. Please find the Response of the Board of County Commissioners (BCC) to the Preliminary and Tentative Findings and Recommendation. As several of the Preliminary and Tentative Findings relate to the operations of the office of the Clerk of the Court, that office has separately responded to some of these Findings.

ORGANIZATIONAL OVERSIGHT

Finding No. 1: The Board of County Commissioners (BCC) did not establish annual budgets for expenditures from restricted resources at the level the resources were restricted, or project budgets for each advertising project and marketing campaign, to ensure that available resources were not overspent.

Recommendation: The BCC should adopt budgets to control expenditures from restricted resources at the level of their restriction and by each specific project funded by these restricted resources. Corresponding budgets should be incorporated into the accounting records to provide for the effective control of expenditures, and the BCC and TDC should perform periodic budget-to-actual comparisons. The CCC should reject invoices presented for payment when sufficient authorized funds are not available to pay for them.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V, section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The Clerk's constitutional grant of authority vests him with the independent authority within these areas of responsibility. Therefore, specific issues raised in regards to the functioning of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

Further, as part of the corrective action already taken by the County⁴, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation

⁴ Prior to the formal amendment of the Operations and Procedures Manual and Ordinance in September of 2012, the County implemented various policy changes as an interim measure at its May 15, 2012 meeting.

of the TDC and the Tourist Development Department (a copy of Ordinance No. 12-21 and the amended Operations and Procedures Manual are attached as Attachment “A” and “B”, respectively). The intent of these amendments was to provide clear delineation as to the respective uses of the various pennies absent subsequent action by the BCC.

Additionally, as part of the amendments to the Operations and Procedures Manual, the BCC has specifically mandated that project level budgets be prepared and submitted to the BCC to control expenditures and ensure that available resources are spent in accordance with the BCC’s intent and within the applicable restrictions. (See D.200). The County will also review the viability of establishing budget control expenditures from the various restricted revenues provided that it would be consistent with the provisions of Chapter 129, Florida Statutes.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that the various restricted revenues are being expended in conformity with the requirements of Florida Law and the County’s ordinances.

CLERK’S RESPONSE: In accordance with the corrective action already taken by the County in changing the TDC Ordinance, Tourist Development Plan and Operations and Procedures Manual, the Clerk will account for the Tourist Development Restricted balances at the levels of restriction as identified by the recommended budgetary process. The Clerk, in accordance with these corrective actions and the increased level of delineation, will reject invoices without sufficient authorized funds available.

Finding No. 2: The Tourist Development Council (TDC) and TDC subcommittees performed duties that were not of an advisory nature, contrary to law.

Recommendation: The BCC should implement policies and procedures to ensure that the TDC performs only those duties authorized by Section 125.0104(4)(e), Florida Statutes, and County ordinances.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. These amendments, among other things, reestablished the advisory nature of the TDC and its subcommittees and limited their functions to those mandated under Section 125.0104, Florida Statutes. (See A.400). The amendments established new controls on the exercise of the responsibilities of the TDC and eliminated any authority for it to perform functions outside of the advisory role contemplated by the Statute.

Additionally, as to the prior practice of the TDC to approve expenditures, the amendments to the Operations and Procedures Manual also set forth a procedure for the approval of expenditures. Those amendments require that all expenditures be in conformity with established policies and utilizing the procedures of the County’s Purchasing Policy (See D.400). Such approvals for the expenditure of funds may not be given by either the TDC or the subcommittees.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policies and Florida Statutes.

Finding No. 3: The TDC did not continuously review all expenditures of tourist development taxes, contrary to law.

Recommendation: The TDC should continue to strengthen its monitoring controls by ensuring that it timely receives and reviews detailed reports of expenditures of tourist development taxes as required by Section 125.0104(4)(e), Florida Statutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. To facilitate the statutory responsibilities of the TDC to review and oversee expenditures, various amendments were included to provide more safeguards. Among these was that the TDC would initially participate in the establishment of proposed expenditures in the review of the budget and the marketing plan. (See D.200). Further, the amendments provide a post expenditure monitoring process whereby both the TDC and the BCC would be provided quarterly summaries of the actual expenditures. (See A.400).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 4: The County purchased goods and services from companies or organizations that were affiliated with members of the BCC, TDC, or a TDC subcommittee, contrary to law.

Recommendation: The BCC should implement policies and procedures to ensure that future purchases of goods and services are not made from vendors in which a potential conflict of interest exists or that waivers of the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to TDC and TDC subcommittee members, are granted and documented in accordance with Section 112.313(12), Florida Statutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Without concluding that each of the examples provided by the Auditor General in its Preliminary and Tentative Findings actually constituted violations of Section 112.313, Florida Statutes, the County agrees that inadequate controls existed which would address potential conflicts of interests.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Several of the amendments to the plan directly relate to the issue of potential conflicts of interests. Initially, the revisions to the Manual specifically set forth

guidelines for the approval of special events and sponsorships. (See G.000 - G.600). The revisions also required that committee members with conflicts of interest comply with the provisions of Section 286.012 and Chapter 112, Florida Statutes. Further, the County's Purchasing Manual, which is incorporated into the Operations and Procedures Manual, requires the submittal of conflict of interest disclosures as part of the process.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided to avoid conflicts of interests and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

FRAUD CONTROLS AND CONTROL RISK ASSESSMENTS

Finding No. 5: The BCC had not adopted a fraud response plan, and the County did not perform periodic fraud risk assessments or establish action plans to implement and monitor fraud controls.

Recommendation: The BCC should strengthen its anti-fraud program by adopting a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Okaloosa County will review and consider the amendment of its current code of conduct and whistleblower policies to include a written fraud response plan that addresses investigation protocols and guidance on reporting known or suspected fraud to the appropriate authorities.

The County will review and consider the implementation of an annual fraud risk assessment and fraud controls monitoring. In furtherance of this monitoring, the County has researched and determined the Association of Certified Fraud Examiners has a Fraud Risk Assessment tool that can be used by Okaloosa County to strengthen its anti-fraud program. The County will consider the implementation of this or similar fraud assessment tools which can be utilized to enhance its fraud controls.

Finding No. 6: The County did not perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources to identify and respond to identified control risks.

Recommendation: The County should perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources, including tourist development taxes and funds received from BP.

COUNTY RESPONSE: Okaloosa County agrees with the audit finding and recommendation.

The County will review and consider the implementation of a formalized control risk assessment for the County as a whole, with particular emphasis on collecting, accounting and disbursing all restricted resources of the County, including tourist development taxes.

PROCUREMENT AND PAYMENTS TO VENDORS

Finding No. 7: The County did not consistently follow prescribed policies and procedures relating to the competitive procurement of goods and services, including the selection of two advertising and marketing firms.

Recommendation: The County should ensure that purchases are procured in accordance with County policies and procedures. In addition, the County should strengthen its procurement procedures to ensure that the selection process for the acquisition of professional services is documented and services are acquired pursuant to County purchasing policies and procedures. These procedures should require maintenance of documentation evidencing the basis for decisions made by selection committees and the signing of ranking sheets by each selection committee member.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

On July 23, 2012, the County issued RFQ # TDC 47-12, which sought proposals to provide marketing, advertising, public relations services for the Tourist Development Department. Pursuant to County policies, a selection committee reviewed and ranked 17 proposals which were submitted in response to the RFQ. The selection committee's rankings were presented to the BCC at its December 4, 2012 meeting and it approved entering into an Agreement with a new entity to provide these services. The policies and procedures of the County were followed during this process and the documentation evidencing the decision was maintained consistent with the County's policy and the Recommendation of the Auditor General. Additionally, the Agreement entered into with the new entity requires compliance with the County's Purchasing Manual, Contract/Leases Policies and Procedure Manual, and Operations and Procedures Manual of the TDC and Tourist Development Department.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 8: The County negotiated and entered into contracts that did not contain adequate provisions to effectively protect the County's interests.

Recommendation: The County should strengthen its procurement procedures to ensure that all contracts include provisions that specify the types and amounts of contractor expenses for which the contractor is to be reimbursed and require the contractor to submit sufficiently detailed invoices to allow for an effective County preaudit. Additionally the contracts for advertising and marketing services firms should include provisions to competitively procure goods and services in accordance with County

purchasing policies and procedures, and require the firms to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, and state the advertising project or marketing campaign with which invoices are associated.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

Additionally, the County has recently entered into an Agreement with a new entity to provide marketing and advertising services to the Tourist Development Department. That Agreement incorporates significant new controls over the provision of these services which contains many safeguards to protect the County's interest, including but not limited to the following:

- 3.3 The CONTRACTOR shall submit copies of effective contracts, insertion orders, a recapitulation of credits and debits affecting previously submitted statements or invoices and substantiating bills, and tear sheets, with support materials or other proof of publications for invoices presented for payment.
- 3.4 It is mutually agreed and understood that payments to the CONTRACTOR for approved expenditures shall be made only upon submission to the COUNTY of itemized copies or original invoices. All statements or invoices for fees for services rendered submitted by the CONTRACTOR to the COUNTY shall be submitted in detail sufficient for proper pre-audit and post-audit thereof to insure that the work performed, expense incurred, or service rendered actually took place, was properly authorized and that the correct amount has been charged. Invoices submitted by the CONTRACTOR for services performed under this Agreement shall be itemized such that the description of services performed is consistent with the description included in the scope of services attached hereto as Attachment A.
- 3.5 No invoice will be processed without the executed task order, purchase order or contract/lease payment approval form approved by the respective County official(s). No invoice will be approved unless a copy of the actual invoice from the vendor accompanies the invoice reflecting the acquisition of goods/services.
- 5.3 BID PROCESS. The CONTRACTOR shall receive and maintain copies of the three (3) bids, required by the COUNTY, for each item with a cost in excess of \$2,500 which is purchased on behalf of the COUNTY. In those instances where competitive pricing cannot be obtained, a sole source purchase data sheet must be completed and attached to the requisition. Such requests must meet both of the following criteria:

- It is the only item that will produce the desired results (or fulfill the specific need).
- The item is available from only one source of supply.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes. Further, future agreements entered into by the County will provide necessary protections of its interests.

Finding No. 9: The County did not perform an adequate review or preaudit of invoices submitted by two advertising and marketing firms, including a comparison of payment requests to the provisions of contracts. As a result, the County paid two advertising and marketing firms \$12.1 million without obtaining adequate documentation supporting the goods or services received, including payments of several invoices that incorrectly or inadequately described the actual goods or services purchased.

Recommendation: The County should continue to strengthen its monitoring and preaudit procedures to ensure that contract provisions are properly monitored and payments are supported by adequate documentation to allow for an effective preaudit. The County should also continue its efforts to obtain supporting documentation for payments made to the two advertising and marketing firms. In addition, the BCC, in consultation with its legal counsel, should determine whether the County is entitled to recover any questioned billings, and take appropriate action to recover such billings. Finally, the BCC should adopt written policies and procedures that provide guidance on the reasonableness and necessity of TDC expenditures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V, section 16 of the Florida Constitution is empowered to serve as the “ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds,” the operation of his office is not subject to the direction of the BCC. The preaudit review of expenditures is within the constitutional grant of authority of the Clerk. Therefore, specific issues raised in regards to the functioning of the Clerk’s office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The County acknowledges that sufficient controls were not in place to assure adequate contract monitoring and pre-auditing of invoices. As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilizing the procedures of the County’s Purchasing Policy (See D.400). This includes the specific requirement that all expenditure approvals are consistent with the authority levels of the various positions.

Additionally, to assist the preaudit review of expenditures, the amended Manual also requires that no invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. Further that no invoice will be approved unless the actual invoice from the vendor accompanies the invoice reflecting the acquisition of the goods or services. (See E.600).

As to questionable billings or expenditures, the County has been reviewing numerous expenditures which were inappropriate or which were made with limited documentation. Efforts have been instituted by the County to seek reimbursement for several of these expenditures and this effort is anticipated to continue once law enforcement finalizes its investigations.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

CLERK'S RESPONSE: In accordance with the corrective action already taken by the County in regard to the County procurement and contract process and the amended Operations and Procedures Manual of the TDC, the Clerk will perform its invoice preaudit function in such a way that will ensure full compliance with contractual provisions and appropriate documentation. In connection with these corrective actions, especially regarding the advertising contract, the increased level of invoicing of these services provided will more clearly identify the goods and services acquired.

Finding No. 10: The County did not ensure that goods or services acquired through two advertising and marketing firms were competitively procured.

Recommendation: The County should ensure that goods and services purchased through contractors are competitively procured in accordance with County purchasing policies and procedures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

Additionally, the County has recently entered into an Agreement with a new entity to provide marketing and advertising services to the Tourist Development Department. That Agreement incorporates significant new controls over the provision of these services and requires competitive pricing where appropriate. (See Response to Finding No. 8).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 11: The County paid for certain goods and services in advance of their receipt, including certain goods and services acquired through two advertising and marketing firms, contrary to law and the State Constitution. Some services for which the County paid in advance were not subsequently provided.

Recommendation: The County should continue to strengthen their purchasing procedures to ensure that advance payments are approved and paid only if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the County's operations and the goods or services being paid for are available only if advance payment is made. Additionally, the County should establish procedures to ensure that goods or services paid for in advance are either subsequently received by the County or a refund of the overpayment is pursued. Further, the County should continue its efforts to recover the questioned payments noted above.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments and the Agreement recently entered into with the new entity to provide advertising and marketing services to the Tourist Development Department, specifically prohibit the advancement of funds unless approved by the BCC. (See E.700).

Further as to those cited payments where advance payments were made but the services were apparently not provided, the County has been reviewing these and numerous other expenditures which reflect the possibility of inappropriate payments. Efforts have been instituted by the County to seek reimbursement for several of these expenditures, including those cited in this Finding. This effort is anticipated to continue once law enforcement finalizes its investigations.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

CLERK'S RESPONSE: In accordance with the corrective action already taken by the County, the Clerk will be able to determine in its preaudit function whether payments made in advance are properly authorized.

Finding No. 12: The County did not consistently follow prescribed policies and procedures relating to the approval of purchases, including purchases made through two advertising and marketing firms.

Recommendation: The County should ensure that required approvals are obtained for all purchases in accordance with County purchasing policies and procedures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County acknowledges that insufficient controls were in place to assure adequate review of expenditures. As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the

TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). These amendments mandate that purchases up to \$25,000 require approval of the Director and Purchasing Director; purchases above \$25,000 and up to \$50,000 require the approval of the Director, the Purchasing Director and the County Administrator; and purchases over \$50,000 require the approval of the BCC (See D.400 2). Further, the new Agreement with the entity to provide marketing and advertising services to the Tourist Development Department requires that all purchases made by the Agency on behalf of the County be made in accordance with the County's Purchasing Manual. Section 5.1 of the new Agreement provides as follows:

5.1 All purchases made by the CONTRACTOR on behalf of the COUNTY shall be made in accordance with the COUNTY's Purchasing Manual. A copy of the Purchasing Manual has been provided to the CONTRACTOR and its terms are incorporated herein by reference as an essential part of this Agreement.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 13: The County did not consistently follow prescribed policies and procedures relating to the use of purchasing cards (P-cards), document the receipt of goods and services purchased with P-cards that were not immediately provided to the purchaser, or document the public purpose served by the P-card expenditures.

Recommendation: The County should strengthen its P-card policies and procedures to ensure that an independent review and approval is documented for all purchases; that employees and reviewers certify they reviewed the applicable P-card expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives; that P-card certification and receipt forms are timely signed by employees; that employees acknowledge the receipt of goods and services; and that County records evidence the authorized public purpose served by the expenditures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County has previously taken action to reestablish the reporting authority of the Director of the Tourist Development Department to the County Administrator. As such, the County Administrator would provide independent reviewing authority of P-card expenditure reports and authorizations. The County will also review and consider the amendment of the policies and procedures to address controls related to the use of P-cards, including strengthening the reporting requirements of these expenditures, placing caps on the extent of the expenditures, and providing assurances that purchases made through the use of P-cards are actually received by the County.

TRAVEL

Finding No. 14: The County needed to enhance its policies and procedures to ensure that travel expenditures are preapproved and adequately documented.

Recommendation: The County should strengthen its procedures to ensure the preapproval of travel expenditures for all authorized persons and the use of properly completed and signed travel vouchers to support all travel expenditures and entertainment-related expenditures pursuant to law.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require travel procedures in conformity with Section 112.0601, Florida Statutes, including procedures for preapproval of travel. (See C.400 – C.410). Further, guidelines have been established for Reimbursable Promotional Travel and Expenses including those related to activities of those in the tourism and promotional industry. (See C.500). Additionally, as part of the implementation process for these procedures, in June, 2012, members of the Tourist Development Department staff attended training programs to enhance the use and understanding of the requirements relating to travel and entertainment related expenditures.

The County will continue to review the policies and procedures related to travel expenditures and the use of signed travel vouchers to support all travel and entertainment-related expenditures to assure that adequate controls are provided and is consistent with the mandates of County policy and Florida Statutes.

SPECIAL EVENTS GRANTS AND SPONSORSHIPS

Finding No. 15: The BCC had not adopted written policies and procedures relating to special events grants, and the County did not document that the special events grants were used for allowable purposes or were effective in increasing tourism and the use of lodging facilities.

Recommendation: The BCC should continue to strengthen its special events grant policies and procedures by addressing the methodology for calculating the amounts of the grants and requiring grant recipients to sign a written agreement acknowledging the terms and conditions of the grants.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. As part of that amendment, the BCC set forth various criteria for the evaluation of Special Event Funding, including the application process, the provision of guidelines and criteria for the consideration of funding, and post event evaluation. (See G.000 – G.500).

The County will continue to review and evaluate the future amendment of the Operations and Procedures Manual to determine whether further provisions should be addressed which would enhance the oversight of this area. This includes but is not limited to the strengthening of the special event grant policies and procedures including requiring the recipients to sign a written agreement acknowledging the terms and conditions of the grant.

Finding No. 16: The BCC had not adopted written policies and procedures relating to sponsorships of organizations or events. In addition, the County did not consistently document the purpose for which the sponsorships were provided, that the sponsorships were used for allowable purposes, or that the sponsorships were effective in achieving the purposes for which they were provided.

Recommendation: The BCC should continue to strengthen its sponsorship policies and procedures by addressing the methodology for calculating the amount of sponsorships, requiring sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships, and requiring sponsorship recipients to provide documentation evidencing how the sponsorship moneys were used and that the sponsorships were effective in achieving their intended purpose.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. As part of that amendment, the BCC set forth various guidelines for the evaluation of Sponsorship Funding. (See G.600).

The County will continue to review and evaluate the future amendment of the Operations and Procedures Manual to determine whether further provisions should be addressed which would enhance the oversight and strengthen the controls of this area. This includes but is not limited to the strengthening of the sponsorship grant policies and procedures including requiring the recipients to sign a written agreement acknowledging the terms and conditions of the funding, the provision of documentation as to how the money was used and how they were effective in achieving their intended purpose.

ALLOWABLE USES OF RESTRICTED RESOURCES

Finding No. 17: The County paid \$2.5 million from tourist development taxes for lifeguarding, beach patrol, and beach shuttle services that were not expressly authorized by law.

Recommendation: The County should seek an opinion from the Attorney General as to the allowability of the \$2,476,095.68 of questioned expenditures and, if appropriate based on the Attorney General's opinion, should restore this amount to the tourist development taxes accounts.

COUNTY RESPONSE: The County acknowledges the finding and recommendation of the Auditor General as it relates to the funding of lifeguard services with Tourist Development Taxes.

The funding of lifeguard services through the use of Tourist Development Taxes was initially considered by the BCC in 2003, following numerous highly publicized drowning by visitors to the Gulf Coast area. The BCC became concerned for the safety of users of our beaches and also the impact on tourism as a result of the drownings. In the view of the BCC, the provision of a safe beach is an essential component of promoting the area as a family tourist destination. As a result, they began to explore the possibility of providing lifeguard services and identifying possible funding sources. At that time, the County sought legal opinions from two law firms, both of whom independently concluded that such use of tourist development tax revenues was permissible under Section 125.0104(5) (a) 2., Florida

Statutes, provided the County make the necessary legislative finding that the primary purpose of providing lifeguard services is related to promoting tourism within the County.

In making its finding, the Auditor General relied solely on the Opinion of the Attorney General No. 90-55 which had opined that Tourist Development Taxes may not be used to fund lifeguard services as those services did not constitute “beach improvement, maintenance, renourishment, restoration, and erosion control” within the contemplation of Section 125.0104 (5) (a) 4, Florida Statutes. Both law firms that reviewed this matter were aware of this opinion and distinguished it in their respective opinions.

The primary basis for their conclusion that the Attorney General Opinion was not controlling was that Okaloosa County was not relying Section 125.0104(5) (a)4, Florida Statutes that was the basis of the Opinion, but rather the County was relying on Section 125.0104(5) (a)2. At the time 1990 Attorney General Opinion was issued, that provision authorized the expenditure of tourist development tax revenue “[T]o Promote and advertise tourism in the State of Florida and nationally and internationally.” However, the Legislature, partly in recognition that the provision of services and activities may attract tourists and beneficially promote tourism to an area, amended this subsection in 1996 to add the following:

2. To Promote and advertise tourism in the State of Florida and nationally and internationally; however, if tax revenues are expended for an activity, service, venue, or event, the activity, service, venue, or event shall have as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists.

Section 44 of Chapter 96-397, Laws of Florida.

The BCC believes that the provision of a safe environment for the attraction of visitors to the area is an essential component of the promotion of tourism to the area. Nor are lifeguard services in the nature of a general governmental function which is owed to the public at large. Therefore, though the County was aware of the Opinion of the Attorney General, it believes that the analysis must be made in the context of the original question asked and the changes in the law that have occurred in the 23 years since the issuance of that opinion.

The BCC agrees with the Auditor General that this is an issue that requires clarification and it shall review various options which would allow the County to obtain certainty as to its authority to utilize Tourist Development Tax proceeds for these purposes.

The second issue raised by Finding 17 relates to the funding of beach shuttle services with Tourist Development Tax proceeds. The Finding suggests that beach shuttle service is in the nature of a general transportation related activity and therefore provided to the public at large. Initially, the County does not believe that beach shuttle services are a general governmental function owed to the public at large, but, rather, it is a highly specialized type of activity that is directly related to the activities within high tourist areas. Second, these services are no longer being funded with Tourist Development Tax proceeds.

Finding No. 18: The County paid \$117,994 for various goods and services from British Petroleum (BP) grant funds that were, in the past, paid from tourist development taxes, contrary to grant provisions.

Recommendation: The County should consult with Florida's Coastal Northwest Communications Council, Inc., as to the allowability of the \$117,994 in questioned costs.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has made a preliminary review of the expenditures from the Third Grant from BP and will continue to review documentation to determine whether the terms of the grant from the Florida's Coastal Northwest Communications Council, Inc., have been complied with in the expenditure of those funds. The County has previously notified the Communications Council and BP of the existence of an expenditure which was not within the terms of the grant. To the extent that other expenditures are found to not comply with the grant or are otherwise questionable, then the County will consult with Florida's Coastal Northwest Communications Council, Inc., as to those questioned costs.

Finding No. 19: As part of the Emerald Coast Money Debit Card Program, the County used \$207,730 of BP grant funds for purposes that County records did not evidence were allowed by grant provisions.

Recommendation: The County should consult with the FCNCC as to the allowability of the \$207,730.45 in questioned costs.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has made a preliminary review of the BP Grant proceeds and its use for the Debit Card Program. The County acknowledges that some Debit Cards acquired under this program were not utilized in conformity with the Grant requirements. The County will continue to review documentation as to other expenditures to determine whether the terms of the Grant were violated.

As part of the County's efforts, it has cancelled the remaining balance on all of the Debit Cards and has received a refund of these amounts. The County has been in touch with representatives of British Petroleum concerning handling of these funds and prospective use.

Additionally, for those Debit Cards which are found to not be in compliance with the Grant or are otherwise questionable, the County will consult with Florida's Coastal Northwest Communications Council, Inc.

Finding No. 20: The County overcharged BP \$27,063 in connection with medical support services provided, and County records did not adequately support the allowability of \$385,185 in reimbursements received from BP.

Recommendation: For future reimbursement agreements, the County should ensure that reimbursement requests are made pursuant to terms of the agreements, including submission of required supporting documentation.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has reviewed the charges to BP in connection with medical support services provided and acknowledges that there may have been some overcharges. Though the original Medical Services Agreement included a rate of \$50.00 for an Advanced Life Support (ALS) SUV (non-transport) vehicle, representatives of BP specifically requested the availability of a fully staffed Advanced Life Support (ALS) Ambulance with transport capability. For those services that were provided by that enhanced vehicle, the standard rate of \$100 was charged.

However, the County has reviewed these charges and determined that there were some possible overcharges. These charges are being verified and where an overcharge is confirmed, the County will contact BP concerning these amounts and will refund those amounts where necessary.

The County will require for future reimbursement agreements that requests for reimbursement be made in conformity with the agreements, including the submission of required supporting documentation.

MOTOR VEHICLES

Finding No. 21: The County had not established adequate controls over the use of fuel cards.

Recommendation: The County should strengthen its vehicle usage procedures to include more reasonable fuel consumption parameters, the effective use of fuel card exception reports and user department reconciliations of fuel charges to gas receipts, and the retention of all gas receipts by user departments.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County currently monitors fuel sales through a variety of documentation. The primary source of review is the electronic transaction data which establishes the purchaser, the fuel card number, the vehicle that was fueled, the fueling location, the amount purchased and the price. The County has already reviewed the parameters for all fuel cards and adjusted the parameters where appropriate.

The County will continue to review its procedures and controls to provide assurance that adequate documentation is available. The County will also strengthen its vehicle usage procedures to include fuel consumption parameters and more effective use of its fuel card exception reports. Further, the County will review the viability of requiring user department reconciliation of fuel charges to gas receipts and the retention of all gas receipts by user departments.

ACCOUNTING CONTROLS

Finding No. 22: The County incorrectly classified and recorded certain expenditures in the accounting records, contrary to guidance provided by the Florida Department of Financial Services.

Recommendation: The County should strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the Manual.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the “ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds,” the operation of his office is not subject to the direction of the BCC. The classification and recording of expenditures are within the purview of the Clerk’s functions. Therefore specific issues raised in regard to the function of the Clerk’s office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The County will work with the Clerk to strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the Uniform Accounting System Manual for Florida Counties. To the extent that the misclassifications of expenditures in the general ledger are the result of errors by the advertising entities providing services to the County, efforts will be made to coordinate with these entities to assure that they are providing the proper coding. Finally, other corrective actions taken by the BCC will also aid the Clerk in assuring that there is adequate documentation to record disbursements in accordance with the Uniform Accounting System Manual for Florida Counties.

CLERK’S RESPONSE: Historically, the Clerk recorded expenditures in accordance with the documentation provided and consistent with the Manual provided by the Florida Department of Financial Services. With the additional corrective action taken by the County in regard to the advertising contracted services, the Clerk will be able to more clearly identify the goods or services provided to make a better determination about the proper classification and maintain compliance with the Manual.

ELECTRONIC FUNDS TRANSFERS

Finding No. 23: The BCC had not adopted written policies and procedures, and the County had not established adequate controls, over the authorization and processing of electronic funds transfers.

Recommendation: The BCC should develop written policies and procedures addressing EFTs as required by Section 668.006, Florida Statutes, including providing for an adequate separation of duties over access to County assets and the related accounting records, and documenting independent approvals before the funds are transferred. In addition, the CCC should revise its funds transfer agreement with the bank to address the deficiencies noted above and timely update its funds transfer agreement with the bank when changes in authorized personnel occur.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the “ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds,” the operation of his office is not subject to the direction of the BCC. The Clerk’s constitutional authority vests him with him the independent authority within these areas of responsibility. Therefore specific issues raised in regard to the function of the

Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The finding made by the Auditor General cites the provisions of Section 668.006, Florida Statutes, which requires the head of each agency to implement control processes and procedures to ensure adequate integrity, security, confidentiality and auditability of business transactions conducted using electronic commerce. Though the Finding references that the County utilized electronic fund transfers, those transfers were through the Clerk's Office and therefore the responsibility to implement controls rests with the Clerk.

However, the County as part of its corrective action plan will coordinate with the Clerk to develop policies and procedures for the use of electronic fund transfers.

CLERK'S RESPONSE: The Clerk will review Section 668.006, Florida Statutes in order to be compliant. The Clerk will document policies and procedures for Electronic Funds Transfer as a part of the Clerk's Accounting Policies and Procedures Manual. The Clerk has modified the bank agreement and is currently investigating, along with the County Bank provider, any additional controls for the Electronic Funds process.

INFORMATION TECHNOLOGY CONTROLS

Finding No. 24: The County had not established adequate controls over employee access privileges to data and information technology resources.

Recommendation: The County should strengthen its procedures to include the periodic review of access privileges granted to employees and timely remove or modify unnecessary or incompatible access privileges detected.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The Clerk's constitutional authority vests him with the independent authority within these areas of responsibility. Therefore specific issues raised in regard to the function of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

However, the County as part of its corrective action plan will coordinate with the Clerk to develop policies and procedures for the periodic review of access privileges.

CLERK'S RESPONSE: The Clerk has recently reviewed the controls in place for all the users of the financial software system and updated those controls, where possible and where needed. The Clerk will document policies and procedures in place for processing of transactions, especially manual journal entry processing, in order to update them and provide additional controls, as necessary. Periodic reviews of access privileges will be conducted on an ongoing basis to ensure good internal control and proper employee access.

PUBLIC RECORDS

Finding No. 25: The County did not record minutes of a TDC and TDC subcommittee meeting, contrary to law. In addition, the minutes of the remaining meetings were not signed or otherwise designated to indicate the minutes were the official minutes approved by the TDC or TDC subcommittees.

Recommendation: The County should continue to strengthen its procedures for maintaining official minutes of the TDC and TDC subcommittees by recording minutes for all meetings and requiring that the final approved minutes made available for public inspection be signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all meetings be duly advertised in a newspaper of general circulation and that such meetings be subject to all of the procedural requirements of Chapter 286, Florida Statutes. The amendments to the Operations and Procedures Manual also require that minutes be kept at these meetings in conformity with Florida Statutes. (See A.700 – A.750).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

ATTACHMENT

“A”

ORDINANCE NO. 12- 21

AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF OKALOOSA COUNTY, FLORIDA, AMENDING ORDINANCE 07-58 AND SECTIONS 20-72 THROUGH 20-77 OF THE OKALOOSA COUNTY CODE OF ORDINANCES, RELATING TO THE TOURIST DEVELOPMENT PLAN; MAKING FINDINGS; AMENDING THE COUNTY'S TOURIST DEVELOPMENT PLAN; ESTABLISHING AUTHORIZED USES OF TOURIST DEVELOPMENT TAX REVENUES; ESTABLISHING REVENUE PROJECTIONS AND ALLOCATIONS; PROVIDING FOR THE CONTINUED ALLOCATION OF THE FOURTH PERCENTAGE POINT FOR THE OPERATION, MAINTENANCE, REPAIR OR RENEWAL OF THE CONVENTION CENTER; ESTABLISHING THE TERM OF THE FIFTH PERCENTAGE POINT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Section 125.0104, Florida Statutes, known as the "Local Option Tourist Development Act", the Board of County Commissioners ("Board") adopted Ordinance 89-23 in 1989 which authorized the collection of two cents of tourism development tax per dollar exchanged on certain short term lodging rental transactions within an described sub-county tourism development district, authorized a referendum for approval of imposition of the tax, created the County's initial Tourist Development Plan (the "Plan"), and established the Okaloosa Tourist Development Council (the "Council"); and

WHEREAS , the Board adopted Ordinance 99-08 in May, 1999 to include the construction and operation of a convention center as a component part of the Plan and authorize the imposition and collection of an additional two cents per dollar in tax for the purpose of financing and operating the conference center with the third cent allocated to tourism promotion and product improvement purposes and the fourth cent dedicated to the planning, construction and operation of a county-owned convention center; and

WHEREAS, the Board adopted Ordinance 07-58 in November, 2007 to authorize the imposition and collection of an additional cent for a total of five cents per dollar in tax and to dedicate the first cent revenues to funding the County's portion of the costs of restoration, renourishment and related monitoring of the County's gulf-front beaches; and

WHEREAS, the Okaloosa County Tourist Development Council has submitted to the Board a recommended amendment to the ordinance and the Plan contained therein; and

WHEREAS, the Board hereby finds that the proposed amended Tourist Development Plan is an effective and reasonable plan for the promotion of tourism in the County's sub-district.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COUNTY COMMISSIONERS OF OKALOOSA COUNTY, FLORIDA:

SECTION 1. Section 20-71, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-71. - Tax levied; collection; remittance.

- (a) There is hereby levied and imposed a tourist development tax in the hereinafter described sub-district of Okaloosa County, Florida, at the rate of five percent of each whole and major fraction of each dollar of the total rental charged every person who rents, leases or lets for consideration any living quarters or accommodations in any hotel, apartment hotel, motel, resort motel, apartment, apartment motel, rooming house, mobile home park, recreational vehicle park, condominium, condominium hotel or campground for a term of six months or less. When receipt of consideration is by way of property other than money, the tax shall be levied and imposed on the fair market value of the non-monetary consideration.
- (b) The tourist development tax shall be in addition to any other tax imposed pursuant to Chapter 212, Florida Statutes, and in addition to all other taxes, fees, and the considerations for the rental or lease.
- (c) The tourist development tax shall be charged by the person receiving the consideration for the lease or rental, and it shall be collected from the lessee, tenant or customer at the time of payment of the consideration for such lease or rental.

- (d) The person receiving the consideration for such rental or lease shall receive, account for, and remit the tax to the Board of County Commissioners (the "Board") at the same time and in the manner provided for persons who collect and remit taxes under Section 212.03, Florida Statutes. The same duties and privileges imposed by Chapter 212, Florida Statutes, upon dealers in tangible property, respecting the collection and remission of tax, the making of returns, the keeping of books, records and accounts, the payment of a dealer's credit, and compliance with the rules of the County Clerk of the Circuit Court (the "Clerk") in the administration of said chapter shall apply to and be binding on all persons who are subject to the provisions of this article; provided, however, the Clerk may authorize a quarterly payment when the tax remitted by the dealer for the preceding quarter did not exceed \$25.00.
- (e) The Clerk shall keep records showing the amount of taxes collected, which records shall be open to the public during the regular office hours of the Clerk, subject to the provisions of Section 213.053, Florida Statutes.
- (f) Collections received by the county clerk of the circuit court, less costs of administration of this article, shall be paid on a monthly basis, to the Board for use by the county in accordance with the provisions of this article and shall be placed in the county tourist development trust fund.
- (g) The Clerk is authorized to employ persons and incur other expenses necessary to administer this article.
- (h) The Clerk may promulgate such rules and may prescribe and publish such forms as may be necessary to effectuate the purpose of this article.
- (i) The Clerk shall perform the enforcement and audit functions associated with the collection and remission of this tax, including, without limitation, the following:
 - (1) a. For the purpose of enforcing the collection of the tax levied by this article, the Clerk is hereby specifically authorized and empowered to examine at all reasonable hours the books, records, and other documents of all dealers, or other persons charged with the duty to report or pay a tax under this article, in order to determine whether they are collecting the tax or otherwise complying with this article.
 - b. In the event such dealer refuses to permit such examination of its books, records, or other documents by the Clerk as aforesaid, such dealer is guilty of a misdemeanor of the first degree, punishable as provided in Sections 775.082, 775.083, or 775.084, Florida Statutes. The Clerk shall have the right to proceed in circuit court to seek a mandatory injunction or other appropriate remedy to enforce his right against the offender, as granted by this section, to require an examination of the books and records of such dealer.

- (2) a. Each dealer, as defined in this article, shall secure, maintain, and keep for a period of three years, a complete record of rooms or other lodging, leased or rented by the dealer, together with gross receipts from such sales, and other pertinent records and papers as may be required by the Clerk for the reasonable administration of this article; and all such records which are maintained in this state shall be open for inspection by the Clerk at all reasonable hours at such dealer's place of business located in the county.
- b. Any dealer who maintains such books and records at a point outside the county must make such books and records available for inspection by the Clerk. Any dealer subject to the provisions of this article who violates these provisions is guilty of a misdemeanor of the first degree, punishable as provided in Sections 775.082, 775.083, or 775.084, Florida Statutes.
- (3) a. The Clerk shall send written notification, at least 30 days prior to the date an auditor is scheduled to begin an audit. The Clerk is not required to give 30 days prior notification of a forthcoming audit in any instance in which the taxpayer requests an emergency audit.
- b. Such written notification shall contain:
 - 1. The approximate date on which the auditor is scheduled to begin the audit.
 - 2. A reminder that all of the records, invoices, and related documentation must be made available to the auditor.
 - 3. Any other requests or suggestions the clerk may deem necessary.
- c. Only records, receipts, invoices, and related documentation which are available to the auditor when such audit begins shall be deemed acceptable for the purposes of conducting such audit.
- (4) Effective with taxes collected for the month of July 1992, all taxes collected under this article shall be remitted to the Board of County Commissioners, Attention: Finance officer.
- (5) a. In addition to criminal sanctions, the Clerk is empowered, and it shall be his duty, when any tax becomes delinquent or is otherwise in jeopardy under this article, to issue a warrant for the full amount of the tax due, or estimated to be due, with the interest, penalties, and cost of collection, directed to all and singular sheriffs of the

state, and shall record the warrant in the public records of the county, and thereupon the amount of the warrant shall become a lien on any real or personal property of the taxpayer in the same manner as a recorded judgment.

