

Tab 1	SPB 7016 by GO ; State-administered Retirement Systems
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Tab 2	SPB 7014 by GO ; Government Accountability
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The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA
 GOVERNMENTAL OVERSIGHT AND ACCOUNTABILITY
 Senator Hooper, Chair
 Senator Rader, Vice Chair

MEETING DATE: Tuesday, February 5, 2019
TIME: 10:00 a.m.—12:00 noon
PLACE: 301 Senate Building

MEMBERS: Senator Hooper, Chair; Senator Rader, Vice Chair; Senators Albritton, Bean, and Torres

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
Consideration of proposed bill:			
1	SPB 7016	State-administered Retirement Systems; Revising required employer retirement contribution rates for each membership class and subclass of the Florida Retirement System, etc.	Submitted and Reported Favorably as Committee Bill Yeas 5 Nays 0
Consideration of proposed bill:			
2	SPB 7014	Government Accountability; Specifying that the Governor, the Commissioner of Education, or the designee of the Governor or of the commissioner, may notify the Legislative Auditing Committee of an entity's failure to comply with certain auditing and financial reporting requirements; specifying that any person who willfully fails or refuses to provide access to an employee, officer, or agent of an entity under audit is subject to a penalty, etc.	Submitted and Reported Favorably as Committee Bill Yeas 5 Nays 0
Other Related Meeting Documents			

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

BILL: SPB 7016

INTRODUCER: Governmental Oversight and Accountability Committee

SUBJECT: State-administered Retirement Systems

DATE: February 4, 2019

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>McVaney</u>	<u>McVaney</u>	_____	GO Submitted as Comm. Bill/Fav

I. Summary:

SPB 7016 establishes the contribution rates paid by employers participating in the Florida Retirement System (FRS) beginning July 1, 2019. These rates are intended to fund the full normal cost and the amortization of the unfunded actuarial liability of the FRS. With these modifications to employer contribution rates, the FRS Trust Fund will receive roughly \$123.3 million more in revenue on an annual basis beginning July 1, 2019. The public employers that will incur these additional costs are state agencies, state universities and colleges, school districts, counties, municipalities, and other governmental entities that participate in the FRS.

II. Present Situation:

The Florida Retirement System

The Florida Retirement System (FRS) was established in 1970 when the Legislature consolidated the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund. In 1972, the Judicial Retirement System was consolidated into the FRS, and in 2007, the Institute of Food and Agricultural Sciences Supplemental Retirement Program was consolidated under the Regular Class of the FRS as a closed group.¹ The FRS is a contributory system, with active members contributing three percent of their salaries.²

The FRS is a multi-employer, contributory plan, governed by the Florida Retirement System Act in Chapter 121, F.S. As of June 30, 2018, the FRS had 643,333 active members, 415,800 annuitants, 16,032 disabled retirees, and 33,432 active participants of the Deferred Retirement

¹ Florida Retirement System Pension Plan and Other State Administered Retirement Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018, at p. 35. Available online at: https://www.rol.frs.state.fl.us/forms/2017-18_CAFR.pdf. (Last visited January 28, 2019.)

² Prior to 1975, members of the FRS were required to make employee contributions of either 4 percent for Regular Class employees or 6 percent for Special Risk Class members. Employees were again required to contribute to the system after July 1, 2011. Members in the Deferred Retirement Option Program do not contribute to the system.

Option Program (DROP).³ As of June 30, 2018, the FRS consisted of 1,002 total employers; it is the primary retirement plan for employees of state and county government agencies, district school boards, Florida College institutions, and state universities, and also includes the 173 cities and 267 special districts that have elected to join the system.⁴

The membership of the FRS is divided into five membership classes:

- The Regular Class⁵ consists of 551,997 active members and 7,349 in renewed membership;
- The Special Risk Class⁶ includes 72,642 active members and 976 in renewed membership;
- The Special Risk Administrative Support Class⁷ has 87 active members;
- The Elected Officers' Class⁸ has 2,050 active members and 120 in renewed membership; and
- The Senior Management Service Class⁹ has 7,881 active members and 207 in renewed membership.¹⁰

Each class is funded separately based upon the costs attributable to the members of that class.

Members of the FRS have two primary plan options available for participation:

- The defined contribution plan, also known as the Investment Plan; and
- The defined benefit plan, also known as the Pension Plan.

Investment Plan

In 2000, the Public Employee Optional Retirement Program (investment plan) was created as a defined contribution plan offered to eligible employees as an alternative to the FRS Pension Plan.

Benefits under the investment plan accrue in individual member accounts funded by both employee and employer contributions and earnings. Benefits are provided through employee-directed investments offered by approved investment providers.

³ Florida Retirement System Pension Plan and Other State Administered Retirement Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018, at p. 160.

⁴ *Id.*, at 196.

⁵ The Regular Class is for all members who are not assigned to another class. Section 121.021(12), F.S.

⁶ The Special Risk Class is for members employed as law enforcement officers, firefighters, correctional officers, probation officers, paramedics and emergency technicians, among others. Section 121.0515, F.S.

⁷ The Special Risk Administrative Support Class is for a special risk member who moved or was reassigned to a nonspecial risk law enforcement, firefighting, correctional, or emergency medical care administrative support position with the same agency, or who is subsequently employed in such a position under the Florida Retirement System. Section 121.0515(8), F.S.

⁸ The Elected Officers' Class is for elected state and county officers, and for those elected municipal or special district officers whose governing body has chosen Elected Officers' Class participation for its elected officers. Section 121.052, F.S.

⁹ The Senior Management Service Class is for members who fill senior management level positions assigned by law to the Senior Management Service Class or authorized by law as eligible for Senior Management Service designation. Section 121.055, F.S.

¹⁰ All figures from Florida Retirement System Pension Plan and Other State Administered Retirement Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018, at p. 163.

A member vests immediately in all employee contributions paid to the investment plan.¹¹ With respect to the employer contributions, a member vests after completing one work year of employment with an FRS employer.¹² Vested benefits are payable upon termination or death as a lump-sum distribution, direct rollover distribution, or periodic distribution.¹³ The investment plan also provides disability coverage for both in-line-of-duty and regular disability retirement benefits.¹⁴ An FRS member who qualifies for disability while enrolled in the investment plan may apply for benefits as if the employee were a member of the pension plan. If approved for retirement disability benefits, the member is transferred to the pension plan.¹⁵

The State Board of Administration (SBA) is primarily responsible for administering the investment plan.¹⁶ The Board of Trustees of the SBA is comprised of the Governor as chair, the Chief Financial Officer, and the Attorney General.¹⁷

Pension Plan

The pension plan is administered by the secretary of the Department of Management Services through the Division of Retirement.¹⁸ Investment management is handled by the State Board of Administration.

Any member initially enrolled in the pension plan before July 1, 2011, vests in the pension plan after completing six years of service with an FRS employer.¹⁹ For members initially enrolled on or after July 1, 2011, the member vests in the pension plan after eight years of creditable service.²⁰ Benefits payable under the pension plan are calculated based on the member's years of creditable service multiplied by the service accrual rate multiplied by the member's average final compensation.²¹ For most current members of the pension plan, normal retirement (when first eligible for unreduced benefits) occurs at the earliest attainment of 30 years of service or age 62.²² For public safety employees in the Special Risk and Special Risk Administrative Support Classes, normal retirement is the earliest of 25 years of service or age 55.²³ Members initially enrolled in the pension plan on or after July 1, 2011, have longer service requirements. For

¹¹ Section 121.4501(6)(a), F.S.

¹² If a member terminates employment before vesting in the investment plan, the nonvested money is transferred from the member's account to the SBA for deposit and investment by the SBA in its suspense account for up to five years. If the member is not reemployed as an eligible employee within five years, then any nonvested accumulations transferred from a member's account to the SBA's suspense account are forfeited. Section 121.4501(6)(b)-(d), F.S.

¹³ Section 121.591, F.S.

¹⁴ See s. 121.4501(16), F.S.

¹⁵ Pension plan disability retirement benefits, which apply for investment plan members who qualify for disability, compensate an in-line-of-duty disabled member up to 65 percent of the average monthly compensation as of the disability retirement date for special risk class members. Other members may receive up to 42 percent of the member's average monthly compensation for disability retirement benefits. If the disability occurs other than in the line of duty, the monthly benefit may not be less than 25 percent of the average monthly compensation as of the disability retirement date. Section 121.091(4)(f), F.S.

¹⁶ Section 121.4501(8), F.S.

¹⁷ FLA CONST. art. IV, s. 4.

¹⁸ Section 121.025, F.S.

¹⁹ Section 121.021(45)(a), F.S.

²⁰ Section 121.021(45)(b), F.S.

²¹ Section 121.091, F.S.

²² Section 121.021(29)(a)1., F.S.

²³ Section 121.021(29)(b)1., F.S.

members initially enrolled after that date, the member must complete 33 years of service or attain age 65, and members in the Special Risk classes must complete 30 years of service or attain age 60.²⁴

Optional Retirement Programs

Eligible employees may choose to participate in one of three retirement programs instead of participating in the FRS:

- Members of the Senior Management Service Class may elect to enroll in the Senior Management Service Optional Annuity Program;²⁵
- Members in specified positions in the State University System may elect to enroll in the State University System Optional Retirement Program;²⁶ and
- Members in specified positions at a Florida College institution may elect to enroll in the State Community College System Optional Retirement Program.²⁷

Contribution Rates

Employers participating in the FRS are required to contribute a specified percentage of the member's monthly compensation to the Division of Retirement to be distributed into the FRS Contributions Clearing Trust Fund. The employer contribution rate is a blended contribution rate set by statute, which is the same percentage regardless of whether the member participates in the pension plan or the investment plan.²⁸ The rate is determined annually based on an actuarial study by the Department of Management Services that calculates the necessary level of funding to support all of the benefit obligations under both FRS retirement plans.

In the annual actuarial valuation of the Florida Retirement System based on July 1, 2018, plan assets and liabilities, Milliman, Inc., the state actuary, determined the following key data relating to the FRS pension plan:²⁹

²⁴ Sections 121.021(29)(a)2. and (b)2., F.S.

²⁵ The Senior Management Service Optional Annuity Program (SMSOAP) was established in 1986 for members of the Senior Management Service Class. Employees in eligible positions may irrevocably elect to participate in the SMSOAP rather than the FRS. Section 121.055(6), F.S.

²⁶ Eligible participants of the State University System Optional Retirement Program (SUSORP) are automatically enrolled in the SUSORP. However, the member must execute a contract with a SUSORP provider within the first 90 days of employment or the employee will default into the pension plan. If the employee decides to remain in the SUSORP, the decision is irrevocable and the member must remain in the SUSORP as long as the member remains in a SUSORP-eligible position. Section 121.35, F.S.

²⁷ If the member is eligible for participation in a State Community College System Optional Retirement Program, the member must elect to participate in the program within 90 days of employment. Unlike the other optional programs, an employee who elects to participate in this optional retirement program has one opportunity to transfer to the FRS. Section 1012.875, F.S.

²⁸ Section 121.70(1), F.S.

²⁹ Florida Retirement System Pension Plan Actuarial Valuation as of July 1, 2018, at p. 3.

	Valuation Results (in \$ billions)			
	July 1, 2015	July 1, 2016	July 1, 2017	July 1, 2018
Actuarial Liability	\$165.5	\$170.4	\$178.6	\$186.0
Actuarial Value of Assets	\$143.2	\$145.5	\$150.6	\$156.1
Unfunded Actuarial Liability	\$22.3	\$24.9	\$28.0	\$29.9
Funded Percentage (Actuarial Value of Assets/Actuarial Liability)	86.5%	85.4%	84.3%	83.9%

The state actuary determines a rate associated with the normal cost of the pension plan (funding the prospective benefits) and a rate necessary to amortize the unfunded actuarial liabilities (UAL) over a thirty-year period. The following are the current employer contribution rates³⁰ for each class and the blended rates recommended by the state actuary beginning in July 2018:³¹

Membership Class	Current Rates Effective July 1, 2018		Recommended Rates to be effective July 1, 2019	
	Normal Cost	UAL Rate	Normal Cost	UAL Rate
Regular Class	3.04%	3.50%	3.19%	3.56%
Special Risk Class	12.18%	10.60%	12.53%	11.14%
Special Risk Administrative Support Class	3.64%	29.62%	3.61%	33.26%
Elected Officer’s Class				
• Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, Public Defenders	6.65%	48.38%	6.67%	47.64%
• Justices and Judges	12.00%	27.05%	12.30%	27.98%
• County Officers	8.50%	38.48%	8.73%	38.37%
Senior Management Service Class	4.45%	17.89%	4.60%	19.09%
Deferred Retirement Option Program	4.41%	7.96%	4.68%	8.24%

For all membership classes, except the DROP and certain members with renewed membership, employees contribute three percent of their compensation towards retirement.³²

After employer and employee contributions are placed into the FRS Contributions Clearing Trust Fund, the allocations under the investment plan are transferred to third-party administrators to be placed in the employee’s individual investment accounts, whereas contributions under the pension plan are transferred into the FRS Trust Fund.³³

³⁰ Section 121.71(4) and (5), F.S.

