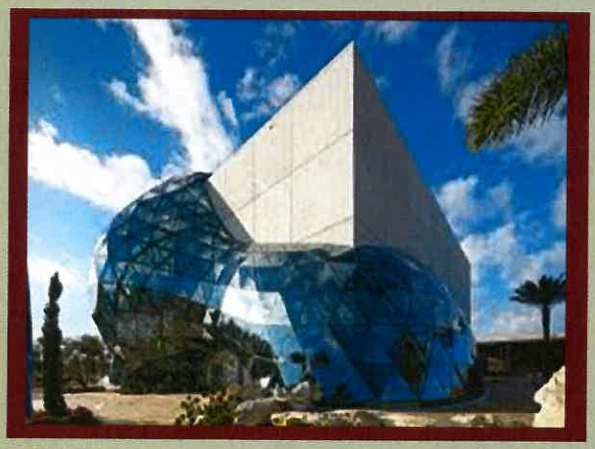
DIVISION OF INSPECTOR GENERAL
Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Pinellas County, Florida

FOLLOW-UP AUDIT OF TAX INCREMENT FINANCING OF COMMUNITY REDEVELOPMENT AREAS' PAYMENT TO CITIES



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REPORT NO. 2019-07
APRIL 19, 2019

Ken Burke, CPA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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April 19, 2019

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted a Follow-Up Audit of Tax Increment Financing of Community Redevelopment Areas' Payment to Cities. The objective of our review was to determine the implementation status of our previous recommendations.

Of the 13 recommendations contained in the audit report, we determined that two have been implemented, five have been partially implemented, and six have not been implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of the Planning Department and the Office of Management and Budget during the course of this review.

Respectfully Submitted,

Hector Collazo Jr.
Inspector General/Chief Audit Executive

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor
*Regulated by the State of Florida

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INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Tax Increment Financing of Community Redevelopment Areas' Payment to Cities. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

1) Determine if the procedures and internal controls used by the County and the municipalities for Tax Increment Financing (TIF) are adequate.
2) Determine if the identified cities are maintaining accurate funding and disbursement records for each Community Redevelopment Area (CRA) within each city funded by the County's TIF funds.
3) Determine if the identified cities are in compliance with applicable Florida Statutes and Pinellas County Codes.
4) Determine if the identified cities are in compliance with the Interlocal Agreements.
5) Determine if the identified cities have submitted timely Audited Financial Statements for the identified cities' Trust Funds.
6) Determine if the identified cities have submitted timely the Annual Progress Reports for the identified cities' Trust Funds.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General,* and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of February 2019. The original audit period was October 1, 2009 through April 30, 2015. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the 13 recommendations in the report, we determined that two have been implemented, five have been partially implemented, and six have not been implemented.

We encourage Management to continue implementing the remaining recommendations.

Implementation Status Table

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	***Certified Financial Statements For Community Redevelopment Areas/Agencies Have Not Been Issued.***					
A	We recommend Planning Management: Discuss this lack of certified financial statements for each CRA with the appropriate County department Management.				✓	
B	Modify each County Code Sec. 38 to specifically respond to the appropriate County department Management's recommendations.				✓	
2	***There Is No Consistent Reporting Of Cities' CRA Activities By Independent Auditors.***					
	We recommend Planning Management: Discuss 'major fund/non-major fund' accounting treatment/reporting variance among cities with the appropriate County department Management and the respective cities' CPA firms and modify each city's County Code Sec. 38 language to reflect the County department Management's/CPA firms' language.				✓	
3	***CRA Financial Reporting Lacks Formal Guidelines.***					
A	We recommend Planning Management: Provide guidelines for the cities' CRA financial reports that (a) include the identification of each CRA in the auditors' scope and opinion, and (b) include a basic format for the accompanying CRA financial statements.			✓		
B	Upon approval of CRA financial report guidelines, in compliance with County policies, modify CRA financial statement reporting practices allowing the cities to substitute their CAFRs for reporting separate certified CRAs financial			✓		

