

Office of the Inspector General



**Audit of the Uses of Series 2006
Certificates of Participation
(COPS) Proceeds**

Background



- In October 2004, former Governor Jeb Bush approved the Memorandum of Agreement Regarding Acceleration of the Comprehensive Everglades Restoration Plan.
- Agreement was intended to speed up funding, design, construction and completion of several critical CERP restoration projects (**Acceler8 projects**).
- Projects were considered necessary to save money, and provide immediate environmental, social, and economic benefits.

Background



- The District's long-term plan for funding the construction costs for Acceler8 projects will be through the issuance of Certificates of Participation.
- On October 26, 2006, the District issued the Series 2006 Certificates of Participation at a par value of \$546,120,000, which sold for \$572,120,737 (a premium of over \$26 million).

Background



Proceeds from the issuance are to be used to pay for the following:

- Financing the acquisition, construction, installation and equipping of certain facilities and improvements to land.
- Repaying of interim financing that was used to start construction of certain projects.
- Paying certain costs of issuing the Certificates of Participation.

Background



Net proceeds from the Series 2006 Certificates of Participation, after issuance cost and repayment of the short term loan, was approximately \$483 million.

- Remaining proceeds were invested to generate interest income, which is also being used to pay construction costs.
- Debt service payments are approximately \$35 million annually and are paid from ad valorem revenues (paid semi-annually).

Audit Objectives



- To determine whether the proceeds from the Series 2006 Certificates of Participation are being used for authorized purposes.

Audit Methodology



- Interviewed Treasury and Accounting Divisions' staff to obtain an understanding of the procedures in place.
- Reviewed the Offering Statement for the Certificates of Participation to determine the authorized uses of the proceeds.
- Examined various records, e.g., invoices, contract documents, bank statements, and the District's financial system.

Audit Results



There are controls in place to ensure that the Certificates of Participation bond proceeds are used to pay for authorized costs.

Specifically:

- The proceeds and interest earnings are held by a Trustee (Deutsche Bank).
- To drawdown funds, the District has to submit reimbursement requests and other supporting documentation such as copies of approved invoices.

Audit Results



Our examination disclosed that proceeds from the Certificates of Participation are being used to pay for authorized costs.

- Our conclusion is based on various tests including a detailed review of five reimbursement requests totaling over \$38 million that were used to make 38 payments in connection with 17 contracts and work orders.

Audit Results



Activity as December 31, 2007

| Bond Proceeds and Interest Earned | |
|--|-------------------------------|
| Bond Proceeds & Premium | \$ 572,120,737 |
| Interest Earned | 23,587,177 |
| <i>Total Amount Available</i> | <i>\$ 595,707,914</i> |
| Uses of Proceeds | |
| Issuance Costs | (\$ 4,239,244) |
| Payoff of Interim Financing | (84,510,067) |
| Construction & other Expenses | (129,491,445) |
| <i>Total Amount Used</i> | <i>(\$218,240,756)</i> |
| <i>Ending Balance</i> | <i>\$377,467,158</i> |

Accounting Division Should Verify Interest Earning to Trustee Statement



The District's Treasurer is responsible for:

- Requesting funds from the Trustee,
- Preparing monthly bank account reconciliations, &
- Determining the total interest earned each month.

Accounting Division Should Verify Interest Earning to Trustee Statement



We noted the following:

- Accounting staff enters the interest earned into the District's financial system.
- There is no confirmation process in place to ensure that the interest amounts are accurate.
- ***Although we concluded that the correct interest earnings were posted, additional steps should be taken to substantiate interest earnings from the Trustee statements before they are posted.***

Recommendation



We made the following recommendation to improve controls:

1. Implement procedures to ensure that Accounting Division staff substantiates interest earnings before posting it to the District's financial system.

Management has implemented the recommendation.

Note: This is a preventive measure; no such errors have occurred.

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Questions ?