Financial Administration

Certified Government Finance Officer (CGFO) Exam Review

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Distribution of Exam Topics

Pension Benefits	25%
Management Principals	15%
Purchasing / Procurement	15%
Risk Management	15%
Information Systems	15%
Grants Administration/Audit	15%

PENSIONS

Pension Benefit Definitions

- **Alpha -** Measure of risk-adjusted performance
- **Beta -** The measure of a fund's or a stock's risk in relation to the market or to an alternative benchmark
- **Gamma -** The ratio of a change in the option delta to a small change in the price of the asset on which the option is written
- **PERS** - Public Employee Retirement System

Pension Benefit Definitions

- **CAFR** – Comprehensive Annual Financial Report
- **PERS CAFR** – A CAFR for a PERS
- **Yield -** The percentage rate of return paid on a stock in the form of dividends, or the effective rate of interest paid on a bond or note
- **Yield Curve -** The graphic depiction of the relationship between the yield on bonds of the same credit quality but different maturities

Pension Benefit Definitions

- **Sharpe Ratio -** A measure of a portfolio's excess return relative to the total variability of the portfolio
- **Small-cap -** A stock with a small capitalization, meaning a total equity value of less than $500 million
- **Actuary –** A Person or company that estimates the value of claims pending and the estimated reserves needed
- **Actuarial Valuation** - Is the process of assessing the viability of a PERS

Pension Benefit Definitions

- **Defined Benefit Plan -** A pension plan obliging the sponsor to make specified dollar payments to qualifying employees. The pension obligations are effectively the debt obligation of the plan sponsor
- **Defined Contribution Plan -** A pension plan where a sponsor is responsible only for making specified contributions into the plan on behalf of qualifying participants
- **Jensen Index -** An index that uses the capital asset pricing model to determine whether a money manager outperformed a market index

Pension Benefit Definitions

- **Return on equity (ROE)** – An indicator of profitability. Determined by dividing net income for the past 12 months by common stockholder equity (adjusted for stock splits). Investors use ROE as a measure of how a company is using its money.
- **Return on investment (ROI)** - Generally, book income as a proportion of net book value
- **ARC –** Annual Required Contribution, expense that a government would report in its accrual-based financial statements

PENSIONS

Chapter 175 – Fire
Chapter 185 – Police
FRS
401 (a)

Why? F.S. 175.021

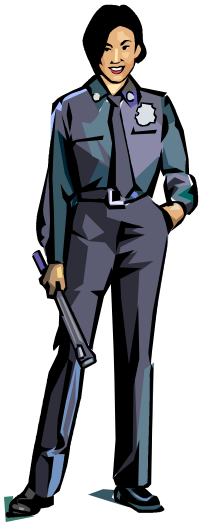
- Cover firefighters that perform state and municipal function
- Firefighters entitled to benefits in state
- Established minimum benefits and standards for operating and funding (Pension Trust Fund)

Average Final Compensation Definition

One-twelfth (1/12) of the average annual compensation of the 5 best years of the last 10 years of credible service

Local Law Plan

- Local law plan is a defined benefit pension plan
- Can override statutes
- Statute can cover public safety officers that include officers responsible for both police and fire
- Described in 175.351



Firefighters Pension Trust Fund

- Special Fund
- Record Additions and Deductions
- NPL – Net Pension Liability
  - Difference between PV of pension benefits earned by plan members and assets accumulated to pay those benefits
  - Covered payroll – compensation (total salary) paid to employees in the plan – GASB 67 & 68
  - Pensionable payroll – amount of pay to calculate pension benefit contribution

Board of Trustees F.S. 175.061

- Five Members
  - Two – full-time Firefighters (175.032)
  - Two – legal residents appointed by a governing body
  - One – chosen by majority of the other four members
  - Each serve a two-year term – may succeed himself

A combined plan has one fire and one police member

Board – Responsibilities F.S. 175.061 & 175.131

- A legal entity that maintains Retirement Plan Assets
  - Employer – deposit quarterly
  - Employee – deposit immediately
  - State – excise tax (1.85% on real and personal property insurance)
    - Must be deposited with trust within 5 days of receipt
  - Investment income
- Meet at least quarterly

Board – Duties F.S. 175.071

- Invest – not more than 5% in common stock or capital stock from any one company, not more than 5% of aggregate
- Invest – not more than 25% in foreign securities.
- Hire professional consultants to assist

Trust Fund Professionals

- Paid from Trust Fund
  - Actuary
  - Legal Counsel
  - Technical Advisors
  - Performance Review – at least every 3 years
  - Money Manager – can have more than one
  - Custodians – reports, pay retirees