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	statements with the appropriate scope, basis of reporting, and note disclosures.					
4	***TIF Funded CRA Annual Financial Reports Do Not Include Cumulative Information From Inception Of The CRA.***					
A	We recommend Planning Management: After consulting with the appropriate County department Management, issue a directive modifying Pinellas County Code Sec. 38 to provide for reporting cumulative amounts for TIF revenues and expenditures since the inception of each TIF funded CRA.			✓		
B	Include in the directive a requirement for the analysis of expenditures from inception by projects within each CRA.			✓		
5	***Planning Department Personnel Do Not Perform Annual CRA Site Tours.***					
	We recommend Planning Management annually arrange for a tour of each County TIF funded CRA with the respective city CRA director.			✓		
6	***Some TIF Payments To Cities With TIF Funded CRAs Do Not Reconcile.***					
A	We recommend OMB and Planning Management: Reconcile their respective financial information prior to releasing CRA payments to the cities and issuing their own CRA reports.				✓	
B	Reconcile annually the total amount of TIF payments made to each city with TIF funded CRAs.				✓	
C	Review each city's annual CRA report and CAFR report to ensure appropriate accounting and reporting practices are followed.				✓	
7	***There Is No Sufficient Control Over Annual Reports.***					

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
A	We recommend Planning Management: Research the feasibility of purchasing an electronic document filing software system. An electronic system would code and date each document for easy and efficient access.	✓				
B	Obtain electronically each CRA and CAFR report issued by the cities receiving TIF payments. An electronic record of receipt of each CRA and CAFR report would be part of the electronic system.	✓				

Background

Community Redevelopment Act of 1969

In 1969, the Florida Legislature enacted the "*Community Redevelopment Act of 1969*" (Act), (Chapter 69-305). This Act has been amended many times since its initial adoption and comprises Part III of Chapter 163 of the Florida Statutes. The Act is the enabling legislation that allows for the creation of Community Redevelopment Agencies and Community Redevelopment Areas (CRAs) within the State of Florida.

The primary purpose of the Act is to support redevelopment of slum or blighted areas through preparation of community redevelopment plans and their implementation. To assist in plan implementation, the Act provides the option of establishing a redevelopment trust fund that may receive moneys through the allocation of tax increment revenues.

Twenty-four CRAs have been created:

- Two expired:
  - City of St. Petersburg - Jamestown
  - City of Tarpon Springs - North Community
- Two have not established a CRA Plan and Redevelopment Trust Fund:
  - City of Belleair - Belleview Biltmore Hotel
  - City of St. Pete Beach - Gulf Boulevard/Downtown
- Six have not established a redevelopment trust fund:
  - City of Largo - Clearwater-Largo Road
  - City of St. Petersburg - 16th Street South
  - City of St. Petersburg – Central Plaza
  - City of St. Petersburg - Dome Industrial Park Pilot Project
  - City of St. Petersburg - Dome Industrial Park
  - City of St. Petersburg - Tangerine Avenue
- Fourteen have established a redevelopment trust fund:
  - City of Clearwater - Downtown and Gateway Area
  - City of Dunedin - Downtown
  - City of Gulfport - 49th Street Corridor
  - City of Gulfport - Waterfront District/Veterans Park
  - City of Largo - West Bay Drive
  - Lealman - Residential and Commercial
  - City of Oldsmar - Town Center

- City of Pinellas Park - Downtown
- City of Safety Harbor - Downtown
- City of St. Petersburg - Bayboro Harbor
- City of St. Petersburg - In Town
- City of St. Petersburg - In Town West
- City of St. Petersburg - South
- City of Tarpon Springs - Downtown and Former Pappas Restaurant

Redevelopment Powers

Since Pinellas is a county with a home rule charter, the powers conferred by the Act are the responsibility of the Board of County Commissioners (BCC), including the authority to approve the establishment of any CRA and redevelopment trust fund within Pinellas County. The BCC, however, has the discretion to delegate some or all of these redevelopment powers to the governing body of a municipality. Any redevelopment powers not specially delegated to a municipality remain with the BCC.

