



The Florida Senate

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Committee on Community Affairs

TRANSPARENCY IN LOCAL GOVERNMENT REVENUES AND EXPENDITURES

SUMMARY

The Federal Funding Accountability and Transparency Act of 2006 is at the forefront of the effort to require accountability in government spending. At the national level the federal government's accountability website, FederalSpending.org is scheduled to be online and available to the public on January 1, 2008. This website will provide for accountability in federal spending by allowing the general public to electronically track federal financial assistance and expenditure awards of \$25,000 or more.

Several states are following the federal government's lead and have passed legislation implementing "transparency in government" provisions. At a minimum, these states require that all contract and grant award information be posted on a centralized Internet website which must be available to the public at no cost. The goal of the transparency measures is to provide for increased accountability in government by allowing the public to have electronic access to expenditure information.

In Florida, "transparency in government" efforts have been mostly directed toward local governments. Some transparency is currently provided through the Local Government Annual Financial Reporting website of the Department of Financial Services, and most local governments in Florida maintain websites that can be searched for budget information, annual financial reporting information, and contract bids and awards information. However, a more centralized approach to local government accountability by requiring that detailed expenditure information be made available to the general public via the Internet may be beneficial in transforming public access to local government practices and in increasing citizen participation in government.

BACKGROUND

Florida

During the 2007 Regular Session, members of the Florida Senate filed three specific bills relating to transparency in state and local government. The bills provided for the public to have open access to information relating to state and local governments' revenues and expenditures, including information on contracts and grants.

Transparency in local government - Senate Bill 1564 by Senator Lynn required that by the end of the fiscal year, each local government entity, county or municipal office, and taxing authority in the state prepare a line-item detailed report identifying revenue sources and amounts, and expenditure categories and amounts. The detailed report was to be made available to residents under the jurisdiction of the reporting entity with notice to be provided by mail or through newspaper advertisement, or by posting or disclosing the information on an Internet website.

Senate Bill 1902 by Senator Baker, the "Truth in Government Spending Act," required each local government to create and update annually a document designed to inform the local government's residents about its spending during the previous year. The document was required to contain specific data related to impact fees, surcharges, user fees, or other similar fees imposed by a local government in the prior year in comparison to the current year, and identify the amount by which any fee was an increase or decrease over the prior year. Local governments were required to provide the document to residents by mail, electronic mail, public distribution, or by posting the document on an Internet website.

Although none of the filed bills were enacted into law, the Florida Senate passed legislation which required, in part, that local governments electronically post all revenues and expenditures on the local government's website if one is available, or if not, on the county

government's website. The reporting requirements were to take effect in 2009 and were phased in over a 3-year period, beginning with larger local governments. All information was to be posted within three months after the end of the local government fiscal year on a website accessible without charge to any individual with Internet access using standard web-browsing software. Also, local governments were required to prepare a summary report of all revenue and expenditures which was to be made available to residents by mail, through a newspaper advertisement, or in an electronic format posted on the website.

To provide transparency in local government budgeting, each local government was required to electronically post its anticipated revenues, proposed budget, and tentative millage rate not later than the date the "Truth in Millage" notice of proposed property taxes and non-ad valorem assessments was mailed. Within 10 days after the adoption of the budget, the local government was required to electronically post its adopted budget and millage rate. Each county website was required to link to the websites of the local governments within that county's jurisdiction.

Finally, local governments were required to electronically post all contracts that are public records on each local government's official website, if available, or otherwise on the county government's official website. Contract information was to be posted beginning in November, 2007 on a phased-in schedule with all reporting entities to be phased over a 2-year period. An exemption from the posting requirements was provided for school district employment contracts.

Transparency in state government - Senate Bill 2516 by Senator Storms required the Department of State to create and manage a free, searchable website to inform the public about contract expenditures of \$5,000 or more made by state and local governmental entities after July 1, 2007, and identify the governmental entity, the person receiving payment, and the date, purpose and amount of the payment. The website was also required to provide access to an electronic copy of each contract.