³¹ Letter to Ms. Shirley Beauford, *Re: Blended Proposed Statutory Rates for the 2019-2020 Plan Year Reflecting a Uniform UAL Rate for All Membership Classes and DROP*, dated December 4, 2018 (on file with the Senate Committee on Governmental Oversight and Accountability).

³² Section 121.71(3), F.S.

³³ See ss. 121.4503 and 121.72(1), F.S.

III. Effect of Proposed Changes:

The bill modifies the employer-paid contributions for FRS retirement benefits.

Section 1 amends s. 121.71, F.S., to set the employer-paid contributions to the Florida Retirement System Trust Fund for each membership class of the FRS. The bill also updates the required employer retirement contribution rates for each membership class to address the unfunded actuarial liabilities.

Section 2 provides findings that the bill fulfills an important state interest.

Section 3 provides the bill takes effect July 1, 2019.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18(a) of the State Constitution provides that: “No county or municipality shall be bound by any general law requiring such county or municipality to spend funds...unless the legislature has determined that such law fulfills an important state interest and unless: ...the expenditure is required to comply with a law that applies to all persons similarly situated....”

This bill includes legislative findings that the bill fulfills important state interests, and the bill applies to all persons similarly situated (those employers participating in the Florida Retirement System), including state agencies, school boards, community colleges, counties, and municipalities.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

This bill does not impose, authorize to impose, or raise a state tax or fee. Thus, the requirements of Art. III, s. 19 of the State Constitution are not applicable.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Florida Retirement System

The aggregate employer contributions anticipated to be paid into the Florida Retirement System Trust Fund in Fiscal Year 2019-2020 will increase by approximately \$123.3 million when compared to the employer contributions paid in Fiscal Year 2018-2019. The impacts by employer group for Fiscal Year 2019-2020 are noted below.

Employer Group	Additional Contributions
State Agencies	\$23.7 m
Universities	\$6.0 m
Colleges	\$3.1 m
School Boards	\$35.0 m
Counties	\$48.1 m
Other	\$7.3 m
Total	\$123.3 m

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 121.71 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

FOR CONSIDERATION By the Committee on Governmental Oversight and Accountability

585-00745A-19 20197016pb

1 A bill to be entitled
 2 An act relating to state-administered retirement
 3 systems; amending s. 121.71, F.S.; revising required
 4 employer retirement contribution rates for each
 5 membership class and subclass of the Florida
 6 Retirement System; providing a declaration of
 7 important state interest; providing an effective date.
 8
 9 Be It Enacted by the Legislature of the State of Florida:
 10
 11 Section 1. Subsections (4) and (5) of section 121.71,
 12 Florida Statutes, are amended to read:
 13 121.71 Uniform rates; process; calculations; levy.-
 14 (4) Required employer retirement contribution rates for
 15 each membership class and subclass of the Florida Retirement
 16 System for both retirement plans are as follows:
 17
 18
 19
 20
 21

	Percentage of Gross Compensation, Effective
Membership Class	July 1, <u>2019</u> 2018
Regular Class	<u>3.19%</u> 3.04%
Special Risk Class	<u>12.53%</u> 12.18%

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Special Risk
 Administrative
 Support Class 3.61% ~~3.64%~~
 22
 Elected Officers' Class-
 Legislators, Governor,
 Lt. Governor,
 Cabinet Officers,
 State Attorneys,
 Public Defenders 6.67% ~~6.65%~~
 23
 Elected Officers' Class-
 Justices, Judges 12.30% ~~12.00%~~
 24
 Elected Officers' Class-
 County Elected Officers 8.73% ~~8.50%~~
 25
 Senior Management Class 4.60% ~~4.45%~~
 26
 DROP 4.68% ~~4.41%~~
 27
 28 (5) In order to address unfunded actuarial liabilities of
 29 the system, the required employer retirement contribution rates
 30 for each membership class and subclass of the Florida Retirement
 31 System for both retirement plans are as follows:
 32
 33
 34

	Percentage of Gross Compensation,
Membership Class	

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		Effective	
		July 1, <u>2019</u>	2018
33			
34	Regular Class	<u>3.56%</u>	3.50%
35	Special Risk Class	<u>11.14%</u>	10.60%
36	Special Risk		
	Administrative		
37	Support Class	<u>33.26%</u>	29.62%
	Elected Officers' Class-		
	Legislators, Governor,		
	Lt. Governor,		
	Cabinet Officers,		
	State Attorneys,		
38	Public Defenders	<u>47.64%</u>	48.38%
	Elected Officers' Class-		
	Justices, Judges	<u>27.98%</u>	27.05%
39			
	Elected Officers' Class-		
	County Elected Officers	<u>38.37%</u>	38.48%
40			
	Senior Management Service		
41	Class	<u>19.09%</u>	17.89%

585-00745A-19 20197016pb
 DROP 8.24% ~~7.96%~~

42
 43 Section 2. The Legislature finds that a proper and
 44 legitimate state purpose is served when employees, officers, and
 45 retirees of the state and its political subdivisions, and the
 46 dependents, survivors, and beneficiaries of such employees,
 47 officers, and retirees, are extended the basic protections
 48 afforded by governmental retirement systems. These persons must
 49 be provided benefits that are fair and adequate and that are
 50 managed, administered, and funded in an actuarially sound manner
 51 as required by s. 14, Article X of the State Constitution and
 52 part VII of chapter 112, Florida Statutes. Therefore, the
 53 Legislature determines and declares that this act fulfills an
 54 important state interest.
 55 Section 3. This act shall take effect July 1, 2019.



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December 4, 2018

Via E-Mail

Ms. Shirley Beauford
Interim State Retirement Director
Florida Department of Management Services, Division of Retirement

Re: **Blended Proposed Statutory Rates for the 2019-2020 Plan Year Reflecting a Uniform UAL Rate for All Membership Classes and DROP**

Dear Director Beauford:

As requested, we have calculated the uniform or “blended” proposed statutory employer rates for the 2019-2020 plan year based on the statutory contributions for the FRS Investment Plan and the actuarially calculated 2019-2020 rates for the defined benefit FRS Pension Plan, as specified in the FRS 2018 Actuarial Valuation Report. The blended rates reflect a uniform Unfunded Actuarial Liability (UAL) Contribution Rate for all payroll bases on which the Blended UAL Contribution Rate is assessed.

Analysis

We determined the uniform blended 2019-2020 employer rate for each membership class and subclass of the Florida Retirement System by projecting contributions for both the FRS Pension Plan and the FRS Investment Plan. We did this by dividing the projected combined amount that would be contributed for both the FRS Pension Plan and the FRS Investment Plan by the total projected combined payroll for both plans. The uniform blended rate calculation assumes plan year 2019-2020 contributions for the FRS Pension Plan will be made at the actuarially calculated rate levels. The actuarially calculated rate levels are based on the July 1, 2018 actuarial valuation of the FRS Pension Plan, as presented in Table 4-11 of the FRS 2018 Actuarial Valuation Report. The FRS Investment Plan rates are the sum of the rates in Sections 121.72, 121.73, and 121.735 of Florida Statutes and assume those rates continue in effect during plan year 2019-2020. The employer contribution rates shown in the attached table are net of the 3% of payroll employee contribution rate.

The payroll for some employee groups is subject to only the UAL Cost component of the FRS Pension Plan’s contribution rate (e.g. participants in SUSORP, SMSOAP, and SCCORP, and reemployed retirees not eligible for renewed membership in a state-sponsored retirement program). The payroll for those employee groups is included in the calculation of the Blended UAL Contribution Rate, but is excluded from the calculation of the Blended Normal Cost Contribution Rate.

Based on the data provided to us for this study, as of July 1, 2018 FRS Investment Plan payroll comprised between 17% and 18% of total payroll. On a headcount basis, FRS Investment Plan members constitute between 19% and 20% of active FRS membership.

Results

Table I shows the results of our study based on actual levels of participation in the FRS Pension Plan and the FRS Investment Plan as of July 1, 2018, projected to plan year 2019-2020 using the long-term payroll growth assumption of 3.25%. Please note, Senate Bill 7022 enacted by the 2017 Florida legislature changed the default plan for initial enrollments on and after January 1, 2018 from the FRS Pension Plan to the FRS Investment Plan for all membership classes other than Special Risk. The enactment may change future rates of payroll growth as new entrants who would have defaulted into the FRS Pension Plan under prior statute will now default into the FRS Investment Plan in the absence of an active election. Due to the effective date of the enactment and the election window afforded to newly enrolled members, any potential long-term changes in future enrollment patterns are not known at the time of publication of this study. Further, any potential resulting shift in plan membership for post-2017 enrollees would not be anticipated to materially affect the calculated blended rates for the 2019-2020 plan year, which are the focus of this study.

Section A of the table includes the Normal Cost Rates developed in the July 1, 2018 funding actuarial valuation of the FRS Pension Plan. Section A does not include the UAL Cost. UAL Cost Rates are applied to a larger total payroll than the Normal Cost Rates and are developed in a later section. Section A, line 3 shows the total employer Normal Cost of the FRS Pension Plan as the product of Normal Cost Rates and projected Normal Cost payroll.

Similarly, Section B calculates the total employer cost of the FRS Investment Plan as the product of applicable employer contribution rates in effect since July 1, 2017 and the projected FRS Investment Plan payroll. FRS Investment Plan payroll is projected as described above.

Section C of the table shows the sum of the FRS Pension Plan employer Normal Cost and FRS Investment Plan employer cost as dollars and as a percentage of total projected combined payroll (FRS Pension Plan projected Normal Cost payroll plus FRS Investment Plan projected payroll).

Section D of the table shows the UAL Cost as of July 1, 2018 of the FRS Pension Plan, as shown in Table 4-11 of the FRS 2018 Actuarial Valuation Report.

Section E shows the projected payroll of the FRS Investment Plan. There is no UAL Cost attributable to the FRS Investment Plan.

Section F calculates the "Blended" UAL Cost as dollars and as a percentage of total payroll (FRS Pension Plan projected UAL payroll plus FRS Investment Plan projected payroll).

Section G shows the Total "Blended" Contribution Rates as the sum of the "Blended" Normal Cost Contribution Rates from Line (C3) and the "Blended" UAL Contribution Rates from Line (F3). The employers of employee groups subject to only the UAL Contribution Rate would contribute the "Blended" UAL Contribution Rates shown in Line (G2) of the table on applicable payroll. The Total "Blended" Contribution Rates shown in Line (G3) of the table will be applied to all other payroll subject to employer contributions.

The contribution rates shown in Table I exclude the 0.06% contribution rate for FRS Investment Plan administration and education (applied to all classes except DROP) and the 1.66% contribution rate for the Florida Retiree Health Insurance Subsidy (HIS) program, which apply across the board to the FRS Pension Plan and the FRS Investment Plan.

The calculations are based on census and payroll data provided to us by the Florida Department of Management Services, Division of Retirement for the July 1, 2018 actuarial valuation. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. These calculations are based on the Ultimate Entry Age actuarial cost allocation method, as described in the FRS 2018 Actuarial Valuation Report for use in developing 2019-2020 actuarially calculated contribution rates for the FRS Pension Plan.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Except where otherwise noted in this letter, this analysis is based on the FRS Pension Plan provisions, actuarial methods and actuarial assumptions as summarized in the FRS 2018 Actuarial Valuation Report as published on December 3, 2018. Further, the data used in these calculations were based on FRS Pension Plan data as summarized in the FRS 2018 Actuarial Valuation Report and FRS Investment Plan census data as of July 1, 2018 as provided to us by the Florida Department of Management Services, Division of Retirement. The results of our study depend on future experience conforming to those actuarial assumptions discussed earlier in this letter. Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period) and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work product was prepared exclusively for the internal business use of Florida Department of Management Services, Division of Retirement. It is a complex technical analysis that assumes a high level of knowledge concerning the Florida Retirement System's operations, and uses Division data, which Milliman has not audited. To the extent that Milliman's work is not subject to disclosure under applicable public record laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

- (a) The Florida Department of Management Services, Division of Retirement may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.



Ms. Shirley Beauford
Division of Retirement
December 4, 2018
Page 4

(b) The Florida Department of Management Services, Division of Retirement may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We are consulting actuaries for Milliman, Inc. We are also members of the American Academy of Actuaries, and meet their Qualification Standards to render the actuarial opinion contained herein.

Please call if you would like to further discuss this project.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Matt Larrabee'.

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Daniel Wade'.

Daniel Wade, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Kathryn Hunter'.