CRAs Established

CRAs have been established in ten municipalities, with three cities (Clearwater, St. Petersburg, and Largo) having two or more redevelopment areas. Most of the CRAs include the municipality's historic downtown area, which helps account for their distribution throughout the County from Tarpon Springs in the north to Gulfport in the south.

CRAs Receiving Tax Increment Revenue

Fourteen CRAs have established a redevelopment trust fund. Thirteen have been authorized to receive County Tax Increment Financing (TIF) contributions. Gulfport's 49th Street Corridor is the only CRA that has adopted a Plan and established a trust fund, but does not receive County TIF contributions.

County Review of the CRA's Use of TIF Contributions

Starting in 2002, a new CRA Plan approved by the BCC that has an accompanying redevelopment trust fund, contains a requirement that the County conduct a review of the CRA's use of County TIF contributions halfway through the duration of the redevelopment trust fund. When an existing CRA Plan was amended after 2002, this review requirement was also added if the halfway point of the trust fund had not yet been reached.

Based upon this comprehensive review, the BCC will determine whether the County's TIF contribution should be adjusted for the remaining years of the trust fund. Trust funds are normally established for 30 years, but the BCC has extended the length of three (St. Petersburg – Intown, Clearwater - Downtown, and Dunedin - Downtown) at the municipalities' request.

Use of Tax Increment Financing

The use of TIF involves three fundamental components:

1. The current total taxable assessed value within a CRA.
2. The total taxable assessed value at the time the redevelopment trust fund was established (the base year).
3. The applicable County millage rate.

As the taxable assessed property value within the CRA increases above the value of the base year (i.e., the increment), the property taxes generated by the increment are allocated to the applicable redevelopment trust fund and must be spent on projects within the CRA that implement the adopted community redevelopment plan.

Overall Investment by Pinellas County

Overall, since Fiscal Year 1982/83 to Fiscal Year 2016/17, Pinellas County has invested approximately $123.4 million dollars in the fourteen CRAs that receive TIF revenues. Six of the fourteen CRAs that receive County TIF contributions are at least halfway through the duration of their redevelopment trust funds.

TIF Payments to Cities with TIF-Funded CRAs Since Inception

Tax Increment Financing Payments to Pinellas County Cities with TIF Funded CRAs Fiscal Years 1983 to 2017*	
City / CRA	Amount
Clearwater – Downtown	$15,554,000
Clearwater – Gateway	$927,000
Clearwater (Combined as one CRA)	*$16,481,000*
Dunedin – Downtown	$4,319,000
Gulfport – Waterfront District / Veterans' Park	$1,849,000
Largo – Clearwater-Largo Road / West Bay Drive	$4,815,000
Lealman – Countywide	$192,000
Lealman – MSTU **	$69,000
Lealman (Combined as one CRA)	*$261,000*
Oldsmar – Town Center	$3,403,000
Pinellas Park – Downtown	$13,940,000
Safety Harbor – Downtown	$3,123,000
St. Petersburg – Bayboro Harbor	$580,000
St. Petersburg – Intown	$68,877,000
St. Petersburg – Intown West	$2,708,000
St. Petersburg – South	$701,000
St. Petersburg Combined (four CRAs)	*$72,866,000*
Tarpon Springs – Downtown	$2,378,000
Total (13 CRAs)	*$123,435,000*

** FY 2017: Budget*
*** Municipal Services Taxing Unit*

STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the Tax Increment Financing of Community Redevelopment Areas' Payment to Cities. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. Certified Financial Statements For Community Redevelopment Areas/Agencies Have Not Been Issued.

Separate audited financial statements for CRAs have not been issued by any city with a CRA since inception of the TIF funding program. The first advances of TIF funds were made in Fiscal Year 1983.

