

COUNCIL AUDITOR'S OFFICE

ANNUAL REPORT 2001

February 14, 2002

Report #545

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



February 14, 2002

Report No. 545

Honorable Members of the City Council
Jacksonville, Florida

The annual report of the City Council Auditor's Office of Jacksonville, Florida for the year ended September 30, 2001 is presented for your review. This report provides a description of the mission and goals of the Council Auditor's Office and an explanation as to the types of work performed.

A very productive year resulted in the issuance of 17 audit reports, two follow-up audit reports and five special reports. A listing of the reports and a synopsis of each is included as Appendix A. The Council Auditor's Office (CAO) also provided 250 hours of staff time to assist Ernst & Young, LLP with the annual financial statement audit of the City as required by the City's Ordinance Code. Two CAO staff provided 160 total hours to assist KPMG with the financial audit of JEA.

In addition to conducting audits and issuing reports, many staff hours are spent in the weekly review of legislation being brought before the City Council and the attendance at City Council committee meetings. A total of 2,300 staff hours were spent from July 2001 through September 2001 reviewing the Mayor's proposed 2001/2002 budget. This report is not intended to address the results of performing these responsibilities.

We appreciate the strong support given to us by the City Council and the cooperation extended to us by the Mayor and the Administration. We look forward to continuing to work with elected officials and the Administration on finding ways to improve our City and its Independent Agencies.

Respectfully submitted,

A handwritten signature in black ink that reads "Bob Johnson".

Bob Johnson, CPA
Council Auditor

**CITY COUNCIL AUDITOR'S OFFICE
ANNUAL REPORT 2000/2001**

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CITY COUNCIL AUDITOR'S OFFICE ANNUAL REPORT - 2000/2001

Mission and Goals

Charter Authority of the City Council Auditor

The position of the Council Auditor is authorized by Section 5.10 of the Charter of the Consolidated Government of the City of Jacksonville. The Council Auditor is appointed by the City Council and is the head of the Council Auditor's Office that is a department of the legislative branch of the consolidated government. The Council Auditor is responsible for conducting a continuous internal audit of the fiscal operations of the consolidated government and all independent agencies. The Council Auditor's Office renders assistance to the independent auditor appointed by the Council and performs such other research as the Council President, the Finance Committee or individual Council members may request.

Our Mission

The mission of the Council Auditor's Office is to improve the accountability and effectiveness of local government by actively providing independent and informative services to the City Council of Jacksonville. The Mayor, City Council, Independent Agencies and the public need timely, objective, and accurate information about the efficiency and effectiveness of the operations of the City and its Independent Agencies. We seek to accomplish our mission by evaluating department and program performance.

Statement of Values

- ◆ We expect excellence in the services we provide: excellence achieved through motivated personnel upon whose abilities, initiative, and creativity we depend.
- ◆ We are committed to sustaining a work environment that provides opportunities for personal growth, fosters cultural diversity, and supports innovation and change as essential to achieving our vision in a rapidly changing world.
- ◆ We expect the development of new ideas and enhancements in our ability to perform and work effectively at all levels of the organization.
- ◆ We highly value the importance of our relationship with others.
- ◆ We demonstrate integrity and honesty in all facets of our work.

Our Work Products

The work of the Council Auditor's Office includes different types of auditing and research. Audit work is conducted in accordance with government auditing standards. These standards require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting

of audit results, and periodic review of the office by outside professionals. The following briefly describes the scope of work performed.

Performance Audits

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by the parties with responsibility to oversee or initiate corrective action.¹

Financial-related Audits

Financial-related audits include determining whether (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve their objectives.²

Performance and financial-related audits result in recommendations that will improve resource utilization, reduce the risk of loss or abuse of assets, increase productivity, and correct wasteful practices. Audit recommendations can improve services to the public by making programs more effective and efficient.