Retirement
F.S. 175.162

- 10 years – age 55
- 25 years – age 52
- 2.75% x years of credited service x average final compensation
  - Local law can exceed 2.75%
  - If local law is less, no excise tax funds are received by the plan
- Received first day of the month
  - Begin immediately following retirement date
- Early – special rules

Retirement Income Options F.S. 175.171

- Some options may reduce monthly income
- Payable based on option selected
- Death before eligible (175.201)
  - Contributions – 100% of employee contributions
  - Based on early or normal retirement age (at least 10 years)

Retirement Income Options F.S. 175.171 (cont'd)

- Separation before eligible (175.211)
  - Prior to 10 years (accumulated aggregate) 100% of employee contributions
  - Greater than 10 years – after age 50 become eligible based on 175.162
- Impairment of health (175.231)
  - Disease in line of duty – presumption
  - Accident suffered in the line of duty, tuberculosis, hypertension, heart disease

Annual Report F.S. 175.261

- Send to Division of Retirement
- Actuarial valuation report – every 3 yrs
- Actuarial impact for plan changes
  - Must be presented to State (DMS) before the second and final reading of the ordinance
- Agree with CAFR – part of entity or separate report

Pension Investment Policy

- Long-term investors
- Virtually perpetual
- Articulate specific goals
  - Is plan mature or new?
  - Is the plan under funded or fully funded?

Florida Retirement System (FRS)

- Assets are managed by Florida PRIME, an Investment Service for Public Funds
- Provide annual Pension Actuarial Statements for Counties and Cities for their Net Pension Liability
- When calculating the Present Value (PV) of the projected benefit payments, a large discount rate makes the PV number smaller.

Why Policy?

- Exercise due diligence
- Key risk management tool
  - Can respond to sudden legislative changes
- Express asset allocation strategy to manage external and internal risks
- Need for both Defined Benefit and Defined Contribution Plans
  - Sets Guidelines on investment options (DC Plan)

Policy Provisions

1. Statement of goals, purpose, mission – 100%
2. Identification of decision makers – 100%
3. Performance measurement (benchmark)
4. Manage risk on individual securities
5. Manage risk on overall portfolio
6. Money manager guidelines

Policy Provisions (cont'd)

7. Guidelines for other investment professionals
8. Legal standards
9. Cost management
10. Transacting or brokering trades

Determine Performance – Actuary Valuation

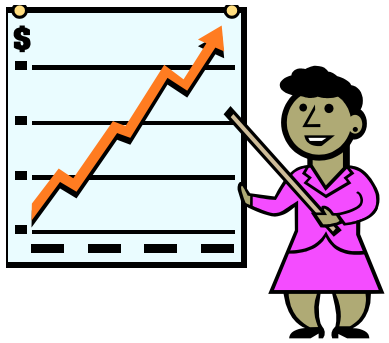
- Asset allocation – overall portfolio
  - Assumed rate of return to determine risk to meet plan goals
- Manage risk – part of asset allocation
  - Strategy
  - Level of risk the plan can tolerate
  - Single security vs. diversification
  - Is it a viable plan?

GFOA Guidelines

1. Purpose
2. Roles/responsibilities
3. Standard of care
4. Asset allocation
5. Rebalancing
6. Investment guidelines
7. Reporting and monitoring
8. Corporate government

Calculate Retirement Income

- Based on age, years of services and compensation
- At a future date, use mortality table



Other Post Employment Benefits (OPEB)

- Similar to pension plan, often provides non- cash benefits
  - Health Coverage

- Similar to pension plans –
  - Actuarial study – every two years for plans >250
  - ARC – annual expense recorded for the plan, if not paid, report OPEB obligation

MANAGEMENT

Management Functions

- Planning
- Organizing
- Staffing
- Leading
- Controlling

LEADERS ARE MADE NOT BORN!