Since financial information for CRAs is included in the accounts of each respective city, city financial management has opted to have the outside independent auditors submit only one opinion letter for the respective city's Comprehensive Annual Financial Report (CAFR).

The lack of certified financial statements for each CRA is non-compliance with Florida Statute 163.387(8). This statute requires the certified financial statement to be issued annually for each CRA:

> *"Each community redevelopment agency shall provide for an audit of the trust fund each fiscal year and a report of such audit to be prepared by an independent certified public accountant or firm. Such report shall describe the amount and source of deposits into, and the amount and purpose of withdrawals from, the trust fund during such fiscal year and the amount of principal and interest paid during such year on any indebtedness to which increment revenues are pledged and the remaining amount of such indebtedness. The agency shall provide by registered mail a copy of the report to each taxing authority."*

We Recommended Planning Management:

A. Discuss this lack of certified financial statements for each CRA with the appropriate County department Management.

B. Modify each County Code Sec. 38 to specifically respond to the appropriate County department Management's recommendations.

Status:

Not Implemented. Management believes the current CAFR that each city issues meets the criteria as a certified financial statement. We continue to encourage management to implement our recommendation.

Management Responses are located in the Appendix of this report.

2. *There Is No Consistent Reporting Of Cities' CRA Activities By Independent Auditors.*

The Scope and Opinion paragraphs included in the independent auditors' letters accompanying the respective cities' financial statements are inconsistent with respect to the reporting of the cities' annual TIF/CRA financial activity. Four of the ten cities (Clearwater, Gulfport, Largo, and Pinellas Park) that have CRAs funded by Pinellas County TIF payments report their CRAs' financial activity as 'nonmajor funds,' whereas five cities (Dunedin, Oldsmar, Safety Harbor, St. Petersburg, and Tarpon Springs) report their TIF/CRA activity as 'major funds.' (Lealman is a new CRA and its report is not yet due.)

We Recommended Planning Management:

Discuss 'major fund/non-major fund' accounting treatment/reporting variance among cities with the appropriate County department Management and the respective cities' CPA firms and modify each city's County Code Sec. 38 language to reflect the County department Management's/CPA firms' language.

Status:

Not Implemented. Management indicated that the cities' choice to classify the funds is not within OMB's purview.

Management Responses are located in the Appendix of this report.

3. CRA Financial Reporting Lacks Formal Guidelines.

CRA annual financial results and financial position are reported inconsistently and in a deficient manner. CRA financial reports reviewed have not complied with Florida Statute 163.387(8). Annual CRA disclosures in the respective cities' CAFR reports are mostly adequate. However:

- None of the five "CRA Annual Reports" reviewed contained an independent auditor's opinion/certification:
  - City of Clearwater
  - City of Gulfport
  - City of Oldsmar
  - City of Pinellas Park
  - City of St. Petersburg

- Clearwater's CRA Annual Report had no reference to its CAFR report.

- St. Petersburg's CAFR shows two different 2014 revenue amounts: $3,954,789 and $8,891,000.

Although Florida Statutes for CRAs require an auditor's certification, it does not set out specific guidelines for such certification and the related financial statement disclosures.

A review of five cities' compliance with the CRA sections of the applicable Florida Statutes shows that:

- In the City of Clearwater's CAFR, the auditor's opinion did not specifically identify Clearwater's CRA. However, the CRA was identified in the CAFR Transmittal Letter and in the Management Discussion & Analysis (MD&A). The CRA's relationship within the City's financial statements is explained in Notes I.A. and II.A. to its CAFR financial statements.

- The City of Gulfport's CRA was discussed in its CAFR's Transmittal Letter and disclosed in Notes 1 and 14 to its CAFR financial statements.

- The City of Oldsmar's CRA was discussed in the auditor's opinion in its CAFR, its MD&A, and in Notes A and N to its CAFR financial statements.