- b. The Clerk may issue a tax execution to enforce the collection of taxes imposed by this article and deliver it to the sheriff. The sheriff shall then proceed in the same manner as prescribed by law for executions and shall be entitled to the same fees for his services in executing the warrant to be collected.
- c. The Clerk may also have a writ of garnishment to subject any indebtedness due to the delinquent dealer by a third person in any goods, money, chattels, or effects of the delinquent dealer in the hands, possession, or control of the third person in the manner provided by law for the payment of the tax due. Upon payment of the execution, warrant, judgment, or garnishment, the Clerk shall satisfy the lien of record within 30 days.
- (j) Tax revenues may be used only in accordance with the provisions of Section 125.0104, Florida Statutes.
- (k) Three percent of the tax collected herein shall be retained by the Clerk for costs of administration. The remainder of the tax shall be deposited in the county tourist development trust fund on a monthly basis.

SECTION 2. Section 20-72, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-72. - Tourist development plan.

- (a) *Revenue projections.* The tax revenues pursuant to this section for the next fiscal year and thereafter until amended by the Board shall be used to fund the Okaloosa County Tourist Development Plan, which is hereby adopted as follows:

The anticipated annual revenues to be produced by the tourist development tax as identified herein in parenthesis for each budget category is provided as an annual total based on past collection trends projected forward. The projected revenues are estimates and may vary from those identified herein. The amounts shown have already been reduced by the costs of administration retained by the Clerk pursuant to its local tax administration authority under the provisions of Okaloosa County Ordinance No. 92-08 and Section 20-71 (k) above.

- (b) *Taxing district boundaries.* The geographic area included within the County's sub-district is depicted on Exhibit A, as attached hereto and incorporated herein.

- (c) *County tourist development plan.* The county hereby determines that the tourist development plan for the sub-district shall be comprised of the following broad goals and objectives and makes the following findings of fact:
- (1) *Tourism promotion.* The tourism related economy within Okaloosa County generates significant direct and indirect revenue to businesses within the community. Accordingly, tourism is essential to a healthy economy and is a driving force in the growth of business development and increased employment opportunities for County residents. The County has worked diligently on the development and maintenance of quality advertising, sales, marketing and public relations initiatives for the sub-district which presents a consistent and positive brand for the area. This branding is essential to the development of this section of the economy and the County will work towards the development and implementation of unified marketing campaigns. These campaigns will be monitored and analyzed by the Tourist Development Council (the "Council"), the Director and tourist development department staff with, at a minimum, quarterly reports provided to the Board. Within the guidelines set forth herein, the campaigns shall be conducted with funding levels designed to achieve maximum positive promotional exposure to potential visitors to the sub-district. The primary objective for the campaigns shall be the maintenance of consistent positive "branding" which consists of image and name recognition and the further development of "year round business," to encompass group and leisure business.

The support for a variety of special events is another productive means to further the development of year round business and bolster image and name recognition for the sub-district. Funds may be allocated on an annual basis for support of special events approved by the Board in accordance with procedures provided in the adopted Tourist Development Council Operation and Procedures Manual. The development of a visible and professional support community for local production of film and advertising projects is a positive investment both in the sub-district economy and in the overall branding for the County.

The County determines that continuing maintenance efforts to keep the beaches, waterways, access ways and other tourist destination facilities within the sub-district clean, attractive and safe for public usage are important to the image and marketing of the primary asset of the sub-district and may include a mechanical beach cleaning program for all Gulf beaches within the sub-district outside of those owned or controlled by the Federal government. This also includes the maintaining of the aesthetics of access corridors within the sub district so as to provide a consistent positive branding for the area.

- (2) *Convention business development.* The county has operated the Emerald Coast Convention Center (“ECCC”) since 2003 and its value as a catalyst for the growth of the conference/convention/group business segment of the visitor population is well established and is an effective means of developing year round business in the sub-district. The ECCC will continue to be managed in house or by contract with professional management firms, or by a combination of the two. The facility will also provide a venue for cultural, educational, sport and entertainment events which will be a positive draw for visitors as well as a benefit to the overall quality of the branding of County products. The County will continue to explore options for the future expansion of the ECCC facilities and functions.
- (3) *Product improvement.* The county determines that the beaches and waters of the Gulf of Mexico and the Choctawhatchee Bay are the focus of the attraction that the sub-district offers to our visitors. This includes not only the beach and waterways themselves but the tourist destination facilities, including recreational facilities within the sub-district, which allow greater access and enhanced enjoyment of these areas. Accordingly, both the maintenance and improvement of these natural assets and other tourist destination facilities, including the improvement of public access to and use of these assets, are essential to the preservation and improvement of the very foundation of the economy that the County is promoting.

The long-term maintenance goals of this plan also include the use of tourism tax revenues as a part of an ongoing partnership between federal, state and county and municipal entities for the restoration and re-nourishment of the beaches within the sub-district. The County will continue to fund the permitting and construction of restoration and re-nourishment projects for beaches within the sub-district. This will facilitate the dual goal of this long-term restoration plan and preservation and management of the County’s waterfront resources and other tourist destination facilities within the sub-district, including the improvement of public access to those resources and facilities throughout the sub-district. This component of beach access improvement and beach restoration and monitoring is essential for ensuring access for visitors utilizing non-waterfront accommodations. The maintenance of beach access facilities and other tourist destination facilities promotes a broader accommodation base by improving access for non-waterfront accommodations. Accordingly, the allocation of tourist tax revenues for the improvement, maintenance and repair of our beaches and waters and other tourist destination facilities, including access to these facilities, is an appropriate use of these revenues when and if funding is available.

An essential component of product improvement is to provide a safe environment for the use of the beaches, waters and facilities. Therefore,

the allocation of tourist development tax revenues for the provision of lifeguard services for the beaches and waterways is an appropriate use of these revenues when and if funding is available.

- (4) *Administration.* The county determines that the best means for administration of the tourism tax revenues allocated under this plan is local administration by the Director of the Tourist Development Department under the direction of the County Administrator. The administration of the revenue collection process shall be carried out under a subcontract with the Clerk's Office, as provided for by separate Ordinance 92-08.
 - (5) *Reserve or emergency operations fund.* The county determines that it is prudent, based on actuarial and actual experience, to maintain a reserve fund for the purpose of supplementing standard promotional functions and beach maintenance efforts and for restoration of the county's beach improvements in the aftermath of a major storm event which impacts sub-district coastal areas. This reserve amount should be carried forward as a budget allocation from year to year and should be in sufficient amount, as determined by the Board to address recovery needs in these areas in the case of a catastrophic storm event. These funds are also available for allocation in the case of extraordinary beach maintenance needs related to natural or man-induced events requiring additional beach cleaning efforts and equipment following the impact of an emergency event. The Council, through the Director, will be responsible for recommending to the Board when and how these funds should be used in the event of an emergency or catastrophic storm event.
- (d) *Tax revenue projections and allocations.* Pursuant to the requirements of Section 125.0104(4), F.S., the tax revenues collected pursuant to this Ordinance shall be used to fund the goals and uses identified in the Okaloosa County Tourist Development Plan as set forth above. The allocation shall begin Fiscal Year 2012-2013 and shall continue for subsequent fiscal years until amended by the Board.
- (1) For the revenues generated by the first percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:
 - a. To provide beach park facilities or beach improvements, maintenance, renourishment, restoration and erosion control, including shoreline protection, enhancement, access, cleanup or restoration of other waterways and tourist destination facilities within the sub-district for which there is public access, including the beaches located within the city limits of the City of Destin. (24 month projected revenue total, net of administrative charges, is \$4,074,000).

- b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (1) a. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.
- (2) For the revenues generated by the second percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocations shall be as follows:
 - a. Beach, waterways and other tourist destination facilities, improvements, landscaping, operations and maintenance including lifeguard services and protection. (24 month projected revenue total, net of administrative charges, is \$2,824,000).
 - b. Tourist bureau administration. (24 month projected revenue total, net of administrative charges, is \$1,250,000).
 - c. To the extent that such proceeds are not required for those uses set forth under section 20-72 (2) a. and b. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.
- (3) For the revenues generated by the third percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:
 - a. The operations of the convention center, the beach or any other beach park or tourist destination facility. (24 month projected revenue total, net of administrative charges, is \$4,074,000).
 - b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (3) a. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.
- (4) For the revenues generated by the fourth percentage point on each dollar for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:
 - a. For the payment of debt service on bonds issued to finance the construction, reconstruction or renovation of a convention center and to pay the planning and design costs incurred prior to the issuance of such bonds. The Board determines that the extension of the fourth

percentage point is necessary to provide funds to operate, maintain, repair or renew the convention center. Therefore, following the expiration of bonds issued to fund the construction of the convention center, the proceeds of the fourth percentage point shall be used for any future expansion, renovation or reconstruction of the convention center. (24 month projected revenue total, net of administrative charges, is \$4,074,000).

- b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (4) a above, then such proceeds may be used for any other purpose authorized by section 125.0104(3) (l) 2, 3, or 4, Florida Statutes
- (5) The fifth percentage point shall remain in effect until further action by the Board. For the revenues generated by the fifth percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:
- a. Tourism promotion. (24 month projected revenue total, net of administrative charges, is \$4,074,000).

SECTION 3. Section 20-73, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-73. - Tourist development council.

- (a) Established. There is hereby established, pursuant to the provisions of Section 125.0104, Florida Statutes, an advisory council to be known as the "Okaloosa County Tourist Development Council" (the "Council"). The members of the Council shall elect from among their members a member to serve as chairman of the Council and prescribe the term of office.
- (b) Duties and responsibilities. The Council hereby established shall make recommendations to the Board for the effective operation of the uses of the tourist development tax revenue raised by the tax hereby levied and may perform such other duties or functions as hereinafter may be prescribed by ordinance or resolution.
- (c) Review of revenue expenditures. The Council and the Director shall continuously review all expenditures of revenue raised by the tax hereby levied and shall report to the Board all expenditures of said revenue believed to be unauthorized by the provisions of this article. The Board, upon receiving notification of expenditures believed to be unauthorized by the council, shall review the Council's findings

and take such administrative or judicial action as it sees fit to ensure compliance with this article and the provisions of Section 125.0104, Florida Statutes.

SECTION 4. Section 20-74, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-74. - Failure to charge or collect tax.

Any person who is taxable hereunder who fails or refuses to charge and collect from the person paying any rental or lease the taxes herein provided, either by himself or through his agents or employees, shall be, in addition to being personally liable for the payment of the tax, guilty of a misdemeanor of the second degree, punishable as provided in Section 775.082, Section 775.083 or Section 775.084, Florida Statutes.

SECTION 5. Section 20-75, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-75. - Representation that tenant or lessee need not pay tax.

No person shall advertise or hold out to the public in any manner, directly or indirectly, that he will absorb all or any part of the tax, or that he will relieve the person paying the rental of the payment of all or any part of the tax, or that the tax will not be added to the rental or lease consideration, or when added, that it or any part thereof will be refunded or refused, either directly or indirectly, by any method whatsoever. Any person who willfully violates any provisions of this subsection shall be guilty of a misdemeanor of the second degree, punishable as provided in Section 775.082, Section 775.083 or Section 775.084, Florida Statutes.

SECTION 6. Section 20-76, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-76. - Tax deemed lien.

The tax hereby levied shall constitute a lien on the property of the lessee, customer or tenant in the same manner as, and shall be collectible as are, liens authorized and imposed in Sections 713.67, 713.68 and 713.69, Florida Statutes.

SECTION 7. Section 20-77, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-77. - Representation of county tourism.

No business entity, other than a county tourism promotion agency, within the boundaries of Okaloosa County, Florida, shall use names as specified in Section 125.0104(9)(e), Florida Statutes, including "visitor information centers" when representing itself to the public as an entity representing tourism interest of the county.

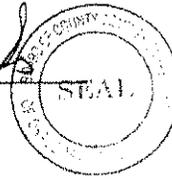
Being a county levying the tourist development tax as aforesaid, in addition to any other powers and duties provided for agencies created for the purpose of tourism promotion by Okaloosa County, such agencies are authorized and empowered to represent themselves to the public as convention and visitors bureaus, visitors bureaus, tourist development councils, vacation bureaus, county tourism promotion agencies, or visitor information centers.

PASSED AND ADOPTED in Regular Session this 18th day of September, 2012.

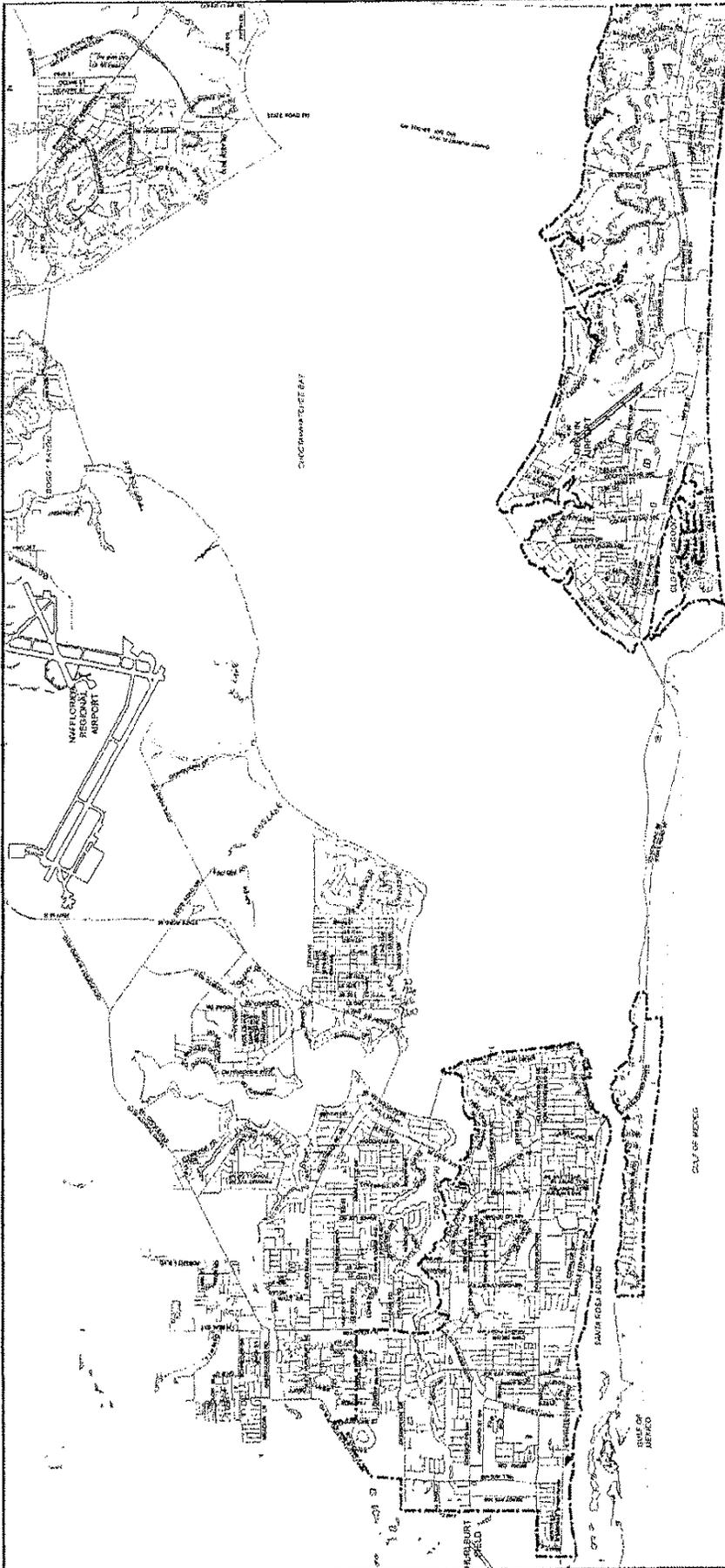
BOARD OF COUNTY COMMISSIONERS
OF OKALOOSA COUNTY, FLORIDA

ATTEST:


DON HOWARD,
Clerk of Court 


DON R. AMUNDS,
Chairman 

Okaloosa County TDC Tax District



Legend:

-  TDC Tax District
-  Water Features

MAP PROJECTION:
North Carolina State Plane
Datum: North American Datum 1983
MGRS: 18NMD788E

PUBLIC RECORDS:
This map was created by Okaloosa County
using public records and information
available to the public pursuant to
Chapter 119, Florida Statutes.

DISCLAIMER:
Okaloosa County hereby certifies that this
map depicts, indicates or signifies
parcel boundaries for general information
purposes only. It is not intended to be
used for legal purposes. It is not a survey
and should not be used as such.

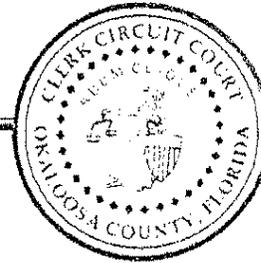
Produced by:
Okaloosa County GIS
August 2012 Exhibit "A"

Okaloosa County, FL



DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



September 24, 2012

Mrs. Liz Cloud, Program Administrator
State Library and Archives of Florida
R. A. Gray Building
500 South Bronough Street, Room 101
Tallahassee, FL 32399-0250

Dear Mrs. Cloud:

Please find enclosed certified copies of Ordinance Numbers 12-19, 12-20, 12-21, and 12-22 to be placed on file in your office. The Okaloosa County Board of County Commissioners adopted these ordinances on September 18, 2012. Thank you for your assistance.

Sincerely,

DON W. HOWARD
CLERK OF CIRCUIT COURT

Teresa Ward
Deputy Clerk

Enclosure

Certified Mail Article #7160 3901 9849 4730 1578

REPLY TO:

101 E. JAMES LEE BLVD. • P.O. DRAWER 1359 • CRESTVIEW, FLORIDA 32536-1359 • (850) 689-5000

SHALIMAR ANNEX • 1250 N. EGLIN PKWY, SUITE B-110 • SHALIMAR, FLORIDA 32579 • (850) 651-7200

BRACKIN BUILDING • 302 NORTH WILSON ST., SUITE 203 • CRESTVIEW, FLORIDA 32536 • (850) 689-5000

ATTACHMENT

“B”



OPERATIONS & PROCEDURES MANUAL

ATTACHMENT
B

*REVISED: **September 18, 2012***
Revision: # 14
*TDC approved: **August 6, 2012***
*Board approved: **September 18, 2012***

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A.000 GENERAL**A.100 STATEMENT OF ORGANIZATION**

Pursuant to the Local Option Tourist Development Act, Section 125.0104, Florida Statutes, Okaloosa County, Florida (the "County"), has: established an advisory group known as the Okaloosa County Tourist Development Council (the "Council"); imposed a Tourist Development Tax (5%); and approved a Tourist Development Plan pursuant to the mission set forth in A.400. The Council is responsible for advising the Okaloosa Board of County Commissioners (the "Board") on the implementation of the Tourist Development Plan in accordance with State and County Procedures and within budgetary limitations imposed by the Tourist Development Tax Revenues. The following areas are subject to oversight by the Council: 1) Emerald Coast Convention & Visitors Bureau, Inc.; 2) Emerald Coast Film Commission; 3) Emerald Coast Convention Center; and 4) Emerald Coast Official Visitor Welcome Center. In order to establish the procedures by which the Council will carry out its business and the Tourist Development Plan will be implemented, the Council and the Board have approved this Operations and Procedures Manual as the guiding instrument.

A.200 LOCATION OF OFFICE

The Council has established its business offices at 1540 Miracle Strip Parkway SE, Fort Walton Beach, FL 32548. All official business correspondence with the Council or any of its members shall be directed to the Okaloosa County Tourist Development Council, P.O. Box 609, Fort Walton Beach, FL 32549-0609.

A.300 LEGAL AUTHORITY

Legal authority for the Council is found under Section 125.0104, Florida Statutes, (2007 Supp.) known as "The Local Option Tourist Development Act"; Okaloosa County Ordinance 89-23 as subsequently amended and Resolution No. 89-40, establishing the Council and stating the intent to levy a Tourist Development Impact Fee. As an appointed *Advisory/Oversight Board* of the Board, the Council is bound by State and County Laws, Ordinances, and Procedures governing the Council members and their activities, on procedures of expenditures of the tourism impact fees.

A.400 MISSION

- 1) The Council's primary responsibility is to advise and make recommendations to the Board on matters related to tourism sales, marketing, and advertising of our beautiful Emerald Coast to the "outside world" to help increase overall visitation. The Council shall advise and make recommendations to the Board for the effective operation of the special projects or for uses of the Tourist Development Tax revenue. The Council shall continuously review expenditures of revenues from the Tourist Development Trust Fund and shall receive expenditure reports, at least quarterly, from the Tourist Development Director (the "Director"). The Council shall periodically make recommendations to the Board for changes to the approved Tourist Development Plan.
- 2) The Council shall also make recommendations on the promotion and operation of the Emerald Coast Convention Center, operation of the Visitors Welcome Center, the funding of beach cleaning, beach restoration improvements, a certified mandated State of Florida turtle watch program, water testing throughout Choctawhatchee Bay and the Gulf of Mexico, the Emerald Coast Film Commission, funding a percentage of the Beach Life Saving Program (beach lifeguards), funding public beach County access parks, funding improvements and maintenance of other tourist destination facilities within the sub-district, funding the artificial reef program, and overseeing the environmental council.

A.500 COUNCIL COMPOSITION/VACANCIES

- 1) **Composition.** The composition of the Council shall be as set forth in Section 125.0104, Florida Statutes, and Resolution 89-40 dated April 18, 1989, as amended. The two seats required for municipal elected officials shall be filled with one member from the Fort Walton Beach City Council or Mary Esther/Cinco Bayou City Council, and one member from the Destin City Council (these positions serving as liaison members of those municipalities). In addition, the composition of the Council shall, to the greatest extent possible, reflect equal representation for the distinct geographic areas of the district. Therefore, the composition shall include 4 members from the Fort Walton Beach/Mary Esther/Okaloosa Island/Cinco Bayou areas (with emphasis given to Okaloosa Island and Fort Walton Beach) and 4 members from the Destin area, or as close to this distribution as possible and at least 3 and no more than 4 of them should be owners and/or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county which are subject to the tax.. The 4 members from the two distinct areas shall include the City Council liaison from each of the two distinct areas listed above. The importance of industries represented on the Council shall be prioritized as follows; lodging, major attractions, restaurants, and

retail. The ninth (9th) member shall be the designated liaison from the Board as per Section 125.0104, Florida Statutes.

- 2) **Terms.** All Council members shall be appointed to staggered terms of four (4) years, with the exception of the liaison members of the municipalities and the Board liaison who serve as appointed by their respective City Council and the Board and their terms are subject to re-appointment or their term expiration, whichever comes first. No Council member shall serve more than a maximum of two (2) four (4) year consecutive fiscal year (Oct. 1st-Sept. 30th) terms. The Council member terms shall begin on October 1st of the year of appointment and terminate on September 30th of the fiscal year their term expires. Terms for the Chairman and Vice-Chairman are limited to one (fiscal) year. The Board shall have the option of designating the Chairman or allowing the Council to elect a Chairman. They may be re-appointed by a majority vote of the Council members but cannot serve more than two (fiscal) year terms. The Chairman and Vice-Chairman terms shall begin on the first day of October of the fiscal year of appointment and terminate on the 30th of September.
- 3) **Council Appointments.** The Council shall recommend at least one candidate for appointment to each open council seat to the Board, as the expiration of regular terms require. For all seats except the two reserved for elected municipal officials and the one reserved for a member of the Board, the appointment process shall begin with the selection of an ad hoc committee of council members not being considered for re-appointment by the Council. Tourist Development Department staff will publicly announce the open seats to prospective committee members and ask to receive resumes from such. Resumes and letters of interest will then be given to the ad hoc committee for them to begin the selection process. Formal interviews shall be conducted by the ad hoc committee and the ad hoc committee shall rank the candidates answers by pre-determined evaluation criteria. After the ad hoc committee has conducted a review of all interested resumes and after they have conducted in-person interviews and calculated evaluation scores, then the ad hoc committee will present the successful candidate(s) to the Council for consideration at the Council's regular meeting. The Council will review the candidate(s) and make a recommendation to the Board for final approval and appointment to serve on the Council.
- 4) **Local Government Seats.** The two seats reserved for elected municipal officials shall be presented by the Council for appointment by the Board upon the nomination of their respective municipal governing bodies. The nomination and approval of the two elected officials to serve as the Council's recommendations to the Board shall be carried out at a regularly scheduled public meeting of the nominating municipal governing body at least two months prior to term start dates. The nomination of each representative

shall be done in accordance with that body's specific rules and procedures for this type of nomination.

- 5) **Vacancies.** Should any seat on the Council become vacant, a replacement to serve the remainder of that term shall be nominated and appointed in the same manner as the nomination and appointment of the person whose absence created the vacancy. If the appointment to fill the vacant position is for greater than a two year term, then it counts as a full term. Municipal appointee vacancies will be filled by requesting from the respective governing bodies Mayor, a replacement for that position with a representative if possible with tourism interests.
- 6) **Removal/Resignation.** Any member shall be subject to removal from the Council if they miss three (3) Council meetings during the per fiscal year. Special consideration/leniency will be given for any absences due to Acts of God, personal illness/medical, and/or family emergencies. The member will be notified of the potential removal after the third absence and the Council will vote at its next regular meeting whether to recommend removal of that member to the Board. If one of the elected municipal or county officials on the Council is removed for this reason, the applicable governing entity shall be required to submit a different elected representative as nominee for their replacement. In the event a Council member no longer conforms to the criteria listed in Section A.500(1) of this Manual, to hold the seat to which they were appointed, said Council member shall forward a letter to the Council and the Board stating these facts and shall additionally tender a letter of resignation along with this submittal.

A.600 **STAFF**

- 1) **Tourist Development Director.** The Director will administer and coordinate the operations of the Council. The Director will be an employee of Okaloosa County and serve as Director of the Tourist Development Department, oversee the Emerald Coast Convention Center Management; Emerald Coast Film Commission, and the Visitor Welcome Centers and all divisions under the Tourist Development Department, in that capacity, shall report to the County Administrator. The Director will supervise all Tourist Development Department staff and shall be responsible for, and make recommendations to the Council and County Administrator concerning the operation of the Council and Tourist Development Department business. The Chairman of the Council may be a part of the Director's annual performance process and may provide comments and recommendations to the County Administrator for incorporation as part of the annual review process.
- 2) **Tourist Development Department Staff.** All Tourist Development Department staff shall be employees of the County, with all benefits provided

by the Board paid from the Tourist Development Trust Funds, and shall report to and be supervised by the Director. As such, said personnel will receive all standard County employee benefits paid through the Tourist Development Trust Funds, and be subject to all County employee regulations, in addition to those provided in this Manual. The designated work stations for staff shall be the business offices of the Tourist Development Department located at the County Visitors' Welcome Center and the Emerald Coast Convention Center.

A.700 **REGULAR COUNCIL MEETINGS**

The Council shall meet no less than quarterly on the fourth (4th) Wednesday of the month at 1:00 p.m., or as directed by the Chairman. Special meetings may be called by the Chairman as the need arises. The duration of each meeting will vary according to the length of the meeting agenda.

A.710 **LOCATION AND NOTICE**

Council meetings will be held at the Emerald Coast Convention Center or as otherwise designated by the Director. All meetings will be duly advertised in a newspaper of general circulation within the sub-district. Notice will also be placed on the Okaloosa County web site on the Commissioners monthly meeting calendar. Individuals wishing to receive e-mail notifications of upcoming meetings may contact the Tourist Development Department office.

A.720 **AGENDA**

An agenda will be prepared for each Council meeting by the Director. Council members wishing to place an item on an upcoming agenda must submit their request to the Director at least one (1) week prior to a regularly scheduled meeting. Department staff shall provide background information on each agenda item as appropriate, and such information shall be available to Council members at least two business days prior to a scheduled meetings.

A.730 **RULES OF PROCEDURE**

- 1) **Public Participation.** Meetings of the Council will be conducted by the Council Chairman, the Vice-Chairman, or their designee, in a manner to permit the greatest possible participation by all Council members and the interested public.
- 2) **Majority/Quorum.** The formal actions of the Council will be approved by majority vote of the Council with all members present required to vote unless

a member has abstained. Five (5) Council members shall constitute a quorum of the Council for purposes of conducting business.

- 3) **Abstention.** Any Council member desiring to abstain from voting shall publicly disclose the reason for their abstention before the vote is taken, in compliance with Section 286.012 and Chapter 112, Florida Statutes. Full disclosure must be made in writing within fifteen (15) days after the date of such meeting.
- 4) **Agenda.** The Director shall prepare and advertise an agenda for each meeting of the Council. Each meeting shall include a public comment/participation period. Requests for action stemming from any oral or written presentation from the public participation period shall be placed under consideration by the Council and acted upon at the following scheduled meeting.
- 5) **Rules.** The Council meetings shall be subject to all the procedural requirements of Chapter 286, Florida Statutes.

A.740 **MINUTES**

Written minutes shall be kept of each Council meeting. A written summary of each meeting shall be presented at the next Council meeting for approval by Council members. Such written summary shall show the persons in attendance, the major items of discussion, resolutions or other major action taken at such meetings, and items presented during public participation periods. The Council shall abide by Florida Statutes in regard to minutes and public participation. In addition, an audio-recording of each meeting shall be made and retained as a public record.

A.750 **NOTICE TO PUBLIC**

Information about the times and places of all Council meetings shall be provided in conformance with the requirements of Florida Statutes.

B.000 STANDING COMMITTEES

The only standing committee serving the Council shall be the Marketing Committee. From time to time the Council may establish *ad hoc* committee(s) for a specified task(s).

B.100 GENERAL PURPOSE

- 1) The general purpose of standing committees will be to provide information to the Council on specific areas or items of interest to the Council and to assist the Council in the implementation of County Tourist Development Plan. Committee recommendations will have no binding authority upon the Council or the County. The Marketing committee shall provide some or all of the following specific services to the Council at the request of the Council:
 - a. Review and monitoring of the creative content of the area's tourism marketing program.
 - b. Local tourism industry input to the Council or Department staff providing marketing services as well as the contracted tourism advertising and/or public relations consultants.
 - c. Review and recommendation of advertising and marketing consultants to the Council.
 - d. Review and recommendation to Council on specific tourism marketing proposals presented to the Council by private industry and non-profit organizations.
 - e. Review and make recommendations for special event funding as stipulated in the Special Event Guidelines.

B.200 SELECTION AND COMPOSITION

- 1) Individuals interested in serving on a committee shall submit a brief resume' consisting of background experience relating to a specific committee's purpose, general education and business and professional experience. The Director and the Chairman or Vice-Chairman of the Council will review the qualifications of the potential committee member(s) submitted for consideration and recommend qualified candidates for all open seats on the committee. The Council shall approve all appointments to the Marketing Committee.
- 2) The Marketing Committee should be balanced as to geographic distribution to reflect equal representation of the distinct geographic areas, age groups,

occupation, knowledge of and experience with the Committee's subject matter and the nature of each member's interest within the sub-district. It is highly recommended that there is appropriate representation from the lodging industry, attractions/museums, restaurants, retail, and marketing/advertising professionals within the tourist development taxing district. A marketing professional from the Northwest Florida Regional Airport may serve on a committee. It is recommended that a greater percentage of the committee's make-up be given to the lodging industry.

- 3) Committee vacancies, which occur during an appointed term, shall be appointed by the Council.

B.300 SERVICE AND REMOVAL

- 1) Committee members will serve for a term of two (2) fiscal years (terms can be longer depending on individual areas of expertise), (October 1 - September 30) from their original appointment. Terms will be staggered to ensure a consistent membership and continuation of Council business and recommendations. This will help foster greater participation and understanding throughout the Council's sub-district.
- 2) From time-to-time, committee members may be asked to consider an issue coming before their committee in which they have a conflict of interest. The committee members shall publicly disclose their interest and abstain from acting on that issue in the manner described by State law, Section 286.012 and Chapter 112, Florida Statute. Full disclosure must be made in writing within fifteen (15) days after such disclosure.
- 3) Any committee member shall be subject to removal from the committee if they miss three (3) regular Committee meetings during the period of one fiscal year (Oct 1st - Sept 30th) during their term. Special consideration/leniency will be given for any Acts of God, personal illness/medical, and/or family emergencies. The member will be notified of the potential removal after the third absence and the Council will vote at its next regular meeting whether to recommend removal of that member.

B.400 COMMITTEE MANAGEMENT

- 1) Committee meetings will be scheduled by the Council on an as-needed basis. The Vice Chairman of the Council shall serve as the Chairman of the Marketing committee. The Committee Chairman may schedule a meeting. Written minutes shall be kept of each committee meeting. A written summary of each meeting shall be presented at the next committee meeting for approval by committee members.

- 2) Written meeting notices will be mailed/faxed and/or e-mailed to all committee members approximately seven to ten (7-10) days in advance with follow-up calls to confirm attendance. A brief description of the purpose, subject, or program of the meeting will be contained in the notification. In order to encourage public participation at the committee level, public notice of all committee meetings will be provided in the same manner as public notices for Council meetings.
- 3) The quorum for each meeting of a standing committee shall be 50% of the total number of committee members plus one.
- 4) From time to time, "ad-hoc" committees may be appointed by the Chairman after advice from the Council to fulfill specific Council objectives which need further research and action.

C.000 PERSONNEL AND EXPENSES

C.100 PERSONNEL MATTERS

The Director shall make recommendations with respect to personnel issues and present to the County Administrator and Human Resources Director for final approval.

C.200 STATUS OF PERSONNEL

C.300 HUMAN RESOURCES POLICIES

As County employees, Tourist Development Department employees, are governed by Human Resource policies of the County in effect from time-to-time.

C.400 TRAVEL PROCEDURES

C.410 GENERAL

Travel related expense payments and/or reimbursements are governed by County Policies and Procedures applied under the provisions of Section 112.0601, Florida Statutes, as they are for all other County Departments. However, for certain travel and promotional expenses, staff is also governed by the broader provisions of Section 125.0104, Florida Statutes.

C.420 DEFINITIONS

Authorized Persons – Persons who obtain the required approval pursuant to Section C.430 of this Manual.

Class A Travel - Continuous travel of 24 hours or more away from official headquarters.

Class B Travel - Continuous travel of less than 24 hours which involves overnight absence from official headquarters.

Class C Travel - Travel for short or day trips where the traveler is not away from official headquarters overnight.

Official Headquarters - The official headquarters of an officer or employee assigned to an office shall be the city or town in which, or nearest to which, the office is located.

Travel Expenses - Usual, ordinary, and incidental expenditures that are necessarily incurred by a traveler.

Traveler - A public official, public employee, or authorized person when performing travel.

County Travel and County Expenses – Travel undertaken and/or expenses incurred by Travelers in context of usual business travel for purposes of staff development/professional education, meetings of purely professional affiliations, management of planning and construction of Product Improvement projects, staff retreats and other Manager-mandated staff Class A-C travel. Reimbursement for this travel and these expenses is governed by Section 112.061, Florida Statutes and Section C.450 of this Manual.

Promotional Travel and Promotional Expenses – Travel undertaken and/or expenses incurred by Travelers in context of advertising and promotional activities carried out pursuant to the Tourist Development Plan and annual promotional and advertising plan as approved pursuant to Section C.430 of this Manual. Reimbursement of these expenses will be subject to the limitations provided in Section 125.0104(9), Florida Statutes and Section C.500 of this Manual.

C.430 APPROVAL OF TRAVEL EXPENSES

All Council members and employees must have prior approval for travel and approval after-the-fact for actual travel expenses.

- 1) Tourist Development Department staff must receive prior approval of the Director.
- 2) The Director must receive prior approval of the County Administrator.
- 3) Council members must receive prior approval of the Board.
- 4) All foreign travel must receive prior approval of the Board.

C.440 TRAVEL FORMS

Official forms are used for travel approval and travel expenses reimbursement:

- 1) **Daily Travel Log** - This form is used only to obtain reimbursement for mileage incurred in use of a personal vehicle in local travel.
- 2) **Voucher for Reimbursement for Travel Expenses** - This form is used to account for travel advances and obtain reimbursement for all local mileage.
- 3) **Travel Requests**
 - a. Obtain advance approval for travel.
 - b. Request payment for registration for conference and conventions in advance of the actual event or as authorized under County Procedures and by Section 112.061(12), Florida Statutes, which governs authorization advances for anticipated travel costs.