Planning

- Decide which objectives / goals to pursue
- Decide when they will be achieved
- Decide what resources to devote
- Logical – formal or informal
- Can't evaluate results without planning

Decision Making

- Select a course of action from among alternatives
- Attempt to reach goals
- Understand course necessary to reach goal
- Ability to analyze alternatives
- Desire to optimize results

Organizing

- Establish structure of roles
  - List activities to achieve purpose
  - Group activities
  - Assign activities
  - Delegate authority
  - Coordinate communication
- Efficiency will contribute to success

Organization by Department

- Authority relationships based on structure
  - Departments by function
  - Department by territory
  - Department by project
- Project organization

Delegation

- Results Expected – goals set, communicated, and understood
- Functional Definition – authority, delegated, responsible individuals contribute, activities undertaken
- Scalar Principle – direct authority relationship superior to subordinate
- Authority–level Principle – includes functional definition and scalar principle, responsible person should make decision, not refer upward

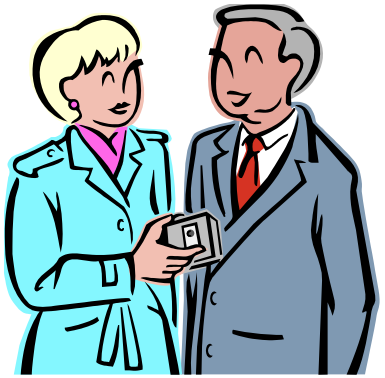
Delegation

- Unity of Command – good reporting relationship with superior reduces conflict and results in personal responsibility
- Absoluteness of Responsibility –
  - Subordinate must accept responsibility from superior
  - Superior cannot escape responsibility for subordinate
- Parity of Authority and Responsibility –
  - Authority – the right to carry out task
  - Responsibility – is the obligation to accomplish

Authority = Responsibility

Staffing

- Manning positions created by organizational structure
  - Define manpower
  - Inventory candidates
  - Select, compensate, and train
  - Develop all to accomplish tasks



Directing

- Guiding and leading subordinates
  - Set objectives
  - Measure results
- Success is knowledgeable, well trained people who work efficiently toward objectives

Controlling

- Measure and correcting activities of subordinates
  - Locate person responsible
  - Take steps to improve performance
- Control things by controlling what people do
- Process improvements serve
  - Eliminate variation
  - Improve flow and speed

Span of Control

- Magic number to effectively control
  - Upper level – four to eight
  - Lower level – eight to fifteen
  - Wide variety of practices
  - Manager must know limits
- Problems with multiple levels
  - Expensive
  - Complicates communication
  - Dilutes planning and control

Types of Plans

- Objectives – goal to which activity is aimed
- Policies – guide or channel thinking of subordinates
- Strategies – competitive plan of action to emphasize and attain comprehensive objectives
- Procedures – customary method to handle future activities

Major Principles of Organizing

- Cause – Span of Management
- Cement – Authority
- Framework – Departmentized Activities
- Measure – Effectiveness

Span of Management

- Number of people an individual can effectively manage that varies based on variable including time requirements to effectively manage.
- No limits would result in an unorganized enterprise with only one manager.
- Organization utilizes individuals to accomplish objectives at minimal cost for efficiency.

Authority

- Tool for a manager to create an environment for individual performance.
  - Scalar
  - Delegation
  - Absoluteness
  - Parity
  - Unity
  - Authority-level

Departmentalized Activities

- The framework developed to assign activities
  - Division of work – structure should reflect tasks necessary to attain goals
    - Design roles to fit individual capabilities
  - Functional definition – a clear definition of expectations contributes toward accomplishing objectives
  - Separation – responsible party cannot be separated from individual charged with task

Effectiveness

- Apply principles to measure the total organizational process
  - Balance
  - Flexibility
  - Leadership

Leadership

- Art of inducing subordinates to accomplish assignment with zeal and confidence
  - Guide
  - Conduct
  - Direct
  - Precede

- It may take years of effort and study to be a good leader.
- Contribute to organization with maximum capability
- Reacts to the situation

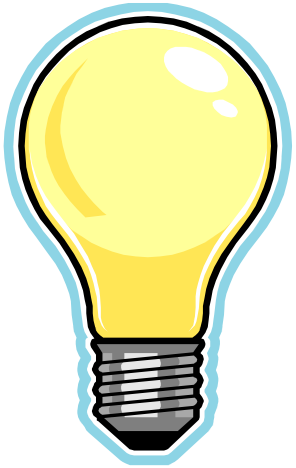
Major Ingredients

Ability to:

INVENT

Satisfy personal goals

INSPIRE



Understand subordinates

System

- Set of things connected to form a complex unity
- A whole composed of parts according to a scheme
  - Open – constant relationships between and within environment
  - Closed – all is conducted within environment
- ISO 9000 – a quality management system

Management is a System

- Composed of many sub-systems
- Characterized by cause and effect (open – loop)
- Characterized by feedback to correct errors (closed – loop)
- Part of a larger system
  - Industrial system
  - Social system
  - Government system
  - Marketing system

Establish Vision

- Loses value if not adjusted to surroundings
- Revisit Vision every 5-7 years
- Involve others to bring to life
- Leadership must explain

