

# Comment on Local Government Operations Protocol

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Overall I was very impressed by the amount of detail in the Draft Local Government Operations Protocol. I have extensive experience as a financial auditor of local governments in Florida. I was very interested in Chapter 3, Organizational Boundaries. As stated in the protocol, Governmental Accounting Standards (GAS) have established very specific rules regarding what component units are included in a local government's audited financial statements.

The rules stress both financial influence as well as operational control. Most local governments have attempted over the years to minimize the number of outside organizations they have to include under their financial umbrella. As a result, there are numerous organizations that operate as independent not for profit organizations and are funded almost exclusively by local governments. These include organizations such as volunteer fire departments, transit authorities, animal shelters, hospitals and health clinics, senior citizen associations, industrial parks, economic enterprise zones, downtown improvement authorities, as well as a slew of social service providers.

It is my experience that many of these organizations are located at remote sites and lack the controls and expertise to get through a financial audit. This is the main reason local governments have put so much effort into removing them from under their control. The general public, however, is under the impression that these same organizations are in fact a part of their local government. These semi-governmental agencies represent large financial obligations of local governments and represent significant opportunities to introduce operational environmental policies.

The protocol highly recommends the use of operational control as opposed to financial control in defining their organizational boundaries, and requires a choice between the two. In the real world, financial control *is* operational control. Adding environmental policy to funding contracts will allow operational control for this one aspect, whereas the funded organization may not meet any of the other criteria outlined in section 3.2. Local governments should be given the opportunity to set their own environmental policy on organizations that they fund, within their geopolitical boundaries, through a financial contract, and still be able to use the operational control section of the protocol.