Florida's Financial Management Information System¹

Florida's 25-year old financial management information system contains the following subsystems:

- Planning and Budgeting Subsystem,
- Florida Accounting Information Resource System (FLAIR),
- Cash Management Subsystem,
- Purchasing Subsystem (MyFloridaMarketPlace), and
- Personnel Information Subsystem (PeopleFirst).

Each of the subsystems has a functional owner and each functional owner is prohibited from establishing or maintaining a subsystem that duplicates any of the others. The Executive Office of the Governor is the functional owner of the Planning and Budgeting Subsystem (known as LAS/PBS²) with responsibility for the development and preparation of agency and judicial branch budget requests. The Department of Financial Services (department) is the functional owner of the FLAIR subsystem³ which is responsible for accounting and reporting. The Chief Financial Officer (CFO), also the head of the department, is the functional owner of the Cash Management Subsystem which includes recording and reconciling credits and debits to the state treasury. The Department of Management Services is the functional owner of SPURS⁴ and MyFloridaMarketPlace and is responsible for the procurement of services and commodities for departments, boards, and commissions of the executive branch, excluding the university and college boards of trustees or the state universities and colleges. In April 2006, the Legislature's Office of Program Policy Analysis & Government Accountability (OPPAGA) reported that less than 25 percent of state purchases are recorded in the MyFloridaMarketPlace system.⁵ OPPAGA noted that some agencies have their own purchasing systems and that not all non-construction related goods and services are recorded in MyFloridaMarketPlace, only those made with a purchase card. Further, agency-specific two-party contracts are not recorded. The Department of Management Services also is the functional owner of PeopleFirst with responsibility over maintaining employee and position data.

² Legislative Appropriations System/Planning and Budgeting Subsystem

³ The FLAIR subsystem would have been replaced under "Project Aspire" which was suspended by the CFO in May 2007 due to a "lack of clear strategy to make the project a success."

⁴ State Purchasing System

⁵ See published Report No. 06-35, entitled "Steps Have Been Taken to Enhance State Acquisition Management, But Further Improvement Is Needed."

¹ Established in s. 215.91, F.S., and governed by the Financial Management Information Board, created in s. 215.95, F.S., as part of the Administration Commission.

Florida's Local Government Financial Reporting Requirements

Annual Financial Reports - Section 218.32, F.S., requires each local government determined to be a reporting entity under generally accepted accounting principles, to submit a copy of its annual financial report for the previous fiscal year to the Department of Financial Services. The report must include a list of each local governmental entity included in the report and each local government entity that failed to provide the required financial information. The county annual financial report must be a single document that covers each county agency.

The annual financial audit report required in s. 218.39, F.S., and the annual financial report must be submitted to the department within 45 days of completion of the audit report but not later than 12 months after the end of the local government fiscal year. Annual financial reports for local reporting entities not required to submit an annual financial audit report must be submitted to the department no later than April 30 of each year. The department, in consultation with the Auditor General, is responsible for developing the format for annual financial reports.

The purpose of the reporting system is to provide timely, accurate, uniform and cost-effective accumulation of financial information to be used by members of the Legislature and others to enhance citizen participation in local government, provide essential government services in an efficient and effective manner, and improve the financial condition of local government.

Local governments have up to one year from the end of each fiscal year to submit annual financial reports and annual audited financial reports to the department, but a staff survey of local government websites indicates that many local governments have their annual financial reports electronically posted much sooner than the information is available from the department's website. While the department's data is posted through fiscal year 2005, Alachua County has its audited 2005-2006 comprehensive annual financial report and its 2005-2006 Citizen's Financial Report posted on the Alachua County Clerk's website. In April 2007, the City of Gainesville posted its comprehensive annual financial report for fiscal year 2005-2006 on its general website. In Orange County, both the comprehensive annual financial report and the citizen's annual financial report for fiscal year 2005-2006 are posted on the Orange County Comptroller's website. In Charlotte County, the comprehensive annual financial report for

2005-2006 is posted on the Clerk of the Circuit Court's website, but no citizen's annual financial report is posted. In Madison County, no financial information is available on the county's website.

Annual Financial Audits - Section 218.39, provides that each city with revenues or expenditures of more than \$250,000, each special district with revenues or expenditures of more than \$100,000, all district school boards, all counties, and other specified entities must have an independent certified public accountant complete an annual financial audit of its accounts and records within 12 months after the end of the fiscal year.