Characteristics of Effective Vision

- Outcome based – end results
- Vivid – clear picture
- Communicable – explained in 5 minutes
- Inspiring – appeals to spirit
- Challenging – power to motivate
- Unique – one of a kind
- Focused – provide guidance

Performance Management Toolkit

- Performance Awards – non-financial recognition
- 360 Degree Appraisal involves –
  - Customers
  - Peers
  - Employees become active
- Shared savings
  - Organizational gainsharing
  - Keep a portion of savings for future use

Priority Based Budgeting

- Leading Practice for local governments
- Priority Based Budget is a useful tool to align revenue expenditures more closely with community values
- Helps share experience and technical knowledge of government operations.
- Allows organizations to understand budget development
- Seeks to achieve sustainable fiscal health and wellness.

PURCHASING / PROCUREMENT

Procurement Definitions

- **Privatization** – divestiture of both management and assets of public function to the private sector
- **Outsourcing** – divestiture of only the management of a public function to an outside source
- **Competition** – provide fair opportunities to qualified vendors to vie against each other to offer the best prices, quality, and service

Procurement Definitions

- **Kickback** – accepting value to influence award of contract
- **Price fixing** – arrangement between competitors that interfere with the price
- **Bid rigging** – horizontal agreements among competitors to manipulate competitive bidding process
- **Managed competition – requiring in-house service units to compete with external providers.**

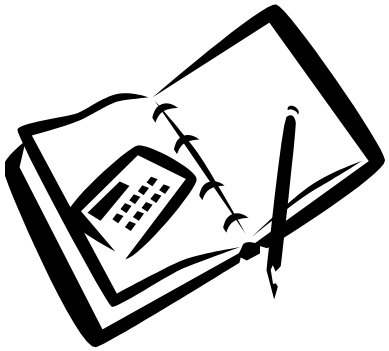
Procurement Definitions

- **Monopolization** – single firm has control and charge any price without fear of losing business in the market
- **Bribe** – promise, obligation, gift, or reward in order to secure contract. Attempt to influence outcome, should declare the contract void
- **Blanket order** – arrangement with vendor to provide item(s) or service on an as required/needed basis over-the-counter

Purchasing / Procurement

The Procurement Team

- Budget Office
- Program Manager (or department rep)
- Purchasing Staff
- Legal Staff
- Accounting



Purchasing / Procurement

The Procurement Stages

- Planning
- Scheduling
- Vendor Selection
- Contract Administration

Purchasing / Procurement

A Good Purchasing Policy Has:

- Performance Measures
- Vendor selection / preference guidelines
- A defined way to purchase commodities, services and capital items

Procurement Program

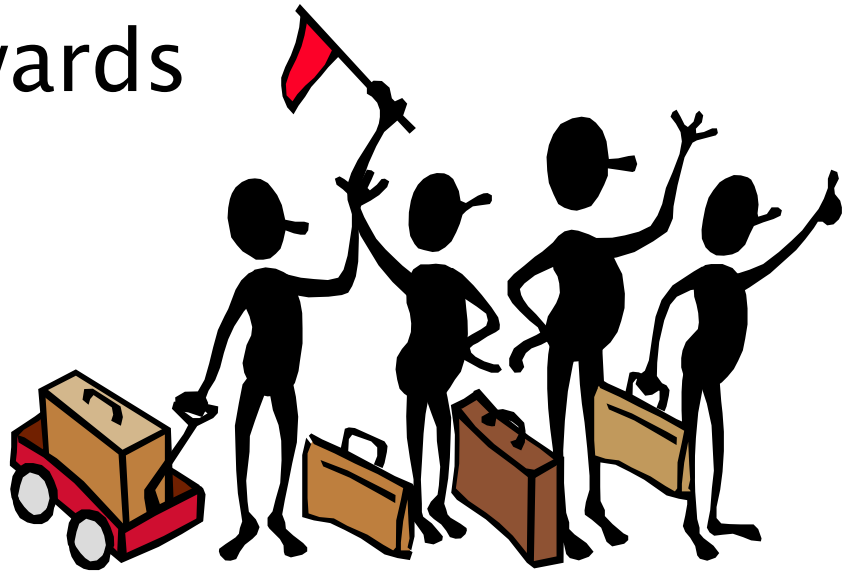
- NASPO – National Association of State Procurement Officials
  - Refer to Principles and Practices
  - Provides road map
  - Utilize book
- Every program has strengths and weaknesses
- Results depend on laws, rules, management, tradition, and resources