C.450 REIMBURSABLE OUT-OF-COUNTY TRAVEL AND EXPENSES

Reimbursement is permitted for approved County Travel and Expenses incurred each day in conducting bona fide County tourism business, in accordance with County, State and Federal procedures. No one shall be reimbursed for any meal or lodging that is included in a convention, conference registration fee, or airline ticket.

- 1) Airline fare (at the lowest fare available) or other commercial carrier fare (ticket stub required to be attached to reimbursement request).

- 2) Any meal included in the fare must be deducted from the per diem reimbursement at the applicable rate. The approved traveler's copy of all ticket invoices shall be submitted as receipts.
- 3) Taxi, limousine, rental car (attach receipts).
- 4) Road tolls and parking fees (attach receipts).
- 5) Registration fees, however, and any meals and lodging included will be deducted in accordance with allowances provided in this policy. If available, an agenda or program schedule, along with a receipt, must be attached when requesting reimbursement.
- 6) Mileage as determined by the County (this amount may change due to Federal Standards dealing with the oil pricing Worldwide), when using personal vehicle. Mileage should be computed from the post of duty to the point of destination. Whenever possible, the mileage computation should be based on current DOT Map Mileage Chart.
- 7) Vicinity mileage will be paid when an employee, after having reached such employee's original destination, is required to travel within the County or other locations on official business.
- 8) All gifts, certificates, coupons, et cetera, received in conjunction with travel are to be turned over to the Tourist Development Department for further handling. In all cases, travel will be by the most economical means taking into account the employee's time involved and distances. If an employee, for such employee's own convenience, travels by auto which would result in more travel reimbursement than had such employee travelled by commercial means, reimbursement shall be limited to the amount had such employee traveled via commercial transportation.

C.500 REIMBURSABLE PROMOTIONAL TRAVEL AND EXPENSES

The Tourist Development Department is authorized and empowered to:

- 1) Provide, arrange, and make expenditures for transportation, lodging, meals, and other reasonable and necessary items and services for Tourist Development Department employees and other authorized persons, in accordance with Section C.430 of this Manual, in connection with performance of promotional, marketing, and advertising duties.
- 2) Entertainment expenses shall be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry. All travel and entertainment related expenditures made pursuant to this paragraph shall be substantiated by paid receipts. Complete and detailed

justification for all travel and entertainment related expenditures made pursuant to this paragraph shall be shown on the Travel Expense Voucher and attached to same.

- 3) Transportation and other incidental expenses other than those provided in Section C.400 of this Manual shall only be authorized for the Director and designated employees of the Tourist Development Department; and other authorized persons - travel writers, tour brokers, or other persons connected with the tourist industry - when traveling pursuant to paragraph 5 below. All other transportation and incidental expenses pursuant to this paragraph shall be as provided in Section C.400 of this Manual.

- 4) Pay by reimbursement only, except as specifically authorized by the County, through the Tourist Development Department, the costs of per diem and incidental expenses of the Director and employees of the Tourist Development Department, and other authorized persons for foreign travel at the current rates as specified in the federal publication, "Standardized Regulations (Government, Civilian, Foreign Areas)." The provisions of this paragraph shall apply for the Director or other designated employee of the Tourist Development Department, traveling in foreign countries for the purposes of promoting tourism and travel to the County, if such travel expenses are approved and certified by the Board. As used in this paragraph, the term, "authorized person," shall have the same meaning as provided in Section C.420, entitled, "Authorized Travel" means all travel outside the United States. Person(s) traveling in foreign countries pursuant to this paragraph shall be entitled to reimbursement or advancement pursuant to Section C.450 (1.) of this manual.

- 5) Pay by reimbursement only, except as specifically authorized by the County, through the Tourist Development Department, the actual reasonable and necessary costs of travel, meals, lodging, and incidental expenses of the Director and designated employees of the Tourist Development Department, and other authorized persons when meeting with travel writers, tour brokers, or other persons connected with the tourist industry, and while attending or traveling in connection with travel or trade shows. With the exception of provisions concerning rates of payment, the provisions of Section C.400 of this manual are applicable to the travel described in this paragraph.

D.000 TOURIST DEVELOPMENT PLAN AND BUDGET

D.100 TOURIST DEVELOPMENT PLAN ADOPTION

- 1) The Director shall present a recommended Tourist Development Plan to the Council.

- 2) The Council shall recommend to the Board any recommended changes to the Tourist Development Plan as necessary.
- 3) Pursuant to Section 125.0104(4)(d), Florida Statutes, the County has adopted a Tourist Development Plan by ordinance enacted by the Board. The Tourist Development Plan may not be substantially amended except by ordinance enacted by an affirmative vote of a majority plus one additional member of the Board.

D.200 **BUDGET ADOPTION**

- 1) Budget Process –
 - a. Initial Draft Budget - The Director is responsible for compiling the initial draft of the proposed annual budget for presentation to the Council prior to the date for submission of the annual budget proposal to the Board. This draft shall contain, at a minimum, the following items:
 - i. Estimates of projected tax revenues for the budget period.
 - ii. Budget information for all capital projects recommended by the Council for the budget year.
 - iii. Detailed line items for all proposed expense categories.
 - iv. Recommendations on staff positions and salary
 - b. Council Review – The Council is responsible for conducting at least one public meeting before June of each year on the proposed budget recommended by the Director before transmitting its proposed budget to the County Administrator.
 - c. Board Review – The Director and/or the Chairman of the Council will present the Council's budget recommendations to the County Administrator who will utilize the recommendation in preparing the budget submission to the Board during its budget review process. The Director shall inform and update the Council on any modifications to the recommended budget. If the Council objects to any modification, the objection(s) will be presented to the Board by the Chairman of the Council or his designee.
 - d. Council Review of Final Budget - The Director will present the budget approved by the Board to the Council within a timely period of the final approval. The Council shall review the approved budget to ensure conformity with the County Tourist Development Plan and the provisions of Section 125.0104, Florida Statutes, relating to the

authorized uses of tourist development tax revenues. If the Council has any objections to the approved budget, the objection(s) shall be presented to the Board.

- e. Budget Modifications and Reserve Expenditures- The Director will be responsible for presenting any proposed modifications to approved budget line items or allocation of reserve funds during the course of the budget year which require Board action to the Council for their review. The Council will be responsible for providing its recommendation on the proposed changes to the Board.
- f. General Budget compilation and review by the Director and Council shall be governed by the relevant provisions of this manual, county budget ordinances and policy and state revenue rules and statutes. Council members shall have the support of the Director, County Finance Division staff, County Administrator and the Council Attorney in their efforts to participate fully in the budgeting process.

2) Marketing Plan

- a. In conjunction with the review of the proposed budget, the Director will be responsible for preparing a detailed Marketing Plan, which shall set forth the proposed marketing activities and expenditures for those activities for the upcoming fiscal year.
- b. The Marketing Plan shall be presented to the Council for review and recommendation. The Council's recommendations shall be presented to the Board for final approval in the form of a Resolution.
- c. All advertising/marketing expenditures made during the fiscal year shall be in conformity with the approved Marketing Plan.
- d. Any amendments to the Marketing Plan shall be reviewed and approved by the Council and the Council's recommendations shall be presented to the Board for final approval in the form of a Resolution.

D.300 **ACCOUNTS**

The Director, after consulting with the Chief Financial Officer of the County, shall establish such accounts within the County accounting system as shall be determined to be appropriate. All present tourist development tax revenues and those carried forward from year-to-year shall be placed in an interest-bearing trust fund in accordance with Florida Statutes, which shall then be re-allocated to various areas as required by Section 125.0104, Florida Statutes. In no case shall the Tourist Development Trust Funds be co-mingled with the general revenue of the County.

Intra-account transfers may be made upon recommendation in conformity with County policies and procedures.

Inter-account transfers will require a recommendation from the Council and approval by the Board by adoption of a Budget Resolution.

D.400 EXPENDITURES

- 1) All expenditures for operating expenses and capital items are to be made in conformity with established County policies.
- 2) Expenditures for acquisitions shall only be allowed utilizing the written purchase order procedures of the County's Purchasing Policy. A written purchase order will be required for the following expenditures:
 - a. A purchase order for expenditures up to \$25,000 requires approval by the Director and Purchasing Director.
 - b. A purchase order for expenditures above \$25,000 and up to \$50,000 requires approval by the Director, Purchasing Director and County Administrator.
 - c. A purchase order for services over \$50,000 requires approval by the Board.
- 3) The following procedures shall be utilized for the purchase of items:
 - a. Property being defined as fixtures and other tangible personal property of a non-consumable nature purchased with Tourist Development Trust Funds is owned by the Board and therefore, pursuant to Section 274.02, Florida Statutes, must be included in the inventory listing of Okaloosa County and tagged accordingly as required by the Auditor General.
 - b. If the purchase price of the item is \$1,000 or more, such item is defined as a "capital outlay" purchase and must be so noted.

E.000 CONTRACTS WITH THIRD PARTIES

E.100 CONTRACT SPECIFICATIONS

All functions determined by the Director and the Council to be handled by contract with third parties shall be entered into in accordance with the County's standard procedures, coordinated with the County Purchasing Department, including the issuance of Requests for Qualifications (RFQ's)

and/or Requests for Proposals (Purchase) (RFP's), required under County procedures (County Purchasing Manual and Contracts and leases Policies and Procedures Manual.

E.200 CONTRACT REQUIREMENTS

When making proposals to the Board for contracts with third parties, the Director, with advice from the Council, shall ensure that each proposed contract includes the following provisions:

- 1) The contract is made with the Board upon the recommendation of the Council and is to be administered by the Director. The Board is not bound by an agreement, unless and until it has executed the contract by a majority vote of the Board.
- 2) No modification to the contract will be binding until approved in writing by the Board.
- 3) Payments called for under the contract are subject to review by and approval of the Director and the Board in accordance with County policies and procedures and as may be required by statute.
- 4) The contracting person or company will produce written monthly and/or quarterly reports as to the status of all matters which are the subject of the contracts, and supply these to the Director for review.
- 5) All contracts and payments will be in compliance with the County's Contracts and Leases Policies and Procedures Manual and the County Purchasing Manual.
- 6) At the end of the stated term of a contract, the Council shall publicly consider whether the renewal of the contract should be competitively bid.

E.300 CONTRACT COMPLIANCE

- 1) The Director along with the County Purchasing Department shall oversee contract compliance by the contracting person or entity and make appropriate reports and recommendations to the County Administrator and the Council on a regular basis.
- 2) All contracts shall be in compliance with the County's Contracts and Leases Policies and Procedures Manual.

E.400 CONTRACT APPROVAL

No contract shall be submitted to the Board unless such contract shall have been reviewed and approved by the Director, Contracts/Lease Coordinator, Risk Manager, County Attorney and Contracts and Grants Manager, as this is required in the County's Contracts and Leases Policies and Procedures Manual, to indicate that such submission has been made and such approval has been obtained.

E.500 COMMUNICATIONS WITH CONTRACTORS

The Director shall act as liaison between the Board and contracting persons or entities. All correspondence from the Board/Council to such contracting persons or entities shall be administered by the Director, with copies of all correspondence to the County's Contracts/Lease Coordinator and the Contracts and Grants Manager.

E.600 CONTRACT PAYMENT APPROVAL PROCEDURES

- 1) Upon the approval of the budget by the Board, payments shall be made in conformity with the County Purchasing Manual.
- 2) All expenditures and payment approvals shall comply with the County's Contracts and Leases Policies and Procedures Manual and the County's Purchasing Manual.
- 3) All activities by entities under contract shall be pursuant to the written task order procedures of the County's Contract Policy. A written task order will be required for the engagement of any promotional activity or any expenditure.
 - a. A task order for services up to \$25,000 requires approval by the Director and Purchasing Director.
 - b. A task order for services above \$25,000 and up to \$50,000 requires approval by the Director, Purchasing Director and County Administrator.
 - c. A task order for services over \$50,000 requires approval by the Board.
- 4) No invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. No invoice will be approved unless the actual invoice from the vendor accompanies the invoice reflecting the acquisition of goods/services.

E.700 ADDITIONAL PROCEDURES FOR ADMINISTRATION OF ADVERTISING AND PROMOTION CONTRACT

- 1) **Review of advertising product.** While the Director is charged with the general budgeting for and administration of the annual contract for provision of advertising and promotion services for the County's tourism promotion efforts, the artistic and highly visible nature of the products and services provided under the contract make it prudent that the Director incorporate a broader base for review and approval of artistic product generated by the contractor where possible. As such, the Council may, at a duly-noticed public meeting, review and approve print, radio and television advertising product produced under any advertising or public relations contract.
- 2) **Advancement of funds.** No advancement of funds will be issued unless specifically approved by the Board.

F.000 ACTIVITIES SUBJECT TO OVERSIGHT BY THE TOURIST DEVELOPMENT COUNCIL

F.100 GENERAL

Tourist Development Trust Funds may be budgeted by the Board for the following purposes, including but not limited to:

- 1) **TOURISM PROMOTION:** Development and maintenance of quality advertising, sales, marketing and public relations initiatives for the sub-district which presents a consistent and positive brand for the area; production of informational/promotional materials and systems, including publications, that it shall determine to be necessary or appropriate for the promotion of the special taxing district, and for local notification of projects as deemed necessary; support for a variety of special events to further the development of year round business and bolster image and name recognition for the sub-district; and continual maintenance efforts to keep the beaches, waterways, accessways and other tourist destination facilities within the sub-district clean, attractive and safe for public usage.
- 2) **EMERALD COAST FILM COMMISSION:** Operation and function of the Emerald Coast Film Commission to supply staffing requirements, materials, information, photos and guides to potential members of the film, photography and television industry to enhance the sub-district by increasing the economic impact by bringing in film and production companies, which will increase employment of our area's citizens and establish our area as an entertainment ready community.

- 3) OFFICIAL VISITOR/WELCOME-INFORMATION CENTER: Operation and function of the Official Visitor/Welcome-Information Center to supply materials, information, and guidance to the visiting public to the sub-district to a) unify the taxing district's local promotion of the tourism business, b) provide information to visitors and provide information and c) to maintain a record of number of visitors and their demographics.
- 4) EMERALD COAST CONVENTION CENTER: Operation and function of the Emerald Coast Convention Center, to supply staffing requirements, materials, information, supplies, meeting facilities, operations of the center to include water, sewer, electricity, landscaping, meeting requirements of the public to enhance the area taxing district by providing a venue for cultural, educational, sport and entertainment events which will be a positive draw for visitors and establish our area as a group/convention/motorcoach area.
- 5) PRODUCT IMPROVEMENT: Maintenance and improvement of the beaches and water of the Gulf of Mexico, the Choctawhatchee Bay and other tourist destination facilities , including the improvement of public access to and use of these assets, including recreational facilities within the sub-district are essential to the preservation and improvement of the very foundation of the economy that the County is promoting.
- 6) ADMINISTRATION: Administration of the tourism tax revenues shall be through local administration by the Director of the Tourist Development Department under the direction of the County Administrator. Administration of the revenue collection process shall be carried out under a subcontract with the Okaloosa County Clerk of Court pursuant to Okaloosa County Ordinance 92-08 as amended.
- 7) RESERVE/EMERGENCY OPERATIONS: Maintenance of a reserve fund for the purpose of supplementing standard promotional functions, product improvement areas, beach maintenance efforts and for restoration of the county's beach improvements in the aftermath of a major disaster which impacts sub-district coastal areas.

G.000 SPECIAL EVENT FUNDING

G.100 PURPOSE

The goal of the Tourist Development Department's special event funding grant program is, generally, to increase tourism along the Emerald Coast, and specifically, to increase occupancy by out-of-town visitors in lodging facilities within the tourist development tax sub-district, including Destin, Fort Walton Beach, Okaloosa Island, Mary Esther and Cinco Bayou.

G.200 AUTHORIZATION

- 1) The Tourist Development Department will set aside a portion of the overall annual budget (determined on a fiscal year during the County's budget process) in a grant program to supplement the efforts of individuals, groups, and organizations planning, coordinating, and managing special events expected to directly benefit local tourism and help to increase the overall average lodging occupancy for the event's particular time period.
- 2) When funding is provided, it will be to promote and attract increased tourism and not to support on-going programs or administrative costs unless a special event can show significant potential for or continued growth year after year or residual advertising value in the form of event generated souvenirs, awards and t-shirts. Grant funds are intended to increase incremental transient lodging occupancy in the special taxing district of Destin, Okaloosa Island, Fort Walton Beach, Mary Esther, and Cinco Bayou.

G.300 PROCEDURE

The Marketing Committee will review application forms on a quarterly basis and submit recommendations for funding to the Council for approval. The Marketing Committee will review applications and schedule presentations during their meetings held in the months of January, April, July and September and submit recommendations for funding to the Council during their meetings in the same months. Special event funding application forms are available at the Tourist Development Department administrative offices located in the Welcome Center buildings on Okaloosa Island, and also on the Tourist Development Department's web site. Funding will be determined by the Council pursuant to the procedures contained in Section E.600. The number and extent of grants will be dependent upon the availability of designated funds from year to year.

The following procedures shall be used by an applicant to solicit support of a special event:

- 1) Requests for funding shall be made to the Director or his designated agent on the approved application form. All applicants shall apply for funding and submit a completed application form to the Director or designated agent by the following dates each year: January 1, April 1, July 1, and September 1. The Director or designated agent will review the application forms and then forward a copy to each member of the Marketing Committee at least one week prior to the monthly Marketing Committee meeting dates in the months listed above. Applications will be reviewed and discussed during the Marketing Committee meetings in the months of January, April, and July of each year. The Marketing Committee will then submit its recommendations

for funding to the Council for review and/or approval within the same month. Applicants will be notified at the Marketing Committee meeting or within three days after the Marketing Committee meetings listed above whether or not their special event is recommended to the Council for funding. The Marketing Committee and/or the Council reserve the right to request additional information from the applicant prior to making decisions on whether to grant funding. Applicants might be asked to make a formal presentation to either the Marketing Committee and/or the Council before the Council makes a final decision.

2) The history and experience of the applicant members and/or the organization is extremely important when the Council considers awarding grants as well as the following; the soundness and potential of the proposed or existing special event to attract tourism - to which it is realistically conceived and capable of production within the proposed time frame, the extent to which the special event includes community support and coordination of resources among local, private, and public sector groups, and the extent to which other sources of funding for the special event are identifiable and are capable of providing funding.

3) Upon recommendation from the Marketing Committee and Council approval of an application, the Council shall establish the final dollar amount of the grant.

4) If an applicant is awarded a grant, the applicant will work with the Director or their designated agent to comply with procedures for submission of invoices and distribution of allocated funds.

G.400 Special Event Grant Funding Guidelines:

- 1) **Location and accessibility of Special Event:** The Special Event must take place within Okaloosa County and must be accessible to the public.
- 2) **Advertising Requirements:** The Okaloosa County Tourist Development Council logo must appear prominently in all advertising and publicity (written and/or electronic) for the special event. Advertising and promotion must take place in areas outside of Okaloosa County to ensure that funds will be used to attract overnight visitors. Social media advertising is acceptable, but audience selection must be documented.
- 3) **Required Match:** Special Event Grant Funds awarded shall represent no more than 50% of the total cost of the event, as documented in the final event report.

- 4) **Insurance requirement:** a certificate of liability insurance, naming Okaloosa County as an additional insured, is required before any reimbursements can be made.
- 5) **Authorized uses of Special Event grant funds:**
 - a. Advertising and promotional expenses including, television, radio, newspaper, magazines, multi-media, billboards and signage (advertising must be published outside of Okaloosa County and actual ad/media is required for reimbursement);
 - b. Preparation materials, such as brochures; and
 - c. Any other appropriate expense allowable under Section 125.0104, Florida Statutes.
- 6) **Unauthorized uses of Special Event grant funds:**
 - a. Sales tax;
 - b. Annual operating expenses;
 - c. Travel expenses;
 - d. Private entertainment, lodging, food or beverages;
 - e. Any other expenses not allowable under Section 125.0104, Florida Statutes.
- 7) **Final Evaluation Report:** each organization receiving Special Event grant funds must submit a Final Evaluation Report for the Special Event, which shall contain the following information:
 - a. A brief narration of the event;
 - b. An evaluation of the economic impact the event had on Okaloosa County;
 - c. Include a breakdown of what lodging facilities were utilized and the rate and number of room nights generated by the event (copies of letters from the lodging facilities verifying room nights and rate shall be attached), any local attractions or businesses utilized as part of the event;

- d. The original and one copy of each of the invoices and cancelled checks (front and back) paid by the organization in conjunction with the event.
- e. A financial statement listing all of the revenues received and expenses paid in the course of the event.
- f. One copy of the handouts, brochures, or other material used during the event.

G.500 Special Event Grant Funding Criteria: All applications will be subject to the following evaluation criteria:

- 1) **Commitment to the expansion of tourism in Okaloosa County** – Applications must contain evidence that the Special Event:
 - a. Serves to attract out-of-county visitors generating overnight stays within Okaloosa County;
 - b. Will be marketed to the fullest extent possible in an effective and efficient manner;
 - c. Demonstrates a willingness on behalf of the applicant to work with the tourism industry.
- 2) **Soundness of proposed Special Event** – Applications must include the extent to which the project:
 - a. Has clearly identified objectives;
 - b. Has a realistic timetable for implementation;
 - c. Has additional funding sources available that will be utilized; and
 - d. Will accomplish its stated objective.
- 3) **Stability and management capacity** – Application must include:
 - a. A proven record or demonstrated capabilities of the organization to develop resources, effectively plan, organize and implement the proposed Special Event.
 - b. Documentation that the organization has a successful history of service in and to Okaloosa County;

- c. Confirmation of organization representatives and proof that the organization approved the application for Special Event Grant Funds;
 - d. Evidence of the ability of the organization to administer public grants and to prepare and deliver the necessary reports to Okaloosa County.
- 4) **Quality and uniqueness of the proposed Special Event** – the application must include documentation of the extent to which the event provides a program for Okaloosa County visitors and its residents which is of significant merit and that, without such assistance, would not take place in Okaloosa County.
- 5) In addition, applicants must answer the following questions:
- a. What added value can the Special Event create to a visitor's stay?
 - b. What incremental economic activity is stimulated through the quality of the visitor experience?
 - c. What incremental economic activity is stimulated by encouraging visitors to extend their stay?

G.600 SPONSORSHIPS

The funding of sponsorships of community, civic, cultural or other organizations shall be authorized but only where such funding will be used to promote and attract increased tourism and/or enhance and develop convention center use. Funding of sponsorships for organizations shall not be used to support on-going programs or administrative costs unless the overall activities of the organization will directly promote and attract increased tourism and/or enhance and develop convention center use.

- 1) The Tourist Development Department will set aside a portion of the overall annual budget to be available for the funding of sponsorships that meet the criteria.
- 2) The Council shall provide a recommendation of proposed sponsorships to the Board, certifying that such funding would meet the above criteria. The Board shall have final approval authority of all sponsorships.

H.000 OPERATIONS AND PROCEDURES MANUAL

The preceding Operations and Procedures manual may be revised from time-to-time upon recommendation of the Council and the approval of the Board.

Dubose, Kathy

From: Rick Owen <rowen@co.okaloosa.fl.us>
Sent: Friday, February 08, 2013 12:32 PM
To: Dubose, Kathy
Cc: Jim Curry
Subject: Okaloosa County - Visual Media: Monday, 2/11/2013 Meeting
Attachments: Tab 7 - Seven Point Strategy.pdf; Tab 1 - Internal Review - 6-13-12.pdf; Tab 2 - SO Letter - 5-9-12.pdf; Tab 3 - BCC Powerpoint of Action Items 12-18-12.pdf; Tab 4 - Final AG Report - January 2013.pdf; Tab 5 - SO Letter - 2-1-13.pdf; Tab 6 - SAO Letter - 2-6-13.pdf

Kathy,

Attached please find the following items in tabbed order for the Florida Legislature Joint Legislative Auditing Committee Meeting on Monday, February 11, 2013:

- 1: Report of Internal Review by Nabors, Giblin & Nickerson, P.A., dated June 13, 2012
- 2: Joint Letter from the Okaloosa County Sheriff's Office and State Attorney's Office, dated May 9, 2012
- 3: Okaloosa Board of County Commissioners' Action Items Presentation, dated December 18, 2012
- 4: Final AGO Report and Okaloosa County BCC Corrective Action Plan, dated January, 2013
- 5 & 6: Letters from Okaloosa Sheriff's Office and State Attorney's Office, dated February 1, 2013 and February 6, 2013, respectively
- 7: Okaloosa County Board of County Commissioners 7-point Strategy

Additionally, I will send Tab 3 as a Powerpoint Presentation to have on display at Monday's meeting.

Please send me a confirmation email to ensure all items arrived.

Thank you.

Rick Owen
Administrative Manager
County Administrator's Office
850-651-7515 (office)
850-855-0589 (cell)

"Please note: Due to Florida's very broad public records laws, most written communications to or from County employees regarding County business are public records, available to the public and media upon request. Therefore, this written e-mail communication, including your e-mail address, may be subject to public disclosure."

Tab 1

TALLAHASSEE

Suite 200
1500 Mahan Drive
Tallahassee, Florida 32308
(850) 224-4070 Tel
(850) 224-4073 Fax

FORT LAUDERDALE

208 S.E. Sixth Street
Fort Lauderdale, Florida 33301
(954) 525-8000 Tel
(954) 525-8331 Fax



FORT MYERS

Building 83, Suite 2
12731 World Plaza Lane
Fort Myers, Florida 33907
(239) 288-4027 Tel
(239) 288-4057 Fax

TAMPA

Suite 1060
2502 Rocky Point Drive
Tampa, Florida 33607
(813) 281-2222 Tel
(813) 281-0129 Fax

Reply to Tallahassee

June 13, 2012

Via Electronic Mail

Don Amunds, Chairman
Okaloosa County Board of County Commissioners
1804 Lewis Turner Boulevard
Fort Walton Beach, Florida 32547

Re: Report of Internal Review

Dear Chairman Amunds:

Attached please find the Report of Internal Review by Nabors, Giblin & Nickerson, P.A., concerning the Tourist Development Council. I will be available at the County Commission meeting on June 19, 2012, to discuss the report. If there are any questions, please feel free to contact me.

Sincerely,

Gregory T. Stewart

GTS:pad

Attachment

cc: James D. Curry
John R. Dowd
Greg Donovan
Commissioner Wayne Harris
Commissioner Dave Parisot
Commissioner Bill Roberts
Commissioner James Campbell

REPORT OF INTERNAL REVIEW BY NABORS, GIBLIN & NICKERSON

The firm of Nabors, Giblin & Nickerson, has been requested to conduct an internal review of the procedures and policies of the Tourist Development Council in light of the allegations surrounding the former Executive Director, Mark Bellinger. In particular, our task was to focus on the policies and procedures which were in effect and to provide recommendations as to how they may be strengthened to provide greater control in the future.

As part of our review, we have interviewed numerous witnesses, including past and present employees, reviewed audio recordings and minutes of meetings of the Board of County Commissioners (the "Board"), the Tourist Development Council ("TDC"), and the various subcommittees of the TDC. We have also examined voluminous financial records and other documentation related to TDC operations. Further, as part of our review, we have also interviewed various TDC Executive Directors and TDC Attorneys throughout the State and surveyed the procedures and policies of other counties in regard to the administration of their respective TDCs in an attempt to ascertain "best practices" within the State of Florida.¹

INTRODUCTION

On May 13, 2010, Mark Bellinger ("Bellinger") began employment with Okaloosa County. He replaced the long serving Executive Director who had retired. In evaluating the process and procedures in effect, it is important to be aware of the circumstances that existed at the time of Bellinger's employment.

¹ Throughout our internal review, we were sensitive to the ongoing criminal investigations being conducted by various law enforcement entities. To assist law enforcement, we have immediately notified them of any activity that may be within the purview of their investigation. We also deferred several interviews to avoid any interference with the criminal investigation. Finally, though we have engaged an independent accounting firm to conduct a complete forensic review of the finances of the TDC, we have requested that they stand down until such time as the Auditor General has completed its review. Following the conclusion of the review by the Auditor General, we will provide the Board with a recommendation of additional areas which might be appropriate for further review.

On April 20, 2010, less than a month prior to Bellinger beginning his employment, the disaster at the Deepwater Horizon Oil Rig occurred, the adverse impacts of which were broadcasted on news programs both nationally and internationally. This created an immediate need to counteract the publicity which would adversely affect tourism in the area. Businesses and their livelihoods were in danger as a result of the event and its impact on tourism. Coupled with that crisis situation, there were new available revenues through BP which had never been available in the past.

Following the disaster at Deepwater Horizon, BP made certain monies available to local communities to mitigate impacts to its tourism industry and assist in marketing efforts. In May 2010, the State of Florida received a payment of \$25,000,000 from BP for immediate marketing assistance. Of that amount, \$750,000 was received by Okaloosa County and was predominantly utilized for two "Rock the Beach" concert promotions. On July 31, 2010, an additional \$7,000,000 was received through the Florida Coastal Northwest Communications Council, an entity consisting of seven counties in the Northwest Florida area that were impacted by the Deepwater Horizon disaster. Of the \$7,000,000 grant received, \$1,371,939 was received by Okaloosa County and utilized for a debit card promotion and other marketing activities. Finally, in April 2011, BP provided a grant through the State of Florida for tourism marketing efforts in the amount of \$30,000,000. This amount was received through the Florida Coastal Northwest Communications Council and \$6,506,015 was received by Okaloosa County.

Into those circumstances stepped Bellinger who brought a more hands-on approach to marketing activities, including more emphasis on special events, sweepstakes and social media promotions. These additional revenues, coupled with a new approach, provided the means by which aggressive promotions could occur. This is not to suggest that either the availability of these funds or the circumstance in the community justified the events that ultimately occurred. However, it appears that as a result of the crisis that adversely impacted a broad cross section of the community, that there was a stronger emphasis on results rather than the process.

OVERVIEW

Based upon our review, it is clear that there has been a massive failure of controls. The documentation suggests that some of the expenditures were made through the misappropriation of funds by Bellinger. However, the documentation also revealed that there were expenditures for arguably legitimate promotional and advertising purposes that were inadequately reviewed and not formally approved. Both types of transactions could have been prevented had adequate controls been in place. Ultimately, it appears that Bellinger exercised almost unfettered ability to expend public funds and was able to avoid detection through a combination of false information and an absence of effective supervision.

Structure of the TDC

In 1986, the Board adopted Ordinance 86-06, which created the TDC, approved the recommended tourist development plan and authorized the levy of a two percent Tourist Development Tax as provided in section 125.0104, Florida Statutes, subject to the approval by the voters. The levy of the two percent Tourist Development Tax was approved by the voters and imposed². The required membership of the TDC and their general functions are set forth in section 125.0104 (4) (e), Florida Statutes. The pertinent part of that section provides:

(e) The governing board of each county which levies and imposes a tourist development tax under this section shall appoint an advisory council to be known as the " (name of county) Tourist Development Council." The council shall be established by ordinance and composed of nine members who shall be appointed by the governing board. The chair of the governing board of the county or any other member of the governing board as designated by the chair shall serve on the council. Two members of the council shall be elected municipal officials, at least one of whom shall be from the most populous municipality in the county or subcounty special taxing district in which the tax is levied. Six members of

² Additional pennies of authorized Tourist Development Taxes were subsequently authorized by the Board.

the council shall be persons who are involved in the tourist industry and who have demonstrated an interest in tourist development, of which members, not less than three nor more than four shall be owners or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county and subject to the tax. All members of the council shall be electors of the county.

The council shall meet at least once each quarter and, from time to time, shall make recommendations to the county governing board for the effective operation of the special projects or for uses of the tourist development tax revenue and perform such other duties as may be prescribed by county ordinance or resolution. The council shall continuously review expenditures of revenues from the tourist development trust fund and shall receive, at least quarterly, expenditure reports from the county governing board or its designee. Expenditures which the council believes to be unauthorized shall be reported to the county governing board and the Department of Revenue. The governing board and the department shall review the findings of the council and take appropriate administrative or judicial action to ensure compliance with this section.

Section 125.0104 (4) (e), Florida Statutes (emphasis added).

These same requirements and functions of the TDC are also incorporated into the County's Ordinance in nearly identical language. (See Section 20-73, Code of Okaloosa County).

Throughout the history of the TDC, the management and administration of the tourism and promotional activities have been the responsibility of the Executive Director. The Executive Director is an employee of the County who is responsible for the management of the County's Tourist Development Department. The County's Tourist Development Department is separate from the TDC itself.

The Executive Director position previously reported directly to the County Administrator. However, in September 2005, at the request of the then Executive Director and the then TDC, the Board altered that structure and required that the Executive Director report directly to the Chairman of the Board of County Commissioners. The Ordinance governing the TDC was also amended by Ordinance 05-102 on October 18, 2005, to provide similar reporting authority. The responsibilities of the Executive Director, as defined in that Ordinance, states:

4) *Administration.* The county determines that the best means for administration of the tourism tax revenues allocated under this plan is local administration by an executive director operating as the executive for the tourist development council, under the direction of the chairman of the board of county commissioners and secondarily the chairman of the tourist development council. The administration of the revenue collection process shall be carried out under a subcontract with the Okaloosa County Clerk of Court's Office as provided for by separate ordinance 92-08.

Role of Advertising Agencies

To assist with the promotion and advertising on behalf of the TDC, the County entered into contracts with advertising and public relations agencies over the years. The current Tourist Development Plan, as adopted by Ordinance, not only authorizes this but mandates it. The Plan, as adopted in 2007, states:

Accordingly, the county will maintain contractual relationships with professional advertising/marketing and public relation advisors and contractors for the development and implementation of a unified marketing campaign each year this ordinance is in effect at such expense as is deemed desirable and necessary to achieve maximum positive promotional exposure to potential visitors to the subdistrict. These annual promotional efforts shall remain one of two primary focuses of the county's tourist development plan. The primary

objective for these efforts shall be the maintenance of consistent positive “branding” which are image and name recognition and the future development of “shoulder season,” to encompass group and leisure business.

Section 20-72(c)(1), Code of Okaloosa County.

The primary agency which has been serving the TDC in this regard is the Zimmerman Agency (“Zimmerman”), located in Tallahassee, Florida. It has been providing these services since the early 1990s and has been reselected on several occasions through a competitive process. During the spring of 2011, a Request for Proposal was issued for advertising services by the Board. The two top firms selected were Lewis Communications (“Lewis”) located in Mobile, Alabama, and Zimmerman. These contracts were approved by the TDC and, ultimately, the Board. Each contract was for three years, with the ability of up to two one-year extensions.

The Zimmerman contract provides for certain fixed monthly charges for services with reimbursement of costs and a potential add-on commission if the amount of media purchases exceeded \$3,000,000 during a budget year. Lewis did not charge any fixed monthly amount, but rather was compensated by a commission on its purchasing on behalf of the TDC. As a result of the differing compensation, Lewis was primarily involved on a project-by-project basis (normally involving the Conference Center). Zimmerman was used primarily for the promotion and advertising of leisure-type or general tourism activities. Based upon a review of documents, this allocation of functions was not rigid

Promotion Approval Process

As set forth in the statute and ordinances, the primary purpose of the TDC is to act as an advisory board to the Board of County Commissioners relating to matters of tourism and promotion in the county, and it is also intended to provide oversight to assure that the expenditures are used for authorized purposes. Though contemplated as an advisory board only, our review has determined that the TDC has, over the years, become the primary decision maker as to the approval of promotional activities. This evolution of authority has developed over numerous years and began well before Bellinger was hired. As a result, the Board was rarely consulted about specific promotions and was normally only provided summaries of

promotional activities as an informational item only. This delegation of approval authority to the TDC represents a structural inconsistency with both the statutory and ordinance provisions.

The TDC has in the past created various sub-committees. In the past these consisted of the Promotion Review Committee, Product Improvement Committee and the Executive Committee. Prior to the hiring of Bellinger, the approvals of promotional expenditures along with an analysis of the financial costs, were presented both to the Promotional Review Committee and then the TDC for review and formal approval by each. Additionally, the advertising agencies under contract with the County, generally participated in the preparation and presentation of promotional concepts to both the subcommittees and the TDC as a body.

Following the hiring of Bellinger, there was a significant change in how promotional events were considered or approved. Initially, the advertising agencies' participation in arriving at promotional concepts was significantly reduced and assumed primarily by Bellinger. Eventually, the advertising agencies were no longer asked to be present at the meetings of the Promotional Review Committee and its successor committee and the promotional and marketing activities were for all practical purposes totally controlled by Bellinger.