Department of Financial Services - Section 218.33, F.S., provides that the local government fiscal year runs from October 1 through September 30, and directs that the Department of Financial Services establish by rule uniform accounting practices and procedures, including a uniform classification of accounts, to be used by local government entities when submitting annual financial reports. The department's "Uniform Accounting System Manual" was updated in 2005 and contains fund classification categories, balance sheet account codes, revenue account codes, expenditure/expense account codes, and object classification codes.

The Department of Financial Services does provide for the electronic filing of local government annual financial reports, and summarized as well as detailed revenue and expenditure reports are available through the department's website.⁶ This database is accessible to the public and information is available by county, by city, by special district, and by category.

Minnesota

Transparency in local government – The Minnesota State Auditor's Office maintains a searchable database website containing financial information on counties, cities, school districts, townships and special districts. The website allows the user to select the county or city, the year for which the user wants to see financial information, as well as the revenue and expense category. Information on school districts, townships, and special districts is less explicit but the user can still see net revenues and expenditures thru 2005.

Also, local governments are allowed to submit mandate reform proposals to the State Auditor. In 2006, the Scott County Association on Leadership and Efficiency submitted a measure that would allow counties to

⁶www.fldfs.com/localgov/Downloads.html

publish their annual budget summaries and financial statements on their websites rather than in the official newspaper. The measure was not considered in the 2007-2008 legislative session.

Transparency in state government - The 2007-2008 Minnesota Legislature enacted Chapter 148, an act relating to governmental operations, which provides in part for the creation of a website with a searchable database on state contracts and grants. The legislation requires that by January 1, 2008, the Commissioner of Administration maintain a database for state contracts in excess of \$25,000. Contract information such as the name and address of the receiving entity, the name of the agency entering into the contract, the purpose of the contract, and the amount and source of contract funds must be posted within 30 days of the date the contract is entered into. Contract information must be maintained in the database for a period of 10 years.

Texas

Transparency in state government - The Texas Legislature enacted HB 3430 which requires the State Comptroller to establish and post on the Internet a database of state expenditures, including contracts and grants. The general public must be able to electronically search the database but confidential information exempted under state law is protected. The database, which must be established by October 1, 2007, must include the amount, date, payer and payee of expenditures, and a listing of state expenditures by category with a link to the warranty or check register level. The Department of Information Resources must provide a link to the database on the public home page of the TexasOnline Project,⁷ and each state agency that maintains a generally accessible website must provide a link to the database on the agency site. In addition, HB 3430 directs the Legislative Budget Board⁸ to electronically post on the Internet each major contract⁹ of a state agency and each request for proposal or invitation to bid.

The Texas Comptroller is developing a website that will allow online users to view net expenditures for

⁷ See <http://www.texasonline.com>

⁸ The Legislative Budget Board is a permanent joint committee of the Texas Legislature and is responsible for developing budget and policy recommendations for legislative appropriations for all agencies of state government.

⁹ Includes amendments, modifications, renewals, or extensions and applies to contracts with a value of more than \$50,000. (see s. 322.020, Government Code, Texas Statutes, as designated by the 2007 Regular Session)

state government. Expense categories are divided into Intergovernmental Payments, Salaries and Wages, Highway Construction and Maintenance, Employee Benefits, Professional Services and Fees, Debt Service, Goods, Miscellaneous, and Public Assistance.

Missouri

Transparency in state government – In July 2007, Governor Matt Blunt issued Executive Order 07-24 directing the Missouri Commissioner of Administration to establish the Missouri Accountability Portal as a free, Internet-based searchable database of financial transactions relating to the purchase of goods and services, and the distribution of funds for state programs. The Division of Purchasing and Management in the Missouri Office of Administration maintains its own website of current state contracts. Using a website developed by one of the state's contract technology providers, the Division of Information Technology Services was able to take the codes from the state's centralized financial system and link them to the codes in the purchasing database to create an on-line contract link for the general public.

The site can be accessed and searched by category, by vendor receiving payment, and by contract, and the drill-down features on the site allow access to payment details.¹⁰ Information on the site is updated daily at the close of business and except for routine maintenance, the site is available 24 hours a day, 7 days a week.

