

STATE OF FLORIDA AUDITOR GENERAL

Auditor General Update

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Auditor General

Overview

- Florida Auditor General.
 - Who Are We?
 - Our People.
 - Our Audits and Activities.
- What is an Operational Audit?
- Why do we perform Local Government Operational Audits?
- Findings from Operational Audits.

Florida Auditor General Who Are We?

The Auditor General is:

- A Constitutional Officer.
- A Legislative Officer.
- A Certified Public Accountant.
- The State's Independent External Auditor.

Florida Auditor General

Our People

Composed of 360 full-time positions, with certified professionals including:

- Certified Public Accountants.
- Certified Information Systems Auditors.
- Certified Fraud Examiners.

Located in 15 cities throughout Florida.

Florida Auditor General

Our Audits and Activities

Focus on:

- Executive Branch (State) Agencies.
- Judicial Branch Entities.
- Educational Entities.
- Local Governmental Entities.
- Certain Other Entities.

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Our Reports

Distributed as appropriate to:

- Legislators and Staff.
- Governing Boards and Management of Governmental Entities.
- Federal Government Officials.
- Bond Rating Agencies.
- The Media.
- Other Interested Parties.

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Other Accountability Activities

Promulgate Auditor General Rules:

- Chapter 10.550 - Local Governmental Entity Audits.
- Chapter 10.650 – Florida Single Audit Act Audits, Nonprofit and For-profit Organizations.
- Chapter 10.700 – Audits of Certain Nonprofit Organizations.

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Other Accountability Activities

Auditor General Rules (continued):

- Chapter 10.800 – Audits of District School Boards.
- Chapter 10.850 – Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers.

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Other Accountability Activities

Provide Compliance Supplements for:

- Local Governmental Entity Audits.
- District School Board Audits.

Provide Audit Report Review Guidelines for:

- Local Governments.
- District School Boards, Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers.

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Other Accountability Activities

Review Audit Reports submitted by:

- Charter Schools.
- Charter Technical Career Centers.
- School Districts.
- Counties.
- Municipalities.
- Special Districts.

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Other Accountability Activities

Review Audit Reports Prepared by other CPAs to determine whether:

- The Auditor's reports comply with *GAS* and Rules of the AG.
- The accompanying financial statements conform to GAAP.
- The audit reports were prepared by independent CPAs licensed by the Florida Board of Accountancy.

Florida Auditor General Other Accountability Activities

Required Notifications to the Legislative Auditing Committee for those Entities that:

- Failed to file an audit report.
- Failed to take full corrective action in response to a recommendation included in a financial audit report that was also included in the two preceding financial audit reports.

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Other Accountability Activities

Required Notifications to the Legislative Auditing Committee for those Entities that: (continued)

- Failed to provide significant items omitted from audit reports submitted to us.
- Failed to provide evidence of corrective action taken for noncompliance with investment policies, as noted by other CPAs.

Florida Auditor General Other Accountability Activities

Required Notifications to the Legislative Auditing Committee for those Entities that: (continued)

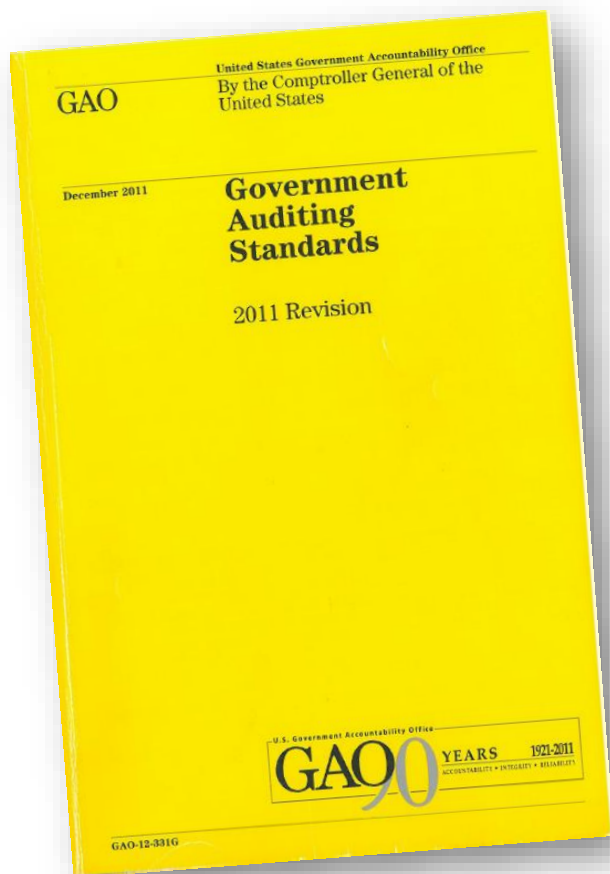
- Met one or more of the financial emergency conditions specified in State law.