Kathryn Hunter, FSA, EA, MAAA
Consulting Actuary

Enclosures

FLORIDA RETIREMENT SYSTEM
FISCAL IMPACT ANALYSIS

Blended Proposed Statutory Normal Cost Plus UAL Rates for 2019-2020 Plan Year
Please see the attached letter for details regarding data, assumptions, methodology, and plan provisions used
(Dollars in Thousands)

	Regular	Special Risk	Special Risk Administrative	Judicial	-----Elected Officers' Class----- Leg-Atty-Cab	Local	Senior Management	Composite (excluding DROP)	DROP	Composite (including DROP)
Blended Proposed Statutory Normal Cost Contribution Rates										
A. Defined Benefit FRS Pension Plan Normal Cost										
1. Employer Cost										
a. Normal Cost Rate ¹	3.09%	12.36%	3.26%	12.46%	6.61%	8.63%	4.47%	4.68%	4.68%	4.68%
b. Rate Reduction Techniques	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
c. Total Adjusted Contribution Rate ²										
-PYE 2020	3.09%	12.36%	3.26%	12.46%	6.61%	8.63%	4.47%	4.68%	4.68%	4.68%
2. Projected Payroll	\$20,408,366	\$4,108,361	\$3,480	\$112,211	\$7,150	\$45,814	\$551,964	\$25,237,346	\$2,295,800	\$27,533,146
3. Total Employer Normal Cost [(1c) x (2)]										
-PYE 2020	\$630,619	\$507,793	\$113	\$13,981	\$473	\$3,954	\$24,673	\$1,181,606	\$107,443	\$1,289,049
B. Defined Contribution FRS Investment Plan (IP) Employer Cost										
1. Employer Rates effective July 1, 2017 (Sec 121.72, Sec 121.73 and Sec 121.735)	3.60%	13.48%	5.43%	11.05%	6.94%	8.95%	4.98%	4.93%	0.00%	4.93%
2. Projected Payroll	\$4,960,465	\$753,373	\$708	\$14,552	\$1,707	\$19,950	\$197,449	\$5,948,204	\$0	\$5,948,204
3. Total Employer Cost [(1) x (2)]										
-PYE 2020	\$178,577	\$101,555	\$38	\$1,608	\$118	\$1,786	\$9,833	\$293,515	\$0	\$293,515
C. Total System Normal Cost (FRS Pension Plan + FRS Investment Plan)										
1. Total Normal Cost Contribution [(A3) + (B3)]	\$809,196	\$609,348	\$151	\$15,589	\$591	\$5,740	\$34,506	\$1,475,121	\$107,443	\$1,582,564
2. Total System Projected Payroll [(A2) + (B2)]	\$25,368,831	\$4,861,734	\$4,188	\$126,763	\$8,857	\$65,764	\$749,413	\$31,185,550	\$2,295,800	\$33,481,350
3. "Blended" Normal Cost Contribution Rate As a Percentage of Total Payroll [(C1) / (C2)] ²	3.19%	12.53%	3.61%	12.30%	6.67%	8.73%	4.60%	4.73%	4.68%	4.73%

¹ As reported in the July 1, 2018 actuarial valuation report - Table 4-11

² Rates shown do not include the Health Insurance Subsidy contribution rate or FRS Investment Plan education and administration assessment.

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FLORIDA RETIREMENT SYSTEM
FISCAL IMPACT ANALYSIS

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Please see the attached letter for details regarding data, assumptions, methodology, and plan provisions used
(Dollars in Thousands)

	Regular	Special Risk	Special Risk Administrative	Judicial	-----Elected Officers' Class-----			Senior Management	Composite (excluding DROP)	DROP	Composite (including DROP)
					Leg-Atty-Cab	Local					
Blended Proposed Statutory UAL Contribution Rates											
D. Defined Benefit FRS Pension Plan UAL Contribution											
1. Employer UAL Contribution Rate ^{1 & 2}	4.30%	13.17%	40.04%	31.59%	58.20%	53.62%	25.75%	6.21%	8.24%	6.36%	
2. Projected Payroll	\$23,850,651	\$4,128,510	\$3,480	\$112,680	\$7,707	\$50,181	\$566,224	\$28,719,433	\$2,295,800	\$31,015,233	
3. Total Employer UAL Contribution [(1) x (2)] -PYE 2020	\$1,025,578	\$543,725	\$1,393	\$35,596	\$4,485	\$26,907	\$145,803	\$1,783,487	\$189,174	\$1,972,661	
E. Defined Contribution FRS Investment Plan Projected Payroll	\$4,960,465	\$753,373	\$708	\$14,552	\$1,707	\$19,950	\$197,449	\$5,948,204	\$0	\$5,948,204	
F. Total System UAL Contribution (FRS Pension Plan + FRS Investment Plan)											
1. Total UAL Contribution [(D3)]	\$1,025,578	\$543,725	\$1,393	\$35,596	\$4,485	\$26,907	\$145,803	\$1,783,487	\$189,174	\$1,972,661	
2. Total System Projected Payroll [(D2) + (E)]	\$28,811,116	\$4,881,883	\$4,188	\$127,232	\$9,414	\$70,131	\$763,673	\$34,667,637	\$2,295,800	\$36,963,437	
3. "Blended" UAL Contribution Rate As a Percentage of Total Payroll [(F1) / (F2)] ²	3.56%	11.14%	33.26%	27.98%	47.64%	38.37%	19.09%	5.14%	8.24%	5.34%	
Blended Proposed Statutory Uniform Contribution Rates ³											
G: Total Employer Contribution Rate (FRS Pension Plan + FRS Investment Plan)											
1. "Blended" Normal Cost Contribution Rate [(C3)]	3.19%	12.53%	3.61%	12.30%	6.67%	8.73%	4.60%	4.73%	4.68%	4.73%	
2. "Blended" UAL Contribution Rates [(F3)]	3.56%	11.14%	33.26%	27.98%	47.64%	38.37%	19.09%	5.14%	8.24%	5.34%	
3. Total Blended Contribution Rate ² -PYE 2020 [(G1) + (G2)]	6.75%	23.67%	36.87%	40.28%	54.31%	47.10%	23.69%	9.87%	12.92%	10.07%	

¹ As reported in the July 1, 2018 actuarial valuation report - Table 4-11

² Rates shown do not include the Health Insurance Subsidy contribution rate or FRS Investment Plan education and administration assessment.

³ Employers of employee groups subject to only the UAL contribution rate will pay the rates shown in line (G2).

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The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

BILL: SPB 7014

INTRODUCER: Governmental Oversight and Accountability Committee

SUBJECT: Government Accountability

DATE: February 5, 2019

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Ponder</u>	<u>McVaney</u>	_____	GO Submitted as Comm. Bill/Fav

I. Summary:

SPB 7014 amends various statutes to enhance government accountability and auditing processes based on recommendations noted in recent reports by the Auditor General. The bill:

- Authorizes the Governor or Commissioner of Education, or designee, to notify the Joint Legislative Auditing Committee if an entity fails to comply with certain auditing and financial reporting requirements;
- Provides definitions for the terms “abuse,” “fraud,” and “waste;”
- Adds tourist development council and county tourism promotion agency to the definition of “local government entity” to clarify that the Auditor General has authority to audit the entities;
- Removes water management districts from the definition of local government entities for the purposes audit cycles and follow-up reviews;
- Requires the Florida Clerks of Court Operations Corporation to notify the Legislature quarterly if a clerk is not meeting workload performance standards;
- Requires each agency, the judicial branch, the Justice Administrative Commission, state attorneys, public defenders, criminal conflict and civil regional counsel, capital collateral regional counsel, the Guardian Ad Litem program, local governmental entities, charter schools, school districts, Florida College System institutions, and state universities to establish and maintain internal controls designed to prevent and detect fraud, waste, and abuse;
- Requires counties, municipalities, special districts, and water management districts to maintain certain budget documents on their websites for specified timeframes;
- Revises the monthly financial statement requirements for water management districts;
- Provides that the Department of Financial Services may request additional information from local government entities when preparing its annual verified report;
- Revises the membership, and restrictions thereof, for an audit committee of a county, municipality, special district, district school board, charter school, or charter technical career center;

- Specifies that the definition of fraud, waste and abuse set forth in s. 2 of the bill apply to s. 1001.42, F.S.
- Requires completion of an annual financial audit of the Florida Virtual School; and
- Requires the Florida College System and Florida State University System to comply with s. 110.1127, F.S., for employee background screenings.

II. Present Situation:

Various statutes ensure government accountability of state and local governments. For example, the Auditor General conducts audits of accounts and records of state agencies, state universities, state colleges, district school boards, and others as directed by the Joint Legislative Auditing Committee. The Auditor General conducts operational and performance audits on public records and information technology systems. The Auditor General also reviews all audit reports of local governmental entities, charter schools, and charter technical career centers. Other statutes require publishing of government budgets and other information online and require government entities to follow certain practices to promote efficiency and compliance within the entity.

Due to the disparate issues in the bill, the “Present Situation” for each bill section is discussed below in conjunction with the “Effect of Proposed Changes.”

III. Effect of Proposed Changes:

Legislative Oversight (Sections 1, 2, and 3)

Present Situation

The position of Auditor General is established by Art. III, s. 2 of the State Constitution. The Auditor General is appointed to office to serve at the pleasure of the legislature, by a majority vote of the members of the Joint Legislative Auditing Committee, subject to confirmation by both houses of the legislature.¹ The appointment of the Auditor General may be terminated at any time by a majority vote of both houses of the legislature.² At the time of appointment, the Auditor General must have been certified under the Public Accountancy Law in Florida for a period of at least 10 years and may not have less than 10 years’ experience in an accounting- or auditing-related field.³

The Auditor General must conduct audits, examinations, or reviews of government programs⁴ as well as audit the accounts and records of state agencies, state universities, state colleges, district school boards, and others as directed by the Joint Legislative Auditing Committee.⁵ The Auditor General conducts operational and performance audits on public records and information technology systems and reviews all audit reports of local governmental entities, charter schools, and charter technical career centers.⁶

¹ Section 11.42(2), F.S.

² Section 11.42(5), F.S.

³ Section 11.42(2), F.S.

⁴ Section 11.45(7), F.S.

⁵ Section 11.45(2)(d)-(f), F.S.

⁶ Section 11.45(7)(b), F.S.

Various statutory provisions require the Auditor General to compile and submit reports. For example, the Auditor General must annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Auditing Committee a summary of significant findings and financial trends identified in audit reports.⁷ The Auditor General also must compile and transmit to the President of the Senate, Speaker of the House of Representatives, and Joint Legislative Auditing Committee an annual report by December 1. The report must include a two-year work plan identifying the audit and other accountability activities to be undertaken and a list of statutory and fiscal changes recommended by the Auditor General.⁸ In addition, the Auditor General must transmit recommendations at other times during the year when the information would be timely and useful to the Legislature.⁹

The annual report for the Auditor General for November 1, 2017, through October 31, 2018, contained the following recommendation:¹⁰

The Legislature should consider amending applicable Florida Statutes to establish in law the responsibility of each state and local government for the establishment and maintenance of management systems and internal controls designed to prevent and detect fraud, waste, and abuse; promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices; support economical and efficient operations; ensure reliability of financial records and reports; and safeguard assets.

Section 11.45, F.S., defines the types of audits the Auditor General may conduct, requires certain state and local governmental audits to be conducted, and specifies the frequency with which the audits must occur. The Auditor General also may conduct other audits he or she determines to be appropriate.

Following notification by the Auditor General, the Department of Financial Services (DFS), or the Division of Bond Finance of the State Board of Administration of the failure of a local governmental entity, district school board, charter school, or charter technical career center to comply with applicable auditing, financial reporting, bond issuance notification, or bond verification provisions or the failure to disclose a financial emergency or provide information required during a financial emergency,¹¹ the Joint Legislative Auditing Committee may schedule a hearing to determine whether the entity should be subject to further state action. For purposes of s. 11.45, F.S., the term “local governmental entity” means a county agency, municipality, or

⁷ Section 11.45(7)(f), F.S.

⁸ Section 11.45(7)(h), F.S.

⁹ *Id.*

¹⁰ Annual Report, Florida Auditor General, at page 9. A copy of the report can be found online at: https://flauditor.gov/pages/pdf_files/annual%20report%202018.pdf (last visited January 18, 2019).

¹¹ Section 11.45, F.S., governs certain audits to be conducted by the Auditor General. Section 218.32(1), F.S., requires annual financial reports from local governmental entities. Section 218.38, F.S., requires notice of bond issuance and contains verification requirements. Section 218.503(3), F.S., requires certain entities to disclose a financial emergency and provide certain information concerning a financial emergency.

special district as defined in s. 189.012, F.S.,¹² but does not include any housing authority established under ch. 421, F.S.

The Auditor General is also required to annually transmit, by July 15, to the President of the Senate, the Speaker of the House of Representatives, and the DFS a list of all school districts, charter schools, charter technical career centers, Florida College System institutions, state universities, and water management districts that have failed to comply with certain transparency requirements.

Effect of the Bill

Section 1 amends s. 11.40, F.S., to authorize the Governor or his or her designee, and the Commissioner of Education or his or her designee, to notify the Joint Legislative Auditing Committee that a local governmental entity, district school board, charter school, or charter technical career center has failed to comply with applicable auditing, financial reporting, bond issuance notification, or bond verification provisions or failed to disclose a financial emergency or provide information required during a financial emergency. Upon such notification the Joint Legislative Auditing Committee may consider whether the entity should be subject to further state action.

Section 2 amends s. 11.45, F.S., to define the terms abuse, fraud, and waste. These terms are related to the internal controls various government entities must establish and maintain to prevent and detect fraud, waste, and abuse.

This section specifically includes tourist development council and county tourism promotion agency within the definition of “local governmental entity.” With this definition, the Auditor General clearly has the authority to conduct audits or other engagements of tourist development councils and county tourism promotion agencies.