By October 1, a similar accountability site is expected to be online to provide access to information on economic development tax credits. The tax credit database will be searchable by tax credit program and by legislative district, and will include the name of the company receiving the tax credits and the project for which the tax credits will be used. Other future enhancements include the development of a database which will clarify which state agency has made a purchase and information relating to state employee payroll and benefits.

Federal Government

Federal Funding Accountability and Transparency Act of 2006 - The "Federal Funding Accountability and Transparency Act of 2006"¹¹ provides that not later than January 1, 2008, the Office of Management and Budget¹² (OMB) must provide for the existence and

¹⁰ <http://mapyourtaxes.mo.gov/map/>

¹¹ Public law 109-282, enacted by the 109th Congress of the United States of America

¹² The Office of Management and Budget serves the

operation of a single, searchable, free website, that provides access to information on each federal financial assistance and expenditure awards of \$25,000 or more. The website must allow the general public to search and categorize grants, subgrants, loan, awards, cooperative agreements, contracts, subcontracts, purchase orders, task orders, and delivery orders by the name and location of the entity receiving payment, the amount of payment, the transaction type and funding agency, the North American Industry Classification System¹³ code or Catalog of Federal Domestic Assistance¹⁴ number, and the primary location of performance under the award along with a unique identifier of the entity receiving the award. The database information is expected to be updated within 30 days of the grant or award. Assuming adequate appropriations are provided, the Congressional Budget Office¹⁵ estimated the cost of development and implementation at \$4 million for 2007 and about \$15 million for the 2007-2011 fiscal years.

Under the timeline developed by OMB, the target date for a full launch of the federal website (FederalSpending.gov) is January 1, 2008

Available data on Federal Expenditures - The U.S. Census Bureau administers the Federal Assistance Award Data System (FAAD) which provides standardized data records on all types of financial assistance awards made by the federal government during each quarter of the federal fiscal year. FAAD uses the Catalog of Federal Domestic Assistance program code to identify the type and amount of financial assistance, the type and location of the recipient of the award, the location of performance, and

the federal agency making each award.¹⁶ In the analysis for SB 2590, the Committee on Homeland Security and Governmental Affairs (committee) for the U.S. Senate noted limitations with the FAAD system:

- Each quarterly report is independent of the previous report and provides total awards only for that reporting period.
- FAAD is not a database and is not searchable.
- Information is tracked only to the initial recipient (i.e. the state receiving the award) and not any subsequent recipients.
- Information is only updated quarterly and is dated by time of release.

The U.S. General Services Administration, the federal government's acquisition agency, administers the Federal Procurement Data System – Next Generation (FPDS-NG), which offers free public access to information relating to federal contracting. Users must register before gaining access to information on more than 12 million contract actions across the federal government system. In the analysis for SB 2590, the committee noted that “the database is undependable, often providing data that is unusable or unreliable” and “not every agency is required to report to FPDS.”

METHODOLOGY

Committee staff met with representatives from the Florida Association of Counties, the Florida League of Cities, the Florida Auditor General's office, the Florida Government Finance Officers Association, the Department of Financial Services, and professional staff of the Legislative Committee on Intergovernmental Relations and the Senate Governmental Operations Committee, to discuss local government financial reporting requirements, the state's local government PDF¹⁷ reports database downloads, and the transparency provisions contained in legislation considered by the Florida Senate during the 2007 Regular Session.

Further, staff conducted research on transparency initiatives in other states as well as on the federal level, and talked with staff of the Minnesota Auditor General's Office and the Missouri Office of Administration.

Executive Office of the President of the United States in overseeing preparation of and administering the federal budget.

¹³ The North American Industry Classification System is the standard used by federal statistical agencies in classifying places of business for the collection of statistical data related to the business economy of the United States, and was developed in cooperation with the governments of Mexico and Canada to create a standard allowing for comparisons among the three countries.

¹⁴ The Catalog of Federal Domestic Assistance is a catalog of all federal programs, projects, services and activities, including financial and non-financial assistance programs administered by federal agencies, that provide benefits to the general public.