Competitive Process Essential Elements

- Ordinance:
  - Formal competition if above a certain dollar amount
  - Rules regarding limitations on sole source procurement
  - Administrative process to challenge solicitations
- Documents:
  - Bidder must file affidavits of non-collusion
  - Employees/Government officials disclose interest in competing firms

Competitive Process Essential Elements

- Opening bids are part of public record
- Gifts of vendors
- Conditions of long-term contracts
- Anti-competitive practices
- Identical low-bid awards



Procurement Objective

Obtain suitable commodities and services of the highest possible quality at favorable competitive prices

“Low-bid” Philosophy

- Cheaper is not better
- Diminishing concept
- Fair and impartial process
- “Best Value”
  - Balance quality and price
  - Reliability
  - Past performance

Why Competitive Practices?

- Secure sound value
- Guard against favoritism
- Provide fair opportunities
- Promote expertise of private enterprise
- Encourages best practices
- Ensures price comparison

Another Attribute

- Integrity required
  - Fairness
  - Openness
  - Impartiality
- Essential to generate and maintain an attitude of competition

Vendor Communications

- Fair advantage
- Same information available to all
- Distant relationship
- Open communication

Procurement Objectives

- Analyze the market for products and their element
- Gather data to understand agency's need and future use
- Identify acceptable production level
- Know laws and rules that affect procurement
- Determine if technical assistance to write specs is necessary

Standard Specifications

- Establish norm for the item
- Limit needs from broad field
- Emphasize details
- Incorporate performance standards

Central Procurement Office

- Use standard specifications
- Examine program periodically
- Ensure program is responsive to:
  - New concepts
  - Improved products
  - Advanced applications
- Be concerned about environment

Central Procurement Officer

- Develop specs for items purchased under indefinite quantity contracts
- Involved with policy enforcement
- Promotes product and price competition

Final Responsibility

- Central procurement office ensures:
  - Rules and procedures are followed
  - Specifications are competitive and suitable

Standards
Voluntary vs. Mandatory

- Mandatory – legally binding
  - Developed by unilateral government action
  - Can yield problems
  - May require changes to previously accepted standards
- Voluntary – use depends on benefits that provide consensus of interested parties

Environmental Issues Essential Elements – Green

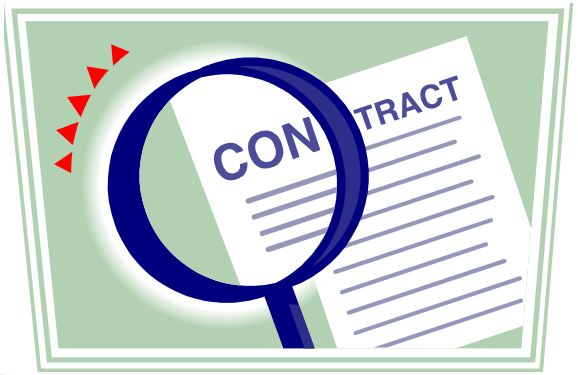
- Specs for recyclables
- Use of disposable products
- Refurbished equipment
- Energy consumptions – eval factor
- Alternative fuel vehicles
- Manufacturing with chlorofluorocarbons
- Phosphate based detergency
- Energy-efficient lighting

Cooperative Procurement

- Use of common delivery points
- Shares warehousing facilities
- Reduces administrative costs
- Shares information and expertise
- Create demand to encourage production

Cooperative Objectives

- Lower prices
- Favorable terms and conditions
- Lower administrative costs
- Increased competition through economies of sale



Cooperative Process

- Identify common needs
- Combine requirements into formal solicitation
- Utilize legitimate agreement to allow vendor to rely on specific quantities

Cooperative Pitfalls

- No cost-savings unless all participants buy
- No enforceability invites abuse

Prompt Payment

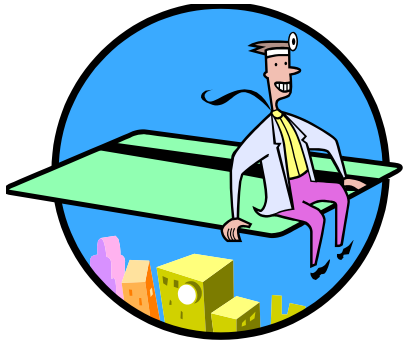
- Pay contractor within 30 days
- Slow paying affects competition
  - Increased prices
  - Slow cash flow
  - Reduced participation

Know Laws

- Procurement – F.S. 287.055 – Consultants Competitive Negotiation Act (CCNA)
  - Engineers, architects, etc.,
  - Price not a determining factor
  - No fewer than three firms considered
- State Contracts – F.S. 288.705 – Florida Small Business Development Center