In January 2011, the TDC eliminated the previous committees and created a single committee entitled the "Marketing Committee." The Marketing Committee consisted of the Vice Chairman of the TDC, representatives of the five top industries in the area (hotel, condominium, restaurant, retail, and attractions), three members from the lodging industry and two members for qualified individuals or any business or industry. Persons who desired to serve on the Marketing Committee applied and their applications were screened by Bellinger, and under his direction, the Marketing Committee became the primary entity for the discussion of promotional concepts.

As with the TDC itself, the authority of the Executive Director to direct the promotion and advertising expenditures has also evolved over the years. Under the previous policies of the TDC, the express approval of all promotions and advertising was required by both the various subcommittees and the TDC itself, and it appears that this joint approval was strictly followed by the prior Executive Director. However, after Bellinger's employment, similar to the reduction of authority by the advertising agencies, the role of the subcommittees and the TDC

was substantially diminished and promotions and advertising were almost exclusively under his control. This restructuring of authority was eventually memorialized by the amendment of the TDC Operations and Procedures Manual approved by the TDC in February 2012. This amendment was never submitted to the Board or approved by them. The amendment approved by the TDC reduced its authority to approve promotions at all. That amendment, as approved by the TDC, provided as follows:

As described generally in Sections E.200-600, the Executive Director is responsible for all aspects of the negotiations and administration of this contract with the exception that the members of the standing ~~Advertising and Promotion~~ Marketing Committee and the Council members ~~shall~~ may have the opportunity to have artistic review over print, radio and television advertising product produced under this contract. The Committee's approval shall be provided at noticed public meetings and a majority vote of those members present will be required for approval. To the extent that extraordinary circumstances preclude the possibility of a noticed meeting for this purpose, the Executive Director shall be solely responsible for the authorization of final release of any artistic product for publication. (language reflects changes made in policy).

In reviewing the minutes of the Marketing Committee, the Promotion Review Committee, the Product Improvement Committee, the TDC and the Board, it is apparent that under Bellinger there was no formalized approval process for promotional activities. It appears that the primary entity for the discussion and review of potential promotional activities was the Promotion Review Committee, now reconfigured as the Marketing Committee. The minutes of those meetings reflect that various promotional activities would be discussed and considered by the Marketing Committee in "brainstorming" sessions.

In some of these meetings, the Marketing Committee would actually vote on whether to proceed with a proposed promotion. At that point, it appears that Bellinger would take this approval as authority to proceed without the necessity of a vote by the TDC. However it appears that Bellinger, on some occasions, did not

actually seek the affirmative approval of the Marketing Committee, but would proceed with the promotion based solely upon the discussions of the concept. Finally, it also appears that there some occasions where marketing expenditures were made by Bellinger that were neither discussed nor approved by either the Marketing Committee or the TDC.

In reviewing the entire process for the approval of promotions, it is apparent that the Marketing Committee was considered primarily as a tool to assist the Executive Director in the development of promotional concepts. Though the Marketing Committee may be beneficial in terms of assisting in the development of concepts and ideas, it is not an authorized entity for the approval of expenditure of public funds.

In reviewing the minutes of the TDC, there were discussions of potential promotional activities and others that were ongoing, however, we were unable to find any meeting where there were voting approvals of particular promotional events. Rather, Bellinger appears to have assumed exclusive authority for the creation and authorization of promotional events and the TDC was merely provided informational updates as to these events.

In discussing past operations of the TDC prior to Bellinger's employment, it appears that there was a more formalized process at the TDC level and that formal approval of promotional activities by the various subcommittees and the TDC was routinely obtained. However, even prior to Bellinger being hired, promotional concepts were not brought to the Board for approval. Though there were meetings where various promotional activities were discussed, these were generally informational-type sessions without any accompanying dollar cost figures attributed to these promotions.

Upon Bellinger's employment, there was a complete absence of structure. The entire promotional process appeared to rest solely upon Bellinger. The Marketing Committee and the TDC substantially delegated their responsibility to Bellinger. The Board was omitted entirely from the promotional approval process.

In reviewing the practices and procedures around the State, (we surveyed only non-panhandle TDCs), most if not all of them had ultimate approval for promotional activities by their respective County Commissions and the TDC acted solely as an advisory body.

Special Events Funding

Generally, the TDC would receive requests from local entities for the funding of events within the community. As the process evolved, the Marketing Committee took on a greater role in evaluating these proposals. As its role increased, so did the potential for conflicts since the Marketing Committee is comprised of local business interests.

In discussions with TDC members, it appeared standards and criteria were utilized in evaluating requests for funding of particular local events. However, those standards and criteria were not memorialized in the TDC Operations and Procedures Manual until the recent amendment which was approved by the TDC in February 2012, but never adopted by the Board. In several jurisdictions we evaluated, stricter standards have been established to consider the merits of these types of requests. The use of stricter standards would assist in providing clear guidance as to the funding process and avoid the appearance of conflicts. Furthermore, while most jurisdictions have made contributions directly to the requesting organization often in the form of a grant, it appears that under Bellinger, these payments were frequently made through the advertising agencies as pass-throughs.

Budget Approval Process

The budget for the TDC is approved by the Board. However, in the preparation of the budget, staff analyses are prepared almost exclusively in the context of the revenues that will be available and which may be used for a given purpose. For example, certain portions of the Tourist Development Tax pennies were dedicated for advertising and promotional activities and the entire amount included in the budget was based solely upon the projected receipts of these pennies that were anticipated during the upcoming fiscal year. No expenditure detail is provided; rather, there is an availability of several million dollars and absolutely no designation of uses except a broad category of "promotions."

In numerous counties around the State of Florida, the TDC adopts as part of the budgetary process a strategic or marketing plan on an annual basis, which is also approved by the Board. This plan attempts to identify in advance what is anticipated to be utilized for these promotions and the amount of funds allocated

for that purpose. The benefit from the adoption of strategic or marketing plans is so there is a clear delineation in terms of what the TDC, and ultimately the Board, intend to utilize the money for. It also presents a working document under which various reviewing entities can determine the extent of promotional activities which have been approved. No similar strategic or marketing plan has been formally adopted by the TDC or Board in Okaloosa County.

Invoice Process

In reviewing the approval process used for promotions, the advertising agency would obtain an estimate from a vendor for the media placement or an acquisition. Based upon that estimate, Bellinger would then approve the expenditure. The vendor would then provide the service or acquire the property and send an invoice documenting the basis for the expenditure to the advertising agency. The advertising agency would then generate a separate invoice to the County for payment. The invoices prepared by and submitted by the advertising agency would contain a narrative of the service provided. In some instances, the language used on these invoices was actually written by Bellinger and submitted to the advertising agency for its use in preparing the specific invoices. The language prepared by Bellinger was frequently very general and, in some cases, fraudulent. The invoice would then be submitted for payment with a County processing form (i.e., Contract/Lease Payment Approval Form). When approved, the funds would be sent or wired to the advertising agency and they would pay the vendor. However, the Clerk and other reviewing entities did not normally have any of the actual backup documentation that had been sent by the actual vendor to support the expenditure except the summary invoice prepared by the advertising agency. Our review has also revealed there were several occasions when the advertising agencies would receive an advancement of funds for some future promotion, rather than operate strictly on a reimbursement basis.

This created a review process which resulted in limited documentation being available for review. In the past, the backup documentation from the actual vendor was submitted to the Executive Director and Clerk's office, but apparently at some point prior to Bellinger's employment, that practice was discontinued. We have not been able to determine exactly why that process was stopped.

In conjunction with the contracts with the advertising agencies, Bellinger requested that certain acquisitions be made through the advertising agencies.

These were termed “pass-throughs.” The payment for acquisitions would be invoiced through the agency and the agency, upon receipt, would then pay that money to the vendor from which the equipment/service was purchased. In reviewing the procedures under the prior Executive Director, pass-throughs were used but they were limited and substantially smaller in nature. For example, shirts with logos and promotional towels had been purchased through the advertising agencies. However, upon the hiring of Bellinger, there was a greater focus on sweepstake (“contest”) or event type funding. These events were sweepstakes where vacations and vehicles were awarded as part of a contest.

With the greater emphasis on these types of sweepstakes, the use of pass-throughs reached a new level. Bellinger used pass-throughs to acquire vehicles, a boat and other items through the respective agencies’ contracts. Further, as indicated previously, even grants for funding of local events were treated as pass-throughs and often funded through the advertising agency.

Additionally, the salaries of two “contract” employees who work in the TDC offices are funded through the Zimmerman Agency utilizing this pass-through approach. They are paid by the Zimmerman Agency and the County reimburses the cost of such services to Zimmerman, in addition to its fixed monthly charges by an invoice generated by Zimmerman. In November, 2011, both employees became employees of Zimmerman though their costs continue to be paid by the County as a pass-through.

The following are some examples of the expenditures made through this pass through process:³

- In July, 2011, Bellinger sent an email to Lewis Communications setting forth specific language which was to be incorporated on an invoice. That invoice was to read as follows:

Boast the Coast National Television Campaign and Promotion (Atlanta, Asheville, Chattanooga, Memphis, Nashville, Knoxville, Cincinnati, Columbus, Cleveland,

³ In reviewing the documentation, we did not attempt to make any judgment as to the merits of any particular promotional event but only reviewed them as to the process and controls that were in place.

Kansas City, St. Louis, Louisville, Indianapolis, Minneapolis, Toronto, Niagara Falls, Chicago, Little Rock, Dallas and Houston).

On July 12, 2011, an invoice was prepared by Lewis in the amount of \$747,000, utilizing the descriptive language which Bellinger had provided. Clerk's finance paid the amount to Lewis, who then forwarded it pursuant to the directions of Bellinger to Regions Bank in Birmingham, Alabama, and ultimately to Title Works in Destin, Florida. This money was not used for advertising purposes, but rather was used to purchase a house that was titled in Bellinger and his wife's name. The only backup provided to the County and the Clerk for review was the prepared invoice with the above language. The actual backup possessed by Lewis would have reflected the payment to Title Works which should have raised a concern by the reviewing entities.⁴

- At the Marketing Committee and before the TDC, discussions had occurred relating to the use of a boat to promote and complement the "Best Place in America to Boat and Live" by Boating Magazine. The promotion contemplated a contest for a vacation in the Destin area aboard a yacht. The early discussions had been in the context of either leasing or actually acquiring a boat for these purposes. No formal approval to proceed with this promotion had been granted by the Marketing Committee or the TDC and, in our interviews, no one was aware that the discussions had gone beyond the concept phase. However, on December 16, 2011, Bellinger entered into a brokerage, purchase and sales agreement for the acquisition of a 2011 Marquis 42-foot yacht. The purchase price was \$710,000. The payment of the money was processed through the Zimmerman Agency as part of the promotion, and the invoice which was prepared by Zimmerman based upon the language provided by Bellinger stated as follows:

2011 Marquis 420SC #MQYU3073T011 Yacht Promotional Campaign, Overnight Summer Giveaway, Wedding Promotions, Snowbird Campaigns and National Contest Giveaway. One year advertising and marketing support of the campaign developed and managed by Zimmerman. TDC partnership with legendary marine.

⁴ Information on this acquisition was based upon public and published materials and materials contained in Federal court filings.

The invoice was approved by the Chairman of the Board and processed through Clerk's finance. The boat itself was delivered in December, 2011. The invoice was somewhat misleading in the description of the promotion was extremely vague. Based upon the narrative language provided, it would be difficult to understand the nature of the promotion. However, the summary of the activity did include the description of a yacht. Though this acquisition has received some notoriety, the purchase itself was for a promotion and advertising event and would be a legitimate expenditure, had it been properly authorized and approved. It was not.

- As a result of the success of "Hog Rally" in Destin, the concept was circulated concerning giving away motorcycles during the next Hog Rally the following year. This was discussed before the Marketing Committee, the TDC and the Board, but no formal approval given. Again, Bellinger, without formal approval, arranged for the acquisition of the motorcycles, which were custom designed by the Bourget family. The motorcycles themselves were customized and depicted scenes from the Destin-Okaloosa County area. The motorcycles were purchased as a pass-through by the Zimmerman Agency. The invoice submitted by the Zimmerman Agency stated "2012 Boast the Coast Promotional Campaign Sweepstakes" and the job name was "Final Billing for Bourget Bikes." The total price of the motorcycles was \$118,100. The motorcycles were completed and are being held by the Bourget family for transmittal. This acquisition was a legitimate promotional and advertising expenditure, had it been properly authorized and approved. It was not.

- A Dodge Durango was purchased for "Boast the Coast Promotion" in the amount of \$45,329.50. This promotion was an undefined promotion for the fall of 2012 which would give away the Dodge Durango. Again, the promotion itself appears to have not been reviewed by either the Marketing Committee or the TDC, but was a concept generated solely by Bellinger. Though there was some vague discussion concerning a fall promotion, Bellinger authorized the purchase without approval by the TDC or the Board. The vehicle was purchased as a pass-through by the Zimmerman Agency. This invoice clearly reflected the purchase of a vehicle which should have raised a question as to the expenditure. Again, this acquisition was a legitimate promotional and advertising expenditure, had it been properly authorized and approved. It was not. Based upon cooperation from the

dealer, this purchase has been rescinded and the promotion cancelled by the action of the Board at its June 5, 2012 meeting.

Though the majority of these approvals were signed by the Chairman of the Board of County Commissioners, there are some which were approved by the County Administrator. On some occasions, the Administrator reviewed authorizations when the Chairman was not available. However, the standard procedure was for the Chairman to review and approve these acquisitions. Following approval by the Chairman, the invoice would be processed through the Clerk's office. In February, 2012, a policy change was implemented which required additional approval by the Administrator.

In discussions with the Clerk's office, they interpreted these expenditures as contract payments under the authority granted by the Board through the approval of the contract with the advertising agency. As a contract payment, the Clerk's office predominantly analyzed the invoices as to whether it fell under the umbrella of promotional-type activities, which the advertising agencies were contracted to provide, and whether it was being paid out of the appropriate fund.

Representatives of the Clerk's office did raise various questions in the past as to some of these requested payments and at that time would contact Bellinger for additional details and support. However, the explanation given by Bellinger appeared to satisfy the Clerk's office that these expenditures were appropriate, as no objections were raised. In analyzing the expenditures, the Clerk relied on the Tourist Development Plan and contracts with the advertising agencies in determining whether the particular expenditure falls within the scope of the contract for promotional activities and whether the revenues to be used to pay the expenditure was appropriate. As the review was based upon the interpretation that these were approvals authorized under the advertising agency contract there was no detailed review by the Clerk as to the authorization process of these promotions by the TDC. Nor was there any review by the Purchasing Department for the acquisition of any tangible property.

With the availability of revenues from BP, it appears that more special events-type advertising and sweepstake promotions were instituted. Again, the processing of these promotions was funneled through the advertising agencies, as were the vehicle sweepstake promotions. The purchasing of these vehicles through the advertising agency deprived a layer of review that would otherwise normally

occur in the acquisition of property by the County, that is, the Purchasing Department was omitted from the review process. In reviewing these special event and sweepstake processes, none of them were formally approved by vote by the TDC, nor were they submitted to the Board for vote. Further, in reviewing the minutes, we have been unable to find any significant discussion concerning the financial costs involved with these promotional activities.

ANALYSIS

The events that have occurred and the misuse of public dollars was not the product of a single problem, but rather a combination of factors that had evolved over the years. Though we have identified numerous structural issues in the approval and review process, the fundamental problem appears to be that promotional and advertising activities are somehow treated differently than any other expenditure made by the county and that there was a perception that they should be governed by a different set of rules. That is simply wrong.

This attitude has been pervasive for many years and has led to some inconsistencies between policies of the TDC and the County and the review procedures to be applied. Any change that does not provide a uniform set of policies for the TDC and all County departments will not correct the problem. Based upon our review, we found the following areas of concern:

Role of the TDC and the Board

The TDC is required to be an advisory body to the Board. They are to provide input to the Board, provide a recommendation as to the Tourist Development Plan, review expenditures of Tourist Development Taxes and to help guide and select promotional events and recommend them to the Board for final approval. However, the authority of the TDC has evolved over the years and the relationship between the TDC and the Board has fundamentally changed.

The TDC no longer operated solely as an advisory body, but had assumed the role of ultimate decision maker for promotional activities and authorizing the expenditure of tax dollars without input of the elected officials. This evolution of authority was not unilaterally taken by the TDC, but rather delegated by the Board many years ago. The delegation of the specific decision-making process of promotional activities by the Board appears to be based upon the concept that the

approval of the budget with the revenues designated for promotional expenditures was sufficient direction and oversight. The ultimate decision maker in the approval of promotional activities and expenditure of public funds should be the Board of County Commission with the advice and guidance of the TDC. Appropriate policies need to be implemented to assure the proper approval structure is in place as contemplated by Florida Statutes.

Lack of Documentation

The extent of documentation that was provided to support the expenditures was minimal. This was a significant problem in the failure of providing effective controls. The advertising agency would obtain an estimate, obtain approval of the Executive Director and make the purchase. Generally, once the purchase had been made, the vendor would provide an actual receipt to the advertising agency. However, the advertising agency would only submit the invoice prepared by them and not the back-up which supported that invoice. In the past, all documentation had been submitted in support of expenditures and available for review by the Clerk and County staff. However, at some point prior to Bellinger's employment, that practice was discontinued. The process used by Bellinger helped disguise these expenditures as he would actually provide the descriptive language for the advertising agency invoice which became the sole supporting documentation for the expenditure. Had the actual invoice from the vendor been provided, there would have been a substantially greater likelihood that issues would have been detected earlier.

Inadequate Planning

In reviewing the budget process, there appeared to be limited planning for promotional activities under Bellinger. Though there may have been some internal concepts as to the type of activities that they contemplated doing during the course of the year, those concepts were not formalized and approved. In reviewing the practices and procedures around the State, it appears that many jurisdictions require as part of their budget process, the creation of a Strategic or Marketing Plan which would guide the expenditure of the promotional revenues during the course of the upcoming fiscal year. That Plan would be reviewed by the TDC and recommended to the Board for adoption. Variations from that Plan would require an amendment to the Plan approved by the Board. This allows the TDC and

reviewing entities to utilize it as a guide for the approval of promotions and to make certain that the various expenditures fall within the limits of the Plan.

Lack of Financial Reporting

Under the prior Executive Director, periodic financial reports were provided to the TDC setting forth the use of revenues and the current balances remaining. Under Bellinger, there was no financial reporting and that information was largely maintained under his exclusive control. It is essential that the Board and the TDC be provided periodic financial updates so that the activities of the TDC can be effectively monitored. Further, section 125.0104(4)(e), Florida Statutes, provides in relevant part:

The council shall continuously review expenditures of revenues from the tourist development trust fund and shall receive, at least quarterly, expenditure reports from the county governing board or its designee. Expenditures which the council believes to be unauthorized shall be reported to the county governing board and the Department of Revenue. The governing board and the department shall review the findings of the council and take appropriate administrative or judicial action to ensure compliance with this section.

Failure to Apply Policies Uniformly

In reviewing the documentation, it appears that there was not a clear delineation of policies under which the Executive Director was required to operate. The TDC had adopted various policies, some of which were inconsistent with the County's other policies. The Executive Director and his/her staff need to operate consistently as county employees and under the same guidelines as other employees. The inconsistency in the applicable policies results in some confusion by the reviewing entities that are tasked with oversight.

Use of Agency Contracts

The use of the advertising agencies' contracts for pass-throughs in the purchasing of tangible physical items allowed Bellinger to bypass the purchasing policies of the County. Under the County's purchasing policies, certain purchasing approvals must be obtained prior to the acquisition. For example, if an item was under \$25,000, it required that the department head and the Purchasing Director sign off on that purchase. If it was over \$25,000 and up to \$50,000, the County Administrator, the Purchasing Director and the department head were required to approve it. If it was over \$50,000, Board approval would be required. However, by funneling these purchases through the advertising agency contacts it allowed a complete bypass of several entities which would otherwise normally review these purchases. Likewise, the practice of issuing an advancement of funds should be highly limited to extraordinary circumstances, and which would then require additional approvals.

Further, the County should reevaluate the appropriateness of allowing the provision of advertising agency employees to work for the TDC and to be paid as a pass-through. Though the County has used "temps" from employment services in the past, it has not, to our knowledge allowed employees of a vendor to provide administrative function for the same entity that the vendor is currently providing services.

Chain of Authority

Beginning in 2005, the Executive Director was aligned differently than any other department head. The Executive Director reported directly to the Chairman of the Board of County Commissioners and no longer reported to the County Administrator. By removing the County Administrator from this process, an additional layer of oversight was eliminated. The reporting to the Chairman of the Board of County Commissioners results in a loss of continuity. A new Chairman may be appointed on an annual basis, thereby resulting in a loss of the historical knowledge that would have been accumulated. Additionally, the variation in style and degree of oversight would vary as different chairmen, exercised different degrees of control.

Use of Subcommittees

Under the policies of the TDC, various subcommittees have been used to assist in fulfilling its duties. The use of subcommittees can be extremely helpful in addressing specific tasks. However, it appears that under Bellinger, the Marketing Committee became more predominant and essentially assumed some of the functions of the TDC. Subcommittees clearly may be beneficial but ultimately decision making needs to always be vested in the Board with the advice of the TDC.

Lack of Standards

The TDC and its Marketing Committee considered funding of local events. The funding of these activities is beneficial to the community but there are some limitations on the extent of these events that can and should be funded by the TDC. In evaluating these events, the TDC should strive to develop additional standards to evaluate these applicants. This will assure that the applications are being considered under the same standard and avoid possible issues of conflict.

Similarly, should sweepstake promotions continue, there needs to be specific rules that govern who can apply, how the winner will be chosen and any obligations that will be borne by the winner. In surveying other jurisdictions, many do not use sweepstake type promotions. None of them had sweepstakes to the extent that were used by Bellinger. However, those that did have some type of sweepstakes have very specific guidelines and restrictions that governed the contest.

CONCLUSION

Based upon our investigation, it is apparent to us that the unauthorized and, in some cases, illegal activities of the former Executive Director, were the result of a massive failure of controls. Though we have found, and previously discussed several areas of concern, there appears to be three areas that were significant in the failure of controls that has occurred.

Fundamentally, one significant problem extends back many years as to the relationship between the Board, the Executive Director and the TDC. As has developed over the years, the TDC has been viewed as a separate governmental

entity, as opposed to what is contemplated under Florida Statutes and the County's Ordinance, which is as an advisory board. The responsibility for approval of promotional activities has for many years been delegated to the TDC, resulting in the Board being largely absent from that process. Though a member of the Board acts as a liaison on the Tourist Development Council, this in and of itself does not provide adequate exercise of the authority granted to the Board, particularly where the expenditure of tax dollars is at issue.

The second of these significant problems, which hampered any review efforts, was the lack of documentation provided to the reviewing entities to support the expenditures. As indicated, previously, the actual vendor invoices were provided to support the payment. However, at some point, that backup was no longer provided and the reviewing entities primarily considered only the invoices prepared by the advertising agency. By limiting the review to this documentation, some of which the language was drafted by Bellinger, the reviewing entities had limited, if any ability to identify potential areas of abuse.

Finally, Bellinger was a county employee but he appears to have been allowed to operate without significant supervision and under different rules than any other county employee. From the aspect of the TDC, it appears that the activities of Bellinger were largely unsupervised and that the TDC granted him a great deal of flexibility in crafting the promotional activity and the expenditure of funds. An additional issue clearly is that though the Executive Director was contemplated to operate under the County's policies, he was largely allowed to operate free of these restrictions.

Based upon our review, we make the following recommendations.

RECOMMENDATIONS

REPORTING AUTHORITY

1. The Executive Director of the Tourist Development Council will report directly to the County Administrator as any other County Department Head. The Policy adopted by the Board on November 6, 2005 is rescinded.

[APPROVED BY THE BOARD MAY 15, 2012]

OPERATING PROCEDURES

2. All contracts and expenditures made by the Executive Director on behalf of the Tourist Development Council will be made in conformity with the County's Contract, Leases & Non-Grant Agreements, Policies & Procedures and the County's Purchasing Manual.

[APPROVED BY THE BOARD MAY 15, 2012]

3. The operating policies and procedures of the Tourist Development Council shall be revised to eliminate inconsistent provisions of the County policies.

[IN PROCESS]

APPROVAL OF PROMOTIONAL ACTIVITIES

4. All activities of the Advertising Agencies shall only be allowed utilizing the written task order procedures of the County's Contract Policy. A written task order will be required for the engagement of any promotional activity or any expenditure.
 - a. A task order for services up to \$25,000 requires approval by the Department Head (Executive Director) and Purchasing Director.
 - b. A task order for services above \$25,000 and up to \$50,000 approval by the Department Head (Executive Director), Purchasing Director and County Administrator.

- c. A task order for services over \$50,000 by the Board of County Commissioners.

[APPROVED BY THE BOARD MAY 15, 2012]

- 5. Past authorized promotional or advertising activities that are ongoing shall not be allowed to proceed without the issuance of a task order.

[APPROVED BY THE BOARD MAY 15, 2012 AND JUNE 5, 2012]

APPROVAL OF PURCHASES

- 6. No purchases for real or tangible personal property shall be made by the Advertising Agencies, the Tourist Development Council or Executive Director unless written authorization accompanies that request. Such authorizations shall be in advance. The scope of the written authorization will be as follows:
 - a. Purchases Acquisitions up to \$25,000, approval by the Department Head (Executive Director) and Purchasing Director
 - b. Purchases and Acquisitions above \$25,000 and up to \$50,000 approval by the Department Head (Executive Director), Purchasing Director and County Administrator.
 - c. Purchases and Acquisitions over \$50,000 by the Board of County Commissioners.

[APPROVED BY THE BOARD MAY 15, 2012]

- 7. The Advertising Agencies will be required to confirm in writing their understanding and acceptance of these requirements.

[APPROVED BY THE BOARD MAY 15, 2012 – both Zimmerman and Lewis have complied]

- 8. Advancement of funds should be limited and additional guidelines and procedures prepared to restrict this activity.

DOCUMENTATION

9. No invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. No invoice will be approved unless the actual invoice from the vendor accompanies the form.
10. The County should attempt to make media purchases whereby the vendor is paid directly by the County rather than through the advertising agency.

PLANNING

11. Annually, the Executive Director will be required to prepare a detailed Strategic or Marketing Plan which will set forth the proposed marketing expenditure for the upcoming fiscal year. That Plan will be reviewed approved by the TDC and recommended to the Board for final approval. Expenditures during the upcoming year shall be in conformity with the Plan. Amendments to the Plan shall be reviewed and approved by the TDC and recommended to the Board for final approval.

DEVELOPMENT OF ADEQUATE STANDARDS

12. The TDC shall develop stricter standards for the evaluation of Special Event funding.
13. The TDC shall prepare detailed rules and restrictions to govern any contest or sweepstakes program.
14. The payments for the funding of Special Events should be directly to the entity applying for the funding and the payment should not be paid through the advertising agency.

FINANCIAL REPORTING

15. At a minimum, quarterly expenditure reports shall be provided to the TDC and to the Board for their review. These reports shall reconcile all payments that have been made and provide the extent of funding that remains available.

ACCREDITATION AND CERTIFICATION

16. The International Association of Convention and Visitors Bureau has partnered with Purdue University to develop an accreditation program for official destination marketing organizations. The County should explore possible accreditation of the TDC.
17. There is also a Certified Destination Management Executive Program. The County should encourage any future TDC Executive Director to complete this program.

REVIEW OF ADVERTISING CONTRACTS AND CONTRACT EMPLOYEES

18. The County should review the existing contracts with the advertising agencies and require conformity with the County's purchasing policies.
19. The County should review the appropriateness of the continual funding of the Zimmerman employees as a pass through.

ADOPTION OF A CODE OF ETHICS

20. The County should consider the preparation of an ordinance adopting a Code of Ethics for the Board, County employees and all appointed committees and boards.

Tab 2

Sheriff



Okaloosa County



May 9, 2012

Okaloosa County Board of County Commissioners
1804 Lewis Turner Boulevard, Suite 100
Fort Walton Beach, FL 32547

Attn: Don Amunds
Chairman of the Board

Jim Curry
County Administrator

Re: Mark Bellinger Investigation

Dear Sirs:

As you are aware, there is an ongoing criminal investigation into the purchase of a boat and house by former Tourist Development Council Director, Mark Bellinger.

We are asking for your cooperation and are requesting that the Board does not conduct an independent audit or independent examination of witnesses during our ongoing criminal investigation.

Sincerely,


Larry R. Ashley
Okaloosa County Sheriff


Bill Eddins
State Attorney, First Judicial Circuit

LRA/dc

- 1250 N. Eglin Parkway, Shalimar, FL 32579-1234 ★ Phone (850) 651-7410 ★ Fax (850) 609-3048
- 296 Brackin Street, Crestview, FL 32539-2909 ★ Phone (850) 689-5650 ★ Fax (850) 689-5556

"The Okaloosa County Sheriff's Office provides equal access and equal opportunity in employment and services and does not discriminate"

Tab 3

Tourist Development Council Recommendations June 19, 2012

Special Counsel, Okaloosa County Commissioners
Gregory T. Stewart

Update to BCC – December 18, 2012 by Dan O'Byrne

Previous Recommendations

REPORTING AUTHORITY

- The Director of the Tourist Development Department will report directly to the County Administrator as any other County Department Head. The Policy adopted by the Board on November 6, 2005 is rescinded.

[APPROVED BY THE BOARD MAY 15, 2012]

- ✓ Improved management continuity and focus on running a department.
- ✓ Direct accountability.
- ✓ Day-to-day consistency with county / BCC leadership objectives.

Operating Procedures

- All contracts and expenditures made by the Director on behalf of the Tourist Development Council will be made in conformity with the County's Contract, Leases & Non-Grant Agreements, Policies & Procedures and the County's Purchasing Manual.

[APPROVED BY THE BOARD MAY 15, 2012]

- The operating policies and procedures of the Tourist Development Council shall be revised to eliminate inconsistent provisions of the County policies.

[APPROVED SEPTEMBER 18, 2012]

- ✓ *Extensive revision to tourist development operating policies and procedures manual to incorporate requirements of the County's Contract, Leases & Non-Grant Agreements, Policies & Procedures and the County's Purchasing Manual.*
- ✓ *Formal presentation to council made on Aug 6, 2012. Council voted to recommended adoption.*
- ✓ *Amendments to the Operations & Procedure Manual and TDC Ordinance were adopted on September 18, 2012.*
- ✓ *Broaden contract reviews by multiple levels vs. a single person.*
- ✓ *Structured financial management at the department level.*
- ✓ *Corrections made to inaccuracies.*
- ✓ *Action taken on non-conforming items such as leases or unauthorized services.*
- ✓ *Created review process for special events & sponsorships*

Operating Procedures *continued*

APPROVAL OF PROMOTIONAL ACTIVITIES

Project activities of the Advertising Agencies shall only be allowed utilizing the written task order procedures of the County's Contract Policy. A written task order will be required for the engagement of any promotional activity or any expenditure.

- A task order for services up to \$25,000 requires approval by the Department Head (Director) and Purchasing Director.
- A task order for services above \$25,000 and up to \$50,000 approval by the Department Head (Director), Purchasing Director and County Administrator.
- A task order for services over \$50,000 by the Board of County Commissioners.
[APPROVED BY THE BOARD MAY 15, 2012]
- Past authorized promotional or advertising activities that are ongoing shall not be allowed to proceed without the issuance of a task order.
[APPROVED BY THE BOARD MAY 15, 2012 AND JUNE 5, 2012]

- ✓ *Top to bottom review of existing TDD campaigns. All projects have been vetted with approval, modified to meet standards, or have been cancelled.*
- ✓ *Task Order system has been fully implemented. Worked with other departments and agencies to achieve better consistency.*
- ✓ *Improved level of communication, presentation of specifics to Council –use of IQM2 video meeting and minutes system implemented.*
- ✓ *Campaign development underway, commenced with hiring of new director August 27, and advertising agency on Dec. 4, 2012.*

Operating Procedures *continued*

APPROVAL OF PURCHASES

No purchases for real or tangible personal property shall be made by the Advertising Agencies, the Tourist Development Council or Director unless written authorization accompanies that request. Such authorizations shall be in advance. The scope of the written authorization will be as follows:

- Purchases Acquisitions up to \$25,000, approval by the Department Head (Director) and Purchasing Director
- Purchases and Acquisitions above \$25,000 and up to \$50,000 approval by the Department Head (Director), Purchasing Director and County Administrator.
- Purchases and Acquisitions over \$50,000 by the Board of County Commissioners.

[APPROVED BY THE BOARD MAY 15, 2012]

- The Advertising Agencies will be required to confirm in writing their understanding and acceptance of these requirements.

[APPROVED BY THE BOARD MAY 15, 2012 – both Zimmerman and Lewis complied]

- ✓ *Task Order procedure has been implemented and consistently applied.*
- ✓ *Greater detail provided to Council – particularly expense of projects.*

Additional Recommendations- *Operating Procedures*

- Advancement of funds should be limited and additional guidelines and procedures prepared to restrict this activity.

- ✓ *Widespread prepayment for services has been stopped.*
- ✓ *Funds being held by agency (\$305,484.20) returned.*
- ✓ *Limitations on the advancement of funds has been incorporated into both the Operations & Procedures Manual and within the new ad agency contract.*

Operating Procedures *continued*

DOCUMENTATION

- No invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. No invoice will be approved unless the actual invoice from the vendor accompanies the form.
- The County should attempt to make media purchases whereby the vendor is paid directly by the County rather than through the advertising agency.

✓ *Operational procedures manual and new ad agency contract agreement mandate the invoice and back up be provided prior to payment.*

✓ *County has the right and ability to direct pay on media buys.*

Operating Procedures *continued*

PLANNING

- Annually, the Director will be required to prepare a detailed Strategic Marketing Plan which will set forth the proposed marketing expenditure for the upcoming fiscal year. That Plan will be reviewed by the TDC and presented to the Board for final approval. Expenditures during the upcoming year shall be in conformity with the Plan. Amendments to the Plan shall be reviewed by the TDC and subject to the Board for final approval.

✓ *Establishing a Strategic Marketing Plan is a top priority for new director and advertising agency.*

Operating Procedures *continued*

DEVELOPMENT OF ADEQUATE STANDARDS

- The Tourist Development Department (TDD) shall develop stricter standards for the evaluation of Special Event and sponsorship funding.
- The TDD shall prepare detailed rules and restrictions to govern any contest or sweepstakes program.
- The payments for the funding of Special Events and sponsorships should be directly to the entity applying for the funding and the payment should not be paid through the advertising agency.

- ✓ *Tourist Development operating standards have been rewritten.*
- ✓ *Subjectivity of award levels to special events and sponsorships have been incorporated into the Operations & Procedures Manual to be more objective and will be further refined in the future.*
- ✓ *Prerequisites and applied standards from other tourism development groups.*
- ✓ *Detailed after action reports and impact calculations will be required.*

Operating Procedures *continued*

FINANCIAL REPORTING

- At a minimum, quarterly expenditure reports shall be provided to the TDC and to the Board for their review. These reports shall reconcile all payments that have been made and provide the extent of funding that remains available.

- ✓ *Council members provided monthly expense reports.*
- ✓ *List of all checks written in the past 30 days.*
- ✓ *Comparative analysis of outflow to budget timeline.*
- ✓ *Improved financial management at the department level.*
- ✓ *Board to be provided quarterly expenditure report beginning in January.*

Additional Recommendations

ACCREDITATION AND CERTIFICATION

- The International Association of Convention and Visitors Bureau has partnered with Purdue University to develop an accreditation program for official destination marketing organizations. The County should explore possible accreditation of the TDD.
- There is also a Certified Destination Management Executive Program. The County should encourage any future TDD Director to complete this program.

- ✓ *Director has established a relationship with Florida Association of Destination Marketing Organizations, National Destination Marketing Association International and U.S. Travel Association.*
- ✓ *Future peer reviews and industry assessments.*
- ✓ *Staff goal to become accredited – both individually and as an organization.*

Additional Recommendations

continued

REVIEW OF ADVERTISING CONTRACTS AND CONTRACT EMPLOYEES

- The County should review the existing contracts with the advertising agencies and require conformity with the County's purchasing policies and operations manual.
- New contract now conforms with county purchasing requirements and TDC policy manual.

✓ *New Ad agency contract as of Dec. 4, 2012.*

✓ *Uniformity with existing policy – such as per diem limits – have been included in the new Ad Agency contract.*

Additional Recommendations *continued*

- Current Advertising Agency Contract
- Any work performed under New Product Development Services will require a task order, which shall contain a detailed scope of services and an estimated not-to-exceed costs.
- No invoice will be approved unless a copy of the actual invoice from the vendor accompanies the invoice and reflects the acquisition of goods/services.
- The county has the discretion to pay vendors directly for paid media and pass through costs
- Article IV, Section 4.1 of the contract deems Peter Mayer to be an independent contractor, rather than an agent of the county.

Additional Recommendations *continued*

ADOPTION OF A CODE OF ETHICS

- The County should consider the preparation of an ordinance adopting a Code of Ethics for the Board, County employees and all appointed committees and boards.