¹⁵ The Congressional Budget Office provides analyses on budget and economic issues to members of the United States Congress.

¹⁶ <http://www.census.gov/govs/www/faads/html>

¹⁷ Portable Document Format

FINDINGS

Local government transparency

At the local government level, some transparency in government already exists through public notices, advertisements, mailings and public budget meetings. In addition, many local governments have annual financial reports, budget information, and some contract/bid award information posted on assorted websites.

OrangeCountyFL.net is the county government home page website for Orange County, Florida. Although the home page does not contain a link to budget or annual financial reporting information, a search of the site indicates the following:

- The 2008 proposed budget and adopted budgets from previous years can be found online in the Office of Management and Budget.
- Annual financial reports and supplemental annual financial reports prepared after the state-required annual audit are located online through the Orange County Comptroller's office.
- The Orange County homepage contains a link to the "Contract Information Center" maintained by the Purchasing and Contracts Division where information on recently awarded contracts is available. All bid awards provide the bid number, the title of the service being bid, the vendor's name, and the award date. However, not all of the listed awards show the contract amount.

The Miami-Dade County website¹⁸ does not contain a link on its home page to budget information, annual financial reports, or contract information. A search of the website leads to the Office of Strategic Business Management where the 2008 proposed budget and the adopted budgets from previous years can be located. Information on annual financial reports can be located on the Miami-Dade County Finance Department website. The Department of Procurement Management website contains information related to bids and contracts with links to active county contracts and contract award sheets.

The official website of the City of Jacksonville/Duval County is coj.net, and the home page does not contain a link to budget, annual financial reports, or contract information. The Department of Procurement maintains a Contractual/Supplies Award website, a Capital Improvement Awards website, a Proposed Sole Source Awards website, and a Professional Services Awards

website that all provide information on contracts, bids, and vendors, but the sites do not provide access to the actual contracts. The Budget Office in the Office of Administration and Finance provides electronic access to the budget in brief, and annual financial reports are electronically available through the Accounting Office website.

The City of Ocala's website,¹⁹ does not contain a link to budget, annual financial reports, or contract information. However, the Finance Department website contains links to the annual financial reports and the city's adopted budget although no information on the 2008 proposed budget is available. The Purchasing Department website posts information on contract and bid solicitations but no information on awards, and the user is not able to view the contract.

The home page for the City of Melbourne²⁰ contains a quick link to the city's annual financial reports. The website for the Purchasing Division of the Financial Services Department has a link to a list of all current city contracts but the list does not indicate the contract amount or the vendors name.

None of the websites reviewed by staff contained one link to the budget, annual financial report, and contract information on the home page. Also, none of the websites have the ability for a user to compare a budget adopted prior to the beginning of the local government's fiscal year with the actual expenditures in the annual financial report released after the close of the fiscal year. Some of the websites have access to contract information and some have access to the actual contracts.

Representatives of local government expressed several concerns regarding the posting of contracts on the Internet. They include the cost of developing the website, the workload related to posting all contracts, the legal implications of what constitutes a contract, and potential increases in public records requests from vendors for all information relating to contracts, all of which could lead to increased costs in contract negotiations. Also, local governments will incur the cost of developing and implementing the contract posting system but users will access it for free.

State Transparency

Research related to transparency in government is more specific to state efforts modeled after the federal

¹⁸ <http://miamidade.gov/wps/portal>

¹⁹ <http://www.ocalafl.org/>

²⁰ <http://www.melbourneflorida.org/>

legislation discussed above. Several states have passed transparency legislation and some states already have websites available.

In Texas, the State Comptroller is the chief financial officer in charge of tax collections, accounting, revenue estimates and the state treasury with authority over state finances. The State Comptroller's website contains a link entitled "Where the Money Goes."²¹ One click takes the user to the state expenditure page with access to expenditures for all state agencies or access to procurement data in greater detail. Also, Governor Perry has expenditure reports for his office posted on the Internet.²²

In Missouri, the Missouri Accountability Portal is maintained by the state's Office of Administration which is responsible for the central management functions of state government including accounting, budget and planning, facilities management, information technology services, personnel, and purchasing and materials management. This centralized system was essential to the development of the Missouri Accountability Portal.