Follow-up Audits

The Council Auditor's Office conducts follow-up reviews to determine the progress made in addressing findings and recommendations identified in previous audits. It is substantially less in scope than an audit conducted in accordance with generally accepted government auditing standards.

Special Reports

The Council Auditor's Office also performs other reviews to fulfill the City Charter and Ordinance Code requirements of providing the City Council with reports of financial analysis and information pertaining to the operations of the City and its independent agencies. As a part of this effort, the Council Auditor compiles and reviews quarterly financial reports from the City and its independent agencies and presents reports thereon. The Office also is responsible for reviewing the annual Mayor's proposed budget. A report is prepared annually outlining the Mayor's proposed budget and Council actions regarding that budget.

Legislative Review and Special Projects

In addition to its audit requirements, the Council Auditor's Office performs research concerning the financial or management affairs of the consolidated government. This task is accomplished through the review of all legislation before the Finance Committee and

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p.14.

² Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p.13.

other committees to which the legislation is assigned. Individual Council members are also provided with financial information as requested.

Special and Ad Hoc Committees

Council Auditor's staff attends special committee meetings to provide background information and aid committee members in their review and deliberations on tasks assigned the committee (e.g. City Economic Development Incentive Committee, Pension Committee, etc.). Staff also participates in the committee meetings associated with the Better Jacksonville Plan.

Office Operations

Audit Selection

We select areas to audit based on several considerations. We consider areas that provide services to the government and community that may have potential for improvement in the areas of economy and efficiency. Areas at risk for the misuse of assets or resources are also considered as areas for audit. We also consider areas with a high volume of complaints, as well as concerns from the City Council, Mayor, and management. The length of time since the last audit is also considered. Appropriate staff is assigned to the audit based on individual staff qualifications and the number of staff needed to conduct the audit.

Expenditures

The Council Auditor's Office had expenditures of about \$1.3 million in fiscal year 2001.

<u>Category</u>	<u>Fiscal Year</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Personnel	\$ 1,074,097	\$ 1,113,504	\$ 1,183,447
Operating	71,193	89,040	90,247
Capital	68,599	0	6,071
Total	\$ 1,213,899	\$ 1,202,544	\$ 1,279,765

Staffing

Staff Qualifications

The office was authorized 16 full-time positions in fiscal year 2001. Positions included the Council Auditor, two Assistant Council Auditors, eleven (11) auditors, and two Executive Secretaries. All professional auditors have degrees in accounting including several with Masters degrees. As of October 2001, ten of the fourteen professionals were Certified Public Accountants (CPA). The remaining four (4) are either currently in the process of taking the exam or obtaining the additional 30 hours of education required after their undergraduate degree to qualify to sit for the exam. All audit staff members are encouraged to sit for the CPA examination. A part-time auditor who is also a CPA was added to the staff in September 2001.

Professional Development

Summary

The work of the Council Auditor's Office requires professionals with high standards of integrity, independence, and conduct. Principles are established as a guide for development and improvement of the employee's professionalism. The Council Auditor's Office emphasizes professional development to improve our skills, effectiveness and efficiency. The office provides required continuing education, encourages professional certification, and supports staff involvement in professional associations.

Continuing Education

Government auditing standards require that our staff complete at least 80 hours of continuing education every two years including 24 hours in subjects directly related to the government environment and government auditing. Those auditors who are CPA's must also complete the 80 hours every two years to retain their active status as CPA's. Some of the training received in 2001 included review of Government Accounting Standards changes, conducting fraud examinations, interviewing techniques, and E-Government.

Professional Associations

Staff members are active in organizations for auditors. The Council Auditor and other staff members are active in organizations such as the National Association of Local Government Auditors, the Florida Government Finance Officers Association, the Government Finance Officers Association, both the Southeast and National Intergovernmental Audit Forums, and the Florida Audit Forum. The office has also recently joined the Institute of Internal Auditors. The Council Auditor is a member of the Members in Government Committee of the American Institute of Certified Public Accountants. Some staff are also members of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

Performance

Outputs

The Council Auditor's Office released a total of 17 audit reports including seven performance audits and ten financial-related audits. Two follow-up audit reports and five special reports were also issued in fiscal year 2001. (See Appendix A for a list of reports.)

