

COUNCIL AUDITOR'S OFFICE

ANNUAL REPORT 2003

December 31, 2003

Report #587

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



December 31, 2003

Report No. 587

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, 2003 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 21 reports. A listing of the reports and a synopsis of each is included as Appendix A. Work was near completion on two additional audits. The Council Auditor's Office (CAO) also provided 645 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 168 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 2,640 staff hours were spent from July 2003 through September 2003 reviewing the Mayor's proposed 2003/2004 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,

Richard Wallace, CPA
Council Auditor

**CITY COUNCIL AUDITOR'S OFFICE
ANNUAL REPORT 2002/2003**

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CITY COUNCIL AUDITOR'S OFFICE ANNUAL REPORT - 2003/2004

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 Reviews

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. Living Wage Sub-committee). 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 approximately \$1.73 million in fiscal year 2003.

<u>Category</u>	<u>Fiscal Year</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Personnel	\$ 1,183,447	\$1,349,532	\$1,585,695
Operating	90,247	102,054	\$129,279
Capital	6,071	903	\$14,880
Total	\$ 1,279,765	\$1,452,489	\$1,729,854

Staffing

Staff Qualifications

The office was authorized 19 full-time positions in fiscal year 2003. Positions included the Council Auditor, two Assistant Council Auditors, fourteen (14) auditors, and two Executive Secretaries. One Executive Secretary was deleted during the year reducing the employee cap to 18. All professional auditors have degrees in accounting including several with Masters degrees. As of October 2003, the office had three (3) vacancies; nine of the fourteen filled professional positions were Certified Public Accountants (CPA). The remaining five (5) are currently in the process of preparing for or taking 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 2002.

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 or 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 2003 included review of changes in Government Accounting Standards, conducting fraud examinations, computer-assisted auditing techniques, performance auditing, and IT auditing.

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 is also a member of the Institute of Internal Auditors and the Association of Airport Internal Auditors. 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 issued a total of 21 reports including five performance audits, eight financial-related audits, six special reports and two follow-up reports. One audit letter was also issued. (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 reviews completed during the 2003 fiscal year, the Jacksonville Children's Commission implemented the recommendations for eight findings and corrected six internal control weaknesses we had identified. Recommendations for one internal control weakness and seven findings were either not implemented or partially implemented. We will continue to monitor these. In the follow-up review of the JEA Purchasing, JEA had implemented the recommendations for all three internal control weaknesses and six findings. Although one of our recommendations to revise an operation procedure had been implemented, our sample tests indicated a failure to comply with the new procedure. We will continue to monitor this area.

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 Council Auditor's Office. We participate in the peer review program of the National Association of Local Government Auditors (N.A.L.G.A.) through which our office had a peer review and was found to be in compliance with the government auditing standards in May of 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 and feedback is then given to the Council President and Chairman of the Finance Committee as needed. Council Auditor staff is available to the TRUE Commission along with the appropriate auditee to answer any questions regarding each audit released.

Effective July 1, 2003, an Audit Committee of the City Council was established as a standing committee. Audit reports are now presented to and discussed with the Audit Committee. The TRUE Commission will now report to the Audit Committee.

Appendix A

Reports Released in Fiscal Year 2003

Performance Audits

Special Events (Report No.563)/November 2002

Motor Vehicle Inspection (Report No.559)/November 2002

Shands Jacksonville FYE 6/30/01 (Report No.567)/December 2002

Jacksonville Airport Authority – Rental Car Concession Agreements
(Report No.570)/March 2003

Jacksonville Public Library – Cash/Revenue (Report No.581)/August 2003

Financial-Related Reports

Sheriff's Investigative Fund 2001 (Report No.564)/December 2002

Sheriff's Investigative Fund 2002 (Report No.573)/June 2003

*Report on Audit of Statement on Expenditures, Allocations of Funds, Additional Court
Costs Section 27.3455, FL Statutes FYE 9/30/02* (Report No.572)/March 2003

Jacksonville Beach Lifeguard (Report No.574)/May 2003

Neptune Beach Lifeguards & Beach clean- up (Report No.579)/May 2003

Atlantic Beach Lifeguards & Beach clean-up (Report No.578)/June 2003

Conflict Attorney Fees FY 9/30/02 (Report No.577)/August 2003

Special Reports

2002/2003 Budget Summary (Report No.565)/October 2002

2001/2002 Annual Report (Report No.566)/December 2002

Quarterly Summary for the FYE 9/30/02 (Report No.568)/December 2002

F. L. Geleró – School Buses (Report No.569)/February 2003

Quarterly Summary for the 3 Months 12/31/02 (Report No.571)/February 2003

Quarterly Summary Report for the 6 Months Ended 3/31/03 (Report No.576)/May 2003

Quarterly Summary 6/30/03 (Report No.582)/August 2003

Follow-up Reports

Post Audit Review of Jacksonville Children's Commission (Original Report No.541)/
December 2002)

