

**SEMINOLE COUNTY
CLERK OF THE CIRCUIT COURT
AUDIT DIVISION
PUBLIC SERVICE TAX COLLECTIONS
BY
FLORIDA POWER CORPORATION**

October 27, 1998

**Prepared by:
Internal Audit Division
Clerk of the Circuit Court**

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The Honorable Randall C. Morris
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, Florida 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached audit of Seminole County public service tax collections by the Florida Power Corporation.

The audit was performed July 13, 1998 through August 21, 1998. We found that the amount of taxes being collected on behalf of the county was accurate, complete, and in compliance with the requirements of Seminole County Ordinance 91-12.

I would like to thank the Florida Power Corporation management team for its cooperation and assistance throughout the course of the audit. The company's assistance was deeply appreciated.

With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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Florida Power Corporation (FPC) is a wholly owned subsidiary of Florida Progress Corporation. FPC, as a supplier of electricity, is required by law to collect a public service tax based on retail sales. The Internal Audit Division of the Office of the Clerk of the Circuit Court conducted an audit of FPC's tax records at its corporate office in St Petersburg, Florida. The results of the audit are included in the report that follows.

PURPOSE

The purpose of the audit was to determine if the amount of public service taxes being collected on behalf of the county is accurate, complete, and in compliance with the requirements of Seminole County Ordinance 91-12. The audit was performed specifically to determine if all taxes and public service tax returns are submitted to Seminole County in a timely manner.

BACKGROUND

The Board of County Commissioners is authorized to impose a public service tax pursuant to Article VIII, Section 1 (g) and Article VII, Section 9(a) of the constitution of the State of Florida and the Seminole County Home Rule Charter; and pursuant to Section 166.231, Florida Statutes. Florida Statute 166.231 specifically authorizes the municipalities within the State of Florida to collect up to a ten percent tax on sales of electricity, water, gas, and telecommunication services.

On September 9, 1991, the BCC adopted Ordinance No. 91-12, establishing a four percent public service tax on the purchase of electricity, water, metered, or bottled gas (natural liquefied petroleum gas or manufactured), telecommunication services, and fuel oil. FPC is required to add a four percent public service tax to each customer's electric bill, unless the customer is specifically granted an exemption from the tax.

The ordinance provides the following exemptions:

- The first 300 kilowatt hours of electricity for residential customers;
- The United States Government;
- The State of Florida or any other public body; and,
- Churches requesting exemption.

SCOPE

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The scope of this audit included an examination of records associated with the tax returns processed between April, 1995 and April, 1998. During this period, FPC submitted to the county more than \$ 8.5 million in public service tax receipts. All tax returns processed during this period were subject to our audit.

The audit included:

- Review of the Florida State Statues, Seminole County Ordinances, and other applicable regulations;
- Review of the internal accounting controls over the FPC billing system;
- Review of FPC procedures for granting tax exemptions;
- Review of accounting records to ascertain that all tax collected is properly remitted to the county;
- Review of the tax returns for accuracy and for timely submittal;
- Interviews of key personnel; and,
- Other such review procedures considered necessary in the circumstances.

Fieldwork began July 13, 1998, and was completed on August 21, 1998. The audit was performed by Bill Carroll.

OVERALL EVALUATION

It is our opinion that the internal accounting controls provide reasonable assurance that the taxes collected on behalf of Seminole County are accurate, complete, and in compliance with Seminole County Ordinance 91-12.

FPC's computer system prints a completed tax return each month. An FPC employee then copies the information from this tax form onto a blank tax form provided by Seminole County government. To reduce the risk of mistakes (when copying numbers from one form to the other), we suggest that FPC just submit its computer prepared tax returns to the county each month.

<p style="text-align: center;">Prepared by: Internal Audit Division Clerk of the Circuit Court</p>