Outcomes

Reduced costs, increased revenues, improved services, improved internal controls, and government accountability to the public are the primary benefits of the work of the

Council Auditor's Office. However, auditing alone cannot produce these benefits. These benefits can only come with the implementation of audit recommendations and it requires management to implement most recommendations. As part of our audit process, it is our responsibility to present accurate and convincing information that clearly supports our recommendations.

Recommendations cannot be effective without the support of management. Through discussion with and working with management throughout the audit process, we are able to achieve the support of management. Management agreement is the first step toward implementing recommendations, but is not a guarantee that recommendations will or can be implemented. It is through our audit follow-up process that we determine the extent to which our recommendations have been implemented.

In the two follow-up audits completed during the 2001 fiscal year, the Regulatory and Environmental Services Department (RESD) implemented the recommendations for all 22 findings and corrected the two internal control weaknesses we had identified regarding the record keeping of time and attendance. In the follow-up of the Sheriff's Inmate Cash audit, one recommendation was partially implemented and the remaining fourteen were fully implemented.

Quality Assurance

In compliance with generally accepted government auditing standards, the Council Auditor's Office must undergo an external quality control review at least once every three years by an organization not affiliated with the organization being reviewed. We participate in the peer review program of the National Association of Local Government Auditors through which our office had a peer review and was found to be in compliance with the government auditing standards in April of 2000. Our next peer review is due sometime before April 2003.

Audit Committee

In 2000, the Council President assigned the Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission the responsibility of serving as the Audit Committee for the City Council. All audit reports are now submitted to the TRUE Commission for their review and recommendations back to the Council President and Chairman of the Finance Committee. Council Auditor staff is available to the TRUE Commission along with the appropriate auditee to answer any questions regarding each audit released.

Appendix A

Reports Released in Fiscal Year 2001

Performance Audits

Employee Benefits Office (Report No. 512)/October 2000
Department of Parks, Recreation & Entertainment Open Water Lifeguards (Report No. 521)/Dec. 2000
Jacksonville Port Authority Audit of Travel, Port Promotion, Cellular Phones and Organizational Dues (Report No. 524)/January 2001
Tax Collector (Report No. 525)/March 2001
Duval County Housing Finance Authority (Report No. 531)/July 2001
JEA Purchasing (Report No. 533)/September 2001
Jacksonville Children's Commission (Report No. 541)/September 2001

Financial-Related Audits

Sheriff's Investigative Fund - 1999 (Report No. 519)/October 2000 ***
Sheriff's Investigative Fund - 2000 (Report No. 527)/May 2001 ***
Additional Court Costs for Fiscal Year 2000 (Report No. 528)/March 2001 ***
Review of Host Fees Realco Recycling Co. (Report No. 529)/April 2001
Conflict Attorney Fees for Fiscal Year 2000 (Report No. 530)/May 2001 ***
Atlantic Beach Lifeguards & Beach Cleanup FY 2000(Report No.534)/June 2001
Jacksonville Beach Lifeguards & Beach Cleanup FY 2000(Report No.536)/June 2001
Neptune Beach Lifeguards and Beach Cleanup FY 2000 (Report No. 535)/June 2001
Review of Host Fees - Old Kings Road Landfill (Report No. 537)/June 2001
Review of Host Fees - Jones Road Landfill (Report No. 538)/June 2001

Special Reports

Budget Summary Fiscal Year 2001 (Report No. 522)/November 2000
Quarterly Summary for the Year Ended 9/30/00 (Report No. 523)/December 2000
Quarterly Summary for Three Months Ended 12/31/00 (Report No.526)/February 2001
Quarterly Summary for the Six Months Ended 3/31/01 (Report No.532)/May 2001
Quarterly Summary for Nine Months Ended 6/30/01 (Report No. 540)/August 2001

All reports are public records and are available to the public in our office or on our web site at www.coj.net/auditor.