This section exempts water management districts from being subject to audits as a local government entities conducted pursuant to s. 11.45(2)(j), F.S. With this change, the districts will continue to be subject to periodic audits authorized by s. 11.45(2)(f), F.S.,¹³ and the Auditor General will follow up on prior audit findings at the next schedule audit rather than 18 months after the completion of the latest audit.

This section expands the list of entities that must be included in the Auditor General report concerning entities that fail to comply with transparency requirements in s. 11.45, F.S., to include all local governmental entities rather than just the water management districts.

¹² Section 189.012(6), F.S., defines a “special district” to mean a unit of local government created for a special purpose, as opposed to a general purpose, which has jurisdiction to operate within a limited geographic boundary and is created by general law, special act, local ordinance, or by rule of the Governor and Cabinet. The term does not include a school district, a community college district, a special improvement district created pursuant to s. 285.17, F.S., a municipal service taxing or benefit unit as specified in s. 125.01, F.S., or a board which provides electrical service and which is a political subdivision of a municipality or is part of a municipality.

¹³ Section 11.45(2)(f), F.S., states in part that at least every three years, the Auditor General shall conduct operational audits of the accounts and records of water management districts.

Section 3 amends s. 11.47, F.S., to expand the activities that are punishable as a crime to include willful failure or refusal to provide the Auditor General access to an employee, officer, or agent of an entity as a first-degree misdemeanor punishable as provided in s. 775.082 or s. 775.083, F.S.

Florida Clerks of Court Operations Corporation (Section 4)

Present Situation

Currently, s. 28.35, F.S., requires the Florida Clerks of Court Operations Corporation (corporation) to develop and certify a uniform system of workload measures and applicable workload standards for court-related functions as developed by the corporation and clerk workload performance in meeting the workload performance standards. These workload measures and workload performance standards must be designed to facilitate an objective determination of the performance of each clerk in accordance with minimum standards for fiscal management, operational efficiency, and effective collection of fines, fees, service charges, and court costs. The corporation must develop the workload measures and workload performance standards in consultation with the legislature. When the corporation finds a clerk has not met the workload performance standards, the corporation must identify the nature of each deficiency and any corrective action recommended and taken by the affected clerk of the court. The corporation must notify the legislature of any clerk not meeting workload performance standards and provide a copy of any corrective action plans.

Effect of the Bill

Section 4 amends s. 28.35, F.S., to require the corporation to provide a copy of any corrective action plans for any clerk not meeting the workload performance standards within 45 days after the end of each quarter. The section is also amended to clarify that the applicable quarters end on the last day of March, June, September, and December of each year.

Internal Controls to Prevent and Detect Fraud, Waste, and Abuse (Sections 5, 9, 13, 16, 17, and 19)

Present Situation

State Agencies and the Judicial Branch

Section 215.86, F.S., requires each state agency and the judicial branch as defined in s. 216.011, F.S., to establish and maintain management systems and controls that promote and encourage compliance; economic, efficient, and effective operations; reliability of records and reports; and safeguarding of assets. It requires accounting systems and procedures to be designed to fulfill the requirements of generally accepted accounting principles.

Local Governmental Entities

Section 218.33, F.S., requires each local governmental entity to begin its fiscal year on October 1 and end it on September 30. Section 218.33(2), F.S., requires each local governmental entity to follow uniform accounting practices and procedures as provided by rule of DFS to assure the use of proper accounting and fiscal management by such units. Such rules must include a uniform classification of accounts.

Charter Schools

Section 1002.33, F.S., authorizes charter schools as part of Florida's state program of education. In addition to creating charter schools, that section also imposes certain requirements on charter schools. In pertinent part, the law provides that the governing body of a charter school is responsible for:

- Ensuring that the charter school has retained a certified public accountant or auditor to perform its annual audit;
- Reviewing and approving the audit report;
- Establishing a corrective plan, if necessary;
- Monitoring a financial recovery plan to ensure compliance; and
- Participating in governance training approved by the Department of Education, which must include government in the sunshine, conflicts of interest, ethics, and financial responsibility.¹⁴

School Districts, Florida College System Institutions, and State Universities

Current law requires the financial records and accounts of each school district, Florida College System institution, and other institution or agency under the supervision of the State Board of Education (SBE) to be prepared and maintained as prescribed by law and rules of the SBE. The financial records and accounts of each state university under the supervision of the Board of Governors (BOG) must be prepared and maintained as prescribed by law and rules of the BOG. Rules of the SBE and rules of the BOG must incorporate the requirements of law and accounting principles generally accepted in the United States and must include a uniform classification of accounts. Each state university must annually file with the BOG financial statements prepared in conformity with these requirements. The BOG's rules must prescribe the filing deadline for the financial statements. The required financial accounts and reports must include provisions that are unique to K-12 school districts, Florida College System institutions, and state universities.¹⁵

Justice Administrative Commission

The Justice Administrative Commission (Commission) is created in s. 43.16, F.S. As one of its duties, the Commission is charged with maintaining a central state office for administrative services and assistance on behalf of state attorneys and public defenders, the capital collateral regional counsel, the criminal conflict and civil regional counsel, and the Guardian Ad Litem Program.¹⁶ Additionally, the Commission records and submits certain documents prepared by a state attorney, public defender, or criminal conflict and civil regional counsel or the Guardian Ad Litem Program, including necessary budgets, vouchers that represent valid claims for reimbursement by the state for authorized expenses, and other things incidental to the proper administrative operation of the office, such as revenue transmittals to the Chief Financial Officer and automated systems plans.¹⁷

¹⁴ Section 1002.33(9)(j), F.S.

¹⁵ Section 1010.01, F.S.

¹⁶ Section 43.16(5)(a), F.S.

¹⁷ Section 43.16(5)(b), F.S.

Effect of the Bill

Sections 5, 9, 13, 17, and 19 amend ss. 43.16, 215.86, 218.33, 1002.33, and 1010.01, F.S., respectively, to require state agencies, the judicial branch, local governmental entities, charter schools, school districts, Florida College System institutions, state universities, the Commission, each state attorney, each public defender, the criminal conflict and civil regional counsel, the capital collateral regional counsel, and the Guardian Ad Litem Program to establish and maintain internal controls designed to:

- Prevent and detect fraud, waste, and abuse, as defined in s. 11.45(1), F.S.;
- Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices;
- Support economical and efficient operations;
- Ensure reliability of financial records and reports; and
- Safeguard assets.

Section 16 amends s. 1001.42, F.S., to specify that internal controls designed to prevent and detect fraud, waste, and abuse meet the definition provided in s. 11.45(1), F.S.

Online Posting of Governmental Budgets (Sections 6, 7, 8, and 15)

Present Situation

Counties and Municipalities

Counties¹⁸ and municipalities¹⁹ are required to post their tentative budgets on their websites two days prior to consideration of the budget at a public hearing. The final budget of a county or municipality must be posted on its website within 30 days after adoption. An amendment to a budget must be posted to the website within five days of adoption.²⁰ Current law does not specify how long these documents must remain available on the website.

Water Management Districts

Chapter 373, F.S., governs Florida's water resource management and authorizes the creation of water management districts, which are given taxing authority. A water management district is defined as "any flood control, resource management, or water management district" operating under the authority of ch. 373, F.S.²¹ There are five water management districts in Florida: Northwest Florida, Suwanee River, St. Johns River, Southwest Florida, and South Florida.²² Section 373.536, F.S., governs the budget process for water management districts and requires a water management district's tentative budget to be posted on the water management district's website at least two days before budget hearings are conducted. The law requires a water management district's final adopted budget to be posted on the water management district's official website within 30 days after adoption.

¹⁸ Section 129.03, F.S.

¹⁹ Section 166.241, F.S.

²⁰ Sections 129.06(2)(f)2., 166.241(5), and 189.016(7), F.S.

²¹ Section 373.019(23), F.S.

²² Section 373.069(1), F.S.

Effect of the Bill

Sections 6, 7, 8, and 15 amend ss. 129.03, 129.06, 166.241, and 373.536, F.S., respectively, to require the various budgets remain accessible on a county, municipality or water management district's website for certain time periods. Specifically, a tentative budget must remain on an entity's website for at least 45 days and final budget or an adopted amendment to a budget must remain on the website for at least two years.

Florida Single Audit Act (Section 10)*Present Situation*

The Florida Single Audit Act, codified in s. 215.97, F.S., is designed to:

- Establish uniform state audit requirements for state financial assistance provided by state agencies to nonstate entities to carry out state projects;
- Promote sound financial management, including effective internal controls, with respect to state financial assistance administered by nonstate entities;
- Promote audit economy and efficiency by relying to the extent possible on already required audits of federal financial assistance provided to nonstate entities;
- Provide for identification of state financial assistance transactions in the state accounting records and recipient organization records;
- Promote improved coordination and cooperation within and between affected state agencies providing state financial assistance and nonstate entities receiving state assistance; and
- Ensure, to the maximum extent possible, that state agencies monitor, use, and follow-up on audits of state financial assistance provided to nonstate entities.

Pursuant to the Florida Single Audit Act, certain entities that meet the "audit threshold" requirements are subject to a state single audit or a project-specific audit. Currently, the "audit threshold" requires each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$750,000 in any fiscal year of such nonstate entity to have a state single audit, or a project-specific audit, for such fiscal year. Every two years, the Auditor General, after consulting with the Executive Office of the Governor, the DFS, and all state awarding agencies, is required to review the threshold amount for requiring audits and may adjust the threshold amount.²³

Effect of the Bill

Section 10 amends s. 215.97, F.S., to allow the Auditor General to review the threshold amount for requiring audits periodically rather than every two years; however, the term "periodically" is not defined. This section also authorizes the Auditor General to recommend in its annual report to the legislature a statutory change to revise the threshold amount.

²³ Section 215.97(2)(a), F.S.

Transparency in Government Spending (Section 11)

Present Situation

The Transparency Florida Act (Act), codified in s. 215.985, F.S., requires the Governor, in consultation with the appropriations committees of the House and Senate, to maintain a central website providing access to all other websites required to be linked under the Act. It also requires certain budget information, certain contract information, and minimum functionality standards to be readily available online. In pertinent part, s. 215.985(11), F.S., requires each water management district to provide a monthly financial statement to its governing board and make the statement available for public access on its website.

Effect of the Bill

Section 11 amends s. 215.985, F.S., to require a water management district's monthly financial statement to be in the form and manner prescribed by the DFS and requires each water management district to make the monthly financial statement available to the public on its website.

Local Governmental Entity Annual Financial Reports (Section 12)

Present Situation

Section 218.32, F.S., requires local governmental entities that are required to provide for an audit under s. 218.39, F.S., to submit an audit report and annual financial report to the DFS within 45 days after completion of the audit report, but no later than nine months after the end of the fiscal year. The annual financial report must be signed by the chair of the governing body and the chief financial officer of the local governmental entity. The law also specifies the information that must be included in the report.

In addition, the DFS is required to file a verified report with the Governor, the Legislature, the Auditor General, and the Special District Accountability Program of the Department of Economic Opportunity showing the revenues, both locally derived and derived from intergovernmental transfers, and the expenditures of each local governmental entity, regional planning council, local government finance commission, and municipal power corporation that is required to submit an annual financial report.²⁴

The Florida Open Financial Statement System has been authorized. The system will be an interactive repository for governmental financial statements. The Chief Financial Officer (CFO) may consult with stakeholders, including the department, the Auditor General, a representative of a municipality or county, a representative of a special district, a municipal bond investor, and an information technology professional employed in the private sector for input on the design and implementation of the system.

Local government entities required to submit an audit report and annual financial report to the DFS must do so no later than six months after the end of the fiscal year. An extension of the

²⁴ Section 218.32(2), F.S.

deadline is allowed for up to 90 days if the Governor declares a state of emergency within 30 days of the submission deadline.

Each local government entity must submit an electronic copy of the annual financial report and a statement certifying the document was timely filed with the DFS to the clerk of the court. However, these requirements do not apply to a charter county in which the clerk of the court is not the county auditor. Starting in Fiscal Year 2018-2019, the bill provides that if a local government entity fails to submit information to the clerk of the court, the clerk must notify the appropriate fiscal officer of the local government to suspend salary payments to the head of the local government entity until such time as the information is provided to the clerk. The clerk must notify the appropriate local fiscal officer to resume payments when the clerk receives the information.

Effect of the Bill

Section 12 amends s. 218.32, F.S., to authorize the DFS, in preparing the verified report, to request additional information from a local governmental entity. Any additional information requested must be provided to the DFS within 45 days after the request. If the local governmental entity does not comply with the request, the DFS must notify the Joint Legislative Auditing Committee, which may take action pursuant to s. 11.40(2), F.S.

Local Government Auditor Selection Procedures (Section 14)

Present Situation

Section 218.391, F.S., outlines the process that each local governmental entity, district school board, charter school, or charter technical career center must follow in selecting an auditor to conduct the annual financial audit of the entity required by s. 218.39, F.S. Each entity is required to establish an audit committee to assist the governing body in selecting the auditor. The audit committee of a noncharter county must consist of each of its constitutional officers and one member of the board of county commissioners or its designee. The audit committees must publicly announce requests for proposals for the audit services. The law specifies the factors that must be considered in selecting the auditor and the procedures for negotiating for compensation.