- The City of Pinellas Park's CRA was discussed in the auditor's scope and opinion in its CAFR, its MD&A, Notes I-A and IV-F to its CAFR financial statements.

- The City of St. Petersburg's CRAs were discussed in the auditor's opinion in its CAFR, in its MD&A, and in Notes 1-A and 1-C to its CAFR financial statements.

Annual CRA financial reports must comply with Florida Statute 163.387(8); see Opportunity For Improvement No. 1 above.

We Recommended Planning Management:

A. Provide guidelines for the cities' CRA financial reports that (a) include the identification of each CRA in the auditors' scope and opinion, and (b) include a basic format for the accompanying CRA financial statements.

B. Upon approval of CRA financial report guidelines, in compliance with County policies, modify CRA financial statement reporting practices allowing the cities to substitute their CAFRs for reporting separate certified CRAs financial statements with the appropriate scope, basis of reporting, and note disclosures.

Status:

Partially Implemented. Management created guidelines for standard financial reporting; however, the cities' CRA financial reports and/or CAFRs have not yet been addressed. We encourage management to continue to implement our recommendation.

Management Responses are located in the Appendix of this report.

4. TIF Funded CRA Annual Financial Reports Do Not Include Cumulative Information From Inception Of The CRA.

By not requiring the cities with TIF funded CRAs to submit cumulative revenues and expenditures, both the County and the respective city have inadequate financial control over CRA expenditures.

Once each city with TIF funded CRAs submits cumulative financial information, the Planning Department management will be aware of the status of each CRA's progress to the 15-year and 30-year reporting periods.

The Pinellas County Code Sec. 38 discusses the need for a financial review at the fifteen-year point of the TIF funded CRA as follows:

"Fifteen-year review...the county may review its tax increment contribution to the fund to determine whether given the totality of the circumstances, it continues to be prudent to dedicate the county portion of the tax increment revenues at the existing level, beyond 15 years..."

We Recommended Planning Management:

A. After consulting with the appropriate County department Management, issue a directive modifying Pinellas County Code Sec. 38 to provide for reporting cumulative amounts for TIF revenues and expenditures since the inception of each TIF funded CRA.

B. Include in the directive a requirement for the analysis of expenditures from inception by projects within each CRA.

Status:

Partially Implemented. Management provided financial reporting guidelines to cities; however, since County Code has not been modified, the legal authority does not agree with the new guidelines. Management plans to consult the Board of County Commissioners for possible further direction to amend County Code. We encourage management to continue to implement our recommendation.

Management Responses are located in the Appendix of this report.

5. Planning Department Personnel Do Not Perform Annual CRA Site Tours.

The County has distributed over $123.4 million to ten cities for their CRAs since inception in 1983.

Planning staff does not perform annual physical verification of the TIF funded cities' CRA areas.

The lack of County oversight may lead to improper use of TIF funds. County oversight is needed to assure management that TIF funds are being spent properly.

We Recommended Planning Management:

Annually arrange for a tour of each County TIF funded CRA with the respective city CRA director.

Status:

Partially Implemented. Management created The Best Practices and Uniform Reporting Procedures, which include a site tour for each TIF funded CRA. Planning staff has met with all

CRA contacts to introduce the procedures, but has not yet scheduled the site visits. We encourage management to continue to implement our recommendation.

Management Responses are located in the Appendix of this report.

6. Some TIF Payments To Cities With TIF Funded CRAs Do Not Reconcile.

TIF Payments

A number of differences were noted between Planning's *Comprehensive CRA Report of 2013* (Planning), OMB's schedule of TIF payments (OMB), and St. Petersburg's TIF receipt record:

1. St. Petersburg FY 1982: $63,570 missing from OMB and Planning
2. St. Petersburg FY 1983: $114,775 missing from OMB and Planning
3. St. Petersburg FY 1984: $131,294 missing from OMB and Planning
4. St. Petersburg FY 1985: $335,224 missing from OMB and Planning
5. St. Petersburg FY 1992: $4,902 higher than OMB
6. St. Petersburg FY 1993: $29,078 lower than OMB
7. St. Petersburg FY 2001: $7,337 lower than OMB

We noted that financial information reported by the cities with TIF funded CRAs contained unclear accounting practices, such as transfers to other funds, reserves, and amounts due to other funds. We used alternative methods to verify the accuracy, sources, and uses of TIF funds by the cities with CRAs.