Reinventing Purchasing

- Managers have purchasing cards
- Higher purchasing floor
- Effective information technology
- Choice and customization available
- Best-value vs. low-cost
- Long-term partnership



RISK MANAGEMENT

Risk Management

- GASB 10 – Types of Risks
  - torts
  - theft of, damage to, or destruction of assets
  - business interruption
  - errors or omissions
  - job-related illnesses or injuries to employees
  - acts of God
  - any other risks of loss assumed under a policy or participation contract issued by a public entity risk pool.
  - risks of loss resulting when an entity agrees to provide accident and health, dental, and other medical benefits to its employees
- Process of managing an organization's activities to minimize adverse effects of certain types of losses
- Can seek to mitigate risk or purchase insurance

Why Manage Risk?

- Create a safe workplace
- Prevent financial losses
- Provide stability (budget)

Enterprise Risk Management

- Approach to managing operational and financial risk
  - Investment portfolio policies (long- and short-term)
  - Diversification strategies (spread risk)
  - Custody of assets (procedures)

Identify and Evaluate Risk

- Understand environment and determine source of risk
  - Physical
  - Legal
  - Operational
  - Political
  - Social
  - Economic
  - Cognitive

Tools to Minimize Risk

- Risk transfer – shift burden to another, purchase insurance or risk pool, level premiums for budget
- Risk retention – assume risk responsibilities internally
- Risk avoidance – Do not provide service

Risk Management Program

- Risk identification
- Risk evaluation
- Risk treatment
- Implementation

Risk Retention

Claims > Premiums = Loss

Claims < Premiums = Gain

Role of Risk Retention

- Lower premiums
- Align incentives
- Create safer work environment

Sometimes unintentional as a result of being unaware of exposure and failing to insure for risks

Risk Pool

- Vehicle for government to pool funds
- Affordable cost through economies of scale
- Provide services to reduce risk

Risk Pool

- Premium = Revenue
- Catastrophic losses minus revenue plus reserve pool equity
- IBNR – incurred but not reported claims

IBNR

1. Record when event triggers coverage under policy
2. Based on estimate to settle claim
3. Accrue based on probable loss that can be reasonably estimated, record expense/liability

Claims Liability

- Use experience factors
- Impact of inflation and other economic factors
- Claim in dispute and probable claims
- Allowed to discount to present value a fixed amount on structured or contract settlements with fixed dates
- Should be reported at full value

Tools to Minimize Risk

- Loss Prevention and Control to Reduce probability of loss and Minimize Damages
  - Provide safety in workplace
  - Inspect building
  - Install extinguishers, sprinklers, smoke detectors
  - Training

Risk Manager

- Monitor the three largest areas
  - One-time projects
  - Geography
  - Unique services

Risk Management Committee

- Create risk management policy
- Develop inspection programs
- Design safety
- Create claims investigation system
- Identify safety measures
- Develop disciplinary procedure
- Establish review boards

Risk Management Committee Why?

- Get staff involved
- Gain employee “buy-in”
- Investigate serious injury and accidents to provide safer environment and reduce risk

Program Benefits

- Reduce lost workdays
- Prevent day for accidental losses
- Eliminate concerns associated with future projects

Risk Transfer – Insurer

- Identifies and assumes the risk
- Sets premiums accordingly for employer to purchase

Moral Hazard

- Change in behavior due to purchase of insurance
  - Burn down house
  - Fail to install smoke alarms
- Industry has incentive
  - Require deductible
  - Higher deductible – reduce premium
  - Loss control program

Risk Exposures

- Property insurance – damage and loss of property
- Liability insurance – negligence in performance
  - Includes elected and appointed officials
  - Errors and omissions policy
- Workers' compensation – medical coverage for job-related injuries

Exposure Liability

- Cost to manage
  - Workers' compensation 52%
  - Liability 35%
  - Property 13%
- Workers' compensation is 1.3% of payroll

Shift Risk to Contractor

- Protect and indemnify City against:
  - Direct loss (garbage disposal)
  - Indirect loss (workers' compensation)
- Hold-harmless provision
  - Non-insurance risk
  - Certain situations in contract
    - Negligence
    - Joint negligence
- Agreements are not the panacea to transfer risk

