**Taxation, Revenue, and Utilization**

**of Expenditures (TRUE) Commission**

**Daniel Henry, Chair**

**TRUE COMMISSION AUDIT COMMITTEE**

**Meeting Minutes**

**June 3, 2021**

**2:30 p.m.**

**Lynwood Roberts Room**

**Attendance:** TRUE Commissioners Mark Merritt, John Roberts, Bruce Tyson

**Also**: Jeff Clements and Yvonne Mitchell – Council Research Division; Tommy Carter – Council Auditor’s Office

The member-to-member meeting was convened at 2:34 p.m. and the attendees introduced themselves for the record.

Auditor’s Report

Tommy Carter of the Auditor’s Office reported that his office had released 6 reports since the last Audit Committee meeting:

#808A – Follow-Up to Communications Tower Audit (<https://www.coj.net/city-council/docs/council-auditor/808a-follow-up-on-communication-tower-audit.aspx>): 10 issues were identified in the original audit, 8 were cleared by the follow-up report, 2 remain. Only City Council could set rent amounts and approve contracts for temporary Cell on Wheels installations, which made them unpopular with private providers. The Real Estate Division will work on legislation to allow Council to set standard rates via ordinance so that each agreement doesn’t need City Council approval. Also the City’s Risk Management Division did not always review insurance coverage documents obtained by the Real Estate Division during the application process.

#843 and #844 – JSO Law Enforcement Investigative Fund FY16-17 (<https://www.coj.net/city-council/docs/council-auditor/843-sheriffs-investigative-fund-fiscal-year-201.aspx>) and FY17-18 (<https://www.coj.net/city-council/docs/council-auditor/844-sheriffs-investigative-fund-fiscal-year-201.aspx>). The review found that the funds are being properly expended and the financials for the 2 fiscal years appear correct. Issue – JSO inadvertently removed replenishment authorization language from the Standard Operating Procedures during a revision, but kept following the policy. The language will be restored. Sometimes special accounts need to be created in mid-year and they need SOPs for that. Otherwise no problems identified. Commissioner Merritt asked how much is in the account on average – Mr. Carter said $770,000 in FY16-17 when one of the audits was done.

#845 – License Fees for Adult Bookstores (<https://www.coj.net/city-council/docs/council-auditor/845-license-fees-adult-bookstore-audit.aspx>): any adult bookstore must hold a license that must be renewed annually. JSO got no applications for adult bookstores during the period of the audit. JSO went out and found 12 stores that should have been licensed. Neither JSO nor the Planning Department had SOPs for dealing with adult bookstores or checking for appropriate zoning. The Auditor’s Office recommended that the Planning Department notify JSO when an adult bookstore applies for a zoning or certificate of use so that they can ensure the required license is obtained.

#846 – Kids Hope Alliance Grants Audit (<https://www.coj.net/city-council/docs/council-auditor/846-kids-hope-alliance-grants-audit.aspx>): a number of issues were identified by this audit, including: 1) KHA lacked written standard operating procedures (SOPs) which likely contributed to many of the issues noted; 2) grants that ended were not closed out in a timely manner and unused funds that remained were often reclaimed or repurposed by KHA without securing evidence of the grantor’s authorization to do so; 3) compliance issues for more than half of the non-financial requirements included in the testing; 4) grant opportunities, including KHA match requirements, were not always properly disclosed to the KHA board before KHA pursued them, contrary to the Board’s requirement; 5) various issues identified related to how KHA retained records related to the grants they received; 6) instances discovered where KHA requested untimely reimbursement from the grantor or utilized City matching funds to pay for costs that were not allowable per the respective binding agreements of the grants.

Mr. Carter reported that there had been considerable turnover in top management at KHA during the period of the audit. The current interim CEO has brought back an experienced former employee to help get things back under control and he is dedicated to fixing the identified problems. Commissioner Tyson asked if the new 1Cloud financial management system has anything to do with these problems. Mr. Carter said a properly operating financial system might help somewhat but that’s not really where the problems lie. Commissioner Merritt said that what is important is having people in the positions who know what they’re doing and managers who can properly manage those people to ensure that they’re getting the job done properly.

#847 – Independent Agencies Quarterly Budget Summary for the Quarter Ended March 31, 2021 (<https://www.coj.net/city-council/docs/council-auditor/847-independent-agencies-quarterly-summary.aspx>).

JEA – the electric system had a projected unfavorable variance of $15,027,190 in Fuel Revenues due to a mild winter and a decrease in projected sales and a projected unfavorable variance of $22,515,749 for Fuel and Purchased Power Expense due to anticipated increases in fuel costs. After transfers to cover these shortfalls the Fuel Rate Stabilization Fund would have an end of year balance of $71,310,357.

JTA - the Bus Division shows a current surplus of $334,695 in actual revenues and expenditures, but JTA is projecting a favorable budget variance of $37,289 at year end. For Operating Revenues, there is a projected unfavorable budget variance of $8,921,069 in Federal, State & Local Grants that is due to the anticipation of less CARES Act funding due to a projected favorable budget variance of $12,771,007 in Net Sales Tax – Operating. JTA has been awarded a total of $76,260,029 in CARES Act funding related to the pandemic on a reimbursement basis. JTA has received a total of $30,092,692, of which $3,533,293 has been received in Fiscal Year 2020/21. As noted in several previous quarterly summaries, JTA needs to file legislation to amend their Fiscal Year 2018/2019 budget and Fiscal Year 2019/20 budget due

to expenditures exceeding budgetary appropriation approved by City Council. The JTA Board has approved the budget amendments for Fiscal Year 2018/19 and Fiscal Year 2019/20, but legislation has never been filed with City Council.

JPA: The Port Authority is projecting a $2,000,000 unfavorable budget variance in Cruise Revenue due to the COVID-19 pandemic. This is offset by a projected $1,959,531 favorable variance in Other Operating Revenues. Container and auto revenues are exceeding budget and JPA is projecting a favorable expenditures variance of $1,006,405 due to the management of expenses.

JAA: The Aviation Authority projects an end-of-quarter surplus of $11,482,661 before a $187,062 transfer from the Passenger Facility Charge (PFC) Reserve and a $11,669,723 transfer to Retained Earnings. Operating Revenues experienced no budgetary stress and are projected to experience a favorable budget variance of $3,888,395 at year end due to increases in Concessions revenue from nonairline passenger related car rentals and additional Fees & Charges revenue related to increasing airline operations. JAA has received a total of $25.8 million in CARES Act funds, with $11.2 million received in Fiscal Year 2020/21.

Once again, the quarterly summary does not include the City’s financial data as the 1Cloud issues continue and Finance Department staff is dedicating its time to closing out the 2020-21 fiscal year.

Adjourn 3:03 p.m.

Jeff Clements, City Council Research Division

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