*** Annual Audits Required by Florida Statutes

Performance Audits

Employee Benefits Office (Report No. 512)/October 2000

The Employee Benefits office is an activity of Risk Management Division for the City of Jacksonville. The Office is responsible for the solicitation, evaluation, purchase, communication, orientation, enrollment, premium collection, implementation, monitoring and maintenance of all Employee Benefit programs. Our audit consisted of documenting the activities for which the Office is responsible and the policies and procedures established to fulfill those responsibilities. We reviewed internal controls and tested for compliance with laws, regulations, policies, and procedures. We further reviewed the economy and efficiency of the electronic enrollment process for the benefits period beginning January 1, 2000. We outlined sixteen findings and sixteen internal control weaknesses for which we made appropriate recommendations. We will perform a follow-up audit in fiscal year 2002 to determine the extent to which our recommendations have been implemented.

Department of Parks, Recreation & Entertainment Open Water Lifeguards (Report No. 521)/December 2000

The City currently staffs open water lifeguards at Kathryn Abbey Hanna Park and Huguenot Memorial Park. Our audit had two objectives. The first was to determine that the cost of providing lifeguard services to the City's beaches was appropriate to ensure the most efficient and economical use of resources. The second objective was to determine that lifeguards were adequately trained in accordance with national standards to perform their required duties and ensure their own safety and that of the public. Our audit determined that the cost of providing services to the City's beaches was appropriate; however, we did note some areas for improvement for ensuring the most efficient and economical use of resources. Lifeguard training also appeared adequate though better record keeping and documenting were recommended. We also noted one opportunity for improving the operations of the lifeguard program. Because lifeguards are seasonal employees and many return to school before the end of the season, the beaches are left short-handed and the remaining lifeguards must work longer hours. We recommended that the Aquatics Division be given some flexibility to implement incentives to help maintain a sufficient number of lifeguards near the end of the season and encourage the return of experienced lifeguards in future seasons. We will be performing our follow-up audit in this area during the 2002 fiscal year.

Jacksonville Port Authority Audit of Travel, Port Promotion, Cellular Phones and Organization Dues (Report No. 524)/January 2001

This audit was limited to the review of expenditures in the areas of travel, port promotion, cellular phones, and organizational dues. Laws and regulations governing each of these areas were reviewed. Testing for compliance with the appropriate laws and regulations based on the JPA's policies and procedures was performed. A total of 26 recommendations were made. Overall, it was determined that more controls through both the budgeting process and pre-approval of expenditure process were needed. As of October 1, 2001, the Jacksonville Port Authority was split into two separate entities - the Jacksonville Airport Authority and the Jacksonville Seaport Authority. Therefore, the

follow up on the recommendations made in this audit will have to be determined by reviewing both the Airport Authority and the Seaport Authority.

Tax Collector (Report No. 525)/March 2001

The Tax Collector is an agency fund of the City of Jacksonville. The Tax Collector provides governmental services through the determination, collection, and distribution of all taxes, fees, and services required by local ordinance and state law. The Tax Collector also provides services to various State agencies which include the Department of Revenue, the Department of Natural Resources, the Florida Game and Fresh Water Commission, and the Department of Highway and Motor Vehicles. Our audit was a review of the cash collection activities of the Tax Collector including bank accounts, imprest accounts, and check writing procedures. We noted several minor areas regarding documentation that needed improvement. In addition, we identified several internal control weaknesses with the check writing system and made appropriate recommendations for improvements. By the completion of our audit, the Tax Collector had already taken steps to implement many of our recommendations.