✓ *Board direction on Aug. 21, 2012 meeting to consider after new commissioners take office.*

Future Updates

- ✓ Recovery of expended funds from sale of unauthorized purchases in progress; report in January.
- ✓ Public Documents available on website on the Tourist Development Department page at www.okaloosafl.com
 - TDC Policy Manuals
 - County Ordinance
 - Penny Distribution
 - Tourist Tax Collections
 - Meeting Schedule
 - TDC members & application

Tab 4

Tab 4

Auditor General's Operation Audit Report is separate from this document.

Tab 5

Sheriff



Larry Ashley, Okaloosa County Sheriff

1250 Eglin Parkway • Shalimar, Florida 32579-1234
Phone: (850) 651-7410 • Email: sheriff@sheriff-okaloosa.org

Feb 1, 2013

Okaloosa County Board of County Commissioners
1804 Lewis Turner Boulevard, Suite 100
Fort Walton Beach, FL 32547

Attn: Don Amunds, Chairman of the Board
Jim Curry, County Administrator

Re: Mark Bellinger / TDC Investigation

Dear Sirs,

As you are aware, our office initiated criminal investigations relevant to TDC expenditures under former TDC Director Mark Bellinger back in May 2, 2012. As a result of that investigation our office and the State Attorney's Office requested that the BOCC suspend any independent audit or examination of witnesses during that time. We appreciate the cooperation of the BOCC and your staff in that regard and during the course of these investigations.

Subsequent to our May 9, 2012 request (electronic copy attached here), I had conversations with County Administrator Jim Curry in regards to the BOCC request to move forward with their own internal review as related to processes and corrective action. Our office nor the State Attorney's office had any objection to that request and the BOCC subsequently moved forward with the law firm of Nabors, Giblin, and Nickerson in their internal review. The BOCC report of internal review was subsequently completed on June 13, 2012 and presented at the BOCC regular meeting on June 19th, 2012. (electronic copy attached here)

Per your request and in light of the January 2013-085 completion of the State Auditor General's operational audit findings and report, our office nor the State Attorney's Office has objection to the BOCC or your designee moving forward with independent examination of witnesses regarding these events. We would of course ask that any relevant findings be immediately shared with our office.

If you should need any additional information regarding this matter, please feel free to contact me at your convenience.

Sincerely,

Larry Ashley
Okaloosa County Sheriff



The Okaloosa County Sheriff's Office is accredited by the
Commission for Florida Law Enforcement Accreditation.

"The Okaloosa County Sheriff's Office provides equal access and equal
opportunity in employment and services and does not discriminate"

Tab 6

WILLIAM "BILL" EDDINS

STATE ATTORNEY

FIRST JUDICIAL CIRCUIT OF FLORIDA



Please reply to Pensacola Office

February 6, 2013

Via Electronic Mail

Gregory T. Stewart
Nabors, Giblin & Nickerson, P.A.
1500 Mahan Dr., Suite 200
Tallahassee, FL 32308

RE: Mark Bellinger / TDC Investigation

Dear Mr. Stewart:

As we discussed, the position set forth in the attached letter from Sheriff Larry Ashley to the Okaloosa County Board of County Commissioners dated February 1, 2013, and the email from Sheriff Larry Ashley to Don Amunds and Jim Curry dated February 4, 2013, correctly states the position of my office. Okaloosa County is free to conduct whatever investigation and take whatever action they deem appropriate. We are continuing our investigation which has been and will be a lengthy, detailed and thorough investigation into any criminal wrong doing.

Sincerely,

A handwritten signature in cursive script, appearing to read "William Eddins".

WILLIAM EDDINS
STATE ATTORNEY

WE/klm

Enclosures

cc: Comm. Don Amunds, Chairman
Comm. Wayne Harris
Comm. Nathan Boyles
Comm. Kelly Windes
Comm. Dave Parisot
Jim Curry, County Administrator
Sheriff Larry Ashley

ESCAMBIA COUNTY
190 Governmental Center
Post Office Box 12726
Pensacola, Florida 32591

SANTA ROSA COUNTY
6495 Caroline Street
Suite S
Milton, Florida 32570

OKALOOSA COUNTY
151 Cedar Avenue
Crestview, Florida 32536
(850) 689-7820

WALTON COUNTY
524A E. Hwy. 90
Post Office Box 630
DeFuniak Springs, FL 32435

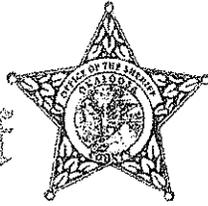
Felony & Intake - (850) 595-4200
Misdemeanor - (850) 595-4200
Juvenile - (850) 595-3750

(850) 981-5500

18 9th Ave.
Shalimar, Florida 32579
(850) 651-7260

(850) 892-8080

Sheriff



Larry Ashley, Okaloosa County Sheriff

1250 Eglin Parkway • Shalimar, Florida 32579-1234
Phone: (850) 651-7410 • Email: sheriff@sheriff-okaloosa.org

Feb 1, 2013

Okaloosa County Board of County Commissioners
1804 Lewis Turner Boulevard, Suite 100
Fort Walton Beach, FL 32547

Attn: Don Amunds, Chairman of the Board
Jim Curry, County Administrator

Re: Mark Bellinger / TDC Investigation

Dear Sirs,

As you are aware, our office initiated criminal investigations relevant to TDC expenditures under former TDC Director Mark Bellinger back in May 2, 2012. As a result of that investigation our office and the State Attorney's Office requested that the BOCC suspend any independent audit or examination of witnesses during that time. We appreciate the cooperation of the BOCC and your staff in that regard and during the course of these investigations.

Subsequent to our May 9, 2012 request (electronic copy attached here), I had conversations with County Administrator Jim Curry in regards to the BOCC request to move forward with their own internal review as related to processes and corrective action. Our office nor the State Attorney's office had any objection to that request and the BOCC subsequently moved forward with the law firm of Nabors, Giblin, and Nickerson in their internal review. The BOCC report of internal review was subsequently completed on June 13, 2012 and presented at the BOCC regular meeting on June 19th, 2012. (electronic copy attached here)

Per your request and in light of the January 2013-085 completion of the State Auditor General's operational audit findings and report, our office nor the State Attorney's Office has objection to the BOCC or your designee moving forward with independent examination of witnesses regarding these events. We would of course ask that any relevant findings be immediately shared with our office.

If you should need any additional information regarding this matter, please feel free to contact me at your convenience.

Sincerely,

Larry Ashley
Okaloosa County Sheriff



The Okaloosa County Sheriff's Office is accredited by the
Commission for Florida Law Enforcement Accreditation.

"The Okaloosa County Sheriff's Office provides equal access and equal
opportunity in employment and services and does not discriminate"

From: Larry Ashley <lrasley@sheriff-okaloosa.org>
To: Don Amunds <damunds@co.okaloosa.fl.us>, "jcurry@co.okaloosa.fl.us" <jcur...
Date: 2/4/2013 4:12 PM
Subject: RE: BOCC Request for Internal Review
Attachments: image016.jpg; image017.jpg; image018.jpg; image019.png; image020.png; image007.jpg; image009.jpg; image011.jpg; image013.png; image015.png

CC: "russ_edgar@sa01.org" <russ_edgar@sa01.org>, "Steve Harker(steven.harker...
Dear Commissioner Amunds,

I can't be more specific, however as a result of the completion of the State Auditor General's audit findings report our criminal investigation has progressed to a point where our office has no objection to the county seeking information from any individual or entity they deem necessary. We ask that the BOCC or their designee share any relevant information obtained during the course of your internal investigations for the purpose of cross referencing for possible conflicts.

Sincerely,

Larry Ashley

Larry R. Ashley, Sheriff
Okaloosa County Sheriff's Office
1250 N. Eglin Parkway
Shalimar, FL 32579

Office: 850-651-7410
Fax: 850-609-3048
E-mail: sheriff@sheriff-okaloosa.org<mailto:%20sheriff@sheriff-okaloosa.org>
[cid:image007.jpg@01CE02F2.10610CE0]<http://www.sheriff-okaloosa.org/>
[cid:image009.jpg@01CE02F2.10610CE0]
<http://www.facebook.com/pages/Okaloosa-County-Sheriffs-Office/281642818653>
[cid:image011.jpg@01CE02F2.10610CE0] <http://twitter.com/#!/OCISOALERTS>
[cid:image013.png@01CE02F2.10610CE0] <http://www.youtube.com/user/OkaloosaSheriff>
[cid:image015.png@01CE02F2.10610CE0] <http://local.nixie.com/okaloosa-county-sheriffs-office/>

From: Don Amunds [mailto:damunds@co.okaloosa.fl.us]
Sent: Friday, February 01, 2013 4:39 PM
To: Larry Ashley
Cc: Jim Curry
Subject: RE: BOCC Request for Internal Review

Sheriff,

I appreciate the information below and I want to clarify whether we can go back to interviewing sub contractors out of State or if that phase is still ongoing.

From: Larry Ashley [mailto:lrasley@sheriff-okaloosa.org]
Sent: Friday, February 01, 2013 1:44 PM
To: Don Amunds; Jim Curry
Cc: russ_edgar@sa01.org<mailto:russ_edgar@sa01.org>; Arnold Brown; Steve Harker (steven.harker2@ic.fbi.gov<mailto:steven.harker2@ic.fbi.gov>)
Subject: BOCC Request for Internal Review

Dear Commissioner Amunds,

I have been contacted by County Administrator Jim Curry (Jan 31, 2013) in regards to a BOCC request to

conduct internal investigations which would not conflict with ongoing law enforcement investigations as related to the Okaloosa County TDC. Having consulted with ASA Russ Edgar of the State Attorney's Office, our office nor the State Attorney's Office have any objection with this request.

- Attached is our offices response today (Feb. 1, 2013) to the BOCC request to conduct internal investigations regarding this matter.

- Attached is the TDC Internal Review conducted for the BOCC by the law firm of Nabors, Giblin, & Nickerson dated June 13, 2012.

- Attached is our offices initial request to suspend any internal audit and or independent examination of witnesses during the ongoing criminal investigation, dated May 9th, 2012

I know that this continues to be an arduous and exhaustive process however we appreciate the cooperation of the BOCC and your staff in these matters. If you or the County Administrator should have any questions regarding this information, please do not hesitate to call on me.

Sincerely,

Larry Ashley

Larry R. Ashley, Sheriff
Okaloosa County Sheriff's Office
1250 N. Eglin Parkway
Shalimar, FL 32579

Office: 850-651-7410

Fax: 850-609-3048

E-mail: sheriff@sheriff-okaloosa.org<mailto:%20sheriff@sheriff-okaloosa.org>

[cid:image016.jpg@01CE02F1.F2004180]<<http://www.sheriff-okaloosa.org/>>

[cid:image017.jpg@01CE02F1.F2004180]

<<http://www.facebook.com/pages/Okaloosa-County-Sheriffs-Office/281642818653>>

[cid:image018.jpg@01CE02F1.F2004180] <<http://twitter.com/#!/OCISOALERTS>>

[cid:image019.png@01CE02F1.F2004180] <<http://www.youtube.com/user/OkaloosaSheriff>>

[cid:image020.png@01CE02F1.F2004180] <<http://local.nixle.com/okaloosa-county-sheriffs-office/>>

The Mission of the Okaloosa County Sheriff's Office: "Ensuring fair and equal administration of the law, safeguarding civil liberties and preserving public safety; Doing so with professionalism and unity of purpose, while being good stewards of the public's trust".

PLEASE NOTE:

This email may contain Law Enforcement Sensitive or Privileged Information, which is intended only for use by the individual or entity to which the email is addressed. If you have received this email in error, please delete it immediately. E-mail communications to or from Okaloosa County Sheriff's Office employees are considered public records and are available to the public and media upon request. Your

e-mail communications with attachments, including your email address, are subject to public disclosure.

Tab 7

1. Counsel to prepare and present to the Board a litigation strategy addressing the recovery of improperly used funds;
2. Counsel to review and revise the Operations and Procedures Policies to further implement the measures that have been adopted and to simplify and clarify the procedures;
3. To request the resignation of those TDC members that were on the Council during the May 2010 – May 2012 period;
4. Accept the resignation of the TDC attorney ;
5. Hire a compliance officer;
6. Provide education program and materials for all volunteer councils, committees or board clarifying duties, requirements and responsibilities;
7. Authorize the Chairman to execute a letter requesting that there be a sharing of information to assist in investigation.

JUDKINS, SIMPSON, HIGH & SCHULTE

ATTORNEYS AT LAW

1102 N. GADSDEN STREET

TALLAHASSEE, FLORIDA 32303

www.ReadyForTrial.com

JAMES P. JUDKINS
LARRY D. SIMPSON
ROBERT KING HIGH, JR.
THOMAS J. SCHULTE, JR.

POST OFFICE BOX 10368
TALLAHASSEE, FLORIDA 32302-2368
TELEPHONE (850) 222-6040
FAX (850) 561-1471

February 8, 2013

VIA FAX: 922-5667

Ms. Kathryn H. DuBose
Joint Legislative Auditing Committee
111 West Madison Street, Room 876
Claude Pepper Building
Tallahassee, Florida 32399-1400

Re: Invitation to Committee Meeting

Dear Ms. DuBose:

On behalf of The Zimmerman Agency, I am responding to your invitation to attend the Joint Legislative Auditing Committee meeting scheduled for February 11, 2013 at 2:00 p.m. The Zimmerman Agency may have a representative at the meeting, who can receive requests from the Committee for further information for consideration by The Zimmerman Agency. We have provided voluminous records in response to the investigations of the TDC activities already, and if other information is necessary we will attempt to provide it. We are unsure why we are invited to attend this meeting when nobody from the committee has asked us for any information or explanations until now.

We reviewed the report as you suggested, and note the following matters that need clarification or correction:

- (1) Finding No. 9: The firms were not paid \$12.1 million as compensation. The total expenditures for marketing communications (as directed by the TDC director) through the two firms was \$12.1 million. The TDC director specifically directed and authorized expenditures of The Zimmerman Agency for the actual goods or services purchased. The Zimmerman Agency submitted detailed estimates for all expenditures, and in cases where the TDC director modified the agency's estimates or descriptions, the agency has supporting emails.
- (2) Finding No. 9: Under "Contract Monitoring," the document states that "the County paid the firm an additional \$142,942.30 for the services of an integrated marketing associate and a sales/public relations associate." Those two positions were actually employees of the TDC. The County requested the agency employ the individuals on

Ms. Kathryn H. DuBose

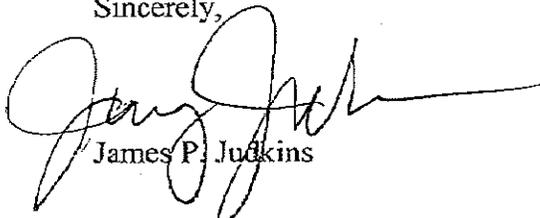
February 8, 2013

Page 2

behalf of the county and then bill for reimbursement for the salaries and benefits in question. The former TDC director, the County Administrator and the County HR director, as well as employees of the TDC and the Convention Center were all aware of these circumstances and that the agency was acting under instructions from the TDC in paying the cost of those employees. The same section of the document details costs outside of the scope-of-services that were requested by the TDC Director and billed as individual projects outside of the fee.

- (3) Finding No. 12: The County and TDC (under Darrel Jones) established the procedures for approval of purchases through The Zimmerman Agency that were followed for more than 10 years.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Judkins", written over a printed name.

James P. Judkins

JPJ/fs

cc: Curtis Zimmerman

[REDACTED]

From: Michael J. Barnes [REDACTED] >
Sent: Friday, February 08, 2013 4:20 PM
To: JLAC
Cc: Dubose, Kathy
Subject: Comments Regarding Improper Use of TDC Funds in Okaloosa County and Ignored Misuse of Other Funds
Attachments: eMail-20130131-RequestForResignation-WayneHarris.pdf; OCA-20091201-TaxCollector-Ethics-FINAL.pdf; JLAC-20130208-LETF.pdf

To the Members of the Joint Legislative Auditing Committee (the Committee):

I greatly appreciate the Committee's interest in the operational audit dealing with the Tourist Development Council (TDC) in Okaloosa County. It is unfortunate that the Auditor General's involvement came far too late for our county, which has been engulfed in one public scandal after another. I contend that had the Auditor General been actively involved in the former Okaloosa County Tax Collector and the Sheriff's scandals, just maybe (worth saying again, "just maybe") the TDC fiasco could have been avoided.

The citizens in Okaloosa County are making every effort to expose the ongoing corruption, but their voices and complaints are ignored by State and local officials. For example: When the Okaloosa Citizens Alliance, Incorporated released a well-documented Report on Improper Deferred Compensation Payments at the Okaloosa County Tax Collector's Office in December 2009, no Federal and State agency nor the Okaloosa County Board of County Commissioners took interest and investigated the matter. To my knowledge, no report of investigation was issued by any agency.

It appears the next scandal in Okaloosa County may involve the past and present management and use of the Law Enforcement Trust Fund (LETF) under F. S. 932.7055. At a glance of the attached highlighted LEFT expenditures, it appears there were possible LETF misuse starting with the former Sheriff Charlie Morris in 2004 and continues with the current Sheriff and the Okaloosa County Board of County Commissioners—the use inconsistent with the legislative intent. The bottom line...it appears the LETF funds have been and are currently being used for political favor and not solely used for law enforcement purposes. To be more direct, it appears the LETF is used to "buy votes." It appears this possible corruption started when the LETF oversight at the Florida Department of Law Enforcement ceased.

Public corruption remains open season in Okaloosa County with no end in sight. It is politics of the day in what is supposed to be one of most conservative counties in the State. If the word "conservative" is now the code for acceptable unethical and criminal behaviors, then the entire State of Florida has an enormous problem beyond politics. Like many citizens living in Okaloosa County, we do not take any pride in our county being labeled as "Crookoloosa" or "Scandaloosa County." It is certainly not a badge of honor that I accept.

We certainly have a leadership problem in the County. This Committee has an opportunity to help Okaloosa County save the taxpayers from hypocritical, self-serving elected officials who are part of the problem. As the operational audit pointed out in Finding No. 4 (Conflicts of Interest), it is inconceivable that a County Commissioner who also serves as the Executive Director for a local chamber of commerce knowingly accepted at least three monetary TDC contributions for three consecutive months for his private employer and appears to never have discussed this matter on the public record during a Board of County Commissioner's meeting. I contend this Commissioner's behavior was deceptive, lacked professional judgment and appears to be unethical. As stated in the

attached email, I have “loss total trust and confidence” in this public official and have publicly called for his immediate resignation.

Unfortunately, it appears the partisan elected officials are circling the wagon to protect the County Commissioner who was involved in what appears to be a conflict of interest—no advisory legal opinion has been requested. Yet, the Board of County Commissioners unanimously voted to ask all volunteers serving on the TDC board to resign. So, it appears the open season for public corruption in Okaloosa County continues. The unchecked oversight and accountability of public officials will encourage fraud, waste and abuse of tax dollars.

Therefore, I respectfully request the Joint Legislative Auditing Committee uses its legislative authority or powers to request the Florida Commission on Ethics to investigate all public officials noted in Finding No. 4 of the operational audit or ask the Governor to do the same. In addition, I respectfully request the Committee directs the Auditor General conduct an operational audit of the Law Enforcement Trust Fund in Okaloosa County and issue a formal report of findings accordingly.

Thank you for the opportunity to submit comments. Please acknowledge receipt of my comments.

Sincerely,

Michael J. Barnes
Okaloosa County Resident and Taxpayer

Michael J. Barnes

From: Michael J. Barnes <[REDACTED]>
Sent: Thursday, January 31, 2013 2:03 AM
To: 'Wayne Harris'
Cc: 'Don Amunds'; 'Nathan Boyles'; David "Dave" A. Parisot; Jim Curry; John Dowd; 'Kelly Windes'
Subject: Request for Resignation
Categories: Government

Commissioner Harris: I have reviewed the operational audit relating to the Tourist Development Council (TDC). Audit Finding No. 4 (Conflicts of Interest) was a RED FLAG for me; particularly the timeline of the scope of the audit--May 2010 to May 2012. If I recall correctly, you were the Chairman of the Board of County Commissioners in 2010 when I first raised a concern of a potential conflict of interest between your roles as a BCC member and the Executive Director of the Crestview Area Chamber of Commerce in March 2010. In addition, I raised a similar potential conflict of interest concern with former Commissioner James Campbell who was criminally charged and removed from public office.

It appears that you knowingly failed to immediately disclose to your fellow BCC members and the general public that your chamber of commerce was in receipt of taxpayer's dollars from the TDC. Based on your March 29, 2010 email, it appears that you should have known that you had an ethical obligation (if not, a legal obligation) to disclose any perceived or actual conflict of interest. It appears that you knew no oversight existed on the matter regarding the TDC and decided to keep the TDC financial transaction to your chamber of commerce 'a secret'--no BCC meeting records to prove otherwise.

Specifically, page 8 of the audit reports that "the County paid \$27,066.95 for sponsorship of a local chamber of commerce. A BCC member was, at the time, the executive director of the chamber of commerce." In page 36 of the audit, it appears the current Chairman of the Board of County Commissioners may have inferred that a potential conflict of interest existed between your dual role as a BCC member and the executive director of a local chamber of commerce when the BCC agreed that inadequate controls existed to address potential conflicts of interest.

I do not believe in nor support preferential treatment on ethical issues. I distinctively recall seeing the videotaped BCC meeting when you requested that Mark Bellinger be fired after it was discovered that he inappropriately purchased a yacht with TDC money and without the BCC knowledge. Now I ask you. In principle, what is the difference between Mr. Bellinger's actions and yours? It appears that you (a BCC member) knowingly accepted TDC (taxpayers) money for your private employer (Crestview Area Chamber of Commerce) without disclosing it to your fellow BCC members during an open meeting. It appears you had no intention of disclosing these public TDC dollars received by your private employer until you were somewhat compelled to do so because of the improper uses of taxpayer's dollars by Mr. Bellinger were exposed. This appearance of deception is unacceptable and inexcusable.

Based on the audit's timeline, it appears my query regarding a potential conflict of interest was warranted in 2010; and yet, I gave you the benefit of doubt after Mr. John Dowd's (the County

Attorney) convincing email stating that he had thoroughly reviewed my concerns and found no violation.

The audit appears to suggest otherwise--a potential conflict of interest existed.

As a taxpayer in this county and a citizen with zero tolerance for public officials' corruption, I have lost total trust and confidence in your ability to effectively serve as a County Commissioner and respectfully request that you immediately resign from public office.

Sincerely,

Michael J. Barnes

"The meaning of our lives is always bigger than our experience."

-----Original Message-----

From: John Dowd [mailto:jrdowdsr@co.okaloosa.fl.us]

Sent: Wednesday, April 14, 2010 2:46 PM

To: Michael J. Barnes; Wayne Harris; Don Amunds; James Campbell; Bill Roberts; John Jannazo

Cc: Jim Curry

Subject: RE: Request Florida Attorney General Opinions on County Commissioners Holding Dual Offices

Dear Mr. Barnes:

I admire your tenacity in complaining about a nonexistent violation of the law. Neither Mr. Harris, or Mr. Campbell are holding dual offices. If you feel so strongly to the contrary, you have a responsibility to file a complaint with the Commission on Ethics or the Attorney General's office. I have thoroughly reviewed your complaints and find no violation. Good government is founded on citizen participation, and efforts and opinions such as yours keep us alert to and may correct potential problems.

Respectfully,

John R. Dowd
County Attorney

Cc: County Commissioners
County Administrator

-----Original Message-----

From: Michael J. Barnes [REDACTED]

Sent: Tuesday, April 13, 2010 9:49 AM

To: Wayne Harris; Don Amunds; James Campbell; Bill Roberts; John Jannazo

Cc: Jim Curry; John Dowd

Subject: Request Florida Attorney General Opinions on County Commissioners Holding Dual Offices

Commissioners: Time and time again the public questioned the legality of our Board of County Commissioners (BCC) holding dual offices that may present a conflict of interest or an appearance of impropriety. Section 5(a), Art. II, State Const., states in part that "[n]o person shall hold at the same time more than one office under the government of the state and the counties and municipalities therein, except that a notary public or military officer may hold another office, and any officer may be a member of a constitution revision commission, constitutional convention, or statutory body having

only advisory powers." The common law rule on incompatible offices may also be in play as it relates to dual office holders.

It is my understanding that no Florida Attorney General Opinion (AGO) has been requested by the BCC regarding the dual office holdings of County Commissioners; specifically, James Campbell and Wayne Harris. Commissioner Campbell has been and currently serving as Recreation Director for the City of Niceville while Commissioner Harris has been and currently serving as the Executive Director at Crestview Area Chamber of Commerce. Both Commissioners have been serving in dual offices since they were elected.

On the surface, it appears that Commissioner Campbell's position as Recreation Director for the City of Niceville may violate Section 5(a), Art. II of the State Constitution. Additionally, it appears that Commissioner Harris's position as the Executive Director at Crestview Area Chamber is perceived indirectly as a paid lobbying position, which could create conflicts of interest or appearance of impropriety on many issues to include, but not limited to, budgetary and taxing matters relating to the business community who may be members of the local chamber in Crestview. This perception became apparent when Commissioner Harris had to recuse himself on a taxing matter relating to the North Okaloosa Medical Center. The appearance of impropriety still existed even after the County Attorney indicated that Commissioner Harris could vote on the matter after North Okaloosa Medical Center officials resigned from Crestview Area Chamber of Commerce Board of Directors--raised the common law rule of incompatibility question to some observers.

To eliminate any perception of conflicts of interest, appearance of impropriety and most importantly, violation of law, I respectfully request the Board of County Commissioners seek an AGO on the dual office holdings noted in the matters above. Unlike a private attorney or law firm, the AGO decision will provide an unbiased legal opinion and their advisory will be transparent for the citizens of Okaloosa County to read. In the interest of public trust and accountability, I can only hope the Board of County Commissioners do the right thing and not justify a reason for doing nothing.

Kind regards,

Michael J. Barnes

p.s.

Courtesy copies are being provided to other people and agencies of interest.

-----Original Message-----

From: Wayne Harris [mailto:wharris@co.okaloosa.fl.us]

Sent: Monday, March 29, 2010 12:35 PM

To: Michael J. Barnes

Cc: Mary Carson; John Dowd; Jim Curry

Subject: RE: Florida Attorney General Opinion on Executive Director at Crestview Area Chamber

I have addressed this issue with the Officers of the Chamber and they have declined your request. They wanted me to reiterate what I had said with respect to this issue when we spoke. The Chamber is a private, non-profit, Florida Corporation and is not required to relinquish information to the public and is required by government entities. I am sorry I

misunderstood your question about the letter from the AG, there is no letter, it was a letter filed by our President at the time about the Chamber's position on this matter. Further, because we receive no grants, or tax dollars, other than for membership dues from the City of Crestview the chamber leadership has determined over 2 years ago there is a no perceived or actual conflict. They believe this matter is closed.

From: Michael J. Barnes [REDACTED]
Sent: Monday, March 29, 2010 11:47 AM
To: Wayne Harris
Subject: Florida Attorney General Opinion on Executive Director at Crestview Area Chamber

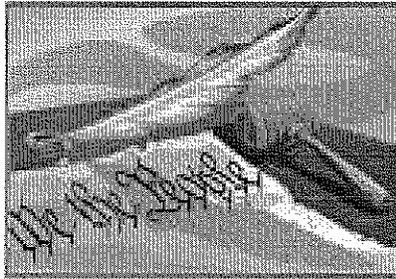
Commissioner Harris: I appreciated our conversation at the Chamber's Triple B Festival. It appeared to be another successful event. I just want to follow-up on your query about my thoughts on whether a conflict of interest existed while you served as the Executive Director at Crestview Area Chamber of Commerce and as a County Commissioner. In my non-legal opinion, there appears to be the 'appearance' that a conflict exist and suggested that the BCC request a Florida Attorney General Opinion (AGO). You differed and stated that the AGO has issued a legal opinion to the Crestview Area Chamber. You stated that you must confer with the Chamber Board to release the legal opinion to me. I would like to read the legal opinion that you received.

It may be faxed to my voice/fax at ([REDACTED]). As always, thanks.

-MJB-

"The meaning of our lives is always bigger than our experience."

Report on
Improper Deferred Compensation Payments
at
Okaloosa County
Tax Collector Office



Prepared by
Okaloosa Citizens
Alliance

Final Report

December 1, 2009

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Okaloosa Citizens Alliance
(www.oca1787.org)

December 1, 2009

To: The Citizens of Okaloosa County
Okaloosa County Constitutional Officers and Other Elected Officials
Appropriate Government Oversight Agencies

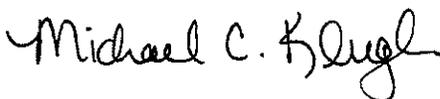
The Okaloosa Citizens Alliance, Incorporated (herein "OCA") is a diverse, non-partisan, non-profit organization dedicated to the education of citizens on issues relating to taxes and spending and committed to the promotion of maximum efficiency and effectiveness of government. Earlier this year, we pledged to conduct in-depth examinations on issues in Okaloosa County in the Great State of Florida. Specifically, we planned to focus on issues such as mismanagement and malfeasance, conflicts of interest, improper use of County resources (which include budgeting, hiring, firing, pay bonuses, benefits, etc.) and other areas of interest in all constitutional offices.

Due to the bonus "kickback" scheme in the Okaloosa County Sheriff Office and unexpected disclosure of over \$1 million of bonus compensation in the Okaloosa County Tax Collector office, OCA Board of Directors became concerned about the budget approval process of both agencies and how the Board of County Commissioners (BCC) interfaced with or coordinated on the other constitutional officers' budgets. It appeared that most of the constitutional officers were willing to work closely with Okaloosa County BCC in the budget review process. Okaloosa County Tax Collector appeared reluctant to do so. A couple of questionable public disclosures in the Bay Beacon and Northwest Florida Daily News raised concerns about the management and oversight at the Tax Collector's office. OCA requested that a series of reviews be conducted into the Tax Collector's operations; particularly in the personal services area.

We have completed the review of one aspect of the compensation objectives; specifically, the 457b Deferred Compensation Payments for Health Insurance Opt-Out Employees. Three members of OCA, Michael J. Barnes, David Parisot and Bobbye Wicke, conducted the review and submitted a report for OCA Board of Directors approval. The report was reviewed, discussed and approved for release at the OCA Board meeting held on December 1, 2009.

The intent of this report is to educate the citizens on matters of public interest and to provide elected public officials and appropriate oversight agencies with our findings and recommendations. For questions, I may be reached at mklugh@oca1787.org.

Respectfully,



Michael C. Klugh
Board President

Executive Summary

Background. In Florida, there are 67 County Tax Collectors that perform a variety of local and state agency services for residents and non-residents in Florida. Tax Collectors in Florida are constitutional officers duly elected by registered voters in their counties of residence. Tax Collectors deal with a variety of duties and responsibilities and provide public services that allow them to exercise valuable leadership roles in government. They direct, plan, organize, budget, set and implement policies which affect not only their local government, but also reach the state level as well.

As a result of the Okaloosa County Sheriff's scandal and disclosure of over \$1 million of bonus compensation paid to county employees in the Okaloosa County Tax Collector's office, public scrutiny and open dialogue ignited between the citizens and all constitutional officers. Due to public scrutiny of the County's 2010 budget, serious public concerns were raised about the management and oversight at the Tax Collector's office— particularly in the personal services area. The personal services area of the OCTC budget covers salaries, tax withholdings, life and health insurance, retirement programs, worker's compensation, unemployment compensation, etc. In reviewing OCTC's 2010 and prior year's budgets, it was noted that the 457b deferred compensation program and health insurance plan required further review.

Objectives. Our objective was to evaluate the 457b Deferred Compensation Payments to Insurance Opt-Out Employees of the Okaloosa County Tax Collector Office. Specifically, we reviewed the Federal and State requirements of the 457b deferred compensation program, researched the methods how deferred compensation program is managed in Okaloosa County and other tax collector offices, and identified any potential violations.

Results. We concluded that Okaloosa County Tax Collector (OCTC): (1) May have improperly made employer contributions to employees 457b deferred compensation accounts and (2) Did not adhere to the requirements in formally adopting, establishing and maintaining a deferred compensation program as mandated by Federal law and the State's "*Government Employees Deferred Compensation Plan Act.*"

As a result, OCTC may have inappropriately paid over \$460,000 dollars in a six-year period to County employees who "opted out" of the County-provided health insurance benefit. In addition, it appears current and former OCTC employees may have incurred potential federal tax implications or consequences for the past tax years. It also appears OCTC does not possess an eligible 457b Deferred Compensation Plan to satisfy or meet the Internal Revenue Code and the state statutes.

We determined that all constitutional officers within Okaloosa County and the School District provided and paid all or portions of the health insurance. Except for the Property Appraiser, all remaining constitutional officers in Okaloosa County provided some form of payment to employees who "opt out" of health insurance. We found that Okaloosa County Tax Collector was the only constitutional officer who authorizes employees who "opt out" of health insurance to apply the premium amount to a 457b Deferred Compensation Plan, which may have violated Federal and Florida laws.

In surveying similar and neighboring Tax Collector offices, we found that all Tax Collectors in the nine surveyed counties provided government paid health insurance to their employees. Saint Johns County was the only county surveyed that did not offer family coverage. Hernando was the only county surveyed that makes payments to employees who "opt out" of County paid health insurance program. We determined that none of the nine counties surveyed allowed any employees to "opt out" of the County paid health insurance plan and apply the monetary benefits to a 457b deferred compensation plan.

Recommendations for:

1. Internal Revenue Service (U.S. Department of Treasury):
 - a. Determine whether Okaloosa County Tax Collector legally established and maintained a 457b Deferred Compensation Plan by using employees "opt out" health insurance premiums.
 - b. Determine whether Okaloosa County Tax Collector and its employees incurred Federal Income Tax Withholding and Federal Insurance Contribution Act (FICA) liabilities or penalties for potential misuse of any 457b Deferred Compensation Plans.

2. Florida Attorney General:
 - a. In conjunction the Florida Chief Financial Officer (CFO):
 - (1) Determine whether the Okaloosa County Tax Collector violated state statutes for paying government provided health insurance premiums to a 457b Deferred Compensation Plan for employees who opted out the County's health insurance program.
 - (2) If a violation occurred, determine whether the over \$460,000 paid to employees can be returned to the Okaloosa County general fund.
 - b. Revisit or reassess Attorney General Opinion (AGO) 2008-09 to determine if the opinion provided on "Municipal Home Rule Powers Act" as it relates to payment of money directly to a 457b deferred compensation plan in lieu of the employees "opt out" insurance premium payment does not violate Federal law.

3. Florida Chief Financial Officer (CFO):
 - a. In conjunction with the Florida Attorney General:
 - (1) Determine whether the Okaloosa County Tax Collector violated state statutes for paying government provided health insurance premiums to a 457b Deferred Compensation Plan for employees who opted out the County's health insurance program.
 - (2) If a violation occurred, determine whether the over \$460,000 paid to employees can be returned to the Okaloosa County general fund.
 - b. Determine whether Okaloosa County Tax Collector and its employees incurred FICA and Florida Retirement System (FRS) liability or penalty for potential misuse of any 457b Deferred Compensation Plans.

4. Board of County Commissioners
 - a. Request Okaloosa County Tax Collector's 457b Deferred Compensation Plans used in lieu of employees "opt out" health insurance premiums be audited during the 2009 Comprehensive Annual Financial Report.

- b. Ensure future Okaloosa County Tax Collector's budgets do not include any 457b Deferred Compensation Plans funded by employees "opt out" health insurance premiums.
5. Okaloosa County Tax Collector:
- a. Comply with Florida Department of Revenue guidance and immediately cease funding 457b Deferred Compensation Plans using employees "opt out" health insurance premiums.
 - b. Comply with all Federal and State 457b Deferred Compensation Plans requirements.
 - c. Return all government funds which have been paid since 1999 to fund health insurance "opt out" deferred compensation plan for his employees to the Okaloosa County general fund.

Improper Deferred Compensation Payments By the Okaloosa County Tax Collector

Findings

Okaloosa County Tax Collector (herein "OCTC") may have improperly made employer contributions to employees 457b deferred compensation accounts. As a result, OCTC may have inappropriately paid over \$460,000 dollars in a six-year period to County employees who opted out of the County-provided health insurance benefit. These funds could have been put to better public use. In addition, current and former employees may have incurred potential federal tax implications or consequences for past tax years.

In addition, the OCTC may not have adhered to the requirements in formally adopting, establishing and maintaining a 457b deferred compensation program as mandated by Federal law and the State's "*Government Employees Deferred Compensation Plan Act*." As a result, it appears that OCTC did not possess an eligible 457b Deferred Compensation Plan for participating employees to satisfy or meet the Internal Revenue Code and the state statutes.