Florida's antiquated financial management system may make the development of a state accountability portal difficult. The Department of Management Services is statutorily designated as the central procurement agency and is responsible for implementing the state's competitive procurement process, creating uniform agency procurement rules, and implementing the online procurement program. However, the procurement process itself is not centralized because under state law, agencies may procure goods and services themselves. As an example, the state university system, the judicial branch, and the legislative branch of government are exempt from the state procurement system, and the Department of Agriculture & Consumer Services uses its own purchasing system for acquisitions.²³ State procurement data is maintained in the MyFloridaMarketPlace website although the OPPAGA report mentions that less than 25 percent of all state purchases are recorded in the system.

Financial Reporting Findings

The Local Government section in the Bureau of Accounting at the Department of Financial Services reports that about 10 percent of the more than 2000 local governments in Florida who are required to

submit an annual financial report file the report electronically. The state's local government reporting technology is thirteen years old and is not user friendly. The uniform format must be downloaded by each local government, data must be input in the standard format, and the completed form must be uploaded before the reconciliation process can begin. Also, the department waits until a substantial number of annual financial reports have been certified before the database can be accessed.

Most local governments submit hard copies of the annual financial reports which requires that department staff manually insert data into the standard format. Although staff begins the input process when the annual financial report is received, the information must be certified through the annual audit process prior to being posted on the department's website. The 12-month reporting period for local governments undergoing an audit contributes to the time lag in certified information being posted on the department's site as the annual financial reports are often submitted upon completion of the required audit.

The local government reporting website is being redesigned with a user-friendly electronic submission system that will allow access to data in real time as the department posts certified information to the website. A direct link to the local government electronic reporting database will be provided on the department's home page. Local governments will be able to view, modify, submit and update the annual financial reports. Members of the public can access the reporting menu and create general or specific reports using information submitted by the local governments. The new system is expected to be online November 7, 2007.

Also, the Bureau of Accounting is in the process of rewriting the uniform accounting reporting codes to provide stronger consistency in use among local governments. The new code will be available in the spring of 2008 and is being developed with stakeholder input.

RECOMMENDATIONS

Local Government Transparency – If the committee wishes to implement measures relating to transparency in local government, staff recommends that any directive be modeled after the Missouri Accountability Portal with a link on the local government home page that directs the user to Budget Information, Annual

²¹ <http://www.window.state.tx.us/>

²² www.governor.state.tx.us/divisions/press/expenditure

²³ See s. 570.07(41), F.S.

Financial Reports, and Contract Information, with drill-downs provided on each portal.

The local government Budget Information portal could link to proposed and adopted budgets. The Annual Financial Reports portal could link to filed and certified reports, and also link to the Department of Financial Services Local Government Annual Financial Reporting website. The Contract Information portal could link to specified information on all bids and contracts, and provide access to contracts over a threshold amount with protections provided for classified information.

As an alternative to directing that local governments use the Accountability Portal model in creating a website, the committee could direct each county with a website to design and create transparency portals for county government, city governments within the county, and all other taxing authorities. Each portal could then be designed with drill-downs to the appropriate level of information.

If the committee does decide to require transparency at the local government level, some consideration should be given to the cost of development, operation and maintenance of websites, and contracting with local governments that don't have a website. The committee may want to consider implementing local government transparency through a pilot project that consists of a selection of technologically advanced and technologically deficient large, medium, and small counties, cities, special districts, regional taxing authorities, and school districts, or may want to consider implementing transparency on a staggered schedule similar to the requirements of the legislation which passed the Senate during the 2007 Regular Session.

State Government Transparency – If the committee decides to implement measures relating to transparency in state government through the publication of contract information on a centralized website, staff could be directed to work with the Legislature's Technology Review Workgroup²⁴ to determine the feasibility of creating such a website. Among its other duties, the Technology Review Workgroup reviews proposed budget amendments and agency transfers to make recommendations to the Legislative Budget Commission on certain information technology initiatives or projects.

Financial Reporting Requirements – Staff recommends that the committee continue to monitor the progress of the Department of Financial Services in updating and implementation of the new Local Government Annual Financial Reporting website.

²⁴ Created in s. 216.0446, F.S.