However, we would like to point out that the lack of reconciliation of the payment information between OMB and Planning and the cities receiving TIF payments caused the differences noted above to go undetected over years.

CRA financial statements and CAFR financial statements issued by the cities need to be thoroughly reviewed and cross-checked to guard against questionable accounting practices that need to be identified and investigated.

We Recommended OMB and Planning Management:

A. Reconcile their respective financial information prior to releasing CRA payments to the cities and issuing their own CRA reports.

B. Reconcile annually the total amount of TIF payments made to each city with TIF funded CRAs.

C. Review each city's annual CRA report and CAFR report to ensure appropriate accounting and reporting practices are followed.

Status:

Not Implemented. Management believes current practices will prevent the issue from recurring. We continue to encourage management to implement our recommendation.

Management Responses are located in the Appendix of this report.

7. There Is No Sufficient Control Over Annual Reports.

CRAs represent a significant legal recordkeeping endeavor to comply with Florida Statutes that require formal proposals, BCC resolutions, city resolutions, Interlocal Agreements, County Code updates, and other related documents. In addition, ongoing monitoring of each CRA requires the available formal CRA and other city financial reports that also are governed by Florida Statutes.

Florida Statutes Section 163.387(8) states:

> *"Each community redevelopment agency shall provide for an audit of the trust fund each fiscal year and a report of such audit to be prepared by an independent certified public accountant or firm... The agency shall provide by registered mail a copy of the report to each taxing authority."*

Pinellas County Code Sec. 38 requires that financial reports from cities with TIF funded CRAs be filed annually:

> "*Copies of reports of audits required by F.S. § 163.387(8) shall be provided to the board of county commissioners each fiscal year.*"

The CRA documentation described above should be managed and maintained in electronic storage that is readily accessible. Downloading the CRA information that cities make available on the respective city's internet website is an efficient method for obtaining such documents.

We Recommended Planning Management:

A. Research the feasibility of purchasing an electronic document filing software system. An electronic system would code and date each document for easy and efficient access.

B. Obtain electronically each CRA and CAFR report issued by the cities receiving TIF payments. An electronic record of receipt of each CRA and CAFR report would be part of the electronic system.

Status:

Implemented. Management worked with Business Technology Services to develop a SharePoint site to store electronic documents submitted by the CRAs. Management has uploaded CRA Annual Reports, CAFRs, and other applicable documents to the SharePoint site.

Management Responses are located in the Appendix of this report. Note: Management reported the Implemented status for this OFI after the report was issued. In response to information provided by Management in the Appendix, we changed the status from Partially Implemented to Implemented and reissued this report.

APPENDIX

MEMORANDUM

TO:	Hector Collazo Jr., Inspector General/Chief Audit Executive
FROM:	Rachel Booth, Redevelopment Planning Section Manager
THROUGH:	Renea Vincent, Planning Director Jacob Stowers, Assistant County Administrator
CC:	Bill Berger, Director of Office of Management and Budget David Sadowsky, Assistant County Attorney
SUBJECT:	**Management response to OIG Report NO. 2019-07 (April 4, 2019): Follow-Up Audit of Tax Increment Financing of Community Redevelopment Areas' Payments to Cities**
DATE:	April 19, 2019

Please see below management responses pertaining to the implementation status of 13 recommendations cited in the 2017 Audit Report and subsequent 2019 Follow-up Report issued on April 4, 2019. Management appreciates the opportunity to further respond and offer additional clarification on context, intent, implementation, and applicable action/implementation plans.