Duval County Housing Finance Authority (Report No. 531)/July 2001

The Duval County Housing Finance Authority (DCHFA) is an independent authority of the City of Jacksonville established in 1979 under Chapter 65 of the Ordinance Code. The purpose of DCHFA is to encourage the investment of private capital and utilize public financing to alleviate a shortage of affordable residential and rental housing facilities for low, moderate, and middle-income families and persons within Duval County. In 1992, DCHFA was selected by the City Council as Duval County's administrator for the State Housing Initiatives Partnerships Program. Our audit consisted of reviewing the documentation and accounting for mortgage loans and other grants made by the DCHFA. We found several internal control weaknesses, poor accounting practices, and lack of documentation for which we made appropriate recommendations.

JEA Purchasing (Report No. 533)/September 2001

This audit included a review and testing of the JEA's compliance with their Purchasing Code and Operational Procedures as they relate to Requests for Proposals, Invitation for Bids, Contracts, Sole Source Purchases, Emergency Purchases, Standard, Proprietary and Original Equipment Manufactured Items, and the Minority Business Enterprise Program (MBE). Overall, we found JEA to be in compliance with the Purchasing Code and Operational Procedures except in regards to the documentation and reporting on the MBE Program. We made nine recommendations to address the findings and internal control weaknesses.

Jacksonville Children's Commission (Report No. 541)/September 2001

The Jacksonville Children's Commission (JCC) was created in 1994 by Chapter 51 of the Jacksonville Municipal Code to serve as the community coalition for children. During our audit, we examined various children's programs and the process for depositing funds received from outside sources. We reviewed the grant selection and monitoring procedures of the JCC, the accuracy of data submitted to the JCC and the City Council regarding services provided to the children, and the proper handling of funds received by

the JCC. We identified nineteen findings and seven internal control weaknesses. We made recommendations regarding the need to comply with, create, or revise certain policies and procedures. We identified the need to improve the documentation of site monitoring and contract compliance monitoring. There was also a need to provide a segregation of duties relative to the deposit of funds.

Financial-Related Audits

These are financial-related audits performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA).

Sheriff's Investigative Fund 1999 (Report No. 519)/October 2000

Sheriff's Investigative Fund 2000 (Report No. 527)/May 2001

These audits are required by Section 925.055(2) Florida Statutes and consist of an examination of the Schedule of Cash Receipts and Disbursements of the Criminal Investigative Fund of the Office of the Sheriff. We also review internal controls and compliance with applicable laws and regulations. Internal Control weaknesses and instances of non-compliance are reported to the Sheriff.

Additional Court Costs for Fiscal Year 2000 (Report No.528)/March 2001

This is an annual audit required by Section 27.3455 Florida Statutes and consists of a review of the Statement of Revenues, Expenditures, and Allocation of Funds Additional Court Cost of the City of Jacksonville. The Statement is the responsibility of the management of the Court Administrator's Office of Duval County and its accuracy is attested to by the Council Auditor.

Review of Host Fees Realco Recycling Co. (Report No. 529)/April 2001

Review of Host Fees Old Kings Road Landfill (Report No. 537)/June 2001

Review of Host Fees Jones Road Landfill (Report No. 538)/June 2001

These reviews were requested by the Solid Waste and Resource Management Department of the City. By contract each company must report to and remit to the City, certain host fees pursuant to Section 380.405 of the Municipal Code. We were requested to attest to the accuracy of those remittances for the fiscal year ended September 30, 2000. Our review resulted in a refund of \$567.92 to Realco Recycling due to an overpayment. Other host fee remittances appeared appropriate.

Conflict Attorney Fees FY1999/2000 (Report No. 530)/May 2001

This is an annual audit required by Section 925.037(5)(a) Florida Statutes of the statements of Conflict Counsel Fees Form and Conflict Counsel Expenses and Costs Form of the City of Jacksonville. These statements are the responsibility of the management of the Court Administrator's Office of Duval County. The accuracy of the statements was attested to in accordance with attestation standards of the AICPA by the Council Auditor's Office.