Florida Auditor General Operational Audits of Local Governments

What is an Operational Audit?

Section 11.45(1)(g), Florida Statutes, defines an operational audit as an audit whose purpose is 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, administrative rules, contracts, grant agreements, and other guidelines. Operational audits must be conducted in accordance with government auditing standards. Such audits examine internal controls that are 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 financial records and reports, and safeguarding of assets, and identify weaknesses in those internal controls.

Government Auditing Standards



- **A PERFORMANCE AUDIT** means an examination of a program, activity, or function of a governmental entity, conducted in accordance with applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies.

Operational Audit

- Why pay attention to AG operational audits of local governments?
 - Different scope than financial audits:
 - Compliance requirements applicable to operations of the entity that may not be covered in a financial audit.
 - Controls that apply to those operations.
 - Economic/efficiency ideas.
 - Best practices, such as GFOA Best Practices.
 - Good business practices.
 - Recommendations to improve financial management of the entity.

Why are we there?

- Directed by the Legislative Auditing Committee (LAC).
- Auditor General's own authority.
- Petition by electors of a municipality.*
- Request by the local government.*
- Other (Provision in General Appropriations Act)

* Local government pays the cost of the audit.

Why are we there?

Petition by Electors

- The LAC shall direct the AG to audit any municipality whenever petitioned to do so by at least 20% of the registered electors in the last general election of that municipality.
- The Supervisor of Elections of the County in which the municipality is located shall certify the 20%.
- AG shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit.

Why are we there?

Petition by Electors (continued)

- The municipality shall pay the cost of the audit within 90 days after the AG's determination that the municipality has the available resources.
- If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of the AG, withhold the cost of the audit from that portion of State revenue sharing distributed to that municipality.

Why are we there?

Request by a Local Government (LG)

- AG conducts audit under own authority, or AG conducts audit at the direction of the LAC.
- 50% of the estimated cost of the audit shall be paid by the LG before the audit begins.
- The remainder of the actual costs shall be paid by the LG upon audit completion.
- If the LG fails to pay the remainder of the audit costs, the AG shall notify the LAC.

Operational Audit Reports

What can be learned from recent local government operational audits?

Reports available on AG Web site:
www.myflorida.com/audgen

Auditor General Released Reports
By Entity Audited

Local Government/Nonprofit and Related Entities

Operational Audit Findings

Undocumented Public Purpose

- Culverts.
- Private versus public easements.
- Travel and P-cards.
- Other.

Operational Audit Findings

Contractual Expenditures

- Competitive Selection.
- Deliverables.
 - Documented in contract.
 - Verifiable.
- Compensation.
 - Lump sum amount.
 - Hourly.
 - Per unit.

Operational Audit Findings

Other

- Contract monitors.
- Franchise fees.
- Insurance requirements.
- Transfer of capital assets.

Operational Audit Findings

Real Estate Site Selection

- Ranking of sites.
- Site engineering studies.
- Cost-benefit analysis of site improvements versus consideration of alternate site.

Operational Audit Findings

Grant Application Representations

- Park recreational site enhancements promised to increase chances of grant award.
 - Local funding never intended to be expended.
 - Further State and Federal grant moneys did not materialize.
- Absent site enhancement, grant moneys may have to be repaid or site may be transferred to another governmental entity or nonprofit organization.