IG Findings & Responses (management responses shown in bold text):

1. Certified Financial Statements For Community Redevelopment Areas/Agencies Have Not Been Issued.

a. We recommend Planning Management: Discuss this lack of certified financial statements for each CRA with the appropriate County department Management.

Response

Management does not recommend implementing modifications to the existing process, procedures, and or requirements for the following reasons:

In consultation with the Office of Management and Budget (OMB) and the County Attorney's Office (CAO), management has reviewed current County procedures as well as F.S. 163.387(8), regarding certified financial reporting. Existing processes provides that the necessary financial statements are obtained annually by each municipality's submittal of the Comprehensive Annual Financial Report (CAFR), audited and certified by an independent certified public accountant/firm that includes an independent certified audit of the Community Redevelopment Agency trust fund. All such audit reports provide a complete set of financial statements submitted in compliance with GAAP and GASB and audited according to generally accepted best practices and auditing standards, as applicable. Additionally, F.S. 163.387(8), which indicates in part, "Each community redevelopment agency shall provide for an independent financial audit of the trust fund each fiscal year and a report of such audit." which in this case is satisfied through the submittal of the CAFR by each applicable municipality.

b. Modify each County Code Sec. 38 to specifically respond to the appropriate County department Management's recommendations.

Response

Management does not recommend implementing modifications to County Code Section 38 for the following reason:

Following a review of Florida Statute 163.387(8) and in consultation with OMB and CAO, management determined that County Code Section 38 is consistent with applicable state regulated reporting and auditing requirements; thus modifications were unnecessary and would likely only result in conflicting policy from that of the state regulations.

2. There Is No Consistent Reporting of Cities' CRA Activities By Independent Auditors.

We recommend Planning Management: Discuss 'major fund/non-major fund' accounting treatment/reporting variance among cities with the appropriate County department Management and the respective cities' CPA firms and modify each city's County Code Sec. 38 language to reflect the County department Management's/CPA firms' language.

Response

Management does not recommend implementing modifications for the following reason:

Having consulted with the Office of Management and Budget (OMB) and County Attorney's Having consulted with the Office of Management and Budget (OMB) and County Attorney's Office (CAO), management determined that County Code Section 38 language is reflected appropriately, and no

changes are necessary to ensure accounting treatment/reporting is suitably consistent with major fund accounting and reporting per GAAP and or GASB, regardless of each municipality's fund classification methodology.

3. CRA Financial Reporting Lacks Formal Guidelines.

a. Provide guidelines for the cities' CRA financial reports that (a) include the identification of each CRA in the auditors' scope and opinion, and (b) include a basic format for the accompanying CRA financial statements.

Response

Management acknowledged the recommendation and has since created reporting procedures that include guidelines for standard financial reporting and the requirement for each CRA to submit a copy of the certified CRA financial statements given it is consistent with the applicable section of the audited CAFR. Management believes the implementation of the new reporting procedures satisfies 3.a. of this recommendation.

b. Upon approval of CRA financial report guidelines, in compliance with County policies, modify CRA financial statement reporting practices allowing the cities to substitute their CAFRs for reporting separate certified CRA financial statements with the appropriate scope, basis of reporting, and note disclosures.

Response

Management does not recommend implementing for the following reason:

Management's determination was made in part to maintain existing protocol that is consistent with reporting requirements that currently meet generally accepted reporting best practices, from which such changes could result in negative implications for other County departments that utilize the CAFR for other means. However, as part of the newly created reporting procedures, each CRA is required to submit annually their previous year's certified financial statements given it is consistent with the applicable section of the audited CAFR.

4. TIF Funded CRA Annual Financial Reports Do Not Include Cumulative Information from Inception of the CRA.

a. We recommend Planning Management: After consulting with the appropriate County department Management, issue a directive modifying Pinellas County Code Sec. 38 to provide for reporting cumulative amounts for TIF revenues and expenditures since the inception of each TIF funded CRA.

b. Include in the directive a requirement for the analysis of expenditures from inception by projects within each CRA.