Atlantic Beach Lifeguards & Beach Cleanup FY 2000 (Report No. 534)/June 2001

Neptune Beach Lifeguards & Beach Cleanup FY 2000 (Report No. 535)/June 2001

Jacksonville Beach Lifeguards & Beach Cleanup FY 2000 (Report No. 536)/June 2001

Per the City of Jacksonville's interlocal agreements with each of these three Beaches, a summary of lifeguard and beach cleanup expenditures must be submitted to the City Council Auditor each year. Following the attestation standards of the AICPA, the Council Auditor's Office has attested to the accuracy of each of those reports with one exception. The City of Jacksonville Beach included certain lifeguard expenditures totaling \$9,639.15 that did not meet the definition of eligible expenditures. Because the maximum contribution the City of Jacksonville was obligated to pay was still less than the actual expenditures after adjusting for the disallowed cost, no adjustment to the City of Jacksonville's payment was required.

Special Reports

Budget Summary Fiscal Year 2001 (Report No. 522)/November 2000

The Budget Summary is an annual report summarizing the Mayor's Proposed Budget and the Finance Committee and City Council actions taken before finalizing the budget. It includes various summary schedules of the general government budgets and all changes made by the Finance Committee and City Council.

Quarterly Summaries (Report No's 523, 526, 532, 540)

Pursuant to Chapter 106 of the Municipal Ordinance Code, the City and its Independent Agencies are required to submit quarterly financial statements to the Council Auditor's Office by specified dates. The Council Auditor's Office compiles these statements and submits a report to the City Council. The statements are unaudited but are tested for reasonableness.

Appendix B

Reports Released in Fiscal Year 2000

Performance Audits

Jacksonville Sheriff's Office Inmate Trust Fund (Report No. 501)/December 1999
Fire & Rescue Department Rescue Division (Report No. 502)/December 1999
Regulatory & Environmental Services Department Time and Attendance (Report No. 505)/March 2000
Shands Jacksonville Indigent Care Agreement 1999 (Report No. 506)/July 2000
SMG Box Office (Report No. 513)/July 2000
Jacksonville Zoo (Report No. 517)/August 2000

Financial-Related Audits

Sheriff's Investigative Fund - 1998 (Report No. 509)/March 2000 ***
Additional Court Costs for Fiscal Year 1999 (Report No. 510)/March 2000 ***
Neptune Beach Lifeguards and Beach Cleanup FY1999 (Report No.514)/June 2000
Atlantic Beach Lifeguards and Beach Cleanup FY1999 (Report No. 515)/June 2000
Jacksonville Beach Lifeguards and Beach Cleanup FY1999 (Report No. 516)/June 2000
Conflict Counsel Fees for Fiscal Year 1999 (Report No. 518)/July 2000 ***

Special Reports

Risk Management Workers' Compensation (Report No.507)/February 2000
Budget Summary Fiscal Year 2000 (Report No. 504)/December 1999
Quarterly Summary for the Year Ended 9/30/99 (Report No. 503)/December 1999
Quarterly Summary for Three Months Ended 12/31/99 (Report No.508)/February 2000
Quarterly Summary for Six Months Ended 3/31/00 (Report No. 511)/May 2000
Quarterly Summary for Nine Months Ended 6/30/00 (Report No. 520)/August 2000

*** Annual Audits Required by Florida Statutes

City Council Auditor's Office Staff

(as of September 30, 2001)

Robert O. Johnson, CPA, Council Auditor
Jim Meyer, CPA, Assistant Council Auditor
Richard Wallace, CPA, Assistant Council Auditor

Janice Billy, CPA
Kyle Billy, CPA
Tasha Gunderson
Carmen Johnson
Allison Luker
Pamela Markham, CPA
Kirk Sherman, CPA
Renee Smith, CPA
Jennifer Spinelli
Kim Taylor, CPA
Sarina Wiechens, CPA
Diana Wendland, CPA (part-time)

Executive Secretaries
Casandra Jefferson
Mary Lundy