

**Lee County Board Of County Commissioners
Agenda Item Summary**

Blue Sheet No. 20020345

1. REQUESTED MOTION:

ACTION REQUESTED:

Present to the Board of County Commissioners the Independent Auditors' Management Letter for the fiscal year ended September 30, 2001.

WHY ACTION IS NECESSARY:

Per Section 11.45(8), Florida Statutes, a copy of the report shall be submitted to the Board of County Commissioners and filed as permanent public record in the Minutes Office of the Clerk.

WHAT ACTION ACCOMPLISHES:

Compliance with Chapter 10.550 "Rules of the Auditor General- Local Governmental Entity Audits", and Section 11.45, Florida Statutes.

2. DEPARTMENTAL CATEGORY:

C15B

3. MEETING DATE:

04-16-2002

4. AGENDA:

- CONSENT
 - ADMINISTRATIVE
 - APPEALS PUBLIC
 - WALK ON
- TIME REQUIRED:**

5. REQUIREMENT/PURPOSE:

- (Specify)*
- STATUTE 11.45(8)
 - ORDINANCE
 - ADMIN. CODE
 - OTHER Chapter 10.550
 - Internal Revenue Service Regulations

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER
 - B. CONSTITUTIONAL OFFICE Clerk of Circuit Court ci
 - C. DEPARTMENT Finance & Records Department
- BY: Donna G. Harn**

7. BACKGROUND:

The purpose of the Lee County Independent Auditors' Management Letter is to provide recommendations to improve the County's present financial management, accounting procedures, and internal control structure.

These comments and recommendations were prepared by KPMG LLP for the fiscal year ended September 30, 2001. Also included are the responses by the Clerk's Office and County Management.

8. MANAGEMENT RECOMMENDATIONS:

9. RECOMMENDED APPROVAL:

A Department Director	B Purchasing or Contracts	C Human Resources	D Other	E County Attorney	F Budget Services				G County Manage
					OA	OM	Risk	GC	
<u>ds</u>									

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER



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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

To the Board of County Commissioners
of Lee County, Florida:

We have audited the financial statements of Lee County, Florida (the County) as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated January 18, 2002. In planning and performing our audit of the basic financial statements of the County we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting. Disclosure in that report which is dated January 18, 2002, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, shortages, defalcations, fraud or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of prior year recommendations is summarized in Exhibit A.

The Rules of the Auditor General (Section 10.554(1)(g)6.a.) state that a management letter shall include a statement as to whether or not a local governmental entity is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

- (a) Failure, within the same fiscal year in which due, to pay short-term loans from banks or failure to make bond debt service payments when due;





- (b) Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for a) federal social security, or b) any pension, retirement or benefit plan of an employee;
- (c) Failure for any one pay period to pay, due to lack of funds: (1) wages and salaries owed to employees; or (2) retirement benefits owed to former employees;
- (d) An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local governmental entity are not available to cover the deficit for two successive years; and
- (e) Noncompliance of the local government retirement system with actuarial conditions provided by law.

Management of the County has determined that the County is not in a state of financial emergency as defined in Section 218.503(1). In connection with our audit of the basic financial statements of the County, the results of our tests did not indicate that the County is in a state of financial emergency as a consequence of the conditions in Section 218.503(1).

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.c.), we have applied the financial condition assessment procedures pursuant to Rule 10.556(8)

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b.), we compared the annual financial report for the County for the fiscal year ended September 30, 2001, filed with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, and noted no differences with the annual financial audit report for the fiscal year ended September 30, 2001.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County complied with Section 218.415, Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)3.), require that we report any recommendations to improve the County's financial management, accounting procedures, and internal controls. The recommendations to improve the County's financial management, accounting procedures, and internal controls are included in Exhibit A.

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls:

- (a) Violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred, and were discovered within the scope of the audit,
- (b) Improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements,
- (c) Other matters requiring correction that may or may not materially affect the financial statements reported on, including, but not limited to:
 - (1) Improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements).



- (2) Failures to properly record financial transactions.
- (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The results of our audit disclosed no items requiring disclosure.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements.

The disclosure of required information for the primary government and the discretely presented component unit is made in the notes to the financial statements.

This management letter is intended solely for the information of the Lee County, Florida, management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 18, 2002



Current and Prior Year Comments and Recommendations

Current Year Comments

Cash Reconciliation

Observation: KPMG obtained bank and investment confirmations from the Board of County Commissioner's (the "Board") various financial institutions and found that the amount of the cash reported on the financial statements did not agree with the financial institutions.

The Board reports each fund's cash balance based on a cash clearing account within its JDEdwards' financial software. Typically, the sum of all the funds' cash account balances is the same as the balance of the "pooled cash" account in the clearing fund. There are however occasional temporary timing differences. The Board reconciled the pooled cash clearing fund to the bank statements but no reconciliation of the fund level cash accounts was performed to determine that the individual funds reported correct cash balances.

Recommendation: KPMG recommends the implementation of an additional reconciliation at fund level.

Management's Response: We agree and have implemented such a reconciliation process. We have confirmed the financial statement cash balances to the bank balance and are current with the fund reconciliation.

Prior Year Comments

All comments relating to the prior year were substantially implemented during the fiscal year and are no longer applicable.