Evaluate Risk Alternatives

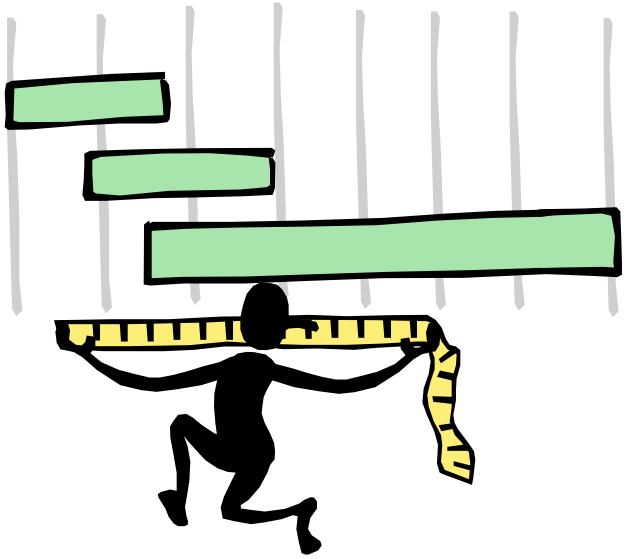
- Risk finance
  - Pay premiums
  - Contribute to pool
  - Pay claims (self-insurance)
- Risk prevention
  - Little on administration
  - Evaluate loss control
  - Provide safety training

Tort Reform

- Legislation that aims to curb the growing number of civil lawsuits and their attendant costs
- Attempt to make the legal environment more favorable (Caps or Limits)

Measure Results

- Benchmark or Performance Measurement
  - Reliable date
  - Relevant benchmarks
  - Meaningful comparisons
- Types
  - Workload
  - Efficiency
  - Effectiveness



INFORMATION SYSTEMS

Information Systems Definitions

- **Application** – A program used for a particular application
- **Database** – a comprehensive collection of related data organized for convenient access, generally in a computer
- **Fire Wall** – an integrated collection of security measures designed to prevent unauthorized electronic access to a networked computer system

Information Systems Definitions

- **Interface** – equipment or programs designed to communicate information from one system of computing devices or programs to another
- **Integration** – combining or coordinating separate elements so as to provide a harmonious, interrelated whole
- **Integrated system** – customer located in one address file only

Information Systems Definitions

- **ERP system** – provides improved enterprise-wide decision support and operational efficiency through information integration and process improvement
- **Best of Breed** – Standalone applications that interface to other applications to share info.
- **ASP advantage** – relieves IT department of technical demands of a complex hardware structure.

Information Systems

- Advantages of “Cloud Computing”
  - Can accommodate extra workloads
  - Different size customers can use same software
  - A la carte software use
- Disadvantages
  - Loss of control on data and systems
  - Downtime/outages

Information Systems

Software as a Service – Cloud computing providers deliver the entire application to the end user, relieving the government of all hardware and software maintenance.

- Open Source
  - It's Free
  - It's Technology Neutral
- Priced based on volume of use
- Web based
- Form of cloud computing

Linux – A very popular open source operating system

Information Systems Definitions

- Decision makers should assess the following before making changes to software and hardware –
  - See if software has been upgraded
  - Is software applications functional
  - Are business practices outdated

GRANTS ADMINISTRATION AND AUDIT SELECTION

Grants

- A payment in cash or in kind made to provide assistance for a specified purpose, the acceptance of which creates a legal duty on the part of the grantee to use the funds or property made available in accordance with the conditions of the grant.

- Grants are typically authorized and appropriated by a legislative body.

Funding Agencies

- Federal
  - largest number given and by amount
  - Have a Catalog of Federal Domestic Assistance (CFDA) number
- State
  - Have a Catalog of State Financial Assistance (CSFA) number
- Other
  - Made by Foundations, Corporations, Quasi-Governmental agencies, local governments
  - Do not have a CFDA or CSFA number
  - Most directly re

Funding Agencies

- Pass-Through
  - Can come from any of the above but generally have CFDA or CSFA numbers

- Cognizant Agency
  - Provide greatest amount of direct funding to grantee
  - Have greatest responsibility for oversight of grantee
  - Negotiate indirect cost rates with grantee

Types of Grants

- Block Grants
- Competitive (Discretionary) Grants
- Conditional Grant
- Earmark
- Formula Grants

What is a "grant"

Most Common

- Grants
- Contracts
- Loans (Section 108)
- Cooperative Agreements
- Indirect State or Local Transfers of Federal Funds

Less Common

- Insurance
- Direct Appropriations
- Endowments
- Other Non-Cash Assistance
- Loan Guarantees
- Property
- Interest Subsidies