Effect of the Bill

Section 14 amends s. 218.391, F.S., to require each county's audit committee to consist of each county officer elected pursuant to the State Constitution or the county charter, or their respective designees, and one member of the board of county commissioners or its designee. The section requires the audit committee for a municipality, special district, district school board, charter school, or charter technical career center to consist of at least three members, one of whom must be a member of the governing body of the entity. That member must serve as the audit committee's chair. An employee, chief executive officer, or chief financial officer of the county, municipality, special district, district school board, charter school, or charter technical career center may not serve as a member of an audit committee.

If an entity fails to select an auditor in compliance with the new process, the Joint Legislative Auditing Committee must determine whether the entity should be subject to state action pursuant to s. 11.40(2), F.S.

The Florida Virtual School (Section 18)

Present Situation

The Florida Virtual School was created to develop and deliver online and distance learning education.²⁵ The Commissioner of Education is charged with monitoring the Florida Virtual School. In pertinent part, the law requires the board of trustees to submit an annual report to the Governor, the Legislature, the Commissioner of Education, and the State Board of Education (SBE) that must address:

- The operations and accomplishments of the Florida Virtual School within the state and those occurring outside the state as Florida Virtual School Global;
- The marketing and operational plan for the Florida Virtual School and Florida Virtual School Global, including recommendations regarding methods for improving the delivery of education through the Internet and other distance learning technology;
- The assets and liabilities of the Florida Virtual School and Florida Virtual School Global at the end of the fiscal year;
- A copy of an annual financial audit of the accounts and records of the Florida Virtual School and Florida Virtual School Global, conducted by an independent certified public accountant and performed in accordance with rules adopted by the Auditor General;
- Recommendations regarding the unit cost of providing services to students through the Florida Virtual School and Florida Virtual School Global; and
- Recommendations regarding an accountability mechanism to assess the effectiveness of the services provided by the Florida Virtual School and Florida Virtual School Global.²⁶

Effect of the Bill

Section 18 amends s. 1002.37, F.S., to require the Florida Virtual School to have an annual financial audit of its accounts and records conducted by an independent auditor who is a licensed certified public accountant. The independent auditor must conduct the audit in accordance with rules adopted by the Auditor General and must prepare an audit report in accordance with such rules. The audit report must include a written statement by the board of trustees describing corrective action to be taken in response to each of the independent auditor's recommendations. The independent auditor must submit the audit report to the board of trustees and the Auditor General no later than nine months after the end of the preceding fiscal year.

Employee Background Screening (Sections 20 and 21)

Present Situation

Currently, s. 110.1127, F.S., requires that each agency designate the positions that require background screening using level one standards and those positions that, because of the special trust or responsibility or sensitive location, require security background investigations using level two screening standards. Level one screening standards include employment history checks, statewide criminal correspondence checks and a check of the Dru Sjodin National Sex Offender

²⁵ Section 1002.37(1)(a), F.S.

²⁶ Section 1002.37(6), F.S.

Public Website by the Department of Law Enforcement.²⁷ For a level two screening, the Department of Law Enforcement performs a criminal history record check of its records and request the Federal Bureau of Investigations (FBI) to perform a national criminal history record check of its records.²⁸ According to the Department of Law Enforcement, the FBI does not allow its criminal justice information to be reviewed for a level two background investigation unless the screening is required by law.

Section 1001.60, F.S., established a system of governance for the Florida College System for the institutions identified in s. 1000.21, F.S. Likewise, state universities are governed by the Board of Governors, as provided in s. 1001.70, F.S. Current law does not specify that the Florida College System and State University System are state agencies for the purpose of s. 110.1127.

Effect of the Bill

Sections 20 and 21 create ss. 1012.8551 and 1012.915, F.S., respectively, to apply s. 110.1127, F.S., relating to background screening requirements to the personnel of the Florida College System and the State University System. With this change, state universities and colleges are required to designate personnel for level one and level two background screenings. This statutory requirement is intended to allow background screenings requested by the State College System and the State University System to include federal information.

Other Provisions (Sections 22, 23, and 24)

Section 22 conforms provisions and cross-references to changes made by the bill.

Section 23 specifies that a proper and legitimate state purpose is served when internal controls are established to prevent and detect fraud, waste, and abuse and to safeguard and account for government funds and property. In addition, a proper and legitimate state purpose is served when the travel records of state and local employees are transparent to members of the public. The Legislature further finds that a proper and legitimate state purpose is served when local governments ensure the budgets, annual financial report, and associated data for various governmental entities are available to, and usable by, the public.

Section 24 provides an effective date of July 1, 2019.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18(a) of the Florida Constitution provides, in pertinent part, that no county or municipality shall be bound by any general law requiring such county or municipality to spend funds or to take an action requiring the expenditure of funds unless the legislature has determined that such law fulfills an important state interest and:

- The law requiring such expenditure is approved by two-thirds of the membership in each house of the legislature; or

²⁷ Section 435.03(1), F.S.

²⁸ Section 435.04(1), F.S.

- The expenditure is required to comply with a law that applies to all persons similarly situated, including the state and local governments.

Article VII, s. 18(d) of the Florida Constitution provides, in pertinent part, that laws having insignificant fiscal impact are exempt from the mandates requirements.

This bill requires county and municipal governments to establish and maintain specified internal controls and to maintain its budgets online for a specified period. Section 23 of the bill specifies that the bill serves an important state interest. An exception may apply because the bill applies to similarly situated persons (municipalities, counties, water management districts, school districts, state agencies and other governmental entities).

In addition, the bill may be exempt from the mandates requirements if the costs incurred by the municipalities and counties to comply are \$2.1 million or less (the threshold for “insignificant”²⁹ fiscal impact for Fiscal Year 2018-2019).³⁰

B. Public Records/Open Meetings Issues:

None.

C. Tax/Fee Issues: Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The bill does not appear to impact state or local revenues.

B. Private Sector Impact:

None.

²⁹ An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. See Florida Senate Committee on Community Affairs, *Interim Report 2012-115: Insignificant Impact*, (September 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited January 29, 2019).

³⁰ Based on the Demographic Estimating Conference’s population adopted on November 5, 2018. The conference packet is available at <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited January 29, 2019).

C. Government Sector Impact:

State agencies, the court system, court-related entities, local governments, district school boards, charter schools, and state colleges and universities may incur minimal costs associated with establishing and maintaining the specified internal controls.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 11.40, 11.45, 28.35, 43.16, 112.061, 129.03, 129.06, 215.86, 215.97, 215.985, 218.32, 218.33, 218.39, 218.391, 218.503, 373.536, 1001.42, 1002.33, 1002.37, 1010.01, and 1012.8551.

This bill also creates sections 1012.8551, 1012.915, and one undesignated sections of Florida law.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.



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LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
02/05/2019	.	
	.	
	.	
	.	

The Committee on Governmental Oversight and Accountability
(Hooper) recommended the following:

Senate Amendment

Delete lines 609 - 623
and insert:

(1) *Internal auditor.*—May or, in the case of a school district receiving annual federal, state, and local funds in excess of \$500 million, shall employ an internal auditor. The scope of the internal auditor shall not be restricted and shall include every functional and program area of the school system.

1. The internal auditor shall perform ongoing financial



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11 verification of the financial records of the school district, a
12 comprehensive risk assessment of all areas of the school system
13 every 5 years, and other audits and reviews as the district
14 school board directs for determining:

15 a. The adequacy of internal controls designed to prevent
16 and detect fraud, waste, and abuse as defined in s. 11.45(1).

17 b. Compliance with applicable laws, rules, contracts, grant
18 agreements, district school board-approved policies, and best
19 practices.

20 c. The efficiency of operations.

21 d. The reliability of financial records and reports.

22 e. The safeguarding of assets.

23 f. Financial solvency.

24 g. Projected revenues and expenditures.

25 h. The rate of change in the general fund balance.

26 2. The internal auditor shall prepare audit reports of his
27 or her findings and report directly to the district school board
28 or its designee.

29 3. Any person responsible for furnishing or producing any
30 book, record, paper, document, data, or sufficient information
31 necessary to conduct a proper audit or examination which the
32 internal auditor is by law authorized to perform is subject to
33 the provisions of s. 11.47(3) and (4).

FOR CONSIDERATION By the Committee on Governmental Oversight and Accountability

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1 A bill to be entitled
 2 An act relating to government accountability; amending
 3 s. 11.40, F.S.; specifying that the Governor, the
 4 Commissioner of Education, or the designee of the
 5 Governor or of the commissioner, may notify the
 6 Legislative Auditing Committee of an entity's failure
 7 to comply with certain auditing and financial
 8 reporting requirements; amending s. 11.45, F.S.;
 9 revising definitions and defining the terms "abuse,"
 10 "fraud," and "waste"; excluding water management
 11 districts from certain audit requirements; removing a
 12 cross-reference; authorizing the Auditor General to
 13 conduct audits of tourist development councils and
 14 county tourism promotion agencies; revising reporting
 15 requirements applicable to the Auditor General;
 16 amending s. 11.47, F.S.; specifying that any person
 17 who willfully fails or refuses to provide access to an
 18 employee, officer, or agent of an entity under audit
 19 is subject to a penalty; amending s. 28.35, F.S.;
 20 revising reporting requirements applicable to the
 21 Florida Clerks of Court Operations Corporation;
 22 amending s. 43.16, F.S.; revising the responsibilities
 23 of the Justice Administrative Commission, each state
 24 attorney, each public defender, the criminal conflict
 25 and civil regional counsel, the capital collateral
 26 regional counsel, and the Guardian Ad Litem Program,
 27 to include the establishment and maintenance of
 28 certain internal controls; amending ss. 129.03,
 29 129.06, and 166.241, F.S.; requiring counties and

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30 municipalities to maintain certain budget documents on
 31 the entities' websites for a specified period;
 32 amending s. 215.86, F.S.; revising the purposes for
 33 which management systems and internal controls must be
 34 established and maintained by each state agency and
 35 the judicial branch; amending s. 215.97, F.S.;
 36 revising certain audit threshold requirements;
 37 amending s. 215.985, F.S.; revising the requirements
 38 for a monthly financial statement provided by a water
 39 management district; amending s. 218.32, F.S.;
 40 authorizing the Department of Financial Services to
 41 request additional information from a local
 42 governmental entity in preparation of an annual
 43 report; requiring a local governmental entity to
 44 respond to such requests within a specified timeframe;
 45 requiring the department to notify the Legislative
 46 Auditing Committee of noncompliance; amending s.
 47 218.33, F.S.; requiring local governmental entities to
 48 establish and maintain internal controls to achieve
 49 specified purposes; amending s. 218.391, F.S.;
 50 revising membership, and restrictions thereof, for an
 51 audit committee; requiring an auditor to include
 52 certain information in a management letter;
 53 prescribing requirements and procedures for selecting
 54 an auditor if certain conditions exist; amending s.
 55 373.536, F.S.; deleting obsolete language; requiring
 56 water management districts to maintain certain budget
 57 documents on the districts' websites for specified
 58 periods; amending s. 1001.42, F.S.; authorizing

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59 additional internal audits as directed by the district
 60 school board; amending s. 1002.33, F.S.; revising the
 61 responsibilities of the governing board of a charter
 62 school to include the establishment and maintenance of
 63 internal controls; amending s. 1002.37, F.S.;

64 requiring completion of an annual financial audit of
 65 the Florida Virtual School; specifying audit
 66 requirements; requiring an audit report to be
 67 submitted to the board of trustees of the Florida
 68 Virtual School and the Auditor General; deleting
 69 obsolete provisions; amending s. 1010.01, F.S.;

70 requiring each school district, Florida College System
 71 institution, and state university to establish and
 72 maintain certain internal controls; creating ss.
 73 1012.8551 and 1012.915, F.S.; specifying applicable
 74 standards as to employee background screening and
 75 investigations of Florida College System and State
 76 University System personnel, respectively; amending s.
 77 218.503, F.S.; conforming provisions and cross-
 78 references to changes made by the act; providing a
 79 declaration of important state interest; providing an
 80 effective date.

81
 82 Be It Enacted by the Legislature of the State of Florida:

83
 84 Section 1. Subsection (2) of section 11.40, Florida
 85 Statutes, is amended to read:

86 11.40 Legislative Auditing Committee.—

87 (2) Following notification by the Auditor General, the

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88 Department of Financial Services, ~~or~~ the Division of Bond
 89 Finance of the State Board of Administration, the Governor or
 90 his or her designee, or the Commissioner of Education or his or
 91 her designee of the failure of a local governmental entity,
 92 district school board, charter school, or charter technical
 93 career center to comply with the applicable provisions within s.
 94 11.45(5)-(7), s. 218.32(1), s. 218.38, or s. 218.503(3), the
 95 Legislative Auditing Committee may schedule a hearing to
 96 determine if the entity should be subject to further state
 97 action. If the committee determines that the entity should be
 98 subject to further state action, the committee shall:

99 (a) In the case of a local governmental entity or district
 100 school board, direct the Department of Revenue and the
 101 Department of Financial Services to withhold any funds not
 102 pledged for bond debt service satisfaction which are payable to
 103 such entity until the entity complies with the law. The
 104 committee shall specify the date that such action must ~~shall~~
 105 begin, and the directive must be received by the Department of
 106 Revenue and the Department of Financial Services 30 days before
 107 the date of the distribution mandated by law. The Department of
 108 Revenue and the Department of Financial Services may implement
 109 ~~the provisions of~~ this paragraph.

