**Taxation, Revenue, and Utilization**



**of Expenditures (TRUE) Commission**

**Niki Brunson – Chair**

**AUDIT COMMITTEE MEETING MINUTES**

**October 11, 2018**

**3:00 p.m.**

**City Council Conference Room B**

**Suite 425, City Hall**

**Attendance:** Commissioners Daniel Henry (Chair), John Roberts, Camilla Collins

**Excused:**

**Also**: Phillip Peterson – Council Auditor’s Office, Jeff Clements – Council Research Division

See attached sign-in sheet for additional attendees.

The meeting was called to order at 3:00 p.m.

Phillip Peterson of the Council Auditor’s Office reported that the office had released 4 audits/reports since the last committee meeting.

#814 - Quarterly Budget Summary for the Nine Months Ended June 30, 2018: Mr. Peterson reported that the Auditor’s Office reviews the quarterly financial data, projected to fiscal year-end, produced by the Finance Department for reasonableness. The report finds a projected favorable revenue variance of $1.2 million (primarily due to ad valorem tax and utility services tax collections). State-shared revenues are projecting to a $2 million negative variance (based on a projection discrepancy during FY17-18 budget preparation from reality by year-end). The report projects a positive expenditure variance of $10.8 million by year-end, primarily resulting from reduced Sheriff’s Office salaries and benefits expenditures and professional and contractual services for jail inmate expenses and a $1.4 million positive variance in the Fire and Rescue Department budget. The hiring of new firefighters has cut the department’s overtime usage. Mr. Peterson explained the salary lapse procedure; a percentage of salaries and benefits not expected to be spent during the year is not budgeted based on 8 years of historical data. Budgets are made based on known hiring patterns. In response to a question Mr. Peterson said that it will probably take 2 or 3 years to see what effect pension reform will have on employee retention.

He noted that 2 of the 22 subfunds sampled project unfavorable balances – Fleet Management (receiving less revenue due to reduced usage of services) and the Self-Insurance Fund (experiencing somewhat higher claims experience). In response to a question from Commissioner Henry about whether there are any projections of what the recently announced paid parental leave policy will cost, Mr. Peterson did not know of any study being done, but said that employees needing to use leave for that purpose would be using what they already had available to them, so the primary impacts may be in less work performed or overtime paid to someone else to do it. Several questions were posed about Hurricane Matthew and Hurricane Irma expenses and reimbursements. Mr. Peterson explained the hurricane cost sharing formula for non-insured expenses (75% FEMA, 12.5% State, 12.5% City). The City has accrued $49.6 million in Hurricane Matthew expenses from 2016 and reported those costs to FEMA. Of that amount, $35.6 million has been certified as eligible for reimbursement, of which the City has received $27.7 million in reimbursement payments to date. The City’s expected total liability for Matthew after insurance and reimbursements is projected to be $6.2 million, and the City budgeted $7 million to cover the non-reimbursable expenses in the FY17-18 budget. Hurricane Irma expenses total $70.2 million, of which $7.3 million has been submitted to FEMA for certification to date with another $61.5 million in various stages of preparation for submission. None of the expenses has yet been certified by FEMA.

#815 – Defined Contribution and Other Deferred Compensation Plans Audit: the audit found that all of the contributions of various kinds were accurately calculated and timely transferred and credited, but several issues or weaknesses were identified: 1) there were either no controls or insufficient controls to ensure that employees comply with the IRS limits on maximum annual compensation and contributions; 2) twelve employees on military leave did not receive credits totaling $30,486.55 into their defined contribution

accounts due to a computer coding error; 3) pensionable earnings need to be reviewed for type of earning (service raise, supervisor differential, etc.) due to some inconsistencies with the pension classification; 4) roles of the offices involved in the administration of the Defined Contribution Plans should be better defined; 5) accuracy of the transfers from the vendor was not verified when unvested employees are terminated or when employees switch to the defined benefit plan; 6) high account management fees were charged to OBRA participants mandated to one investment option leaving very small returns (0.01%) after recordkeeping and management fees; and 7) unvested portion of contributions were not recovered timely from terminated employees’ accounts (the City did not recoup its contributions immediately upon employee separation, but waited until the employee sought return of his/her contribution to recapture the City contribution).

#720B – Duval County Property Appraiser Audit Follow-Up – all remaining outstanding issues (2) have been completed and no further follow-up is needed.

#721B - Oceanfront Parks Revenue Audit Follow-Up - all remaining outstanding issues (6) have been completed and no further follow-up is needed. Hanna and Huguenot Parks have their own subfunds – Hanna is self-sufficient, Huguenot is not and is subsidized.

In response to a question from Commissioner Collins, Mr. Peterson further explained the Hurricane Matthew and Irma damage reimbursement process.

There being no further business, the meeting was adjourned at 4:07 pm.

Jeff Clements, City Council Research Division

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