Grant Audits

- **Audits**
  - **required if you receive over $500,000 of State financial assistance (Florida Statute 215.97) or $750,000 of Federal assistance (2 CFR 200.501)**
  - **Costs can be charged to the grant**
- **Program Specific Audit**
  - an audit of one program
  - for those with limited grants
- **Single Audit**
  - **Used when grantee has multiple audits to assure funds are being used appropriately**
- **Cognizant Agency**

Grant Audits

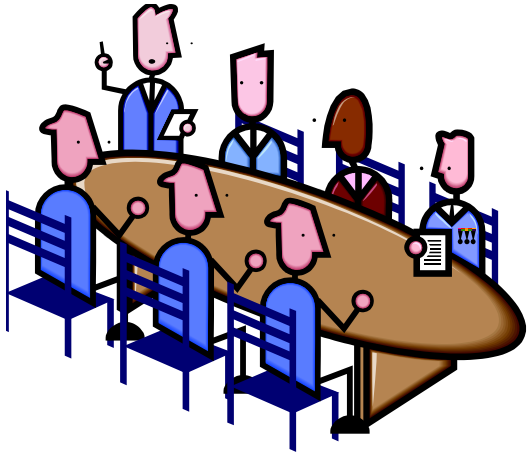
- **Auditee** – means any non-Federal entity that expends Federal awards which must be audited.
- **Auditor** – means a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term **auditor** does not include internal auditors of non-profit organizations.

External Auditor

- Single audit performed by external auditor of financial statements and reporting on Schedule of Expenditures of Federal Assistance and State Assistance (SEFA)
- Usually additional cost – requires additional testing and reporting
  - Internal control tests
  - Compliance with law and regulations
  - Determine audit findings and corrective actions
- Performed annually, if necessary
- Standards of communicating findings established by American Institute of Certified Public Accountants (AICPA)

Auditor Selection F.S. 218.391

- Provide consistency to auditor
  - Selection process
- Legal – establish committee
- Guidance – composition
  - County – one BOCC member
  - GFOA recommendation



Duties per F.S. 218.391

- Responsible to make recommendation to Council based on RFP process
  - Selection
  - Evaluation
  - Ranking
- Selection
- Length of Contract

GFOA Recommended Practice Committee Composition

- Basic understanding of financial reporting
- Member of governing body
- Sufficient members – good discussion but not impeded progress (3-7)
- Educated in role and responsibility

GFOA Recommended Practice Committee Responsibility

- Monitor the audit
- Oversee preparation of the financial statements.
- Monitor corrective actions taken

SOURCE MATERIALS

Source Materials

- Florida Statutes http://www.leg.state.fl.us/
- Florida Statutes Chapter 175 Firefighter Pensions (all sections)
  - 175.061 Board of Trustees
  - 175.071 General powers and duties of board of trustees
  - 175.101 State excise tax on property insurance premiums
  - 175.231 Diseases of firefighters suffered in line of duty

Source Materials

- Florida Statutes http://www.leg.state.fl.us/
  - Chapter 218.391 Auditor Selection
  - Chapter 287.055 Acquisition of Professional Services
  - Chapter 215.97 Florida Single Audit Act
- "Governmental Accounting, Auditing, and Financial Reporting, Using the GASB 34 Model" - GFOA (all chapters)
  - Chapter 12 Transaction-specific and Account-specific Guidance
  - Chapter 15 Reporting for Specialized Entities
  - Appendix F: Glossary

Source Materials

- "An Elected Official's Guide to Risk Management" – GFOA
- "The Reinventor's Fieldbook: Tools for Transforming Your Government" - David Osborne
- "Essentials of Management" - Harold Koontz
- "Essential Guide to Computing" – E. Garrison Walters
- "Manager's Guide to Purchasing an Information System" – ICMA

Source Materials

- State & Local Government Purchasing Principles & Practices – NASPO
- Auditor General Selection Guidelines 2007 http://www.myflorida.com/audgen/pages/rules_localgovt.htm
- Certified Information Systems Auditor, Sample Test - ISACA http://www.isaca.org/Certification/CISA-Certified-Information-Systems-Auditor/Prepare-for-the-Exam/Pages/CISA-Self-Assessment.aspx
- Federal Single Audit Act 2 CFR 200.501

Other Source Materials

- TechWeb's Techenclopedia And Computerlanguage.com – GFOA
- http://ubm.computerlanguage.com/host_app/search?cid=C008000&def=7765622032 2e30.htm
- "A Guide for Establishing a Pension Investment Policy" – GFOA
- Governmental Accounting and Financial Reporting Standards - GASB
  - "Statement 10, Accounting & Financial Reporting for Risk Financing & Related Insurance Issues"

Questions & Answers