



Board of County Commissioners
County Internal Auditor's Office

HILLSBOROUGH COUNTY BUDGET DEVELOPMENT PROCESS STUDY

Report # IA-19-02
April 17, 2019



TO: Board of County Commissioners

FROM: Peggy Caskey, County Internal Auditor

DATE: April 17, 2019

SUBJECT: Hillsborough County Budget Development Process Study, Report # IA-19-02

Pursuant to the 2018 Annual Audit Plan, the County Internal Auditor's Office conducted a study of Hillsborough County's budget development process.

The purpose of this Report is to provide management independent, objective analysis, counsel, and information concerning the activities reviewed. As such, this Report is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this study, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate the cooperation and professional courtesies extended to the Audit Team. Management gave the Audit Team full, free, and unrestricted access to all applicable activities, records, property, and personnel necessary to accomplish the stated objective of this engagement. Personnel also provided necessary assistance for the Audit Team to effectively perform the study in an efficient manner.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
County Internal Auditor

CC: Christine Beck, County Attorney
Tom Fesler, Management and Budget Director
Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator

BUDGET DEVELOPMENT PROCESS STUDY

OBJECTIVE

Pursuant to the 2018 Annual Audit Plan, the County Internal Auditor's Office conducted a study of Hillsborough County's budget development process. The study was performed to: assess the County's conformance to written guiding principles that govern the budget development process; identify the Board of County Commissioners' (Board's) latitude to be involved in the budget development process; and determine the role other Florida charter county boards have in their budget development process.

BACKGROUND INFORMATION

Florida law requires an annual budget including all such funds as required by law, to be prepared, approved, and adopted for each fiscal year. The budget controls levying taxes and expenditures of money for all County purposes during the ensuing fiscal year.

In 1995, the Board adopted a two-year (biennial) budget development process. During odd-numbered years, two separate 12-month budgets are prepared. For the most recent biennial budget development process, the FY 2018 budget was adopted in September 2017. During calendar year 2018, staff and the Board reviewed the planned FY 2019 budget and adjusted revenues and expenditures to accommodate needs that arose after it was prepared in 2017. The Board adopted the FY 2019 budget in September 2018.

SCOPE OF WORK

- The Audit Team performed interviews with key personnel in the Management and Budget Department, County Attorney's Office, and County Administration.
- The Audit Team aligned the requirements established in Florida Statutes Chapters 129 and 200.065, and the Board's Budget Development and Monitoring Controls Policy 03.05.11.00, with the Hillsborough County budget development process activities.
- The Audit Team documented the Board's involvement in the FY 2018 and FY 2019 budget development process.
- The Audit Team determined the Board's latitude in involvement available under applicable written guiding principles.
- The Audit Team benchmarked Hillsborough County Board's involvement in the budget development process to four similar charter counties. These counties were selected based on similar characteristics including annual budget appropriations and expenditures, population size, and annual revenue generated.

POSITIVE ATTRIBUTES

Hillsborough County received a 2018 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The County also received recognition for three outstanding ratings: document-wide glossary, charts, and graphs in the budget document.

STUDY PERFORMED BY

Peggy Caskey, CIA, CISA, CFE, County Internal Auditor

Blair Henderson, CPA, Contract Auditor

Melinda Jenzarli, CIA, CISA, CFE, CPA, MBA, Lead Internal Auditor

OVERALL COMMENT

Hillsborough County's budget development process activities generally conform to guiding principles that govern the budget development process. Throughout the process, the Board has latitude to be involved. The Hillsborough County Board gets involved later in the process than comparable charter counties but overall, there are few dissimilarities.

CONFORMANCE TO WRITTEN GUIDING PRINCIPLES GOVERNING THE BUDGET DEVELOPMENT PROCESS

Comment

Test results indicate that the FY 2018 and FY 2019 budget development activities conformed to requirements established in Florida Statutes Chapters 129 and 200.065 and the Board's Budget Development and Monitoring Controls Policy 03.05.11.00.

Test Performed

The Audit Team assessed the County's conformance to written guiding principles that govern the budget development process. As shown in Exhibit 1 below, the Audit Team aligned the requirements established in Florida Statutes Chapters 129 and 200.065, and the Board's Budget Development and Monitoring Controls Policy 03.05.11.00, with the Hillsborough County budget development process activities.

Exhibit 1: Budget Development Process Study Results Summary

Budget Phase	Planning Oct-Mar	Preparation Jan-May	Review Mar-May	Public Adoption Jun-Sep
Written Guiding Principles	Policy 03.05.11.00 F.S. 129 Budget Book	Policy 03.05.11.00 F.S. 129 and 200.065 Budget Book	Budget Book	Policy 03.05.11.00 F.S. 129 and 200.065
Budget Development Process Steps	Board established its proposed fiscal policies, priorities and levels of service standards. Budget instructions and training materials were prepared.	Budget instructions were delivered to departments. Board communicated its proposed fiscal policies, priorities and levels of services standards during one-on-one meetings and budget workshops.	Budget work sessions were conducted by the County Administrator with executive team and Management & Budget.	Tentative budget was presented. Board voted on flagged items and proposed millage rates. Two State required public hearings were held. Board adopted the final budget and millage rates.
Conformed to Guiding Principles	Yes	Yes	Yes	Yes

BOARD'S LATITUDE TO BE INVOLVED IN THE BUDGET DEVELOPMENT PROCESS

Comment

Florida Statutes Chapter 129 and the Board's Budget Development and Monitoring Controls Policy 03.05.11.00, establish the Board's latitude in participating in the budget development process. There are three areas of latitude: establish and communicate fiscal policies, establish and communicate service priorities and levels of service standards, and designate a budget officer.