110 (b) In the case of a special district created by:

111 1. A special act, notify the President of the Senate, the
 112 Speaker of the House of Representatives, the standing committees
 113 of the Senate and the House of Representatives charged with
 114 special district oversight as determined by the presiding
 115 officers of each respective chamber, the legislators who
 116 represent a portion of the geographical jurisdiction of the

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117 special district, and the Department of Economic Opportunity
 118 that the special district has failed to comply with the law.
 119 Upon receipt of notification, the Department of Economic
 120 Opportunity shall proceed pursuant to s. 189.062 or s. 189.067.
 121 If the special district remains in noncompliance after the
 122 process set forth in s. 189.0651, or if a public hearing is not
 123 held, the Legislative Auditing Committee may request the
 124 department to proceed pursuant to s. 189.067(3).

125 2. A local ordinance, notify the chair or equivalent of the
 126 local general-purpose government pursuant to s. 189.0652 and the
 127 Department of Economic Opportunity that the special district has
 128 failed to comply with the law. Upon receipt of notification, the
 129 department shall proceed pursuant to s. 189.062 or s. 189.067.
 130 If the special district remains in noncompliance after the
 131 process set forth in s. 189.0652, or if a public hearing is not
 132 held, the Legislative Auditing Committee may request the
 133 department to proceed pursuant to s. 189.067(3).

134 3. Any manner other than a special act or local ordinance,
 135 notify the Department of Economic Opportunity that the special
 136 district has failed to comply with the law. Upon receipt of
 137 notification, the department shall proceed pursuant to s.
 138 189.062 or s. 189.067(3).

139 (c) In the case of a charter school or charter technical
 140 career center, notify the appropriate sponsoring entity, which
 141 may terminate the charter pursuant to ss. 1002.33 and 1002.34.

142 Section 2. Subsection (1), paragraph (j) of subsection (2),
 143 paragraph (u) of subsection (3), and paragraph (i) of subsection
 144 (7) of section 11.45, Florida Statutes, are amended, and
 145 paragraph (x) is added to subsection (3) of that section, to

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146 read:
 147 11.45 Definitions; duties; authorities; reports; rules.—
 148 (1) DEFINITIONS.—As used in ss. 11.40-11.51, the term:
 149 (a) "Abuse" means behavior that is deficient or improper
 150 when compared with behavior that a prudent person would consider
 151 a reasonable and necessary operational practice given the facts
 152 and circumstances. The term includes the misuse of authority or
 153 position for personal gain.

154 (b)-(a) "Audit" means a financial audit, operational audit,
 155 or performance audit.

156 (c)-(b) "County agency" means a board of county
 157 commissioners or other legislative and governing body of a
 158 county, however styled, including that of a consolidated or
 159 metropolitan government, a clerk of the circuit court, a
 160 separate or ex officio clerk of the county court, a sheriff, a
 161 property appraiser, a tax collector, a supervisor of elections,
 162 or any other officer in whom any portion of the fiscal duties of
 163 a body or officer expressly stated in this paragraph are ~~the~~
 164 above are under law separately placed by law.

165 (d)-(e) "Financial audit" means an examination of financial
 166 statements in order to express an opinion on the fairness with
 167 which they are presented in conformity with generally accepted
 168 accounting principles and an examination to determine whether
 169 operations are properly conducted in accordance with legal and
 170 regulatory requirements. Financial audits must be conducted in
 171 accordance with auditing standards generally accepted in the
 172 United States ~~and government auditing standards as adopted by~~
 173 ~~the Board of Accountancy.~~ When applicable, the scope of
 174 financial audits must ~~shall~~ encompass the additional activities

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175 necessary to establish compliance with the Single Audit Act
 176 Amendments of 1996, 31 U.S.C. ss. 7501-7507, and other
 177 applicable federal law.

178 (e) "Fraud" means obtaining something of value through
 179 willful misrepresentation, including, but not limited to,
 180 intentional misstatements or intentional omissions of amounts or
 181 disclosures in financial statements to deceive users of
 182 financial statements, theft of an entity's assets, bribery, or
 183 the use of one's position for personal enrichment through the
 184 deliberate misuse or misapplication of an organization's
 185 resources.

186 (f) (d) "Governmental entity" means a state agency, a county
 187 agency, or any other entity, however styled, that independently
 188 exercises any type of state or local governmental function.

189 (g) (e) "Local governmental entity" means a county agency,
 190 municipality, tourist development council, county tourism
 191 promotion agency, or special district as defined in s. 189.012.
 192 The term, but does not include any housing authority established
 193 under chapter 421.

194 (h) (f) "Management letter" means a statement of the
 195 auditor's comments and recommendations.

196 (i) (g) "Operational audit" means an audit whose purpose is
 197 to evaluate management's performance in establishing and
 198 maintaining internal controls, including controls designed to
 199 prevent and detect fraud, waste, and abuse, and in administering
 200 assigned responsibilities in accordance with applicable laws,
 201 administrative rules, contracts, grant agreements, and other
 202 guidelines. Operational audits must be conducted in accordance
 203 with government auditing standards. Such audits examine internal

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204 controls that are designed and placed in operation to promote
 205 and encourage the achievement of management's control objectives
 206 in the categories of compliance, economic and efficient
 207 operations, reliability of financial records and reports, and
 208 safeguarding of assets, and identify weaknesses in those
 209 internal controls.

210 (j) (h) "Performance audit" means an examination of a
 211 program, activity, or function of a governmental entity,
 212 conducted in accordance with applicable government auditing
 213 standards or auditing and evaluation standards of other
 214 appropriate authoritative bodies. The term includes an
 215 examination of issues related to:

216 1. Economy, efficiency, or effectiveness of the program.

217 2. Structure or design of the program to accomplish its
 218 goals and objectives.

219 3. Adequacy of the program to meet the needs identified by
 220 the Legislature or governing body.

221 4. Alternative methods of providing program services or
 222 products.

223 5. Goals, objectives, and performance measures used by the
 224 agency to monitor and report program accomplishments.

225 6. The accuracy or adequacy of public documents, reports,
 226 or requests prepared under the program by state agencies.

227 7. Compliance of the program with appropriate policies,
 228 rules, or laws.

229 8. Any other issues related to governmental entities as
 230 directed by the Legislative Auditing Committee.

231 (k) (i) "Political subdivision" means a separate agency or
 232 unit of local government created or established by law and

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233 includes, but is not limited to, the following and the officers
 234 thereof: authority, board, branch, bureau, city, commission,
 235 consolidated government, county, department, district,
 236 institution, metropolitan government, municipality, office,
 237 officer, public corporation, town, or village.

238 ~~(l)-(j)~~ "State agency" means a separate agency or unit of
 239 state government created or established by law and includes, but
 240 is not limited to, the following and the officers thereof:
 241 authority, board, branch, bureau, commission, department,
 242 division, institution, office, officer, or public corporation,
 243 as the case may be, except any such agency or unit within the
 244 legislative branch of state government other than the Florida
 245 Public Service Commission.

246 (m) "Waste" means the act of using or expending resources
 247 unreasonably, carelessly, extravagantly, or for no useful
 248 purpose.

249 (2) DUTIES.—The Auditor General shall:

250 (j) Conduct audits of local governmental entities when
 251 determined to be necessary by the Auditor General, when directed
 252 by the Legislative Auditing Committee, or when otherwise
 253 required by law. No later than 18 months after the release of
 254 the audit report, the Auditor General shall perform such
 255 appropriate followup procedures as he or she deems necessary to
 256 determine the audited entity's progress in addressing the
 257 findings and recommendations contained within the Auditor
 258 General's previous report. The Auditor General shall notify each
 259 member of the audited entity's governing body and the
 260 Legislative Auditing Committee of the results of his or her
 261 determination. For purposes of this paragraph, local

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262 governmental entities do not include water management districts.

263
 264 The Auditor General shall perform his or her duties
 265 independently but under the general policies established by the
 266 Legislative Auditing Committee. This subsection does not limit
 267 the Auditor General's discretionary authority to conduct other
 268 audits or engagements of governmental entities as authorized in
 269 subsection (3).

270 (3) AUTHORITY FOR AUDITS AND OTHER ENGAGEMENTS.—The Auditor
 271 General may, pursuant to his or her own authority, or at the
 272 direction of the Legislative Auditing Committee, conduct audits
 273 or other engagements as determined appropriate by the Auditor
 274 General of:

275 (u) The Florida Virtual School ~~pursuant to s. 1002.37.~~

276 (x) Tourist development councils and county tourism
 277 promotion agencies.

278 (7) AUDITOR GENERAL REPORTING REQUIREMENTS.—

279 (i) The Auditor General shall annually transmit by July 15,
 280 to the President of the Senate, the Speaker of the House of
 281 Representatives, and the Department of Financial Services, a
 282 list of all school districts, charter schools, charter technical
 283 career centers, Florida College System institutions, state
 284 universities, and local governmental entities ~~water management~~
 285 ~~districts~~ that have failed to comply with the transparency
 286 requirements as identified in the audit reports reviewed
 287 pursuant to paragraph (b) and those conducted pursuant to
 288 subsection (2).

289 Section 3. Subsection (3) of section 11.47, Florida
 290 Statutes, is amended to read:

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291 11.47 Penalties; failure to make a proper audit or
 292 examination; making a false report; failure to produce documents
 293 or information.-

294 (3) Any person who willfully fails or refuses to provide
 295 access to an employee, officer, or agent of an entity subject to
 296 an audit or to furnish or produce any book, record, paper,
 297 document, data, or sufficient information necessary to a proper
 298 audit or examination which the Auditor General or the Office of
 299 Program Policy Analysis and Government Accountability is by law
 300 authorized to perform commits ~~shall be guilty of~~ a misdemeanor
 301 of the first degree, punishable as provided in s. 775.082 or s.
 302 775.083.

303 Section 4. Paragraph (d) of subsection (2) of section
 304 28.35, Florida Statutes, is amended to read:

305 28.35 Florida Clerks of Court Operations Corporation.-

306 (2) The duties of the corporation shall include the
 307 following:

308 (d) Developing and certifying a uniform system of workload
 309 measures and applicable workload standards for court-related
 310 functions as developed by the corporation and clerk workload
 311 performance in meeting the workload performance standards. These
 312 workload measures and workload performance standards shall be
 313 designed to facilitate an objective determination of the
 314 performance of each clerk in accordance with minimum standards
 315 for fiscal management, operational efficiency, and effective
 316 collection of fines, fees, service charges, and court costs. The
 317 corporation shall develop the workload measures and workload
 318 performance standards in consultation with the Legislature. When
 319 the corporation finds a clerk has not met the workload

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320 performance standards, the corporation shall identify the nature
 321 of each deficiency and any corrective action recommended and
 322 taken by the affected clerk of the court. For quarterly periods
 323 ending on the last day of March, June, September, and December
 324 of each year, the corporation shall notify the Legislature of
 325 any clerk not meeting workload performance standards and provide
 326 a copy of any corrective action plans. Such notifications must
 327 be submitted no later than 45 days after the end of the
 328 preceding quarterly period. As used in this subsection, the
 329 term:

330 1. "Workload measures" means the measurement of the
 331 activities and frequency of the work required for the clerk to
 332 adequately perform the court-related duties of the office as
 333 defined by the membership of the Florida Clerks of Court
 334 Operations Corporation.

335 2. "Workload performance standards" means the standards
 336 developed to measure the timeliness and effectiveness of the
 337 activities that are accomplished by the clerk in the performance
 338 of the court-related duties of the office as defined by the
 339 membership of the Florida Clerks of Court Operations
 340 Corporation.

341 Section 5. Present subsections (6) and (7) of section
 342 43.16, Florida Statutes, are renumbered as subsections (7) and
 343 (8), respectively, and a new subsection (6) is added to that
 344 section, to read:

345 43.16 Justice Administrative Commission; membership, powers
 346 and duties.-

347 (6) The commission, each state attorney, each public
 348 defender, the criminal conflict and civil regional counsel, the

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349 capital collateral regional counsel, and the Guardian Ad Litem
 350 Program shall establish and maintain internal controls designed
 351 to:

352 (a) Prevent and detect fraud, waste, and abuse as defined
 353 in s. 11.45(1).

354 (b) Promote and encourage compliance with applicable laws,
 355 rules, contracts, grant agreements, and best practices.

356 (c) Support economical and efficient operations.

357 (d) Ensure reliability of financial records and reports.

358 (e) Safeguard assets.

359 Section 6. Paragraph (c) of subsection (3) of section
 360 129.03, Florida Statutes, is amended to read:

361 129.03 Preparation and adoption of budget.—

362 (3) The county budget officer, after tentatively
 363 ascertaining the proposed fiscal policies of the board for the
 364 next fiscal year, shall prepare and present to the board a
 365 tentative budget for the next fiscal year for each of the funds
 366 provided in this chapter, including all estimated receipts,
 367 taxes to be levied, and balances expected to be brought forward
 368 and all estimated expenditures, reserves, and balances to be
 369 carried over at the end of the year.