Introduction

In Florida, there are 67 County Tax Collectors that perform a variety of local and state agency services for residents and non-residents in Florida. Tax Collectors in Florida are independent constitutional officers duly elected by registered voters in their counties of residence. Tax Collectors deal with a variety of duties and responsibilities and provide a myriad of important public services that allow them to exercise leadership roles in government. They direct, plan, organize, budget, set and implement policies which affect not only their local government, but also reach the state level as well.

Due to the bonus "kickback" scheme in Okaloosa County Sheriff Office, it was subsequently disclosed that OCTC had awarded over \$1 million dollars in bonus compensation in a five year period to its county employees.¹ Although Florida Department of Law Enforcement (FDLE) very briefly noted that OCTC provided bonuses to its employees in a February 2007 investigative report,² the information was not disclosed in the annual budgets nor made public until the Sheriff was arrested by Federal authorities in January 2009.

The Okaloosa County Sheriff's scandal and the enormous bonus compensation awarded to county employees by OCTC ignited public scrutiny and open dialogue between the citizens and all constitutional officers. While the Sheriff Office underwent Federal and State investigations, serious public concerns were raised about the management and oversight at the Tax Collector's office; particularly in the personal

¹ Del Lessard, Bay Beacon Staff Writer, "Tax-Office Bonuses Top \$1 Million Over Five Years," April 1, 2009

² Florida Department of Law Enforcement Investigative Report No. EI-14-0083 on Christin "Chris" Hughes, Okaloosa County Tax Collector, February 20, 2009

services section of the OCTC budget. The personal services section includes salaries, employment taxes, life and health insurance, retirement programs, worker's compensation, unemployment compensation, etc. In reviewing OCTC's 2010 and prior year's budgets, it was noted that the 457b deferred compensation program and health insurance plan required further review.

Difference Between 457b Deferred Compensation and Health Insurance

The 457b Deferred Compensation (herein Deferred Compensation) and Health Insurance Plans are two government managed programs that are offered to Federal, State, County, and municipal employees. For the purposes of this report, we will focus on both of these programs administered by OCTC.

The primary purpose of deferred compensation is to allow employees to build up a pool of money to supplement their retirement income. The funds can be converted to income when employees retire or leave employment and will add to the benefits employees are expecting to receive from the Florida Retirement System (FRS) and the Social Security Administration (SSA). The deferred compensation program is a participant directed investment program, which is administered in accordance with Internal Revenue Code section 457(b).³ The 457b Deferred Compensation Plan is a tax deferred "employee contribution" investment program available to County employees. The National Association of Counties (NACo) fulfills all regulatory, operational, administrative and fiduciary responsibilities on behalf of Okaloosa County employees and elected officials.⁴ NACo receives a fee from Nationwide in exchange for its sponsorship which is a common practice in the public sector market. In 2008, NACo received \$7,400,000 from Nationwide.⁵

A group health plan means an employee welfare benefit plan to the extent that the plan provides for medical care (including items and services paid for as medical care) to employees or their dependents (as defined under the terms of the plan) directly or through insurance, reimbursement, or otherwise. Generally, gross income of an employee does not include employer-provided coverage under an accident or health plan.⁶

Generally, Okaloosa County employees and elected officials enjoy the benefits of having life, long-term disability, employee assistance, dental, and health insurance plans provided and funded by the constitutional officers, which include the OCTC.⁷ These benefits are commonly referred to as a "cafeteria plan."⁸ The health insurance plan is the only benefit in OCTC that permits employees to "opt out" of the plan and receive the monetary benefit to contribute into a 457b Deferred Compensation Plan.

³ 26 USC 457(b)

⁴ Okaloosa County Board of County Commissioners (BCC) Resolution No. 87-38, May 5, 1987

⁵ National Association of Counties (NACo) Disclosure Document regarding NACo and Nationwide partnership, March 11, 2008

⁶ 26 USC 106(a)

⁷ §112.08(2)a, Florida Statutes (Fla.Stat.)

⁸ 26 USC 125(d)(1)(B)

'Opt Out' County Health Insurance for 457b Deferred Compensation

OCTC's 457b Deferred Compensation Program for employees who "opted out" of the County health insurance benefit started in 1999. As protected by public records exemptions, the records of current and former employees participating in the deferred compensation program were not examined or disclosed during this review.⁹ In reviewing the financial data for the past six years, it was revealed that OCTC may have improperly made employer contributions to employees deferred compensation accounts. The deferred compensation financial data prior to 2003 were unavailable for review.¹⁰ At Table 1, the Tax Collector authorized over \$460,000 into the deferred compensation plan from health care insurance premium of employees who opted out of the government paid plan. Furthermore, in his annual budgets to Florida Department of Revenue (DoR),¹¹ the OCTC reported these deferred compensation payments to his employees who opted out of the health insurance program in Object Code 23 (Life & Health Insurance) rather than in Object Code 16 (Special Pay) or as employee compensation.¹² In OCTC budgets, the appearance was given that these payments of \$463,219 for a six year period were actually for health insurance premiums rather than the funds being paid to selected employees.

Table 1
Opt Out Health Insurance Premium to
457b Deferred Compensation Contributions

Fiscal Year	Monetary Contributions
2003	\$ 54,688
2004	\$ 63,247
2005	\$ 62,048
2007	\$ 79,264
2008	\$106,022
2009	\$ 97,950
Total	\$463,219

Source: OCTC Office, October 23, 2009

OCTC contends that the Florida Statutes permits county constitutional officers to provide health insurance benefits to its employees. Specifically, the Tax Collector cites that every local governmental unit is authorized to provide and pay out of its available funds for all or part of the premium for life, health, accident, hospitalization, legal expense, or annuity insurance, or all or any kinds of such insurance, for the employees of the local governmental unit and for health, accident, hospitalization, and legal expense insurance for the dependents of such employees upon a group insurance plan and, to that end, to enter into contracts with insurance companies.¹³

OCTC further contends its employees are provided paid health care insurance benefits. Further, the OCTC's policy permits employees already covered by health

⁹ §112.215(7), Fla.Stat.

¹⁰ Pension Funds Records from 1999 to 2002 were unavailable per Deborah Dickerson, OCTC Office

¹¹ §195.087(2), Fla.Stat. and Chapter 12D-11, Florida Administrative Code

¹² 2009-10 Florida Tax Collector's Instruction Workbook

¹³ Christin "Chris" Hughes' eMail, August 6, 2009 at 08:53 am.

insurance “opt out” of the health insurance plan and deposit these insurance premiums dollars in OCTC’s Deferred Compensation Plan.¹⁴ In examining the Federal or State laws, it appears there is no statutory authority that permits OCTC to make deferred compensation payments in lieu of health insurance. As a result, OCTC may have inappropriately paid over \$460,000 dollars to County employees who opted out of the County-provided health insurance benefit, which were funds that could be put to better public use e.g. emergency services, health department shortfalls, storm water runoff projects, road repairs, etc. In addition, possible tax implications or consequences to current and former employees for the current and previous tax years may exist. In response to a public records request, OCTC stated that they have not contributed to Florida Retirement System (FRS) and Federal Insurance Contribution Act (FICA) on these deferred compensation payments as required by §112.215(6)(b), Fla.Stat.¹⁵

In finding two, it appears that OCTC did not adhere to the requirements in formally adopting, establishing and maintaining a deferred compensation program as mandated by Federal law and the State’s “*Government Employees Deferred Compensation Plan Act.*” OCTC contends that Florida Statutes permit county constitutional officers to provide deferred compensation plan and health insurance coverage for its employees. Specifically, OCTC contends that a deferred compensation plan permits any employee to defer all or any portion of the employee’s otherwise payable compensation to be withheld and invested for payment to the employee at a later date. The deferrals, or contributions, are allocated to the plan’s investment choices of the employee’s instruction. Neither the contributions nor any investment earnings are subject to Federal and (in most cases) state income taxes. Taxes become payable when the deferred income plus any earnings are distributed to the employees—generally at retirement, or separation from service. OCTC’s employees are currently contributing to one of two deferred compensation plans; specifically, the Hartford 457b Deferred Compensation Plan (Hartford) or Nationwide Retirement Solutions (Nationwide).

Under Okaloosa County Board of County Commissioners (BCC) Resolution 87-38, NACo establishes the Master Deferred Compensation Program for County employees and elected officials. It appears that OCTC was unaware his 457 Deferred Compensation Program fell under the resolution and that OCTC office was covered under NACo Master Deferred Compensation Program. By default, one of OCTC’s deferred compensation plans; specifically, Nationwide, may be administered by NACo. Under the NACo program, Nationwide was chosen exclusively as the deferred compensation provider. Counties and their employees are free to choose Nationwide or any other provider for their deferred compensation program.¹⁶ It appears that a different deferred compensation program would require a different plan other than NACo’s master plan. Hence, OCTC does not possess a master deferred compensation plan that covers the Hartford (if not Nationwide as well).

A 457b deferred compensation plan must be written and maintained in accordance with the requirement in 26 CFR 1.457-4 through 1.457-10. It must contain all the materiel terms and conditions for benefits under the plan. The plan may contain

¹⁴ Ibid and Okaloosa County Tax Collector Regulation #170, “Attendance and Leave Policy”

¹⁵ Deborah Dickeson’s email on October 22, 2009, Subject: Public Records Request – Deferred Compensation

¹⁶ Ibid., NACo Disclosure Document regarding NACo and Nationwide partnership, March 11, 2008

certain optional features or provisions as long as it meets the relevant requirements in the CFR. It appears OCTC disregarded establishing a written 457b deferred compensation plan for Hartford (and possibly Nationwide) and disguised all employees "opt out" payments by using Object Code 23 in his budget submissions to Florida Department of Revenue. As a result, it appears OCTC does not possess an eligible Deferred Compensation Plan for employees to meet or satisfy the Internal Revenue Code and the state statutes.

Federal Law, Internal Revenue Code and State Statutes Potentially Violated

In reviewing Federal laws, Internal Revenue Service (IRS) codes and State Statutes, it appears that OCTC did not adhere to the requirements to formally establish, execute and maintain an eligible deferred compensation program. In reviewing the Federal law and Internal Revenue Service (IRS) codes, it was noted that OCTC, an eligible employer,¹⁷ must establish and maintain an "eligible deferred compensation plan."¹⁸ In addition, OCTC must administer a deferred compensation plan in a manner which is consistent with the Federal requirements for State and local governments. It was noted in 26 USC 457 (Deferred Compensation Plans for State and Local Governments and Tax-Exempt Organizations) that the amounts of compensation deferred under an eligible deferred compensation plan, and the income attributable to the amounts so deferred, shall be includible in gross income the taxable year in which such compensation or other income was earned. In our analysis of gross income, an employer-provided coverage under an accident or health plan generally is not included in the gross income of the participant.¹⁹ It appears OCTC uses the Okaloosa County BCC approved benefits or cafeteria plan.²⁰

Under a cafeteria plan, OCTC cannot use any portion of employee "opt out" health insurance premiums to participate in or contribute to a deferred compensation plan. Specifically, 26 USC 125(d)(2)(A) states that *the term "cafeteria plan" does not include any plan which provides for deferred compensation.* In certain scenarios, it was noted premiums provided by employer-paid health insurance to employees cannot be excluded from the gross income and may be required to pay employment taxes.²¹ In other words, the health insurance reimbursed by the employer and paid to the employees are included in the gross income and are subjected to employment taxes e.g. Federal Income Tax Withheld (FITW), FICA, etc. Furthermore, unqualified deferred compensation contributions are also subjected to FRS contributions.²² Hence, it appears OCTC contributions to a deferred compensation plan must come from includible compensation of the employees. Therefore, it appears the County-paid "opt out" health care insurance premium reimbursements to employees do not meet the Federal and State law requirements.

¹⁷ 26 USC 457(b)

¹⁸ Ibid., (e)(1)(A)

¹⁹ 26 USC 106 and 42 Code of Federal Regulation (CFR) 146

²⁰ Okaloosa County BCC Resolution No. 94-03, January 11, 1994

²¹ IRS Revenue Rule 2002-3, Subject: Section 106 – Contribution by Employer to Accident and Health Plans

²² §112.215(6)(b), Fla.Stat.

As mandated by the State's "Government Employees Deferred Compensation Plan Act,"²³ it appears OCTC failed to formally approve and document the adoption and establishment of the deferred compensation plan. After repeated requests, OCTC did not produce any documentation constituting approval, adoption and establishment of a deferred compensation program used for paying for health insurance premium to 'opt-out' employees to participate in Hartford. Based on available records, it appears that OCTC Deferred Compensation Plan for Hartford has been in effect for at least six years, and we are unable to determine what formal agreement has been established to satisfy Federal and State requirements.²⁴ Like the NACo and Nationwide partnership, it was unclear if Okaloosa County Tax Collector receives a fee from Hartford in exchange for its sponsorship. To complicate matters, OCTC used employees' "opt out" insurance premium to participate or contribute in a deferred compensation plan, which may be prohibited by Federal law.²⁵

OCTC cites Florida Attorney General Opinion (AGO) 2008-09²⁶ as the legal authority for authorizing him to make deferred compensation payments in lieu of health insurance. In AGO 2008-09, it was noted that the state statutes do not address the payment of money directly to the officers or employees in lieu of the premium payment, should the employees otherwise have insurance coverage. However, the AGO discussed the context of the "Municipal Home Rule Powers Act,"²⁷ which provides that municipalities "*may exercise any power for municipal purposes, except when expressly prohibited by law.*" In essence, it appears the Home Rule Powers Act allows municipalities to do any act not inconsistent with general or special law. Based on 26 USC 125(d)(2)(A), it appears that the AGO opinion allowing for the payment of money directly to a 457b Deferred Compensation Plan in lieu of the premium payment under the "Municipal Home Rule Powers Act" may be a potential Federal law violation.

On August 17, 2009, Florida DoR informed OCTC that he did not possess home rule authority and that AGO 2008-09 was not applicable to authorize him to make deferred compensation payments in lieu of health insurance.²⁸ To challenge Florida DoR ruling, OCTC retained legal counsel to help substantiate his claims²⁹ and did not indicate that he was taking any actions to resolve the matter. Before the 2008 AGO Opinion, it was unclear what legal authority OCTC used in 1999 to implement the 457b deferred compensation plan in lieu of employees "opt out" health insurance.

In OCTC Regulation #170, "Attendance and Leave Policy," the Tax Collector authorized employees to opt out of the employer paid health insurance coverage and use the premiums to participate in OCTC's Deferred Compensation Plan. Due to potential public records exemptions,³⁰ it is unclear if the health premiums paid to the

²³ §112.215, Fla.Stat.

²⁴ 26 USC 457 and 112.215, Fla.Stat.

²⁵ 26 USC 125(d)(2)(A)

²⁶ Florida Attorney General Opinion 2008-09, February 26, 2008, "Municipalities, compensation in lieu of group insurance"

²⁷ §166.021(1), Fla.Stat.

²⁸ Florida Department of Revenue letter, August 17, 2009 regarding Okaloosa County Tax Collector's Deferred Compensation Policy

²⁹ Michael K. Grogan of Allen, Norton and Blue, Professional Association, August 31, 2009 acknowledges OCTC is not a municipality for Home Rule purposes, but contends AGO 2008-09 is applicable to OCTC; citing §112.08(a)2, §112.215, and §215.425, Fla.Stat. as its legal basis

³⁰ §119.071, Fla.Stat.

employees are included or excluded in gross income of the participant's compensation. For clarity, OCTC Regulation #170 does not take precedent over Federal laws and State statutes.

Practice of Other Constitutional Officers, Local School District and Tax Collectors

We also determined that the other constitutional officers within Okaloosa County (Appendix A), the local school district, and other similar tax collector offices in the State (Appendix B) offer County-paid health insurance to their employees and in some cases, to their families. It was noted that the other constitutional officers within Okaloosa County, the local school district, and other similar tax collectors offices in the State do not use any portion of an employee "opt out" health insurance premium to participate in or contribute to a deferred compensation plan.

Financial Audits Oversight

Since OCTC implemented the 457b Deferred Compensation Program in lieu of health care insurance benefit in 1999, it appears none of the Okaloosa County Comprehensive Annual Financial Reports (CAFR) has noted any internal control or material weaknesses.

In reviewing the portion of the Okaloosa County CAFR that dealt with OCTC, it appears the auditors did not detect or review any part of the financial transactions dealing with OCTC deferred compensation plan and the employee "opt out" health insurance contributions to it. If a review had been conducted, it appears reasonable that internal control or material weaknesses should have been identified in the financial audits over the past ten years.

Conclusion

Public scrutiny of the constitutional officers in Okaloosa County was incited by the "kick-back" bonus scandal in the Okaloosa County Sheriff Office and the over \$1 million compensation bonuses given by OCTC. The open public discussion resulted in a growing public interest in how County tax dollars are being budgeted and spent.

While Okaloosa County Sheriff Office was ongoing Federal and State investigations, the personal services portion of OCTC's budget became an area of concern. After reviewing OCTC's 457b Deferred Compensation Program, it appears OCTC may have made improper contributions to it. In addition, it appears the OCTC may not have adhered to the legal requirements in formally adopting, establishing and maintaining a deferred compensation program as mandated by Federal and State laws.

We are now providing this review as a matter of public interest.

Recommendations for:

1. Internal Revenue Service (U.S. Department of Treasury):
 - a. Determine whether Okaloosa County Tax Collector legally established and maintained a 457b Deferred Compensation Plan by using employees "opt out" health insurance premiums.
 - b. Determine whether Okaloosa County Tax Collector and its employees incurred Federal Income Tax Withholding and Federal Insurance Contribution Act (FICA) liabilities or penalties for potential misuse of any 457b Deferred Compensation Plans.

2. Florida Attorney General:
 - a. In conjunction the Florida Chief Financial Officer (CFO):
 - (1) Determine whether the Okaloosa County Tax Collector violated state statutes for paying government provided health insurance premiums to a 457b Deferred Compensation Plan for employees who opted out the County's health insurance program.
 - (2) If a violation occurred, determine whether the over \$460,000 paid to employees can be returned to the Okaloosa County general fund.
 - b. Revisit or reassess Attorney General Opinion (AGO) 2008-09 to determine if the opinion provided on "Municipal Home Rule Powers Act" as it relates to payment of money directly to a 457b deferred compensation plan in lieu of the employees "opt out" insurance premium payment does not violate Federal law.

3. Florida Chief Financial Officer (CFO):
 - a. In conjunction with the Florida Attorney General:
 - (1) Determine whether the Okaloosa County Tax Collector violated state statutes for paying government provided health insurance premiums to a 457b Deferred Compensation Plan for employees who opted out the County's health insurance program.
 - (2) If a violation occurred, determine whether the over \$460,000 paid to employees can be returned to the Okaloosa County general fund.
 - b. Determine whether Okaloosa County Tax Collector and its employees incurred FICA and Florida Retirement System (FRS) liability or penalty for potential misuse of any 457b Deferred Compensation Plans.

4. Board of County Commissioners
 - a. Request Okaloosa County Tax Collector's 457b Deferred Compensation Plans used in lieu of employees "opt out" health insurance premiums be audited during the 2009 Comprehensive Annual Financial Report.
 - b. Ensure future Okaloosa County Tax Collector's budgets do not include any 457b Deferred Compensation Plans funded by employees "opt out" health insurance premiums.

5. Okaloosa County Tax Collector:
 - a. Comply with Florida Department of Revenue guidance and immediately cease funding 457b Deferred Compensation Plans using employees "opt out" health insurance premiums.
 - b. Comply with all Federal and State 457b Deferred Compensation Plans requirements.
 - c. Return all government funds, which have been paid since 1999 to fund health insurance "opt out" deferred compensation plan for his employees to the Okaloosa County general fund.

Appendix A

Other Constitutional Officers and School District Management of Related Matter

Overview: We briefly examined the other five constitutional offices and the school district within Okaloosa County as it related to the deferred compensation payments in lieu of health insurance. The other constitutional offices examined are Board of County Commissioners (BCC), Clerk of the Courts, Property Appraiser, the Supervisor of Elections (SoE) and the Sheriff Office (OCSO).

Deferred Compensation Plan

We determined that none of the remaining constitutional offices nor the school district in Okaloosa County allowed any eligible employees to “opt out” of the County paid health insurance plan and apply the monetary benefits to a deferred compensation plan.

Health Insurance Benefits at Other Constitutional Officers and School District

We found that all five constitutional offices and the school district in Table 2 provide government paid health insurance. The BCC and the SoE are the only two constitutional offices that use the same benefit packages. In terms of providing health insurance, the Okaloosa County BCC offers basic and extended coverage plans. In the basic coverage, the employees pay \$40.00 of \$648.34 monthly premium—94% paid by the taxpayer. The employee pays for \$60.00 of \$648.34 for the extended coverage plan—91% paid by the taxpayer.

The BCC does not generally pay for family coverage. If an employee “opts out” of the County health insurance program, then BCC pays a \$50 monthly stipend to the employee. Again, BCC’s health insurance and ‘opt out’ stipends hold true with the employees of the SoE since BCC administers the SoE benefit packages.

The Clerk of Courts’ group premium is currently \$648.34 per month. The Clerk of Courts offers a stipend to any individual that opts out of our office healthcare plan and that amount is \$37.50 paid bi-weekly but only twenty-four times per year. In addition, any employee that is currently enrolled with the Association and Society Insurance Corp supplement gets a stipend twenty-four times per year. There are three tiers involved in this process—tier one is \$37.50 for single, \$74.50 for single plus one, and \$100.00 for family supplemental coverage.

The Okaloosa County Property Appraiser pays the total premium for those who elect the **individual coverage**, and pays **nothing** to those who decline the coverage. Any employee electing family coverage in the Property Appraiser Office must have the difference of the cost in the individual and family coverage withheld from their paycheck.

**Table 2
Other Okaloosa County Constitutional Officers and School District
Health Insurance Benefits**

Benefits	BCC	Clerk of Courts	Property Appraiser	Supervisor of Elections	OCSO	School District
Use all or some of Board of County Commissioners' health insurance benefit	Yes	Yes	Yes	Yes	No	No
Provides and pays all or portions of the health insurance premium for eligible employees	Yes	Yes	Yes	Yes	Yes	Yes
Provides and pays portions for Family Coverage	No ³¹	Yes ³²	No	No	Yes	Yes
Makes payments to employees who "opt out" of County paid health insurance benefit	Yes	Yes	No	Yes	Yes	Yes
Pays payment to an employee who "opts out" of County health insurance benefit	\$50.00 monthly	Varies from \$75.00 to \$200.00 monthly	N/A	\$50.00 monthly	\$500 annually	\$11.70 monthly

The Okaloosa County Sheriff's Office pays all of the employees' health insurance at \$639.00 per month and contributes about 83% of \$1,765 monthly for the family coverage. If the employee elects to opt-out, the OCSO puts \$500 in a Health Reimbursement Arrangement (HRA)³³ account. Since October 1, 2005, the OCSO has deposited approximately \$115,000 into the HRA account for employees who opted out the Sheriff's Office healthcare plan.

Okaloosa County School District pays the eligible employees' full health insurance premium at the single rate of \$467.79 monthly, and pays \$561.34 per month towards family coverage. The family coverage is assessed annually. If employees possess other medical coverage, the school district does make payments to employees who "opt out" of the health insurance plan. Specifically, eligible employees who 'opt out' of the

³¹ Except for the County Administrator due to his employment contract

³² Provides family coverage as a supplement. However, Clerk of Courts provides stipend for employees who "opt out" of health insurance coverage. This stipend is provided in a three-tier supplement based on single or family coverage.

³³ A health reimbursement arrangement (HRA) is employer-established benefit plans. These may be offered in conjunction with other employer-provided health benefits. Employers have complete flexibility to offer various combinations of benefits in designing their plan. You do not have to be covered under any other health care plan to participate. Employees are reimbursed tax free for qualified medical expenses up to a maximum dollar amount for a coverage period. (Source: IRS Publication 969 Online)

health insurance plan may select the option to enroll in long-term disability plan at the school district's expense.

In summary, the Okaloosa County SoE is the only constitutional officer who uses the same or is included in the BCC health insurance program. All the constitutional officers provide and pay for all or portions of the employees' health insurance premiums. OCSO and the School District are the only two county agencies in this appendix that provide or pay for family coverage. Okaloosa County Property Appraiser is the only constitutional officer who does not provide any monetary benefits to employees who "opt out" of the health insurance plan.

Appendix B Other Tax Collectors Management Of Related Matter

Overview: We briefly examined nine other Tax Collector Offices with an emphasis on deferred compensation payments in lieu of health insurance. The nine counties were Bay, Citrus, Escambia, Hernando, Indian River, Martin, Santa Rosa, Saint Johns and Walton.

All nine tax collectors surveyed were non-chartered County governments. Seven of the nine tax collectors surveyed consisted of counties who possessed a population (+/- 42,000 people) similar to Okaloosa County. The remaining two counties, Escambia and Walton, were neighboring counties whose populations were outside our targeted population scope.

Deferred Compensation Plan

We determined that none of the nine counties surveyed allowed any eligible employees to “opt out” of the County paid health insurance plan and apply the monetary benefits into a deferred compensation plan.

Health Insurance Benefits at Other Tax Collector’s Offices

In examining Tax Collector offices with a similar population to Okaloosa County, we found that Tax Collectors in seven counties in Table 3 provide government paid health insurance. Only one of seven surveyed tax collectors made payments to employees who “opt out” of the health insurance plan.

In terms of providing health insurance, the Bay County Tax Collector pays for 75% of the single or family coverage. Citrus County Tax Collector pays 71% of the health insurance and the employees pay 29% of the cost. In addition, Citrus County Tax Collector pays 47% of the family coverage. Hernando was the only county examined that makes payments to employees who “opt out” of County paid health insurance program.

**Table 3
Other County Tax Collectors
Health Insurance Benefits**

Tax Collector	Bay	Citrus	Hernando	Indian River	Martin	Santa Rosa	Saint Johns
Offered or Included in Board of County Commissioners Health Insurance benefit package	Yes	No	Yes	Yes	Yes	Yes	Yes
Provides and pays all or portions of County health insurance premium for eligible employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Provides and pays portions for Family Coverage	Yes	Yes	Yes	Yes	Yes	Yes	No
Makes payments to employees who "opt out" of County paid health insurance benefit	No	No	Yes	No	No	No	No

According to the Hernando Tax Collector, all eligible employees are required to have health insurance, short and long-term disability insurance, dental insurance and at least minimum life insurance. If the employee chooses to not take part in the employer paid health insurance, they must provide documentation that they have other health coverage and the 'opt out' health insurance reimbursement may be applied towards other Hernando County benefit programs e.g. increase life insurance, short-term and long-term care insurance, dental, etc.

In Indian River County, the Tax Collector pays 100% of the premium for single coverage. If an employee has family coverage, then Indian River Tax Collector pays 78% of the coverage which includes the employee. Martin County Tax Collector pays 75% of cost and the price varies per person as the county is self insured. The employee may choose between a single or family coverage. In Santa Rosa County, the Tax Collector pays 100% of single coverage and 75% of the family. Saint Johns County's regular full time employees, who have completed their introductory period, are eligible to participate in the health insurance plan and the Tax Collector pays the eligible employee's premium only. The employee is responsible for payment of any dependent or family coverage.

In our neighboring non-chartered government counties in Table 5, specifically, Escambia and Walton counties,³⁴ Tax Collector employees are provided County funded health insurance. In Escambia County, the Tax Collector pays a portion of the health insurance premiums for the employees and their families. The portion is based on single or family coverage coupled with smoker or non-smoker rate. In contrast, Walton County Tax Collector pays the full premium amount for "Individual" coverage of employees. For Walton County employees who have been continuously employed with the office for 1 year, the Tax Collector provides for 1/2 of the premium for "Family"

³⁴ Escambia County's population is 295,426 ranks #18 in Florida counties and #206 in U.S. counties. The population of Walton County is 52,270 ranks #42 in Florida counties and #923 in U.S. counties. (Source: www.municipedia.com)

Coverage. Escambia and Walton counties do not make payments to employees who “opt out” of the County paid health insurance program.

Table 5
Neighboring Counties Tax Collectors
Health Insurance Benefits

Tax Collector	Escambia	Walton
Offered or Included in Board of County Commissioners Health Insurance benefit package	Yes	Yes
Provides and pays all or portions of County health insurance premium for eligible employees	Yes	Yes
Provides and pays portions of Family Coverage	Yes	Yes
Makes payments to employees who “opt out” of County paid health insurance benefit	No	No
Pays monthly payment to an employee	N/A	N/A

In summary, we found that all Tax Collectors in the nine targeted counties provided government paid health insurance to their employees, and eight tax collectors did not make payments to employees who “opt out” of the health insurance plan. Hernando was the only county surveyed that makes some payments to employees who “opt out” of County paid health insurance program. Eight of the nine targeted counties provided and paid for portions of the family coverage. Saint Johns County was the only county examined that did not offer family coverage.

Appendix C Sources

- 26 U.S. Code (USC), Subtitle A, Chapter 1, Income Tax
- 42 USC, Chapter 6A, Public Health Service (also known as the Public Health Service Act)
- Title 26 Code of Federal Regulation (CFR) Chapter 1, Part 1, Contributions by employer to accident and health plans
- 45 CFR Part 146, Requirements for the Group Health Insurance Market
- Internal Revenue Code (IRC) section 457
- Internal Revenue Ruling 1961-16, January 1, 1961 on 26 USC 106 and 26 CFR 1.106-1
- Internal Revenue Ruling 2002-3, Health Insurance Premium, page 316, December 21, 2001
- Internal Revenue Bulletin No. 2002-3, January 22, 2002 relating Health Insurance Premium
- Florida Constitution, Article II (General Provisions), Section 8 (Ethics in Government)
- Ibid. Article VIII (Local Government), Section 1 (Counties)
- Florida Statutes, Title X (Public Officers, Employees and Records), Chapter 112 (Public Officers and Employees: General Provisions), Part III (Code of Ethics of Public Officers and Employees)
- Ibid. Title X (Public Records), Chapter 119
- Ibid. Title XI (County Organization and Intergovernmental Relations), Chapter 129 (County Annual Budget)
- Ibid. Title XII (Municipalities), Chapter 166 (Municipalities)
- Ibid. Title XIV (Taxation and Finance), Chapter 195 (Property Assessment Administration and Finance)
- Ibid. Chapter 215 (Financial Matters: General Provisions)
- Florida Administrative Code, Chapter 12D-11 (Budget)

- Florida Attorney General Opinion (AGO) 2008-09, February 26, 2008, Municipalities, Compensation in Lieu of Group Insurance
- Florida Department of Law Enforcement Investigative Report (EI-14-0083) on Christin "Chris" Hughes, Okaloosa County Tax Collector, February 20, 2007
- 2009-2010 Florida Tax Collector's Instruction Workbook
- Okaloosa County Resolution No. 87-38, adopted on May 5, 1987
- Okaloosa County Tax Collector Regulation No. 170, Attendance and Leave Policy and Amendments
- National Association of Counties (NACo), www.naco.org
- Bay Beacon News
- Northwest Florida Daily News
- Muncipedia.com

Appendix D – Acronyms

§	Symbol denotes “Section” of a law, statutes or regulations
AGO	Attorney General Opinion (Florida)
BCC	Board of County Commissioners (Okaloosa County)
CAFR	Comprehensive Annual Financial Reports (Okaloosa County)
CFR	Code of Federal Regulations
CFO	Chief Financial Officer (Florida)
DoR	Department of Revenue (Florida)
FDLE	Florida Department of Law Enforcement
Fla.Stat.	Florida Statutes
FICA	Federal Insurance Contribution Act
FITW	Federal Income Tax Withholding/Withheld
FRS	Florida Retirement System
Hartford	Hartford Retirement Plan Solutions
HRA	Health Reimbursement Arrangement
IRS	Internal Revenue Service
NACo	National Association of Counties
Nationwide	Nationwide Retirement Plan Solutions
OCA	Okaloosa Citizens Alliance
OCSO	Okaloosa County Sheriff Office
OCTC	Okaloosa County Tax Collector
SSA	Social Security Administration
SoE	Supervisor of Elections (Okaloosa County)
USC	U.S. Code

Appendix E – Report Distribution

U.S. Department of Treasury
The Honorable J. Russell George
Inspector General for Tax Administration

U.S. Department of Justice
John A. DiCicco, Acting Assistant Attorney General
Tax Division

Florida Governor
Charlie Crist

Florida Attorney General
Bill McCollum

Florida Department of Agriculture and Consumer Services
Charles H. Bronson

Florida Chief Financial Officer / Department of Financial Services
Alex Sink

Florida State Attorney, District 1
William “Bill” Eddins

Florida Commission on Ethics
Phillip Claypool, Executive Director and General Counsel

Florida State Senate
Durell Peaden, Jr., District 2
Don Gaetz, District 4

Florida House of Representatives
Greg Evers, District 1
Ray Sansom, District 4
Brad Drake, District 5
Marti Coley, District 7

Okaloosa County Tax Collector (via eMail)
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Okaloosa County Appraiser (via eMail)
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Okaloosa County Clerk of Courts (via eMail)
Don W. Howard, Clerk of Courts, dhoward@clerkofcourts.cc

Okaloosa County Board of County Commissioners (via eMail)
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Don Amunds, District 4, damunds@co.okaloosa.fl.us
James Campbell, District 5, jcambell@co.okaloosa.fl.us
Jim Curry, County Administrator, jcurry@co.okaloosa.fl.us
John Dowd, County Attorney, jdowd@co.okaloosa.fl.us

Okaloosa County Sheriff (via eMail)
Edward Spooner, Sheriff, espooner@sheriff-okaloosa.org

Okaloosa County School Board (via eMail)
Charles "Chuck" Kelly, Chairman and District 2, email unavailable
Cindy Frakes, District 1, cfrakes@gnt.net
Rodney Walker, District 3, email unavailable
Cathy Thigpen, District 4, caleejo@cox.net
Howard Hill, District 5, howard_hill@cox.net

Okaloosa County Superintendent of Schools (via eMail)
Alexis Tibbetts, tibbettsa@mail.okaloosa.k12.fl.us

Okaloosa County Supervisor of Elections (via eMail)
Paul Lux, plux@co.okaloosa.fl.us

Other Tax Collectors in the State of Florida

Peggy Brannon, Bay County Tax Collector, pbrannon@tcmail.co.bay.fl.us
Janice A. Warren, Citrus County Tax Collector, jwarren@mail.tc.citrus.fl.us
Janet Holley, Escambia County Tax Collector, ectc@co.escambia.fl.us
Juanita B. Sikes, Hernando County Tax Collector, juanitas@co.hernando.fl.us
Carole Jean Jordan, Indian River County Tax Collector, CJJordan@IRCTax.com
Ruth Pietruszewski, Martin County Tax Collector, ruthski@mctc.martin.fl.us
Stan Nichols, Santa Rosa County Tax Collector, snichols@srctc.com
Dennis Hollingsworth, Saint Johns County Tax Collector, dennish@sjctax.us
Rhonda F. Skipper, Walton County Tax Collector, skirhonda@co.walton.fl.us

The 2012 Florida Statutes

[Title XLVII](#)

CRIMINAL PROCEDURE AND
CORRECTIONS

[Chapter 932](#)

PROVISIONS SUPPLEMENTAL TO CRIMINAL
PROCEDURE LAW

[View Entire
Chapter](#)

932.7055 Disposition of liens and forfeited property.—

(1) When a seizing agency obtains a final judgment granting forfeiture of real property or personal property, it may elect to:

- (a) Retain the property for the agency's use;
- (b) Sell the property at public auction or by sealed bid to the highest bidder, except for real property which should be sold in a commercially reasonable manner after appraisal by listing on the market; or
- (c) Salvage, trade, or transfer the property to any public or nonprofit organization.

(2) Notwithstanding subsection (1), a seizing agency must destroy any image and the medium on which the image is recorded, including, but not limited to, a photograph, video tape, diskette, compact disc, or fixed disk made in violation of s. [810.145](#) when the image and the medium on which it is recorded is no longer needed for an official purpose. The agency may not sell or retain any image.

(3) If the forfeited property is subject to a lien preserved by the court as provided in s. [932.703\(6\)\(b\)](#), the agency shall:

- (a) Sell the property with the proceeds being used towards satisfaction of any liens; or
- (b) Have the lien satisfied prior to taking any action authorized by subsection (1).
- (4) The proceeds from the sale of forfeited property shall be disbursed in the following priority:
 - (a) Payment of the balance due on any lien preserved by the court in the forfeiture proceedings.
 - (b) Payment of the cost incurred by the seizing agency in connection with the storage, maintenance, security, and forfeiture of such property.
 - (c) Payment of court costs incurred in the forfeiture proceeding.

¹(d) Notwithstanding any other provision of this subsection, and for the 2012-2013 fiscal year only, the funds in a special law enforcement trust fund established by the governing body of a municipality may be expended to reimburse the general fund of the municipality for moneys advanced from the general fund to the special law enforcement trust fund before October 1, 2001. This paragraph expires July 1, 2013.