Post Audit Review of JEA Purchasing (Original Report No.533)/September 2003

Audit Letters

Review of Animal Care and Control's Operations (Letter #03-01)/July 2003

Performance Audits

Special Events (Report No. 563)/ November 2002

The Special Events Division of the Neighborhood's Department produces City sponsored events such as the Florida/Georgia Weekend Festivities, Jacksonville Light Parade, World of Nations Celebration, New Year's Celebration, Spring Music Festival, Fourth of July Celebration, and Sea & Sky Spectacular. A Special Events Trust Fund was created to receive and disburse funds related to these special events. The objectives of our audit were to determine that all receipts into and disbursements from the trust fund were appropriate and in accordance with the Municipal Code, that the use of the Special Events Imprest Checking Account was also appropriate. We also observed one event in order to evaluate internal controls over cash. We found that there was a need to improve internal controls over cash and bank reconciliations. Because of the lack of adequate event reconciliation procedures, we could not determine if contributions/revenues generated from an event were deposited in tact in the Special Events Trust Fund.

Motor Vehicle Inspection (Report No. 559)/ November 2002

The Motor Vehicle Inspection (MVI) area of the Public Parking Division monitors and regulates the vehicle-for-hire industry, including taxi cabs and wreckers. In addition, all Duval County school buses are inspected every twenty days. MVI also provides comprehensive safety inspection, including steering components, brake systems, light, horns, and wipers on privately owned vehicles through voluntary inspections. MVI is also responsible for the regulation of emergency and non-emergency medical transportation. Regulations include compliance with the City's Municipal Code and Florida Statutes. Our audit reviewed MVI's compliance with these regulations and MVI's controls over cash collections and permit issuance. We made recommendations regarding better controls over cash and permits and improved recordkeeping. We also reviewed the rates being charged for the various inspections and recommended that an independent study be performed to determine appropriate inspection rates.

Shands Jacksonville FYE 6/30/02 (Report No. 567)/ December 2002

This is an annual audit of client financial evaluation records at Shands Jacksonville to insure compliance with the Indigent Care Agreement between the City and Shands to provide medical care to qualified indigents in Duval County. The Charity Cost Report required by the Indigent Care Agreement was reviewed by Shand's independent auditors for compliance with Medicare rules and regulations. We relied on their review to help us determine compliance with the Indigent Care Agreement. We also tested client financial evaluation records to insure eligibility for City assistance. We noted no instances of non-compliance with the Indigent Care Agreement or with the financial evaluation criteria.

Jacksonville Airport Authority-Rental Car Concession Agreements (Report No. 570)/ March 2003

We examined the on-site rental car concession agreements and operations at the Jacksonville International Airport from February 1, 2002 through August 31, 2002. There were a total of seven rental car companies on-site. The objective of our audit was to verify that gross receipts and subsequent concession payments reported and paid by on-

airport rental car companies were accurate, complete and complied with the contract provisions. We noted one internal control weakness in that the off-site rental and parking concessionaire agreements do not have audit clauses allowing their books and records to be audited by the Jacksonville Airport Authority (JAA) or their representatives. The JAA revised their agreements. In addition, one company's lease did not include a parcel of land they were using. The lease was amended upon our recommendation.

Jacksonville Public Library – Cash/Revenue (Report No. 581)/August 2003

The Jacksonville Public Library (JPL) System consists of sixteen different library locations in Duval County including the main library located downtown, seven large regional libraries, seven smaller neighborhood libraries, and one bookmobile. The objectives of our audit were to determine if adequate controls existed over cash and collections, and to determine if efforts to collect overdue fines were adequate. We found that although efforts to collect overdue fines were adequate, controls over cash and the collection functions were not adequate. We noted problems with overages, shortages, and voids. Also, we were unable to reconcile the customer account database to cash collections. Physical controls over cash were weak in that safes and cash registers were left unlocked and unattended. Other problems noted dealt with library policies regarding Forgiveness of Disputed Fines

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 2001 (Report No. 564)/December 2002

Sheriff's Investigative Fund 2002 (Report No. 573)/June 2003

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.