370 (c) The board shall hold public hearings to adopt tentative
 371 and final budgets pursuant to s. 200.065. The hearings shall be
 372 primarily for the purpose of hearing requests and complaints
 373 from the public regarding the budgets and the proposed tax
 374 levies and for explaining the budget and any proposed or adopted
 375 amendments. The tentative budget must be posted on the county's
 376 official website at least 2 days before the public hearing to
 377 consider such budget and must remain on the website for at least

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378 45 days. The final budget must be posted on the website within
 379 30 days after adoption and must remain on the website for at
 380 least 2 years. The tentative budgets, adopted tentative budgets,
 381 and final budgets shall be filed in the office of the county
 382 auditor as a public record. Sufficient reference in words and
 383 figures to identify the particular transactions ~~must~~ shall be
 384 made in the minutes of the board to record its actions with
 385 reference to the budgets.

386 Section 7. Paragraph (f) of subsection (2) of section
 387 129.06, Florida Statutes, is amended to read:

388 129.06 Execution and amendment of budget.—

389 (2) The board at any time within a fiscal year may amend a
 390 budget for that year, and may within the first 60 days of a
 391 fiscal year amend the budget for the prior fiscal year, as
 392 follows:

393 (f) Unless otherwise prohibited by law, if an amendment to
 394 a budget is required for a purpose not specifically authorized
 395 in paragraphs (a)-(e), the amendment may be authorized by
 396 resolution or ordinance of the board of county commissioners
 397 adopted following a public hearing.

398 1. The public hearing must be advertised at least 2 days,
 399 but not more than 5 days, before the date of the hearing. The
 400 advertisement must appear in a newspaper of paid general
 401 circulation and must identify the name of the taxing authority,
 402 the date, place, and time of the hearing, and the purpose of the
 403 hearing. The advertisement must also identify each budgetary
 404 fund to be amended, the source of the funds, the use of the
 405 funds, and the total amount of each fund's appropriations.

406 2. If the board amends the budget pursuant to this

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407 paragraph, the adopted amendment must be posted on the county's
408 official website within 5 days after adoption and must remain on
409 the website for at least 2 years.

410 Section 8. Subsections (3) and (5) of section 166.241,
411 Florida Statutes, are amended to read:

412 166.241 Fiscal years, budgets, and budget amendments.—

413 (3) The tentative budget must be posted on the
414 municipality's official website at least 2 days before the
415 budget hearing, held pursuant to s. 200.065 or other law, to
416 consider such budget and must remain on the website for at least
417 45 days. The final adopted budget must be posted on the
418 municipality's official website within 30 days after adoption
419 and must remain on the website for at least 2 years. If the

420 municipality does not operate an official website, the
421 municipality must, within a reasonable period of time as
422 established by the county or counties in which the municipality
423 is located, transmit the tentative budget and final budget to
424 the manager or administrator of such county or counties who
425 shall post the budgets on the county's website.

426 (5) If the governing body of a municipality amends the
427 budget pursuant to paragraph (4) (c), the adopted amendment must
428 be posted on the official website of the municipality within 5
429 days after adoption and must remain on the website for at least
430 2 years. If the municipality does not operate an official
431 website, the municipality must, within a reasonable period of
432 time as established by the county or counties in which the
433 municipality is located, transmit the adopted amendment to the
434 manager or administrator of such county or counties who shall
435 post the adopted amendment on the county's website.

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436 Section 9. Section 215.86, Florida Statutes, is amended to
437 read:

438 215.86 Management systems and controls.—Each state agency
439 and the judicial branch as defined in s. 216.011 shall establish
440 and maintain management systems and internal controls designed
441 to:

442 (1) Prevent and detect fraud, waste, and abuse as defined
443 in s. 11.45(1). ~~that~~

444 (2) Promote and encourage compliance with applicable laws,
445 rules, contracts, and grant agreements.†

446 (3) Support economical and ~~economic,~~ efficient, and
447 effective operations.†

448 (4) Ensure reliability of financial records and reports.†

449 (5) Safeguard and ~~safeguarding of~~ assets. Accounting
450 systems and procedures shall be designed to fulfill the
451 requirements of generally accepted accounting principles.

452 Section 10. Paragraph (a) of subsection (2) of section
453 215.97, Florida Statutes, is amended to read:

454 215.97 Florida Single Audit Act.—

455 (2) As used in this section, the term:

456 (a) "Audit threshold" means the threshold amount used to
457 determine when a state single audit or project-specific audit of
458 a nonstate entity shall be conducted in accordance with this
459 section. Each nonstate entity that expends a total amount of
460 state financial assistance equal to or in excess of \$750,000 in
461 any fiscal year of such nonstate entity shall be required to
462 have a state single audit,† or a project-specific audit,† for such
463 fiscal year in accordance with the requirements of this section.
464 ~~Every 2 years the Auditor General,~~ After consulting with the

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465 Executive Office of the Governor, the Department of Financial
 466 Services, and all state awarding agencies, the Auditor General
 467 shall periodically review the threshold amount for requiring
 468 audits under this section and may recommend any appropriate
 469 statutory change to revise the threshold amount in the annual
 470 report submitted to the Legislature pursuant to s. 11.45(7)(h)
 471 ~~adjust such threshold amount consistent with the purposes of~~
 472 ~~this section.~~

473 Section 11. Subsection (11) of section 215.985, Florida
 474 Statutes, is amended to read:

475 215.985 Transparency in government spending.—

476 (11) Each water management district shall provide a monthly
 477 financial statement in the form and manner prescribed by the
 478 Department of Financial Services to the district's ~~its~~ governing
 479 board and make such monthly financial statement available for
 480 public access on its website.

481 Section 12. Subsection (2) of section 218.32, Florida
 482 Statutes, is amended to read:

483 218.32 Annual financial reports; local governmental
 484 entities.—

485 (2) The department shall annually by December 1 file a
 486 verified report with the Governor, the Legislature, the Auditor
 487 General, and the Special District Accountability Program of the
 488 Department of Economic Opportunity showing the revenues, both
 489 locally derived and derived from intergovernmental transfers,
 490 and the expenditures of each local governmental entity, regional
 491 planning council, local government finance commission, and
 492 municipal power corporation that is required to submit an annual
 493 financial report. In preparing the verified report, the

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494 department may request additional information from the local
 495 governmental entity. The information requested must be provided
 496 to the department within 45 days after the request. If the local
 497 governmental entity does not comply with the request, the
 498 department shall notify the Legislative Auditing Committee,
 499 which may take action pursuant to s. 11.40(2). The report must
 500 include, but is not limited to:

501 (a) The total revenues and expenditures of each local
 502 governmental entity that is a component unit included in the
 503 annual financial report of the reporting entity.

504 (b) The amount of outstanding long-term debt by each local
 505 governmental entity. For purposes of this paragraph, the term
 506 "long-term debt" means any agreement or series of agreements to
 507 pay money, which, at inception, contemplate terms of payment
 508 exceeding 1 year in duration.

509 Section 13. Present subsection (3) of section 218.33,
 510 Florida Statutes, is renumbered as subsection (4), and a new
 511 subsection (3) is added to that section, to read:

512 218.33 Local governmental entities; establishment of
 513 uniform fiscal years and accounting practices and procedures.—

514 (3) Each local governmental entity shall establish and
 515 maintain internal controls designed to:

516 (a) Prevent and detect fraud, waste, and abuse as defined
 517 in s. 11.45(1).

518 (b) Promote and encourage compliance with applicable laws,
 519 rules, contracts, grant agreements, and best practices.

520 (c) Support economical and efficient operations.

521 (d) Ensure reliability of financial records and reports.

522 (e) Safeguard assets.

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523 Section 14. Subsection (2) of section 218.391, Florida
524 Statutes, is amended, and subsection (9) is added to that
525 section, to read:

526 218.391 Auditor selection procedures.—

527 (2) The governing body of a ~~charter~~ county, municipality,
528 special district, district school board, charter school, or
529 charter technical career center shall establish an audit
530 committee.

531 (a) The audit committee for a county must ~~Each noncharter~~
532 ~~county shall establish an audit committee that, at a minimum,~~
533 ~~shall consist of each of the county officers elected pursuant to~~
534 ~~the county charter or s. 1(d), Art. VIII of the State~~
535 ~~Constitution, or their respective designees a designee, and one~~
536 ~~member of the board of county commissioners or its designee.~~

537 (b) The audit committee for a municipality, special
538 district, district school board, charter school, or charter
539 technical career center must consist of at least three members.
540 One member of the audit committee must be a member of the
541 governing body of an entity specified in this paragraph, who
542 shall also serve as the chair of the committee.

543 (c) An employee, a chief executive officer, or a chief
544 financial officer of the county, municipality, special district,
545 district school board, charter school, or charter technical
546 career center may not serve as a member of an audit committee
547 established under this subsection.

548 (d) The primary purpose of the audit committee is to assist
549 the governing body in selecting an auditor to conduct the annual
550 financial audit required in s. 218.39; however, the audit
551 committee may serve other audit oversight purposes as determined

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552 by the entity's governing body. The public may ~~shall~~ not be
553 excluded from the proceedings under this section.

554 (9) (a) If the entity fails to select the auditor in
555 accordance with the requirements of subsections (3)-(6), the
556 entity must again perform the auditor selection process in
557 accordance with this section to select an auditor to conduct
558 audits for subsequent fiscal years if the original audit was
559 performed under a multiyear contract.

560 (b) If performing the auditor selection process again in
561 accordance with this section would preclude the entity from
562 timely completing the annual financial audit required by s.
563 218.39, the entity must again perform the auditor selection
564 process in accordance with this section for the subsequent
565 annual financial audit. A multiyear contract entered into
566 between an entity and an auditor after July 1, 2019, may not
567 prohibit or restrict an entity from complying with the section.

568 Section 15. Paragraph (e) of subsection (4), paragraph (d)
569 of subsection (5), and paragraph (d) of subsection (6) of
570 section 373.536, Florida Statutes, are amended to read:

571 373.536 District budget and hearing thereon.—

572 (4) BUDGET CONTROLS; FINANCIAL INFORMATION.—

573 ~~(e) By September 1, 2012,~~ Each district shall provide a
574 monthly financial statement in the form and manner prescribed by
575 the Department of Financial Services to the district's governing
576 board and make such monthly financial statement available for
577 public access on its website.

578 (5) TENTATIVE BUDGET CONTENTS AND SUBMISSION; REVIEW AND
579 APPROVAL.—

580 (d) Each district shall, by August 1 of each year, submit

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581 for review a tentative budget and a description of any
 582 significant changes from the preliminary budget submitted to the
 583 Legislature pursuant to s. 373.535 to the Governor, the
 584 President of the Senate, the Speaker of the House of
 585 Representatives, the chairs of all legislative committees and
 586 subcommittees having substantive or fiscal jurisdiction over
 587 water management districts, as determined by the President of
 588 the Senate or the Speaker of the House of Representatives, as
 589 applicable, the secretary of the department, and the governing
 590 body of each county in which the district has jurisdiction or
 591 derives any funds for the operations of the district. The
 592 tentative budget must be posted on the district's official
 593 website at least 2 days before budget hearings held pursuant to
 594 s. 200.065 or other law and must remain on the website for at
 595 least 45 days.

596 (6) FINAL BUDGET; ANNUAL AUDIT; CAPITAL IMPROVEMENTS PLAN;
 597 WATER RESOURCE DEVELOPMENT WORK PROGRAM.—

598 (d) The final adopted budget must be posted on the water
 599 management district's official website within 30 days after
 600 adoption and must remain on the website for at least 2 years.

601 Section 16. Paragraph (1) of subsection (12) of section
 602 1001.42, Florida Statutes, is amended to read:

603 1001.42 Powers and duties of district school board.—The
 604 district school board, acting as a board, shall exercise all
 605 powers and perform all duties listed below:

606 (12) FINANCE.—Take steps to assure students adequate
 607 educational facilities through the financial procedure
 608 authorized in chapters 1010 and 1011 and as prescribed below:

609 (1) *Internal auditor.*—May employ an internal auditor to

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610 perform ongoing financial verification of the financial records
 611 of the school district and such other audits and reviews as the
 612 district school board directs for the purpose of determining:
 613 1. The adequacy of internal controls designed to prevent
 614 and detect fraud, waste, and abuse as defined in s. 11.45(1).
 615 2. Compliance with applicable laws, rules, contracts, grant
 616 agreements, district school board-approved policies, and best
 617 practices.
 618 3. The efficiency of operations.
 619 4. The reliability of financial records and reports.
 620 5. The safeguarding of assets.

621
 622 The internal auditor shall report directly to the district
 623 school board or its designee.

624 Section 17. Paragraph (j) of subsection (9) of section
 625 1002.33, Florida Statutes, is amended to read:

626 1002.33 Charter schools.—

627 (9) CHARTER SCHOOL REQUIREMENTS.—

628 (j) The governing body of the charter school shall be
 629 responsible for:

630 1. Establishing and maintaining internal controls designed
 631 to:
 632 a. Prevent and detect fraud, waste, and abuse as defined in
 633 s. 11.45(1).
 634 b. Promote and encourage compliance with applicable laws,
 635 rules, contracts, grant agreements, and best practices.
 636 c. Support economical and efficient operations.
 637 d. Ensure reliability of financial records and reports.
 638 e. Safeguard assets.