(5)(a) If the seizing agency is a county or municipal agency, the remaining proceeds shall be deposited in a special law enforcement trust fund established by the board of county commissioners or the governing body of the municipality. Such proceeds and interest earned therefrom shall be used for school resource officer, crime prevention, safe neighborhood, drug abuse education and prevention programs, or for other law enforcement purposes, which include defraying the cost of protracted or complex investigations, providing additional equipment or expertise, purchasing automated external defibrillators for use in law enforcement vehicles, and providing matching funds to obtain federal grants. The proceeds and interest may not be used to meet normal operating expenses of the law enforcement agency.

(b) These funds may be expended upon request by the sheriff to the board of county commissioners or by the chief of police to the governing body of the municipality, accompanied by a written certification that the request complies with the provisions of this subsection, and only upon appropriation to the sheriff's office or police department by the board of county commissioners or the governing body of the municipality.

(c) An agency or organization, other than the seizing agency, that wishes to receive such funds shall apply to the sheriff or chief of police for an appropriation and its application shall be accompanied by a written certification that the moneys will be used for an authorized purpose. Such requests for expenditures shall include a statement describing anticipated recurring costs for the agency for subsequent fiscal years. An agency or organization that receives money pursuant to this subsection shall provide an accounting for such moneys and shall furnish the same reports as an agency of the county or municipality that receives public funds. Such funds may be expended in accordance with the following procedures:

1. Such funds may be used only for school resource officer, crime prevention, safe neighborhood, drug abuse education, or drug prevention programs or such other law enforcement purposes as the board of county commissioners or governing body of the municipality deems appropriate.
2. Such funds shall not be a source of revenue to meet normal operating needs of the law enforcement agency.
3. After July 1, 1992, and during every fiscal year thereafter, any local law enforcement agency that acquires at least \$15,000 pursuant to the Florida Contraband Forfeiture Act within a fiscal year must expend or donate no less than 15 percent of such proceeds for the support or operation of any drug treatment, drug abuse education, drug prevention, crime prevention, safe neighborhood, or school resource officer program(s). The local law enforcement agency has the discretion to determine which program(s) will receive the designated proceeds.

Notwithstanding the drug abuse education, drug treatment, drug prevention, crime prevention, safe neighborhood, or school resource officer minimum expenditures or donations, the sheriff and the board of county commissioners or the chief of police and the governing body of the municipality may agree to expend or donate such funds over a period of years if the expenditure or donation of such minimum amount in any given fiscal year would exceed the needs of the county or municipality for such program(s). Nothing in this section precludes the expenditure or donation of forfeiture proceeds in excess of the minimum amounts established herein.

(6) If the seizing agency is a state agency, all remaining proceeds shall be deposited into the General Revenue Fund. However, if the seizing agency is:

(a) The Department of Law Enforcement, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the Forfeiture and Investigative Support Trust Fund as provided in s. 943.362 or into the department's Federal Law Enforcement Trust Fund as provided in s. 943.365, as applicable.

(b) The Division of Alcoholic Beverages and Tobacco, the proceeds accrued pursuant to the Florida Contraband Forfeiture Act shall be deposited into the Alcoholic Beverage and Tobacco Trust Fund or into the department's Federal Law Enforcement Trust Fund as provided in s. 561.027, as applicable.

(c) The Department of Highway Safety and Motor Vehicles, the proceeds accrued pursuant to the Florida Contraband Forfeiture Act shall be deposited into the Department of Highway Safety and Motor Vehicles Law Enforcement Trust Fund as provided in s. 932.705(1)(a) or into the department's Federal Law Enforcement Trust Fund as provided in s. 932.705(1)(b), as applicable.

(d) The Fish and Wildlife Conservation Commission, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the State Game Trust Fund as provided in ss. 379.338, 379.339, and 379.3395 or into the Marine Resources Conservation Trust Fund as provided in s. 379.337.

(e) A state attorney's office acting within its judicial circuit, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the State Attorney's Forfeiture and Investigative Support Trust Fund to be used for the investigation of crime and prosecution of criminals within the judicial circuit.

(f) A school board security agency employing law enforcement officers, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the School Board Law Enforcement Trust Fund.

(g) One of the State University System police departments acting within the jurisdiction of its employing state university, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into that state university's special law enforcement trust fund.

(h) The Department of Agriculture and Consumer Services, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the Agricultural Law Enforcement Trust Fund or into the department's Federal Law Enforcement Trust Fund as provided in s. 570.205, as applicable.

(i) The Department of Military Affairs, the proceeds accrued from federal forfeiture sharing pursuant to 21 U.S.C. ss. 881(e)(1)(A) and (3), 18 U.S.C. s. 981(e)(2), and 19 U.S.C. s. 1616a shall be deposited into the Armory Board Trust Fund and used for purposes authorized by such federal provisions based on the department's budgetary authority or into the department's Federal Law Enforcement Trust Fund as provided in s. 250.175, as applicable.

(j) The Department of Transportation, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the State Transportation Trust Fund to be used for purposes of drug interdiction or into the department's Federal Law Enforcement Trust Fund as provided in s. 339.082, as applicable.

(k) The Medicaid Fraud Control Unit of the Department of Legal Affairs, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the Department of Legal Affairs Grants and Donations Trust Fund to be used for investigation and prosecution of Medicaid fraud, abuse, neglect, and other related cases by the Medicaid Fraud Control Unit.

(l) The Division of State Fire Marshal in the Department of Financial Services, the proceeds accrued under the Florida Contraband Forfeiture Act shall be deposited into the Insurance Regulatory Trust Fund to be used for the purposes of arson suppression, arson investigation, and the funding of anti-arson rewards.

(m) The Division of Insurance Fraud of the Department of Financial Services, the proceeds accrued pursuant to the provisions of the Florida Contraband Forfeiture Act shall be deposited into the Insurance Regulatory Trust Fund as provided in s. 626.9893 or into the Department of Financial Services' Federal Law Enforcement Trust Fund as provided in s. 17.43, as applicable.

(7) If more than one law enforcement agency is acting substantially to effect the forfeiture, the court having jurisdiction over the forfeiture proceedings shall, upon motion, equitably distribute all proceeds and other property among the seizing agencies.

(8) Upon the sale of any motor vehicle, vessel, aircraft, real property, or other property requiring a title, the appropriate agency shall issue a title certificate to the purchaser. Upon the request of any law enforcement agency which elects to retain titled property after forfeiture, the appropriate state agency shall issue a title certificate for such property to said law enforcement agency.

(9) **Neither the law enforcement agency nor the entity having budgetary control over the law enforcement agency shall anticipate future forfeitures or proceeds therefrom in the adoption and approval of the budget for the law enforcement agency.**

History.—s. 5, ch. 92-54; s. 2, ch. 92-290; s. 21, ch. 94-265; s. 479, ch. 94-356; s. 5, ch. 95-265; s. 72, ch. 96-321; s. 41, ch. 96-418; s. 2, ch. 98-387; s. 3, ch. 98-389; s. 4, ch. 98-390; s. 5, ch. 98-391; s. 2, ch. 98-392; s. 2, ch. 98-393; s. 2, ch. 98-394; s. 61, ch. 99-245; s. 2, ch. 2000-147; ss. 26, 79, ch. 2002-402; s. 1923, ch. 2003-261; s. 37, ch. 2003-399; s. 3, ch. 2004-39; s. 38, ch. 2004-234; s. 16, ch. 2004-344; s. 23, ch. 2005-3; s. 19, ch. 2005-71; s. 2, ch. 2005-109; s. 5, ch. 2005-117; s. 11, ch. 2006-26; s. 20, ch. 2006-176; s. 21, ch. 2006-305; s. 7, ch. 2007-14; s. 10, ch. 2007-73; s. 10, ch. 2008-153; s. 207, ch. 2008-247; s. 7, ch. 2009-82; s. 8, ch. 2010-153; s. 18, ch. 2011-47; s. 31, ch. 2012-88; s. 15, ch. 2012-119.

¹**Note.**—Section 15, ch. 2012-119, amended paragraph (4)(d) “[i]n order to implement Specific Appropriations 1297B and 1299 of the 2012-2013 General Appropriations Act.”

Okaloosa County
Law Enforcement Trust Fund
Expenditures
October 7, 2003 through May 14, 2009

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:51:24

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='04' and transact.key_orgn='599' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FUN
 DIVISION - 599 - DTF ACTIVITIES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /04 10/07/03	11				.00			POSTED FROM BUDGET SYSTEM
6 /04 03/11/04	21	36433	N004	NATIONAL CHILDR		5,000.00	.00	
6 /04 03/15/04	20	36453	E002	EMERALD COAST		5,000.00	.00	
6 /04 03/15/04	20	36433	N004	NATIONAL CHILDR		-5,000.00	.00	
6 /04 03/19/04	13				5,000.00			3-19-04 DRAW
7 /04 04/01/04	21	36633	R015	REAL PERFORMANCE		6,000.00	.00	
7 /04 04/14/04	21	36732	C060	CRESTVIEW SENIOR		1,000.00	.00	
7 /04 04/14/04	21	36736	E002	EMERALD COAST		3,133.74	.00	
7 /04 04/19/04	24		1	MISCELLANEOUS PA		-3,133.74		OKAL CNTY POLICE ATHLETIC
7 /04 04/28/04	21	36846	A052	AUTUMN HOUSE - W		1,500.00	.00	
7 /04 04/28/04	21	36887	O022	OKALOOSA COUNTY		500.00	.00	
7 /04 04/28/04	21	36888	O023	THE OKALOOSA ACA		500.00	.00	
7 /04 04/28/04	21	36892	S045	S4P SYNERGY, INC		5,000.00	.00	
8 /04 05/13/04	21	37030	S047	SHELTER HOUSE		1,000.00	.00	
8 /04 05/19/04	21	37064	F092	FLORIDA MISSING		250.00	.00	
8 /04 05/26/04	21	37144	M055	MENTAL HEALTH AS		500.00	.00	
9 /04 06/21/04	13				16,250.00			6-21-04 DRAW
10/04 07/07/04	21	37504	F028	FLORIDA SHERIFFS		10,000.00	.00	
10/04 07/07/04	21	37497	E002	EMERALD COAST		300.00	.00	
12/04 09/22/04	13				10,300.00			9-22-04 STATE DRAW
TOTAL	CONTRIBUTIONS				31,550.00	31,550.00	.00	
TOTAL	DTF ACTIVITIES				31,550.00	31,550.00	.00	
TOTAL	LAW ENFORCEMENT TRUST FUN				31,550.00	31,550.00	.00	
TOTAL	REPORT				31,550.00	31,550.00	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:49:48

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='05' and transact.key_orgn='599' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FUN
 DIVISION - 599 - DTF ACTIVITIES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /05 10/04/04	11				.00			POSTED FROM BUDGET SYSTEM
1 /05 10/08/04	21	38381	S073	THE SIDEKICK FOU		1,000.00	.00	
1 /05 10/20/04	21	38525	S042	SUN TRUST BANK		2,218.57	.00	19119103898220001
3 /05 12/31/04	13				3,218.57			12-15-04 DRAW
5 /05 02/24/05	21	39765	O035	ORANGE COUNTY SO		3,000.00	.00	
7 /05 04/14/05	21	40214	E026	EDGE ELEMENTARY		1,000.00	.00	SCHOOL NEWSPAPER
7 /05 04/14/05	21	40266	R041	ROTARY CLUB OF F		2,000.00	.00	
7 /05 04/21/05	21	40300	F061	FORT WALTON FAMI		400.00	.00	YMCA T-BALL PROGRAM
7 /05 04/21/05	21	40301	F061	FORT WALTON FAMI		250.00	.00	TEAM SPONSOR
7 /05 04/28/05	21	40363	F011	FLORIDA SHERIFF'		2,000.00	.00	2005 SUMMER CONF
7 /05 04/28/05	21	40336	A072	AIR FORCE ENLIST		5,000.00	.00	2005 GOLF TOURN
9 /05 06/15/05	13				13,650.00			6-24-05 DRAW
11/05 08/12/05	21	41316	D080	DESTIN KIWANIS C		1,600.00	.00	
12/05 09/09/05	21	41587	F061	FORT WALTON FAMI		250.00	.00	
13/05 09/30/05	19	0405-361				870.00		TO REC. FORFEITED PROPRTY
13/05 09/30/05	19	0405-362				1,600.00		TO REC. FORFEITED PROPRTY
13/05 10/01/05	13				1,850.00			9-23-05 DRAW
13/05 10/01/05	13				2,470.00			FY FORF PROP TRANSACTIONS
TOTAL	CONTRIBUTIONS				21,188.57	21,188.57	.00	
TOTAL	DTF ACTIVITIES				21,188.57	21,188.57	.00	
TOTAL	LAW ENFORCEMENT TRUST FUN				21,188.57	21,188.57	.00	
TOTAL	REPORT				21,188.57	21,188.57	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:49:13

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='06' and transact.key_orgn='599' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FUN
 DIVISION - 599 - DTF ACTIVITIES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /06			42047	E002 EMERALD COAST		10,000.00	.00	
2 /06			42243	0041 OWC FOUNDATION		2,000.00	.00	
2 /06			42352	F011 FLORIDA SHERIFF'		10,000.00	.00	
3 /06					22,000.00			12-30-05 DRAW
5 /06			42958	E002 EMERALD COAST		3,000.00	.00	
6 /06					3,000.00			3-31-06 DRAW
6 /06					9,725.00			6 MONTH PROPERTY REPORT
6 /06			FORFPROP			9,725.00		TO REC FORF. PROP-OCT-MAR
7 /06			43607	R041 ROTARY CLUB OF F		2,000.00	.00	
9 /06					2,000.00			6-30-06 DRAW
10/06			44522	S047 SHELTER HOUSE		100.00	.00	HOOPS FOR HOPE
12/06					100.00			9-22-06 DRAW
13/06			AA000017			7,705.00		APRIL-SEPT. 06 ACTIVITY
13/06					7,705.00			6 MONTH PROPERTY REPORT
TOTAL				CONTRIBUTIONS	44,530.00	44,530.00	.00	
TOTAL				DTF ACTIVITIES	44,530.00	44,530.00	.00	
TOTAL				LAW ENFORCEMENT TRUST FUN	44,530.00	44,530.00	.00	
TOTAL				REPORT	44,530.00	44,530.00	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:48:21

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='07' and transact.key_orgn='599' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FUN
 DIVISION - 599 - DTF ACTIVITIES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /07			45122	F011 FLORIDA SHERIFF'		15,500.00	.00	CHILD ID PROGRAM
1 /07			45254	M6301 CARD SERVICES		1,000.00	.00	
2 /07			45507	E034 EMERALD COAST BU		2,000.00	.00	
2 /07			45507	E034 EMERALD COAST BU		-2,000.00	.00	
2 /07			45547	E002 EMERALD COAST		2,000.00	.00	
3 /07			20070069	D068 DR. MARTIN LUTHE		2,000.00	.00	GOLD SPONSORSHIP
3 /07					20,500.00			12-31-06 REQUEST
4 /07			20070179	F061 FORT WALTON FAMI		500.00	.00	SPORTS SPONSOR LEVEL
4 /07			20070288	F011 FLORIDA SHERIFF'		3,000.00	.00	
6 /07					3,500.00			3-22-07 REQUEST
6 /07					12,975.00			6 MO FORFEITED PROPERTY
6 /07				FORFPROP		12,975.00		PER ATTACHED
7 /07			20071050	F061 FORT WALTON FAMI		500.00	.00	SUPER SPONSOR LEVEL
7 /07			20071079	A072 AIR FORCE ENLIST		2,500.00	.00	SILVER SPONSOR
7 /07			20071178	R041 ROTARY CLUB OF F		2,000.00	.00	2 TITANIUM SCHOLARSH
7 /07			20071190	F061 FORT WALTON FAMI		500.00	.00	FRIENDS YMCA CHARITY
7 /07			20071212	E046 EMERALD COAST SA		2,500.00	.00	
9 /07					8,000.00			6-25-07 REQUEST
10/07			20071836	F028 FLORIDA SHERIFFS		4,000.00	.00	
10/07			20071938	Y005 YOUTH VILLAGE, I		250.00	.00	3RD ANNUAL EXTRAVAG
10/07			20071913	L047 LAKE COUNTY SHER		750.00	.00	
13/07			AJE13012			8,850.00		APR-SEPT ACTIVITY
13/07					5,000.00			9-28-07 DRAW
13/07					8,850.00			6 MONTHS FORF. PROPERTY
TOTAL				CONTRIBUTIONS	58,825.00	58,825.00	.00	
TOTAL				DTF ACTIVITIES	58,825.00	58,825.00	.00	
TOTAL				LAW ENFORCEMENT TRUST FUN	58,825.00	58,825.00	.00	
TOTAL				REPORT	58,825.00	58,825.00	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:55:52

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='08' and transact.key_orgn='1051' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FND
 DIVISION - 1051 - STATE FORFEITURES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /08 10/01/07	11				.00			ESTABLISH ACCOUNT
1 /08 10/18/07	19			CORRAJE		6,600.00		DONATIONS
2 /08 11/01/07	21		20080181	N044 NICEVILLE HIGH S		3,400.00	.00	ROSE PARADE
2 /08 11/01/07	21		20080180	N027 N A A C P		3,000.00	.00	
2 /08 11/16/07	21		20080336	D068 DR. MARTIN LUTHE		2,000.00	.00	HOLIDAY TRIBUTE
2 /08 11/26/07	21		20080360	A105 THE ARTHRITIS FO		585.00	.00	
2 /08 11/26/07	21		20080361	O051 OKALOOSA WALTON		140.00	.00	3RD ANNUAL DINNER & AUCTI
2 /08 11/26/07	21			A105 THE ARTHRITIS FO		-585.00	.00	
2 /08 11/26/07	21		20080503	A105 THE ARTHRITIS FO		585.00	.00	JINGLE BELL RUN
3 /08 12/17/07	21			A105 THE ARTHRITIS FO		-585.00	.00	JINGLE BELL RUN
3 /08 12/17/07	21		20080513	A105 THE ARTHRITIS FO		585.00	.00	JINGLE BELL RUN
3 /08 12/17/07	20		20080503	A105 THE ARTHRITIS FO		-585.00	.00	JINGLE BELL RUN
3 /08 12/20/07	20		20080513	A105 THE ARTHRITIS FO		-585.00	.00	JINGLE BELL RUN
3 /08 12/20/07	21			A105 THE ARTHRITIS FO		-585.00	.00	JINGLE BELL RUN
3 /08 12/20/07	21			A105 THE ARTHRITIS FO		.00	.00	JINGLE BELL RUN
5 /08 02/06/08	19		AJE05008			1,755.00		CORRECT ERROR IN PSTNG
5 /08 02/06/08	13				13,970.00			FEB 5, 2008 ANALYSIS
5 /08 02/07/08	21		20080911	A072 AIR FORCE ENLIST		2,500.00	.00	5TH ANN BOB HOPE
5 /08 02/07/08	21		20080922	E002 EMERALD COAST		2,500.00	.00	
5 /08 02/25/08	13				6,755.00			FEB 25, 2008 ANALYSIS
7 /08 04/03/08	21		20081409	C119 CYSTIC FIBROSIS		2,000.00	.00	WAITING FOR A CURE
7 /08 04/03/08	21		20081412	C138 CHILDREN'S INVIT		300.00	.00	12TH ANNUAL CHILDREN INV
7 /08 04/03/08	21		20081422	F112 FWB ROTARY CLUB		1,000.00	.00	
7 /08 04/10/08	21		20071471	E9390 MARY C. ROMINGER		100.00	.00	REIM FOR DONATION
7 /08 04/10/08	21		20071474	F061 FORT WALTON FAMI		1,000.00	.00	CHARITY GOLF TOURN
7 /08 04/10/08	21		20071474	F061 FORT WALTON FAMI		1,000.00	.00	
7 /08 04/10/08	21		20081471	E9390 MARY C. ROMINGER		100.00	.00	REIM FOR DONA AM CANCER S
7 /08 04/10/08	21		20081475	F061 FORT WALTON FAMI		1,000.00	.00	CHARITY GOLF TOURN
7 /08 04/10/08	21		20081474	F061 FORT WALTON FAMI		1,000.00	.00	
7 /08 04/10/08	20		20071471	E9390 MARY C. ROMINGER		-100.00	.00	REIM FOR DONATION
7 /08 04/10/08	20		20071474	F061 FORT WALTON FAMI		-1,000.00	.00	CHARITY GOLF TOURN
7 /08 04/10/08	20		20071474	F061 FORT WALTON FAMI		-1,000.00	.00	
7 /08 04/17/08	21		20081532	F061 FORT WALTON FAMI		500.00	.00	
7 /08 04/17/08	21		20081527	C140 CHILDREN IN CRIS		650.00	.00	
7 /08 04/24/08	21		20081604	M6301 CARD SERVICES		2,000.00	.00	
8 /08 05/01/08	21		20081638	A112 AMERICAN CANCER		1,000.00	.00	RELAY FOR LIFE
8 /08 05/01/08	21		20081647	E051 EMERALD COAST YM		1,000.00	.00	
8 /08 05/08/08	21		20081693	E052 EMERALD COAST FO		500.00	.00	3RD ANN HELEN BACK
8 /08 05/08/08	21		20081742	S229 SECURITY FORCES		200.00	.00	
8 /08 05/15/08	21		20081753	F113 FWBHS TOUCHDOWN		400.00	.00	
8 /08 05/21/08	13				11,650.00			5-21-08 ANALYSIS
8 /08 05/22/08	21		20081828	F011 FLORIDA SHERIFF'		15,000.00	.00	
10/08 07/18/08	13				15,000.00			7-18-08 ANALYSIS
12/08 09/04/08	21		20082758	J029 LEWIS JENNINGS		2,000.00	.00	
12/08 09/26/08	13				2,000.00			9-26-08 ANALYSIS
13/08 09/30/08	19		AJE13030			10,000.00		RECLASS EXPENSE

SUNGARD PENTAMATION INC.
DATE: 05/18/2009
TIME: 13:55:52

OKALOOSA COUNTY SHERIFF ****LIVE****
EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 2
AUDIT11

SELECTION CRITERIA: transact.yr='08' and transact.key_orgn='1051' and transact.account='58201'
ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FND
DIVISION - 1051 - STATE FORFEITURES

ACCOUNT	DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201									
									(cont'd)
13/08	09/30/08	19		AJE13087			-10,000.00		AUDIT ADJUSTMENT
13/08	09/30/08	19		AJE13088			10,000.00		AUDIT ADJUSTMENT REVERSAL
TOTAL						49,375.00	59,375.00	.00	
TOTAL						49,375.00	59,375.00	.00	
TOTAL						49,375.00	59,375.00	.00	
TOTAL						49,375.00	59,375.00	.00	
TOTAL						49,375.00	59,375.00	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:54:32

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='08' and transact.key_orgn='1052' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FND
 DIVISION - 1052 - FEDERAL FORFEITURES

ACCOUNT DATE	T/C	ENCUMBER	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /08 10/11/07 21			20080011	E046 EMERALD COAST SA		2,000.00	.00	
1 /08 10/11/07 21			20080012	E047 EMERALD COAST PI		1,000.00	.00	
1 /08 10/11/07 21			20080022	F104 FUTURE IMAGES IN		3,000.00	.00	
1 /08 10/11/07 11					.00			ESTABLISH ACCOUNT
1 /08 10/18/07 19			CORRAJE			-6,600.00		DONATIONS
1 /08 10/18/07 21			20080067	N015 NICEVILLE/VALP.		600.00	.00	PLATINUM MID BAY RUN
TOTAL				CONTRIBUTIONS	.00	.00	.00	
TOTAL				FEDERAL FORFEITURES	.00	.00	.00	
TOTAL				LAW ENFORCEMENT TRUST FND	.00	.00	.00	
TOTAL REPORT					.00	.00	.00	

SUNGARD PENTAMATION INC.
 DATE: 05/18/2009
 TIME: 13:46:35

OKALOOSA COUNTY SHERIFF ****LIVE****
 EXPENDITURE TRANSACTION ANALYSIS

PAGE NUMBER: 1
 AUDIT11

SELECTION CRITERIA: transact.yr='09' and transact.key_orgn='1051' and transact.account='58201'
 ACCOUNTING PERIOD: 8/09

FUND - 105 - LAW ENFORCEMENT TRUST FND
 DIVISION - 1051 - STATE FORFEITURES

ACCOUNT DATE	T/C	ENCUMBR	REFERENCE	VENDOR	BUDGET	EXPENDITURES	ENCUMBRANCES	DESCRIPTION
58201				CONTRIBUTIONS				
1 /09 10/01/08 11					.00			POSTED FROM BUDGET SYSTEM
1 /09 10/09/08 21			20090075	F028 FLORIDA SHERIFFS		4,000.00	.00	
1 /09 10/09/08 21			20090109	S236 SYLVANIA HEIGHTS		750.00	.00	
1 /09 10/09/08 21			20090049	B079 BURNETTE-HARMON-		750.00	.00	
1 /09 10/23/08 21			20090217	O059 OLEBA, INC.		3,600.00	.00	
2 /09 11/06/08 21			20090336	F011 FLORIDA SHERIFF'		15,000.00	.00	
2 /09 11/13/08 21			20090431	S243 STRIVING FOR PER		5,000.00	.00	
3 /09 12/18/08 21			20090773	F011 FLORIDA SHERIFF'		5,000.00	.00	
3 /09 12/31/08 13					34,100.00			12-31-08 ANALYSIS
4 /09 01/22/09 21			20091102	S247 ST JUDE CHILDREN		500.00	.00	
6 /09 03/19/09 21			20091603	N005 NICEVILLE EXCHAN		100.00	.00	
7 /09 04/02/09 21			20091702	B009 BAKER AREA RECRE		750.00	.00	SILVER SPONSOR APR 09
7 /09 04/02/09 21			20091714	E055 ELEANOR J JOHNSO		250.00	.00	
7 /09 04/02/09 21			20091712	E002 EMERALD COAST		2,000.00	.00	APR 14 & 15 -09
8 /09 05/05/09 21			20091967	F061 FORT WALTON FAMI		250.00	.00	TEAM SPONSORSHIP
8 /09 05/08/09 21			20092024	S253 96TH SERVICES SQ		432.00	.00	
8 /09 05/14/09 21			20092033	B086 BOGGY BAYOU RUN		204.00	.00	
TOTAL				CONTRIBUTIONS	34,100.00	38,586.00	.00	
TOTAL				STATE FORFEITURES	34,100.00	38,586.00	.00	
TOTAL				LAW ENFORCEMENT TRUST FND	34,100.00	38,586.00	.00	
TOTAL REPORT					34,100.00	38,586.00	.00	

Okaloosa County
Law Enforcement Trust Fund
Expenditures
Calendar 2010 through Portion of 2012

Year	Period	Organization Title	Account	Account Description	Amount	Cancelled?	Vendor #	Vendor Name	Description
10	1	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	\$0.00	NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
10	1	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	\$500.00	NULL	B044	BRIDGEWAY CENTER, INC.	6TH ANNUAL CHARITY GOLF
10	1	STATE FORFEITURES	54951	SOFTWARE LICENSE/SUPPORT	\$0.00	NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
10	1	STATE FORFEITURES	55142	OFFICE EQUIPMENT < \$1000	\$0.00	NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
10	1	STATE FORFEITURES	56441	VEHICLES	\$0.00	NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
10	1	STATE FORFEITURES	58201	CONTRIBUTIONS	\$0.00	NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
10	2	STATE FORFEITURES	58201	CONTRIBUTIONS	\$250.00	NULL	F061	FORT WALTON FAMILY YMCA	10 MAN FIRE TRUCK PULL
10	3	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	A128	AMI KIDS-EMERALD COAST	SUPPORT DONATION
10	3	STATE FORFEITURES	58201	CONTRIBUTIONS	\$2,000.00	NULL	D068	DR. MARTIN LUTHER KING CELEBRATION	2010 HOLIDAY CELEBRATION
10	3	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	F061	FORT WALTON FAMILY YMCA	2-TEAM SPONSORSHIP LEVEL
10	3	STATE FORFEITURES	58201	CONTRIBUTIONS	\$1,000.00	NULL	M221	MT EWELL MASONIC LODGE 131	MASONIC SCHOLARSHIP FUND
10	4	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	\$1,000.00	NULL	C016	CRESTVIEW ROTARY CLUB	WILD GAME FEAST
10	4	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$3,287.00	NULL	NULL	NULL	MOVE ACCRED EXP TO 105
10	4	STATE FORFEITURES	58201	CONTRIBUTIONS	\$250.00	NULL	O061	OPPORTUNITY, INC.	
10	4	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	S247	ST JUDE CHILDRENS HOSP	
10	5	STATE FORFEITURES	54045	PER DIEM - EDUCATION	\$0.00	NULL	NULL	NULL	NULL
10	5	STATE FORFEITURES	54654	OFFICE FACILITY REPAIRS	\$0.00	NULL	NULL	NULL	NULL
10	5	STATE FORFEITURES	55250	EMPLOYEE UNIFORMS	\$0.00	NULL	NULL	NULL	NULL
10	5	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$55.52	NULL	NULL	NULL	MOVE ACCREDIT EXP TO 105
10	5	STATE FORFEITURES	56453	GUNS	\$0.00	NULL	NULL	NULL	NULL
10	5	STATE FORFEITURES	58201	CONTRIBUTIONS	\$2,000.00	NULL	NULL	NULL	MOVE CONTYRIBUTIONS FR FE
10	5	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	NULL	NULL	MOVE CONTYRIBUTIONS FR FE
10	5	STATE FORFEITURES	58201	CONTRIBUTIONS	\$100.00	NULL	NULL	NULL	MOVE CONTYRIBUTIONS FR FE
10	6	STATE FORFEITURES	54654	OFFICE FACILITY REPAIRS	\$852.04	NULL	NULL	NULL	MOVE ACCREDIT EXP TO 105
10	6	STATE FORFEITURES	54654	OFFICE FACILITY REPAIRS	\$1,350.60	NULL	NULL	NULL	MOVE ACCREDIT EXP TO 105
10	6	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$4,077.00	NULL	NULL	NULL	MOVE ACCREDIT EXP TO 105
10	6	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$629.00	NULL	NULL	NULL	MOVE ACCREDIT EXP TO 105
10	6	STATE FORFEITURES	58201	CONTRIBUTIONS	\$1,500.00	NULL	B009	BAKER AREA RECREATION ASSOCIATION	
10	6	STATE FORFEITURES	58201	CONTRIBUTIONS	\$300.00	NULL	C140	CHILDREN IN CRISIS	4TH ANNUAL GOLF TOURNAMEN
10	6	STATE FORFEITURES	58201	CONTRIBUTIONS	\$400.00	NULL	F061	FORT WALTON FAMILY YMCA	FRIENDS OF THE YMCA
10	6	STATE FORFEITURES	58201	CONTRIBUTIONS	\$1,000.00	NULL	F112	FWB ROTARY CLUB SCHOLARSHIP FUND	
10	6	STATE FORFEITURES	58201	CONTRIBUTIONS	\$3,500.00	NULL	S243	STRIVING FOR PERFECTION MINISTRIES	2010/2011 HIGH SCHOOL
10	7	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$1,500.00	NULL	NULL	NULL	MOVE ACCREDIT TO 105
10	7	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$300.00	NULL	NULL	NULL	MOVE ACCREDIT TO 105
10	7	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$679.50	NULL	NULL	NULL	MOVE ACCREDIT TO 105
10	7	STATE FORFEITURES	58201	CONTRIBUTIONS	\$250.00	NULL	F061	FORT WALTON FAMILY YMCA	TEAM SPONSORSHIP
10	7	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	R059	ROYAL GENERATION DEVELOPMENT	YOUTH GROUP PROGRAM
10	8	STATE FORFEITURES	54654	OFFICE FACILITY REPAIRS	\$129.60	NULL	R002	RACETRACK ACE HARDWARE	ACCREDITATION EXPENSE
10	9	STATE FORFEITURES	58201	CONTRIBUTIONS	\$575.00	NULL	N107	NWFSC FOUNDATION	GOLF TOURNAMENT
10	10	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	\$1,000.00	NULL	P085	PJC FOUNDATION	CLAY SHOOT
10	10	STATE FORFEITURES	56447	OTHER EQUIPMENT	\$0.00	NULL	NULL	NULL	NULL
10	11	STATE FORFEITURES	58201	CONTRIBUTIONS	\$600.00	NULL	D080	DESTIN KIWANIS CLUB	GOLD LEVEL GOLF TOURNAMEN
10	11	STATE FORFEITURES	58201	CONTRIBUTIONS	\$250.00	NULL	F061	FORT WALTON FAMILY YMCA	TEAM SPONSORSHIP LEVEL
10	11	STATE FORFEITURES	58201	CONTRIBUTIONS	\$1,500.00	NULL	F122	FISHER HOUSE OF THE EMERALD COAST	3RD ANNUAL GOLF TOURNAMEN
10	11	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	G032	GREATER FORT WALTON BEACH	DR. HC WHITE 24TH ANNUAL
10	12	STATE FORFEITURES	54045	PER DIEM - EDUCATION	\$125.00	NULL	C081	COMMISSION FOR FL LAW ENF ACCRED	11-15/11-17 REGISTRATION
10	12	STATE FORFEITURES	58201	CONTRIBUTIONS	\$500.00	NULL	W070	WHITE SANDS YOUTH BOWLING LEAGUE	YOUTH BOWLING SCHOLARSHIP
10	13	STATE FORFEITURES	54045	PER DIEM - EDUCATION	-\$125.00	NULL	NULL	NULL	OCAJE15-REVERSE LETF A/P
10	13	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	-\$2,578.92	NULL	NULL	NULL	REVERSE AJE 5
10	13	STATE FORFEITURES	54948	OTHER ADMINISTRATIVE COST	\$2,578.92	NULL	NULL	NULL	TRANSFER ASSETS
10	13	STATE FORFEITURES	56447	OTHER EQUIPMENT	-\$55.52	NULL	NULL	NULL	ASSET RECLASS
10	13	STATE FORFEITURES	56453	GUNS	\$2,578.92	NULL	NULL	NULL	REVERSE AJE 5
10	13	STATE FORFEITURES	56453	GUNS	-\$2,578.92	NULL	NULL	NULL	TRANSFER ASSETS
11	2	STATE FORFEITURES	58201	CONTRIBUTIONS	\$250.00	NULL	F061	FORT WALTON FAMILY YMCA	10 MAN FIRE TRUCK PULL