Operational Audit Findings

Sales Surtax Meeting Public Notice

- Short notice (approximately 1 day) due to requirement that service member absentee ballots be mailed 45 days before an election.
- Important to consult with Supervisor of Elections.
- Special election scheduled approximately 3 months before surtax meeting.

Operational Audit Findings

Allowable Sales Surtax Uses

- Capital purposes versus operational purposes.
- New debt versus refunding debt – Attorney General Opinion Nos. 88-59 and 90-96.

Operational Audit Findings

Debt Service and Pledged Revenue

- Amount of available pledged revenue - forecasting of pledged revenue.
- Timing of pledged revenue – debt maturity versus pledged revenue expiration.
- Governing body awareness that general revenue may be needed for debt service.
- Effect on credit rating.

Operational Audit Findings

Development Fee Calculation and Assessment

- Agreement between comprehensive plan and land development code.
- Fee assessment formula complies with current statutory requirements and terminologies.
 - 2011 proportionate share contribution calculation changes.
 - Changes in homestead exemption calculations and terminologies.
- Support for calculations.
- Letters of credit, surety bonds, other payment guarantees.

Operational Audit Findings

Tourist Development Tax Administrative Charges

- Boards of County Commissioners may charge indirect administrative costs against tourist tax development tax (TDT) revenues.
- The Clerk of the Circuit Court may retain a portion of the TDT collected for administrative costs subject to a 3 percent cap.
- Administrative costs should be supported by detailed documentation.
- If budgeted amounts or estimates are used to assess administrative costs, there should be a “true-up” of budgeted to actual costs.

Operational Audit Findings

Human Resources

- Documentation of education and work experience.
- Applicant qualifications and compliance with job description specifications.
- Periodic employee performance evaluations.

Operational Audit Findings

Payroll

- Independent verification of overtime earned and leave used.
- Pay advances prohibited by State Constitution.
- Termination payouts for unused leave and severance – compliance with law (e.g., statute, ordinance), rules, regulations, contracts, policies, and procedures.

Operational Audit Findings

Budgets

- **ALL** funds budgeted; **NOT** just General Fund.
- Carryforward of fund equity amounts.
- Adoption noticing requirements.
- Amendments.
 - Adopted at correct level of authority (e.g., ordinance or resolution).
 - Timeliness of amendments.
- Periodic budget versus actual reports.

Operational Audit Findings

Anti-fraud Policies

- Anonymous reporting (hotline) to individuals or organization independent of management.
- Definition of fraud.
- Consequences of fraud.
- Protections for individuals alleged to have committed fraud until due process is complete.

Operational Audit Findings

Community Redevelopment Agencies (CRA)

- Updated CRA plan.
- Expenditure of CRA moneys.
 - CRA Plan projects.
 - Parent government costs assumed by CRA.
 - Reasonableness.
 - Support.
- Unexpended Balances.
 - Returned to taxing authorities.
 - Used to reduce debt.
 - Appropriated to specific project in CRA plan (project to be completed within 3 years).

Operational Audit Findings

CRA Grants

- Grant recipient eligibility.
 - Applicant ranking.
 - Income verification.
- Matching requirements.
- Project inspections.
- Signed project agreements.
- Competitive selection bids and quotes.
- Reversion of funds if property sold within specified period.
- Conflicts of interest.

Operational Audit Findings

Internal Audit Function

- Specific identification of standards followed.
- External quality assessment review.
- Follow up on internal audit report recommendations.
 - Timelines.
 - Tracking progress.

Operational Audit Findings

Addressing Citizen Concerns

- Established mechanisms for communication.
- Designated responsible individual.
- Independence from management.

Recent Operational Audits Released

- City of Archer (2016-197)
- City of Hampton Follow Up (2017-007)
- Sunshine Water Control District Follow Up (2017-102)
- City of Palatka (2017-107)
- Walton County (2017-123)
- Putnam County (2017-198)

Current Operational Audits

Counties

- Citrus County

Municipalities

- City of North Miami
- City of Opa-locka
- City of Starke Follow Up

Special Districts

- Hillsborough County Aviation Authority

Questions?



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