Response
Management agrees with the findings of the Follow-up Report as "Partially Implemented."

Action Plan: Staff will consult with CAO, as it pertains to item 4.a and b. to determine if amendments to County Code Section 38 are necessary to carry out the policy relating to the reporting and / or analysis of cumulative TIF revenues and expenditures since the inception of each TIF funded CRA. If the adoption of amended language is found to be required, staff will begin implementation of such amendments before the end of the 2nd quarter of 2019.

5. Planning Department Personnel Do Not Perform Annual CRA Site Tours. We recommend Planning Management annually arrange for a tour of each County TIF funded CRA with the respective city CRA director.

Response
Management agrees with the findings of the Follow-up Report as "Partially Implemented."

Understanding this is not a State of Florida or County requirement, staff acknowledges the recommendation, setting forth the following:

Action Plan: Per the newly created reporting procedures, a County staff member will schedule and perform an annual site tour to evaluate planned projects/programs and recent accomplishments that have (or will) utilize County TIF contributions, upon receipt of the Project Tracking spreadsheet moving forward.

6. Some TIF Payments To Cities With TIF Funded CRAs Do Not Reconcile.

a. We recommend OMB and Planning Management: Reconcile their respective financial information prior to releasing CRA payments to the cities and issuing their own CRA reports.

b. Reconcile annually the total amount of TIF payments made to each city with TIF funded CRAs.

c. Review each city's annual CRA report and CAFR report to ensure appropriate accounting and reporting practices are followed.

Response
As it pertains to 6.a. and b., OMB has reconciled and has a process in place to ensure we remain reconciled moving forward.

As it pertains to 6.c., management does not agree because neither OMB nor Planning has accounting as a core function (that is Clerk Finance responsibility as Comptroller for the BCC) and the CAFR is an independently audited report. Regarding CRA annual reports, Planning has a process in place to review to ensure the reporting is consistent with statutory and County requirements with support from OMB, as needed.

In the 2017 Report, management acknowledged the recommendations, however, as it pertains to item 6.a-c., it remains the opinion of OMB that the review and reconciliation recommendations are already appropriately met with current accounting and reporting practices. Thus there are no new implementable actions.

7. There Is No Sufficient Control Over Annual Reports.

a. Research the feasibility of purchasing an electronic document filing software system. An electronic system would code and date each document for easy and efficient access.

b. Obtain electronically each CRA and CAFR report issued by the cities receiving TIF payments. An electronic record of receipt of each CRA and CAFR report would be part of the electronic system.

Response

As it pertains to 7.a. and b., Management disagrees with the findings of the Follow-up Report as "Partially Implemented" for the following reasons:

Management acknowledged the recommendation which resulted in both product research and consultation with the County's Business Technology Services (BTS) department to discuss software options for this purpose. In collaboration with BTS, a public SharePoint site has been developed to support all aspects of electronic document reposition accessible internally and by each CRA. Management believes the implementation of the SharePoint site satisfies 7.a. of this recommendation.

Management has implemented the process of uploading CRA Annual Reports, CAFRs, and other applicable documents for each CRA receiving TIF payments. At present all collected annual reports and associated information is available on the External CRA SharePoint site. Management believes the implementation of the SharePoint site and uploading of recommended documents satisfies item 7.b.

Note: The implementation of these recommendations took place over the 4th quarter of 2018 and January/February 2019. The site went 'live' in January but underwent some updates in early February 2019. The site has remained 'live' throughout the updates. Management believes the implementation of this recommendation was done so concurrently to the completion of the

Inspector General's fieldwork phase of the follow-up audit. Therefore, there is a discrepancy between the audit report and this response memo regarding the finding of 'Partially Implemented.'

Division of Inspector General

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Clerk of the Circuit Court
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Pinellas County, Florida

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