4/19/2010

11	2 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,000.00 NULL	F061	FORT WALTON FAMILY YMCA	SUPER SPORT SPONSOR LEVEL
11	3 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	C140	CHILDREN IN CRISIS	CHRISTMAS CONCERT/10 PASS
11	3 STATE FORFEITURES	58201 CONTRIBUTIONS	\$2,000.00 NULL	D068	DR. MARTIN LUTHER KING CELEBRATION	2011 KING HOLIDAY
11	4 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,000.00 NULL	F028	FLORIDA SHERIFFS' YOUTH RANCHES	
11	4 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	S247	ST JUDE CHILDRENS HOSP	
11	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$350.00 NULL	N111	NORTHWEST FLORIDA FALCONS	CRIME PREVENTION/STOPPERS
11	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$2,000.00 NULL	O061	OPPORTUNITY, INC.	AMBASSADORS HARLEM
11	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$3,500.00 NULL	S243	STRIVING FOR PERFECTION MINISTRIES	2011 PROGRAMS
11	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	S263	SPECIAL OLYMPICS FLORIDA	
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	SILVER HOLE SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	SILVER HOLE SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	SILVER HOLE SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	SILVER HOLE SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	SILVER HOLE SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,500.00 NULL	B009	BAKER AREA RECREATION ASSOCIATION	GOLD SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$200.00 NULL	B101	BAKER AREA YOUTH ASSOCIATION	2011 YOUTH SPORTS
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$200.00 NULL	F014	FORT WALTON BEACH LIONS CLUB	(2) - GREEN SPONSOR
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	F131	FWB ALUMNI CHAPTER OF	YOUTH SUPER DAY 2011
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$2,000.00 NULL	M055	MENTAL HEALTH ASSOCIATION	BAKER ACT PREVENT PROGRAM
11	6 STATE FORFEITURES	58201 CONTRIBUTIONS	\$200.00 NULL	N015	NICEVILLE/VALP. CHAMBER OF COMMERCE	2011 WASTE MANAGEMENT
11	7 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	F132	FWBHS VIKING BAND	GOLF TOURNAMENT
11	7 STATE FORFEITURES	58201 CONTRIBUTIONS	\$575.00 NULL	N107	NWFSC FOUNDATION	HOLE SPONSOR./TEAM
11	8 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$0.00 NULL	L060	LOCAL EDGE	BRANDING & AWARENESS CUST
11	8 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$5,715.00 NULL	L060	LOCAL EDGE	INITAL PACKAGE, MONTH 1
11	8 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$5,440.00 NULL	L060	LOCAL EDGE	MONTHS 2 & 3
11	8 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$5,160.00 NULL	L060	LOCAL EDGE	MONTHS 4 THRU 6
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	A072	AIR FORCE ENLISTED VILLAGE	8TH ANNUAL BOB HOPE VILLA
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	A144	96 ABW ENLISTED FUND	5/6/2011
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,470.00 NULL	B102	BLUE KNIGHTS XXV	SKIP YORK POKER RIDE
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$250.00 NULL	C060	CRESTVIEW SENIOR HIGH SCHOOL	
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$125.00 NULL	E052	EMERALD COAST FOUNDATION	6TH ANNUAL HELEN BACK
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$250.00 NULL	F133	FIREWORKS TRUST FUND	FIREWORKS DISPLAY
11	8 STATE FORFEITURES	58201 CONTRIBUTIONS	\$2,500.00 NULL	F134	FRED ASTAIRE DANCE STUDIO	DANCING W/DESIRE
11	9 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$5,715.00 NULL	L060	LOCAL EDGE	MONTH 1/1ST PYMT
11	9 STATE FORFEITURES	58201 CONTRIBUTIONS	\$5,000.00 NULL	F061	FORT WALTON FAMILY YMCA	
11	9 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	F092	FLORIDA MISSING CHILDREN'S DAY	
11	10 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	A146	ALAYNA BOWMAN SCHOLARSHIP FUND	
11	10 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,500.00 NULL	F122	FISHER HOUSE OF THE EMERALD COAST	4TH ANNUAL GOLF
11	10 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	N027	N A A C P	ACT-SO COMPETITION
11	10 STATE FORFEITURES	58201 CONTRIBUTIONS	\$250.00 NULL	U017	UNITED WAY	2011 DAY OF CARING
11	10 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	W070	WHITE SANDS YOUTH BOWLING LEAGUE	3RD ANNUAL
11	11 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$602.50 NULL	L060	LOCAL EDGE	INITAL PACKAGE, MONTH 1
11	11 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$573.51 NULL	L060	LOCAL EDGE	MONTHS 2 & 3
11	11 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$543.99 NULL	L060	LOCAL EDGE	MONTHS 4 THRU 6
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$290.00 NULL	A044	AMERICAN HEART ASSOCIATION	10TH ANNUAL AHA GOLF
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$5,000.00 NULL	A119	ALL SPORTS ASSOC OF NW FL	
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	C060	CRESTVIEW SENIOR HIGH SCHOOL	FOOTBALL PROGRAM
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$400.00 NULL	C180	CHOCTAWHATCHEE HIGH SCHOOL BAND	2011 FOOTBALL/BAND
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	F132	FWBHS VIKING BAND	2011 FOOTBALL PROGRAM
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	G032	GREATER FORT WALTON BEACH	DR H.C.WHITE GOLF
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	G074	GULF COAST COUNCIL	DODGE BALL TOURNEY
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$150.00 NULL	M238	MEIGS MIDDLE SCHOOL	GOLD SPIRIT
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$750.00 NULL	P091	PRYOR MIDDLE SCHOOL	TRUE BLUE CAMPAIGN
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$400.00 NULL	P102	PENSACOLA STATE COLLEGE FOUNDATION	SHOAL RIVER CLAY SPOR
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	S279	SPECIAL OPERARTIONS WARRIOR FOUNDAT	
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$200.00 NULL	S280	RANDY SIMS	10TH ANNUAL AHA GOLF
11	11 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,500.00 NULL	Y006	YMCA OF FLORIDA'S EMERALD COAST	

11	12 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$0.00 NULL	L060	LOCAL EDGE	NULL
11	12 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$0.00 NULL	L060	LOCAL EDGE	NULL
11	12 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$0.00 NULL	L060	LOCAL EDGE	NULL
11	12 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$2,720.00 NULL	L060	LOCAL EDGE	MONTHS 2 & 3
11	12 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	\$0.00 NULL	NULL	NULL	NULL
11	12 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	\$1,000.00 NULL	NULL	NULL	MOVE TO STATE
11	12 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	-\$1,000.00 NULL	NULL	NULL	REVERSE AJE 374
11	12 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	\$1,000.00 NULL	NULL	NULL	STATE NOT FED FUNDS
11	12 STATE FORFEITURES	55441 BOOKS & PUBLICATIONS	\$0.00 NULL	NULL	NULL	NULL
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$4,096.00 NULL	NULL	NULL	MOVE TO 1051
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$4,096.00 NULL	NULL	NULL	REVERSE AJE 373
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$4,096.00 NULL	NULL	NULL	STATE NOT FED FUNDS
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	C140	CHILDREN IN CRISIS	6TH ANNUAL GOLF CLASS
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	E076	ECAC	
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$100.00 NULL	F142	FWBHS VIKINGS BASEBALL BOOSTER	
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$300.00 NULL	F143	FJCLEA	
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	\$375.00 NULL	G075	GULF POWER TRANSFORMERS	TEAM EVENT
11	12 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$200.00 Y	S280	RANDY SIMS	10TH ANNUAL AHA GOLF
11	13 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$23,045.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	-\$10,155.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	-\$1,000.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$4,970.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	58201 CONTRIBUTIONS	\$4,000.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$46,381.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	58202 CRIME PREVENTION PROGRMS	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	58202 CRIME PREVENTION PROGRMS	\$400.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$21,171.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
11	13 STATE FORFEITURES	58204 DRUG ABUSE EDUCATION PRGR	\$0.00 NULL	NULL	NULL	NULL
11	13 STATE FORFEITURES	58204 DRUG ABUSE EDUCATION PRGR	\$3,950.00 NULL	NULL	NULL	REC. '11 STATE LETF EXPEN
12	1 STATE FORFEITURES	54045 PER DIEM - EDUCATION	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	54654 OFFICE FACILITY REPAIRS	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$200.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$1,200.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$850.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$250.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$500.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$1,000.00 NULL	NULL	NULL	CORRECT ACCT #
12	1 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$150.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	-\$500.00 NULL	NULL	NULL	CORRECT ACCT #
12	1 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$500.00 NULL	NULL	NULL	CORRECT ACCT #
12	1 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	54951 SOFTWARE LICENSE/SUPPORT	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	55142 OFFICE EQUIPMENT < \$1000	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	55441 BOOKS & PUBLICATIONS	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	55441 BOOKS & PUBLICATIONS	\$267.17 NULL	I005	IMAGE PRINTING & DIGITAL SERVICES	
12	1 STATE FORFEITURES	56441 VEHICLES	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	56447 OTHER EQUIPMENT	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	56447 OTHER EQUIPMENT	\$5,513.95 NULL	P084	PATTERSON - POPE	ED3N17 STANDARD EVIDENCE
12	1 STATE FORFEITURES	56453 GUNS	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM

12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$500.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$150.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$500.00 NULL	NULL	NULL	CORRECT ACCT #
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$850.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$250.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$0.00 NULL	NULL	NULL	POSTED FROM BUDGET SYSTEM
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$200.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$1,200.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$1,000.00 NULL	NULL	NULL	CORRECT ACCT #
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$850.00 NULL	B106	BOY SCOUTS OF AMERICA	
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,000.00 NULL	C183	CATHOLIC CHARITIES OF NW FLORIDA	2011 STARFISH GALA
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$600.00 NULL	D080	DESTIN KIWANIS CLUB	
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	N027	N A A C P	
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$250.00 NULL	N044	NICEVILLE HIGH SCHOOL	
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$1,200.00 NULL	N114	NORTH OKALOOSA HISTORICAL ASSOC	BAKER HERITAGE DAY
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$200.00 NULL	N115	NICEVILLE-VALP ROTARY CLUB	MULLET FESTIVAL GOLF
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$486.00 Y	N117	NORTHWEST MILITARY OFF ASSOC	8 TICKETS
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$486.00 NULL	N117	NORTHWEST MILITARY OFF ASSOC	8 TICKETS
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$500.00 NULL	S281	SPECIAL OLYMPICS OKALOOSA COUNTY	
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$900.00 NULL	U017	UNITED WAY	MILITARY TABLE SPONSO
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$900.00 Y	U017	UNITED WAY	MILITARY TABLE SPONSO
12	1 STATE FORFEITURES	58201 CONTRIBUTIONS	\$150.00 NULL	U046	USO NORTHWEST FLORIDA	SUPPORTER OF THE TROO
12	1 STATE FORFEITURES	58202 CRIME PREVENTION PROGRMS	\$500.00 NULL	NULL	NULL	CORRECT ACCT #
12	2 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$150.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	2 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$0.00 NULL	NULL	NULL	NULL
12	2 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$0.00 NULL	NULL	NULL	NULL
12	2 STATE FORFEITURES	55142 OFFICE EQUIPMENT < \$1000	\$1,308.81 NULL	S220	SAM'S CLUB DISCOVER	PHILLIPS 32 COURTHSE
12	2 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$0.00 NULL	NULL	NULL	NULL
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$150.00 NULL	NULL	NULL	CORRECT ACCOUNT
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$900.00 NULL	NULL	NULL	CORRECT ACCT #
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$2,000.00 NULL	NULL	NULL	CORRECT ACCT #
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	\$2,000.00 NULL	D068	DR. MARTIN LUTHER KING CELEBRATION	2011 HOLIDAY TRIBUTE
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$600.00 Y	D080	DESTIN KIWANIS CLUB	
12	2 STATE FORFEITURES	58201 CONTRIBUTIONS	\$150.00 NULL	N117	NORTHWEST MILITARY OFF ASSOC	
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12	2 STATE FORFEITURES	58202 CRIME PREVENTION PROGRMS	\$2,000.00 NULL	NULL	NULL	CORRECT ACCT #
12	2 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$900.00 NULL	NULL	NULL	CORRECT ACCT #
12	2 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$0.00 NULL	NULL	NULL	NULL
12	2 STATE FORFEITURES	58204 DRUG ABUSE EDUCATION PRGR	\$0.00 NULL	NULL	NULL	NULL
12	3 STATE FORFEITURES	54654 OFFICE FACILITY REPAIRS	-\$1,125.00 NULL	S124	SIGNS GALORE, INC.	CHANGE ORDER - 1
12	3 STATE FORFEITURES	54654 OFFICE FACILITY REPAIRS	\$1,125.00 NULL	S124	SIGNS GALORE, INC.	EXTERIOR SIGN (TOTAL OF 3
12	3 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$1,000.00 NULL	C016	CRESTVIEW ROTARY CLUB	WLD GAME FEAST & HUNT
12	3 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$4,440.00 NULL	L060	LOCAL EDGE	
12	3 STATE FORFEITURES	54948 OTHER ADMINISTRATIVE COST	\$1,720.00 NULL	L060	LOCAL EDGE	ACCT# 308609
12	3 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	\$1,638.22 NULL	I005	IMAGE PRINTING & DIGITAL SERVICES	NO TESTING PLEDGE- SHERIF
12	3 STATE FORFEITURES	55257 CRIME PREVENTION SUPPLIES	-\$1,638.22 NULL	I005	IMAGE PRINTING & DIGITAL SERVICES	CHANGE ORDER - 1
12	3 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$5,000.00 NULL	A150	ALAUQA ANIMAL REFUGE, INC	CRUELTY SEMINAR
12	3 STATE FORFEITURES	56447 OTHER EQUIPMENT	\$5,513.95 NULL	P084	PATTERSON - POPE	ED3N17 STANDARD EVIDENCE
12	3 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$1,000.00 NULL	C140	CHILDREN IN CRISIS	KID'S CLUB 400
12	4 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$350.00 NULL	N059	NORTHWEST FLORIDA STATE COLLEGE	TABLE SPONSORSHIP
12	4 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$6,000.00 NULL	A119	ALL SPORTS ASSOC OF NW FL	DONATION
12	4 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$300.00 NULL	A128	AMI KIDS-EMERALD COAST	ANNUAL F/R
12	4 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$2,000.00 NULL	O061	OPPORTUNITY, INC.	O-W HOMELESS C OF C
12	4 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$1,600.00 NULL	U017	UNITED WAY	VAR EVENTS IN FY2012
12	5 STATE FORFEITURES	54741 PRINTING	\$0.00 NULL	NULL	NULL	NULL
12	5 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$100.00 NULL	A072	AIR FORCE ENLISTED VILLAGE	GOLF CLASSIC

12	5 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$400.00 NULL	F113	FWBHS TOUCHDOWN CLUB	CORP SPONS TDC DISPLY
12	5 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$35.00 NULL	C025	CRESTVIEW AREA CHAMBER OF COMMERCE	INFO BOOTH/TRIPLE B
12	5 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$100.00 NULL	R065	REGIONS CREDIT CARD	RLY 4 LIFE TEAM FEE
12	5 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$100.00 NULL	R065	REGIONS CREDIT CARD	RLY 4 LIFE TEAM FEE
12	5 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$10,000.00 NULL	NULL	NULL	RECLASS CAC 58201TO 55449
12	5 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$3,000.00 NULL	E002	EMERALD COAST CAC	INV TRNG & EXPERTISE
12	5 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$5,000.00 NULL	N107	NWFSC FOUNDATION	LEADERSHIP INSTITUTE
12	5 STATE FORFEITURES	58201 CONTRIBUTIONS	-\$10,000.00 NULL	NULL	NULL	RECLASS CAC 58201TO 55449
12	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$10,000.00 NULL	E002	EMERALD COAST CAC	DONATION
12	5 STATE FORFEITURES	58201 CONTRIBUTIONS	\$4,000.00 NULL	M055	MENTAL HEALTH ASSOCIATION	EMERG MEDS & SAFETY
12	5 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$2,500.00 NULL	C140	CHILDREN IN CRISIS	SPONSOR
12	5 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	-\$2,500.00 Y	C140	CHILDREN IN CRISIS	SPONSOR
12	5 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$2,500.00 NULL	D113	DANCING WITH DESIRE	BRONZE SPONSOR
12	5 STATE FORFEITURES	58204 DRUG ABUSE EDUCATION PRGR	\$3,500.00 NULL	S045	S4P SYNERGY, INC.	SCHOOL RETENTION
12	6 STATE FORFEITURES	54741 PRINTING	\$204.87 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	JUST DRIVE CAMPAIGN
12	6 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$35.00 NULL	C025	CRESTVIEW AREA CHAMBER OF COMMERCE	INFO BOOTH
12	6 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$275.00 NULL	N044	NICEVILLE HIGH SCHOOL	'11 F/B PROGRAM
12	6 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$500.00 NULL	S247	ST JUDE CHILDRENS HOSP	DONATION
12	6 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$1,000.00 NULL	S281	SPECIAL OLYMPICS OKALOOSA COUNTY	BRONZE SPONSOR
12	6 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$1,500.00 NULL	B009	BAKER AREA RECREATION ASSOCIATION	GOLD SPONSOR
12	6 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$200.00 NULL	N015	NICEVILLE/VALP. CHAMBER OF COMMERCE	SILVER SPONSOR
12	6 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	\$144.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	TEAM STAR SHIRTS
12	6 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	\$432.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	GILDAN ULTRA T-SHIRT SIZE
12	6 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	\$432.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	GILDAN ULTRA T-SHIRT SIZE
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12	6 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	\$180.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	GILDAN ULTRA T-SHIRT SIZE
12	6 STATE FORFEITURES	55299 SUPPLIES - OTHER	\$0.00 NULL	NULL	NULL	SET UP
12	6 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$500.00 NULL	F055	FDLE/FCJEI	CHILD ABDUCTION RESPONSE
12	6 STATE FORFEITURES	55449 INVESTIGATIVE TRAINING	\$500.00 NULL	F055	FDLE/FCJEI	E011/013012 CART
12	6 STATE FORFEITURES	58202 CRIME PREVENTION PRGRMS	\$500.00 NULL	K026	KAPPA ALPHA PSI FRATERNITY INC	TROPHY SPONSOR
12	6 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$1,000.00 NULL	M241	MORE PRECIOUS THAN RUBIES FOUN INC	DONATION
12	6 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$1,500.00 NULL	Y005	YOUTH VILLAGE, INC.	SPONSOR 2
12	7 STATE FORFEITURES	54800 PROMOTIONAL ACTIVITIES	\$150.00 NULL	M242	MDA MUSCULAR DYSTROPHY ASSOC	BRONZE LEVEL
12	7 STATE FORFEITURES	54801 COMMUNITY EDUCATION PRGRM	\$100.00 NULL	O057	OKALOOSA COUNTY SCHOOL DISTRICT	FULL PAGE
12	7 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	-\$180.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	CHANGE ORDER - 2
12	7 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	-\$144.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	CHANGE ORDER - 1
12	7 STATE FORFEITURES	55250 EMPLOYEE UNIFORMS	-\$432.00 NULL	A085	A2Z SPECIALTY ADVERTISING, INC.	CHANGE ORDER - 1
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12	7 STATE FORFEITURES	58202 CRIME PREVENTION PRGRMS	\$500.00 NULL	E011	EMERALD COAST CRIME STOPPERS	DONATION
12	7 STATE FORFEITURES	58204 DRUG ABUSE EDUCATION PRGR	\$100.00 NULL	M055	MENTAL HEALTH ASSOCIATION	PATRON 2012
12	8 STATE FORFEITURES	58203 SAFE NEIGHBORHOOD PRGRMS	\$1,000.00 NULL	Y006	YMCA OF FLORIDA'S EMERALD COAST	STRONG KIDS & FAMILY

Okaloosa County
Law Enforcement Trust Fund
Expenditures
Used for 2013 Force Reduction Plan
(To include Health Insurance Premiums)

Sheriff



Larry Ashley, Okaloosa County Sheriff
1201 Egmont Parkway - Stratford, Florida 32579-1211
Phone: (904) 771-3110 • Fax: (904) 771-3100 • Email: sheriff@okaloosa.net

September 25, 2012

Agenda Request: October 2, 2012 Board Meeting

To: Jim Curry, County Administrator

From: Major J.D. Peacock, Administration Bureau Chief

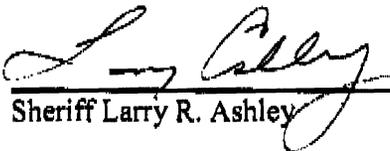
Re: State Law Enforcement Trust Fund Disbursement Request

1. OCSO Direct Expenses

- a. \$118,000 as approved by the Board for School Resource Officers for FY 2013.
- b. \$118,000 as approved by the Board for expenses associated for the FY 2013 force reduction plan.

Total Disbursement Requested: **\$236,000.00**

I, Larry R. Ashley, do hereby certify that the aforementioned request for expenditures complies with the provisions of Section 932.7055 Florida Statutes.



Sheriff Larry R. Ashley



The Okaloosa County Sheriff's Office is accredited by the Commission for Florida Law Enforcement Accreditation.

"The Okaloosa County Sheriff's Office provides equal access and equal opportunity in employment and services and does not discriminate."



Larry Ashley, Okaloosa County Sheriff
 1000 Lake Park Drive, Okaloosa, Florida 32570-1101
 Phone: (904) 832-1101 Fax: (904) 832-1100

Date: October 2, 2012

Sheriff's Office LETF Expenditure Justification

To: Honorable Board of County Commissioners, Okaloosa County Florida

From: Major J.D. Peacock, Administration Bureau Chief

Re: State Law Enforcement Trust Fund

Organization: Okaloosa County Sheriff's Office

Amount: \$118,000 authorized.

Type of Expense: Agency Expense

F.S.S. 932.7055 Authorized Category: Other Law Enforcement Purpose

Justification:

As approved by the Board on September 18, 2012 the OCSO will utilize \$118,000 to provide funds for the execution of the FY 2013 Reduction in Force Plan. Total anticipated expenses are as follows:

*11 personnel
 Why do these
 pay so much. (from \$3,568 to \$10,210)?*

FY 2013 RIF	6 Months Insurance Premium	30 Days' Pay Severance	Policy Driven Leave Payouts
C. Pope.	\$3,569.04	\$3,473.58	\$4,619.20
G. Wilson	\$7,120.68	\$4,945.37	\$342.36
J. Lawson	\$6,868.68	\$2,298.40	\$212.16
M. Parker	\$0.00	\$0.00	\$0.00
J. Jackson	\$3,568.68	\$3,438.93	\$1,984.00
B. Dean	\$3,568.68	\$3,373.06	\$6,616.40
T. Moore	\$3,568.68	\$4,803.06	\$9,421.40
K. Pond	\$3,568.68	\$5,515.46	\$10,818.80
R. Adair	\$10,210.68	\$6,584.93	\$3,799.00
B. Cokonougher	\$10,210.68	\$6,392.53	\$12,539.20
J. Lydston	\$3,568.68	\$6,026.80	\$11,821.80
Total	\$55,823.16	\$46,852.12	\$62,174.32



The Okaloosa County Sheriff's Office is certified by the Commission for Florida Law Enforcement Accreditation. The Okaloosa County Sheriff's Office provides equal access and equal opportunity in employment and services and does not discriminate.

[REDACTED]

From: John Dezzutto <[REDACTED]>
Sent: Friday, February 08, 2013 3:12 PM
To: JLAC
Subject: Joint Legislative Auditing Committee - Okaloosa County

Following is my personal statement for the Joint Legislative Auditing Committee scheduled for Monday, February 11, 2013:

The BOCC (Okaloosa Board of County Commissioners) along with the County Administrator repeatedly violated Florida Statutes 216.181 and 215.422 by approving TDC advance payments of goods and services without adequate proof of performance. Specifically Section 216.181 of Florida Statutes prohibits advance payments stating, "disbursements shall only be made on a reimbursement basis". Ironically the Okaloosa County own RFB (Request for Bid) instructions to potential service providers in Section 3.3.4 - General Scope of Work states, "As an agency of the State of Florida, we must abide by state regulations that prohibit advance payment of goods and services". This violation is also noted in Mr. Stewart's report, "advertising agencies would receive an advancement of funds for some future promotion, rather than operate on a reimbursement basis".

Statute 215.422(3a) states, "Each agency of the state... is required by law... keep a record of the date of receipt of the invoice; date of receipt, inspection, and approval of the goods or services". By ignoring this and the above statute the BOCC were enablers for Mr. Billinger's fraudulent misuse of county funds. The penalty for these statute violations noted in 215.422(10) "shall constitute good cause for discharge of employees duly responsible, or predominantly responsible, for failure to comply". The citizens of Okaloosa County should insist the BOCC members in office from May 2010 to May 2012 be recalled for "massive failure of controls", "inadequately reviewed and not formally approved" TDC expenditures, and "absence of effective supervision" as Mr. Stewart reported.

Why should the request for resignations of the sitting TDC council and attorney not also apply to the County Administrator, Clerk of Circuit Court, and county attorney who are directly responsible for over site and approval for spending county funds?

John Dezzutto
1530 Miracle Strip Pkwy
Fort Walton Beach, FL 32548
714-809-1291

[REDACTED]

From: John Dezzutto <[REDACTED]>
Sent: Friday, February 08, 2013 3:36 PM
To: JLAC
Subject: BOCC request ethics clause removed

Request the Joint Legislative Auditing Committee question your guest why they would want to strike ethics clause from the ORAC draft resolution given recent malfeasance by county officials.

Letters to the NWF Daily News Editor

No ethics clause...

Finally, the state is taking corrective action against Okaloosa County and its Tourist Development Council. The Joint Legislative Auditing Committee, oversight for the auditor general, has summoned county commissioners, TDC members and a representative of The Zimmerman Agency to Tallahassee. This has forced the county to ask for the resignations of TDC members and TDC attorney Steve Hall.

If the above isn't enough to show the county commissioners just don't get it, this will!

At the Feb. 5 County Commission meeting in Crestview, the commissioners directed the county attorney to remove a conflict-of-interest/ethics clause from their draft ORAC (Okaloosa RESTORE Advisory Committee) resolution. The ORAC is supposed to recommend spending for the \$64 million of Okaloosa's share of the BP judgment. Okaloosa County's draft ORAC resolution was based on that of Escambia County, which has an identical ethics clause.

The targeted ethics clause reads, "A committee member may not be employed by or be a member of any organization that requests funding from, or that will be making recommendations to, the committee." By removing this clause, the barnyard gates will swing wide open again for all the county cronies to feed at the public trough.

JOHN DEZZUTTO
Fort Walton Beach

[REDACTED]

From: Jocelyn Donahoo [REDACTED] >
Sent: Friday, February 08, 2013 4:57 PM
To: JLAC
Subject: TDC Scandal

To Whom It May Concern:

The whole situation concerning the TDC money mismanagement leaves me saddened. Charlie Morris left me wondering "is there any public official on the up and up?" Now this. Surely there are some check and balances in place for check writing. Even in my church it is required to have "2" signatures to write a check. All of that being said, I pray justice will be done. Heads need to roll, positions refilled with honest people who have integrity, and charges filed to the fullest extent of the law. Our monies shouldn't be used for personal homes, boats, parties, and expensive marketing.

Sincerely,

--

Jocelyn G. Donahoo

[REDACTED]

From: Locklear, Kirby R CTR USAF AFMC 413 FLTS/XPR <[REDACTED]>
Sent: Friday, February 08, 2013 4:57 PM
To: JLAC
Cc: Locklear Kirby R Contractor 605TES/TXT
Subject: Operational Audit Relating to the Improper Use of TDC Funds

Too Whom It May Concern,

I will be brief, a certain TDC member has committed a crime.
Unfortunately he committed suicide and we may never know the full extent of the crime and those that supported him.

I believe strong oversight reforms are needed, but I believe it should be at the county level.

At the core of this, is an attempt to discredit or local county commissioners and to try to prove Okaloosa officials are unable to control large sums of money. Once discredited, the State will step in and take control of the BP funds coming to Okaloosa! I do not support this!

Keep Local Control of BP Funds!

Kirby R. Locklear
13 Windsor Lane NE
Fort Walton Beach, FL 32547
850-863-5311 Home
850-883-5603 Work
850-217-6103 Mobile
Kirby.locklear@cox.net

[REDACTED]

From: Steven Menchel <[REDACTED]>
Sent: Friday, February 08, 2013 1:58 PM
To: JLAC
Subject: From Steven Menchel - To Senator Abruzzo JLAC Chairman to be included as part of your committee records.
Attachments: Menchel-CFA-AccreditationCorruption-FINAL.pdf

PLEASE ACKNOWLEDGE RECEIPT OF THIS EMAIL.

Senator Joseph Abruzzo
Chairman, Joint Legislative Auditing Committee

Senator, I am writing this message to you and your committee because I have a conflict and will not be able to attend the meeting scheduled for Monday, February 11, 2013.

To begin with by way of disclosure, I am a retired Federal Agent with thirty eight years of experience. When I retired my wife and I moved to Destin Florida (Okaloosa County) where we intend to spend the rest of our lives. To further identify myself, I ran for Sheriff in Okaloosa County and was unsuccessful in my endeavor. The reason I bring this to your attention is during my campaign I spoke to a variety of questionable and possibly illegal activities taking place in this County.

Although it is not relevant to your hearing I am attaching an investigative report on corruption in the Okaloosa County Sheriff's Office (OCSO), dated July 28, 2010. The purpose of the report was to provide substantiated evidence that supported my allegation of corruption in the Okaloosa County Sheriff's Office specifically, the evidence suggest officials within the OCSO were complicit in the Commission of Florida Law Enforcement Accreditation Inc. issuing a fraudulent and misleading accreditation to the OCSO.

Why is that important you ask? It speaks to the ongoing "Culture of Corruption" in Okaloosa County.

The public outcry over this TDC Scandal is by far the most significant which has occurred in years – even though this Community has been victims to a host of scandals to include – The arrest of the Sheriff, The Tax Collectors Issues, The arrest of a sitting County Commissioner – just to name a few.

To address the point of your hearing – that being to call before your committee - those individuals whose job it was to oversee/manage the Tourist Development Council and who apparently provided little if any oversight.

As I am sure that you are aware the Board of County Commissioners (BCC) in the meeting held on Tuesday February 5th adopted, by unanimous vote, the following seven point plan:

1. The County Attorney was instructed to investigate all claims where any individual or entity may continue to be improperly in possession of County funds resulting

from the TDC scandal and to report to the Commission with a proposed litigation strategy to recover funds where appropriate.

2. County Staff was instructed to conduct a thorough review of the current TDC Ordinances (as rewritten immediately after the scandal broke) and present proposals for further revisions to simplify and firm up policy and procedure in light of the Auditor General report.
3. The Commission requested the resignation of the four members of the TDC which are subject to Commission appointment and who were on the TDC on or before January 01 of 2012.
4. The Commission accepted the resignation of the TDC attorney, effective immediately.
5. The Commission instructed staff to prepare a proposal for a TDC compliance officer who would serve to ensure the bed tax monies are being expended in accordance with County Ordinance and State Statute and further ensure that TDC policy and protocols are being followed.
6. The Commission instructed staff to develop a mandatory training program to be implemented County-wide for all members of volunteer Committees and Boards, including the TDC. The training program is to be designed to help the volunteers understand the importance of the Sunshine Law, the Open-Records Law and other important aspects of serving on a volunteer government board.
7. The Commission authorized the Chairman to send a letter to the Sheriff requesting that the Sheriff's office provide access to investigation resources and materials as obtained as a part of the Sheriff's ongoing investigation into the TDC scandal which would aid the County in completing a thorough investigation of the matter without unnecessarily duplicating effort.

A review of the seven points reveals one of the most significant areas/issues that were not addressed. While the BCC's seven point plan is quick to identify others who did wrong and call for resignations the plan fails to lay out any strategy to look at internal processes and what if any corrective actions of County employees may be required.The following editorial "Dodging the TDC spotlight" dated February 7th from the NWFDaily News that also speaks to the issue. **EDITORIAL: Dodging the TDC spotlight**

Since Okaloosa County's Tourist Development Council scandal erupted last May, when it was learned that TDC director Mark Bellinger had misused public funds and then committed suicide, the Daily News has repeatedly urged stricter oversight on the part of county commissioners — to whom Bellinger was supposed to report.

"County officials were oddly incurious about recent TDC expenditures," we noted in a May 12 editorial. "... If a county commissioner or two, or perhaps County Administrator Jim Curry, had scrutinized one of those \$700,000-plus bills for TDC-related 'advertising'

and then demanded that ... Bellinger explain it, the wrenching controversy of the past 11 days might have been avoided."

We weren't alone. A Tallahassee law firm examined TDC polices and concluded that Bellinger "was able to avoid detection through a combination of false information and an absence of effective supervision."

Those who were supposed to provide effective supervision were, of course, the county commissioners. So what did the commissioners do this week? They asked for the resignations of four TDC members and the TDC's attorney.

The TDC members are volunteers. They serve only in an advisory capacity. They weren't Bellinger's bosses.

Nevertheless, the commissioners voted unanimously to boot them.

Commissioner Nathan Boyles admitted the TDC members were "misled and lied to" by Bellinger. But he said they need to resign because "citizens of Okaloosa County want to see a commitment to a fresh start."

Commissioner Kelly Windes said the TDC members need to resign "to turn the page on the TDC."

In other words, the demand for resignations was primarily a cosmetic strategy, one designed to make voters think the commissioners were taking bold steps to clean up the TDC mess.

Meanwhile, county officials who were responsible for "an absence of effective supervision" are still calling the shots.

Who's going to demand THEIR resignations?

<http://www.nwfdailynews.com/opinion/editorials/editorial-dodging-the-tdc-spotlight-1.91220>

"Letters

No ethics clause

Finally, the state is taking corrective action against Okaloosa County and its Tourist Development Council. The Joint Legislative Auditing Committee, oversight for the auditor general, has summoned county commissioners, TDC members and a representative of The Zimmerman Agency to Tallahassee. This has forced the county to ask for the resignations of TDC members and TDC attorney Steve Hall.

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Okaloosa County's draft ORAC resolution was based on that of Escambia County, which has an identical ethics clause.

The targeted ethics clause reads, "A committee member may not be employed by or be a member of any organization that requests funding from, or that will be making recommendations to, the committee."

By removing this clause, the barnyard gates will swing wide open again for all the county cronies to feed at the public trough.

— **JOHN DEZZUTTO**
Fort Walton Beach"

The removal of the ethics clause is of concern to all in this County who are looking to remove the "Culture of Corruption" in our area and ask that your group please address this issue as well.

Senator Abruzzo, what you have before you today is not an isolated occurrence but rather just another example of the "Culture of Corruption" that we the citizens are faced with on a daily basis. Earlier, I mentioned the report that I had previously authored in reference to the corruption at the OCSO. The OCSO over the last several years has potentially misused the Law Enforcement Trust Fund (LETf) monies and I am asking that you take this hearing one step further and **request a State Auditor General conduct a complete audit of the OCSO LETf expenditures.** These questionable expenses have been approved by the Okaloosa County Board of County Commissioners possibly in violation of Florida Statue 932.7055 and against standing Attorney General opinions.

In the interest of time I am not providing you with all the information on this subject but would be more than happy to make myself and the supporting documents available to you and your committee.

**Ed Winkelseth, Ph.D.
CMSgt., USAF (Ret.)
86 6th Street
Shalimar, FL 32579-1360
8 February 2013**

**Kathryn H. DuBose, Coordinator
111 West Madison Street, Room 876
Claude Pepper Building
Tallahassee, FL 32399-1400**

Dear Ms. DuBose:

**Ref: 11 February Joint Legislative
Auditing Committee Meeting**

As an old military type I have to admit that I always hated to hear that some outside agency was going to perform a compliance inspection to ensure we were playing by the rules.

It hurts to admit it but as a resident of Okaloosa County I haven't done a very good job of keeping track of what our County Government has and has not been doing. Over the past few years corruption and mismanagement of financial resources seems to have become the norm.

As a resident and taxpayer I believe the time has come for our County Agencies to receive an in-depth investigation from an outside agency to ensure we don't have any deeper problems than those revealed during the recent Joint Legislative Audit. Self inspection is not the answer for a problem of this magnitude.

Okaloosa County stands to receive significant funds from the BP oil spill and after the TDC fiasco a lot of folks are voicing concern about the way these funds might be handled by our County Government. A thorough investigation by an outside agency would reveal how the events of the past year happened as well as how it should have caught and prevented. In light of the rumored budget disagreements between the County Commissioners and the Sheriff's office this investigation should be separate from any investigations currently being conducted by the Sheriff's office. If this outside investigation flows over into other County agencies/offices the investigation needs to be expanded as necessary. In addition to fixing the problem being addressed the time has come to correct the cause of that problem.

The following italicized section was taken from Commissioner Nathan Boyles' 2/6/2013 Okaloosa County Commission Updates. It's comforting to see the County Commissioners are starting to take corrective action but the most important area does not appear to be addressed. With the exception of the Sheriff the folks referenced in the seven point plan fall under the County Commissioners and there seems to be lots of finger pointing directed towards those folks. My dad used to tell me when you point your finger at someone you have three (3) fingers pointing back at yourself. Who is evaluating the County Commissioners?

The action taken by the Commission regarding the TDC scandal garnered substantial media interest meaning this issue is still very important to our constituents and understandably so. Our meeting was important because it was the first time the Commission was given the opportunity to deliberate the final Auditor General's report. It was also important because it was the first time the Commission had the opportunity to provide direction to staff since the Sheriff advised the County this past Friday that the County could now proceed with an internal investigation. As the Commission discussed additional steps which were needed to continue to improve Okaloosa County government in the wake of the TDC scandal, an important seven-point plan emerged. The plan, which will be subject to revision and adaptation as this matter continues to unfold, includes the following:

- 1. The County Attorney was instructed to investigate all claims where any individual or entity may continue to be improperly in possession of County funds resulting from the TDC scandal and to report to the Commission with a proposed litigation strategy to recover funds where appropriate.***
- 2. County Staff was instructed to conduct a thorough review of the current TDC Ordinances (as rewritten immediately after the scandal broke) and present proposals for further revisions to simplify and firm up policy and procedure in light of the Auditor General report.***
- 3. The Commission requested the resignation of the four members of the TDC which are subject to Commission appointment and who were on the TDC on or before January 01 of 2012.***
- 4. The Commission accepted the resignation of the TDC attorney, effective immediately.***
- 5. The Commission instructed staff to prepare a proposal for a TDC compliance officer who would serve to ensure the bed tax monies are being expended in accordance with County Ordinance and State Statute and further ensure that TDC policy and protocols are being followed.***
- 6. The Commission instructed staff to develop a mandatory training program to be implemented County-wide for all members of volunteer Committees and Boards, including the TDC. The training program is to be designed to help the volunteers understand the importance of the Sunshine Law, the Open-Records Law and other important aspects of serving on a volunteer government board.***
- 7. The Commission authorized the Chairman to send a letter to the Sheriff requesting that the Sheriff's office provide access to investigation resources and materials as obtained as a part of the Sheriff's ongoing investigation into the TDC scandal which would aid the County in completing a thorough investigation of the matter without unnecessarily duplicating effort.***

Sincerely,

/S/

Ed Winkelseth