F.L. Gelero – School Buses (Report No.569)/February 2003

At the request of the Duval County School Board, we performed an attestation review of the "2002 Calendar Year, Cash Basis Income Statement for F. L. Gelero Transport Service, Inc." Based on our review, nothing came to our attention that caused us to believe that the Statement was not fairly stated.

Additional Court Costs for Fiscal Year 2002 (Report No.572)/March 2003

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 the Council Auditor attested to its accuracy.

Conflict Attorney Fees for Fiscal Year 2002 (Report No. 577)/August 2003

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 Council Auditor's Office attested to the accuracy of the statements in accordance with attestation standards of the AICPA.

Jacksonville Beach Lifeguards & Beach Cleanup FY 2002 (Report No. 574)/May 2003

Atlantic Beach Lifeguards & Beach Cleanup FY 2002 (Report No. 578)/June 2003

Neptune Beach Lifeguards & Beach Cleanup FY 2002 (Report No. 579)/May 2003

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.

Special Reports

Budget Summary Fiscal Year 2003 (Report No. 565)/October 2002

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.

2001/2002 Annual Report (Report No.566)/December 2002

This was the report of the activities and accomplishments of the Council Auditor's Office for the fiscal year ended September 30, 2002.

Quarterly Summaries (Report No's 568, 571, 576, 582)

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 2002

Performance Audits

Shands Jacksonville Indigent Care Agreement (Report No.539)/October 2001
Traffic Engineering (Report No.542)/October 2001
JEDC Incentive Monitoring (Report No. 549)/March 2002
Sheriff Secondary Employment (Report No.546)/May 2002
General Employees Pension Administration (Report No. 548)/July 2002
Tuition Reimbursement (Report No. 552)/July 2002
Code Enforcement (Report No. 556)/July 2002
Jacksonville Airport Authority-Concessionaire Agreements (Report No.557) August 2002

Financial-Related Audits

Federal Equitable Sharing Program Years 1997-2000 (Report No. 544)/November 2001
Additional Court Costs for Fiscal Year 2001 (Report No. 551)/March 2002 ***
Jacksonville Beach Lifeguards & Beach Cleanup FY 2001(Report No.553)/May 2002
Conflict Attorney Fees for Fiscal Year 2001 (Report No. 555)/June 2002 ***
Atlantic Beach Lifeguards & Beach Cleanup FY 2001(Report No.561)/ August 2002
Neptune Beach Lifeguards and Beach Cleanup FY 2001 (Report No. 562)/August 2002

Special Reports

Budget Summary Fiscal Year 2002 (Report No. 542)/November 2001
Quarterly Summary for the Year Ended 9/30/01 (Report No. 547)/November 2001
Quarterly Summary for Three Months Ended 12/31/01 (Report No.550)/February 2002
Quarterly Summary for the Six Months Ended 3/31/02 (Report No.554)/May 2002
Debt Service Report (Report No. 558)/September 2002
Quarterly Summary for Nine Months Ended 6/30/02 (Report No. 560)/August 2002
Council Auditor's Office Annual Report 2001 (Report No.545)/February 2002

Follow Up Reports

Post Audit Review of Fire Rescue (Original Report No. 502)/January 2002
Post Audit Review of Jacksonville Zoo (Original Report No. 517)/January 2002
Post Audit Review of Open Water Lifeguards (Original Report No. 521)/January 2002

Audit Letters

Cellular Phones (Letter 02-01)/March 2002
JEA Scanning Contract (Letter 02-02)/May 2002
Tax Collector/Property Taxes (Letter 02-03)/May 2002

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

City Council Auditor's Office Staff

FY 2002/2003

Robert O. Johnson, CPA, Council Auditor, Retired June 30, 2003

Richard Wallace, CPA, Council Auditor, Effective July 1, 2003

Jim Meyer, CPA, Assistant Council Auditor

Janice Billy, CPA

Kyle Billy, CPA

Tasha Morgan, CPA

Cabrina Hartley

Carmen Johnson

Allison Luker, CPA

Adam Mathews, (1/03)

Pamela Markham, CPA

Heather Norsworthy, (1/03)

Kirk Sherman, CPA

Renee Smith, CPA

Jennifer Spinelli, CPA

Sonia Summerford, (1/03)

Kim Taylor, CPA (Part-time)

Executive Secretary

Mary Lundy

Administrative Assistant (Part-time)

Tamara Blankinchip (7/03)