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639 ~~2.1-~~ Ensuring that the charter school has retained the
 640 services of a certified public accountant or auditor for the
 641 annual financial audit, pursuant to s. 1002.345(2), who shall
 642 submit the report to the governing body.

643 ~~3.2-~~ Reviewing and approving the audit report, including
 644 audit findings and recommendations for the financial recovery
 645 plan.

646 ~~4.a.3-a-~~ Performing the duties in s. 1002.345, including
 647 monitoring a corrective action plan.

648 b. Monitoring a financial recovery plan in order to ensure
 649 compliance.

650 ~~5.4-~~ Participating in governance training approved by the
 651 department which must include government in the sunshine,
 652 conflicts of interest, ethics, and financial responsibility.

653 Section 18. Present subsections (6) through (10) of section
 654 1002.37, Florida Statutes, are renumbered as subsections (7)
 655 through (11), respectively, present subsection (6) is amended,
 656 and a new subsection (6) is added to that section, to read:

657 1002.37 The Florida Virtual School.-

658 (6) The Florida Virtual School shall have an annual
 659 financial audit of its accounts and records conducted by an
 660 independent auditor who is a certified public accountant
 661 licensed under chapter 473. The independent auditor shall
 662 conduct the audit in accordance with rules adopted by the
 663 Auditor General pursuant to s. 11.45 and, upon completion of the
 664 audit, shall prepare an audit report in accordance with such
 665 rules. The audit report must include a written statement by the
 666 board of trustees describing corrective action to be taken in
 667 response to each of the independent auditor's recommendations

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668 included in the audit report. The independent auditor shall
 669 submit the audit report to the board of trustees and the Auditor
 670 General no later than 9 months after the end of the preceding
 671 fiscal year.

672 ~~(7)-(6)~~ The board of trustees shall annually submit to the
 673 Governor, the Legislature, the Commissioner of Education, and
 674 the State Board of Education the audit report prepared pursuant
 675 to subsection (6) and a complete and detailed report setting
 676 forth:

677 (a) The operations and accomplishments of the Florida
 678 Virtual School within the state and those occurring outside the
 679 state as Florida Virtual School Global.

680 (b) The marketing and operational plan for the Florida
 681 Virtual School and Florida Virtual School Global, including
 682 recommendations regarding methods for improving the delivery of
 683 education through the Internet and other distance learning
 684 technology.

685 (c) The assets and liabilities of the Florida Virtual
 686 School and Florida Virtual School Global at the end of the
 687 fiscal year.

688 ~~(d) A copy of an annual financial audit of the accounts and~~
 689 ~~records of the Florida Virtual School and Florida Virtual School~~
 690 ~~Global, conducted by an independent certified public accountant~~
 691 ~~and performed in accordance with rules adopted by the Auditor~~
 692 ~~General.~~

693 ~~(d)-(e)~~ Recommendations regarding the unit cost of providing
 694 services to students through the Florida Virtual School and
 695 Florida Virtual School Global. In order to most effectively
 696 develop public policy regarding any future funding of the

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697 Florida Virtual School, it is imperative that the cost of the
698 program is accurately identified. The identified cost of the
699 program must be based on reliable data.

700 ~~(e)-(f)~~ Recommendations regarding an accountability
701 mechanism to assess the effectiveness of the services provided
702 by the Florida Virtual School and Florida Virtual School Global.

703 Section 19. Subsection (5) is added to section 1010.01,
704 Florida Statutes, to read:

705 1010.01 Uniform records and accounts.—

706 (5) Each school district, Florida College System
707 institution, and state university shall establish and maintain
708 internal controls designed to:

709 (a) Prevent and detect fraud, waste, and abuse as defined
710 in s. 11.45(1).

711 (b) Promote and encourage compliance with applicable laws,
712 rules, contracts, grant agreements, and best practices.

713 (c) Support economical and efficient operations.

714 (d) Ensure reliability of financial records and reports.

715 (e) Safeguard assets.

716 Section 20. Section 1012.8551, Florida Statutes, is created
717 to read:

718 1012.8551 Employee background screening and investigations
719 for Florida College System personnel.—Section 110.1127 applies
720 to each institution in the Florida College System. Each
721 institution must designate the positions subject to background
722 screening and investigation pursuant to that section.

723 Section 21. Section 1012.915, Florida Statutes, is created
724 to read:

725 1012.915 Employee background screening and investigations

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726 for State University System personnel.—Section 110.1127 applies
727 to each institution in the State University System. Each
728 institution must designate the positions subject to background
729 screening and investigation pursuant to that section.

730 Section 22. Subsection (3) of section 218.503, Florida
731 Statutes, is amended to read:

732 218.503 Determination of financial emergency.—

733 (3) Upon notification that one or more of the conditions in
734 subsection (1) have occurred or will occur if action is not
735 taken to assist the local governmental entity or district school
736 board, the Governor or his or her designee shall contact the
737 local governmental entity or the Commissioner of Education or
738 his or her designee shall contact the district school board, as
739 appropriate, to determine what actions have been taken by the
740 local governmental entity or the district school board to
741 resolve or prevent the condition. The information requested must
742 be provided within 45 days after the date of the request. If the
743 local governmental entity or the district school board does not
744 comply with the request, the Governor or his or her designee or
745 the Commissioner of Education or his or her designee shall
746 notify ~~the members of~~ the Legislative Auditing Committee, which
747 ~~he~~ may take action pursuant to s. 11.40(2) ~~11.40~~. The Governor
748 or the Commissioner of Education, as appropriate, shall
749 determine whether the local governmental entity or the district
750 school board needs state assistance to resolve or prevent the
751 condition. If state assistance is needed, the local governmental
752 entity or district school board is considered to be in a state
753 of financial emergency. The Governor or the Commissioner of
754 Education, as appropriate, has the authority to implement

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755 measures as set forth in ss. 218.50-218.504 to assist the local
756 governmental entity or district school board in resolving the
757 financial emergency. Such measures may include, but are not
758 limited to:

759 (a) Requiring approval of the local governmental entity's
760 budget by the Governor or approval of the district school
761 board's budget by the Commissioner of Education.

762 (b) Authorizing a state loan to a local governmental entity
763 and providing for repayment of same.

764 (c) Prohibiting a local governmental entity or district
765 school board from issuing bonds, notes, certificates of
766 indebtedness, or any other form of debt until such time as it is
767 no longer subject to this section.

768 (d) Making such inspections and reviews of records,
769 information, reports, and assets of the local governmental
770 entity or district school board as are needed. The appropriate
771 local officials shall cooperate in such inspections and reviews.

772 (e) Consulting with officials and auditors of the local
773 governmental entity or the district school board and the
774 appropriate state officials regarding any steps necessary to
775 bring the books of account, accounting systems, financial
776 procedures, and reports into compliance with state requirements.

777 (f) Providing technical assistance to the local
778 governmental entity or the district school board.

779 (g)1. Establishing a financial emergency board to oversee
780 the activities of the local governmental entity or the district
781 school board. If a financial emergency board is established for
782 a local governmental entity, the Governor shall appoint board
783 members and select a chair. If a financial emergency board is

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784 established for a district school board, the State Board of
785 Education shall appoint board members and select a chair. The
786 financial emergency board shall adopt such rules as are
787 necessary for conducting board business. The board may:

788 a. Make such reviews of records, reports, and assets of the
789 local governmental entity or the district school board as are
790 needed.

791 b. Consult with officials and auditors of the local
792 governmental entity or the district school board and the
793 appropriate state officials regarding any steps necessary to
794 bring the books of account, accounting systems, financial
795 procedures, and reports of the local governmental entity or the
796 district school board into compliance with state requirements.

797 c. Review the operations, management, efficiency,
798 productivity, and financing of functions and operations of the
799 local governmental entity or the district school board.

800 d. Consult with other governmental entities for the
801 consolidation of all administrative direction and support
802 services, including, but not limited to, services for asset
803 sales, economic and community development, building inspections,
804 parks and recreation, facilities management, engineering and
805 construction, insurance coverage, risk management, planning and
806 zoning, information systems, fleet management, and purchasing.

807 2. The recommendations and reports made by the financial
808 emergency board must be submitted to the Governor for local
809 governmental entities or to the Commissioner of Education and
810 the State Board of Education for district school boards for
811 appropriate action.

812 (h) Requiring and approving a plan, to be prepared by

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813 officials of the local governmental entity or the district
814 school board in consultation with the appropriate state
815 officials, prescribing actions that will cause the local
816 governmental entity or district school board to no longer be
817 subject to this section. The plan must include, but need not be
818 limited to:

819 1. Provision for payment in full of obligations outlined in
820 subsection (1), designated as priority items, which are
821 currently due or will come due.

822 2. Establishment of priority budgeting or zero-based
823 budgeting in order to eliminate items that are not affordable.

824 3. The prohibition of a level of operations which can be
825 sustained only with nonrecurring revenues.

826 4. Provisions implementing the consolidation, sourcing, or
827 discontinuance of all administrative direction and support
828 services, including, but not limited to, services for asset
829 sales, economic and community development, building inspections,
830 parks and recreation, facilities management, engineering and
831 construction, insurance coverage, risk management, planning and
832 zoning, information systems, fleet management, and purchasing.

833 Section 23. The Legislature finds that a proper and
834 legitimate state purpose is served when internal controls are
835 established to prevent and detect fraud, waste, and abuse and to
836 safeguard and account for government funds and property.
837 Therefore, the Legislature determines and declares that this act
838 fulfills an important state interest.

839 Section 24. This act shall take effect July 1, 2019.

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

2/5/19

Meeting Date

SPB 7014

Bill Number (if applicable)

Topic Government Accountability

Amendment Barcode (if applicable)

Name Sherrill Norman

Job Title Auditor General

Address 111 W. Madison St. Street

Phone 412-2722

Tallahassee FL 32399-1450 City State Zip

Email sherrillnorman@aud.state.fl.us

Speaking: For Against Information

Waive Speaking: In Support Against (The Chair will read this information into the record.)

Representing Auditor General

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

THE FLORIDA SENATE APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

2-5-17
Meeting Date

SPB 7014
Bill Number (if applicable)

Topic Government Accountability

Amendment Barcode (if applicable)

Name Justin Thomas

Job Title Governmental Affairs Director

Address _____
Street

Phone 850-528-2209

City _____ State _____ Zip _____

Email justin@firpa.org

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing FICPA

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

CourtSmart Tag Report

Room: SB 301
Caption: Governmental Oversight and Accountability Committee

Case No.:

Type:
Judge:

Started: 2/5/2019 10:00:08 AM

Ends: 2/5/2019 10:19:28 AM

Length: 00:19:21

10:00:07 AM Meeting called to order
10:00:15 AM Roll call - Quorum is present
10:00:31 AM Chair
10:00:47 AM Instructions to members and visitors
10:00:53 AM Introduction of new staff attorney, Virginia Ponder
10:00:54 AM Chair Hooper turns Chair over to Vice Chair. Rader
10:01:09 AM Tab 1 - SPB 7016 by Senator Hooper - State-administered Retirement Systems
10:02:20 AM Chair - Amendments? None
10:02:24 AM Questions? None
10:02:26 AM Appearance Cards? None
10:02:33 AM Debate? None
10:02:40 AM Senator Hooper waives close on bill
10:02:46 AM Senator Hooper moves that SPB 7016 be submitted as a Committee Bill
10:02:48 AM Objections? None
10:02:50 AM Roll Call on SPB 7016 - Favorable as Committee Bill
10:03:12 AM Tab 2 - SPB 7014 by Governmental Oversight and Accountability Committee - Government
Accountability, presented by Senator Hooper
10:05:20 AM Chair -
10:06:21 AM Senator Hooper to explain Amendment 742724
10:06:57 AM Chair - Questions? None
10:07:23 AM Appearance Forms? None
10:07:26 AM Debate? None
10:07:28 AM Objections? None
10:07:32 AM Amendment 742724 is adopted
10:07:39 AM Back on SPB 7014
10:07:45 AM Questions?
10:07:48 AM Senator Torres
10:08:06 AM Senator Hooper
10:08:49 AM Chair - Questions? None
10:08:57 AM Appearance Forms?
10:09:14 AM Sherrill Norman, Auditor General for State of Florida
10:09:54 AM Justin Thames, Gov. Affairs Director, FICPA
10:14:01 AM Questions? None
10:15:00 AM Senator Hooper
10:15:24 AM Senator Rader
10:15:56 AM Appearance Forms? None
10:16:00 AM Debate? None
10:16:06 AM Senator Hooper moves that SPB 7014 be submitted as a Committee Bill
10:16:08 AM Objections? None
10:16:21 AM Roll Call on SPB 7014 - Favorably reported as Committee Bill 7014
10:16:32 AM Senator Hooper is in the chair
10:16:46 AM Any other business?
10:16:50 AM Senator Bean is recognized for a motion
10:17:10 AM Senator Bean wishes to be recorded as voting Yea on SPB 7016
10:17:28 AM Any Objections? None
10:17:46 AM Chair
10:18:14 AM Any business to come before this committee? None
10:18:28 AM Chair Hooper makes comments
10:18:43 AM Motion by Vice Chair Rader to adjourn
10:19:23 AM Without objections the meeting is adjourned.