Study Results

The Board has latitude to be involved throughout the budget development process and earlier than it was during the FY 2018 and 2019 budget development process. Involvement may include, informal and formal communications of proposed fiscal policies (F.S. 129.03) and service priorities and levels of service standards (Policy 03.05.11.00). These communications can take place during one-on-one meetings with county administration, budget workshops, and public hearings. The Board can provide input and flag items to be voted on during workshops and public hearings. The Board may also designate the budget officer but cannot itself prepare and present the budget (F.S. 129.025).

Pursuant to the County's Home Rule Charter Section 3.01, and Administrative Code Article II Division 1-2, the powers between the legislative and executive branches are to be separate. The executive branch is to prepare and submit an annual operating budget, capital budget and capital program to the Board for its consideration and adoption.

Establish and Communicate Fiscal Policies

- The Board has historically adopted financial policies and procedures that govern how the County spends money. Examples include the Board's Capital Budget and Capital Improvement Program Policy 03.02.02.00; Use of Excess Fund Balance Policy 03.02.02.02; Earmarking of Funds Policy 03.02.02.03, etc. There are 50 Board financial policies and procedures reported in the County Administrator's FY 19 Recommended Budget.

Establish and Communicate Service Priorities and Levels of Service Standards

- By virtue of the Board adopting the budget, it has established service priorities and levels of service standards. The County Administrator moved forward with establishing service priorities and levels of service standards to prioritize resources as demands on the budget continue to increase.

Designate a Budget Officer

- The Board designated the County Administrator as the budget officer.

ROLE OTHER FLORIDA CHARTER COUNTY BOARDS HAVE IN THE BUDGET DEVELOPMENT PROCESS

Comment

Benchmark results indicate that Hillsborough County's Board gets involved later in the budget development process than the other comparable charter counties surveyed but overall, Hillsborough County Board's involvement is not materially dissimilar. Similar to Hillsborough County, the other counties are facing budget concerns with transportation, affordable housing, public safety, opioid crisis, mental health, homelessness, and workforce housing.

Study Results

Twenty Florida charter counties were identified. The Audit Team selected 6 of the 20 charter counties to benchmark against Hillsborough County. The sample was selected based on relative population size, annual budget, expenditures, and annual revenue generated. Of the six counties in the sample, four responded to survey questions (Miami-Dade, Pinellas, Palm Beach, and Orange counties). Below are the results of the benchmarking survey.

Establish and Communicate Fiscal Policies

- In all four counties surveyed, the Board communicates its fiscal policies informally and through creation of formal policies. Similarly, in Hillsborough County, the County Administrator, Chief Financial Administrator, and Director of Management and Budget meet with Commissioners one-on-one to ascertain the Board's proposed policies and requests for the budget.
- Similar to Hillsborough County, in three of the counties surveyed, the Board voices concerns in a formal group setting and during one-on-one meetings. In Orange County, the Board's concerns are voiced only during formal meetings.
- Neither in Hillsborough County, nor in any of the four counties surveyed does the Board assign a portion of the budget to an individual commissioner to scrutinize on behalf of the Board. Rather, the Board scrutinizes the budget in its entirety.
- Similar to Hillsborough County, in three of the counties surveyed, individual commissions do not have an assigned budget for allotments.
- In half of the counties surveyed, the Board submits budget requests during workshop sessions and public hearings. In Pinellas, the Board submits a budget request form for each budget request. In Miami-Dade, the Board issues directives and resolutions for budget requests throughout the year. In Hillsborough County, the Board submits budget requests during one-on-one meetings and during workshops and public hearings.
- Similar to Hillsborough County, in all four counties the Board votes on the budget in its entirety rather than on individual budget requests at a public hearing.

Establish and Communicate Service Priorities and Levels of Service Standards

- Three of the counties surveyed, initiate the Board's strategic plan and service priority communications with county administration in November thru February. Hillsborough County's communications typically begin in March.

Designate a Budget Officer

- In half of the counties surveyed, the Management and Budget Director was designated as the Budget Officer. Whereas, in Hillsborough, Palm Beach and Pinellas counties, the Board designated the County Administrator as the Budget Officer.

Benchmarking

Benchmarking identified three key budget development process differences than in Hillsborough County:

1. Three Boards get involved earlier than Hillsborough County's Board in the budget development process.

2. Two Boards have a more formalized process for submitting budget requests, i.e., directives, resolutions, and completing a form for each budget request.

3. In Miami-Dade, the Board had an assigned budget for allotments for each commissioner, for each district. For FY 2018/2019, each district had \$1.189 million. This budget is adjusted on an annual basis as a result of normal inflationary expenses. Each district also had a \$200,000 Congressional Budget Office Discretionary Reserve and an In-kind Reserve valued at \$10,000 per district. The Board had an Office Budget for each district that the Board could use to address the needs of its constituency.