

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2014	2015	2016	2017	2018
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	None # See below				
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes ___ No

Budget Account No.: Fund ___ Agency ___ Org. _____ Object ___

Program Number _____ Revenue Source _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

~~X~~ No fiscal impact

A. Department Fiscal Review:

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

Susan Neary 6/26/14
 H/O AM Budget/OFMB
 6/26 6/26/14

J. J. Jacobson 7/1/14
 Contract Administration
 7-1-14 BwK/ck

B. Legal Sufficiency:

Paul F. J. - 7/2/14
 Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.



Office of the County Internal Auditor
Audit Report #2014-05

PARKS AND RECREATION DEPARTMENT
AQUATICS DIVISION



*Reviewed by Audit Committee
June 18, 2014*

DATED APRIL 8, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the Parks and Recreation Department Director ensure revenue collections, cash handling, and deposits at County operated waterparks and swimming pools were performed in accordance with Countywide and departmental policies and procedures during FY 2013 through August 31, 2013?
2. Describe and evaluate the Aquatics Division's performance management processes including methods used to measure and report on effectiveness and efficiency of operations.
3. How are the rates for admission to swimming pools and waterparks established?

WHAT WE FOUND

As to objectives one above, we found the Division Director generally ensured compliance with the relevant guidance. However, we noted that controls over cashiering procedures need improvement and that oversight of complimentary passes is needed.

As to objective two above, we found that the Division Director had established

appropriate organizational objectives and performance measures. However, we noted some areas for improvement.

As to objective three, we found the process of establishing admission rates is reasonable and adequate to ensure competitive rates. However, we noted additional considerations for management to incorporate into their process.

WHAT WE RECOMMEND

The audit report makes four recommendations to the Department and Division Directors to address the control weaknesses identified in objective one.

The report also makes several suggestions for improvement in the performance management system relating to objectives and performance measures.

The report makes several suggestions for management to consider in development of admission rates for pools and waterparks such as cost recovery percentages and distinguishing between 50 meter pools and 25 meter pools.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 Controls Over Cashiering Procedures Need Improvement

Void Processing

Departmental PPM PRO-J03 entitled 'Void and Previous Void' requires the cashier to complete a Void Approval Form and obtain a signature on the form from the manager or authorized designee for each transaction processed on their assigned cash register that requires correction. Only the on-duty manager or authorized designee will have the authority to process and complete a void transaction. The PPM allows a cashier to get verbal authorization to proceed with the processing of a void transaction when the on-duty manager or authorized designee is unavailable at the time the error occurs but provides no compensating control for this exception.

Our review of 105 void transactions processed by the three pools and two waterparks reviewed between July 30 and August 10, 2013 found three instances where the employee that filled out the Void Approval Form was not the cashier identified on the original transaction receipt. We also found eight instances where the cashier signed the Void Approval Form. In addition, we found 103 of the 105 void transactions reviewed were processed by the cashier.

Departmental PPM PRO-J03 also defines the conditions under which a void is executed. The conditions include: cashier input error; guest error placing order; credit card declined; or customer unable to pay. Our review of the daily paperwork submitted by the three pools and two waterparks reviewed between July 30 and

August 10, 2013 found three instances where a void was performed (resulting in a refund) when the description of the void did not meet the condition of a void. The descriptions of the voids processed were: wanted money back; unhappy with birthday; and wanted to leave due to people upsetting her. These descriptions would however, meet the conditions for distribution of a Complimentary Pass. Departmental PPM PRF-J03 entitled 'Complimentary Pass' defines the conditions under which a Complimentary Pass is dispensed to be; inclement weather, attraction closure or unsatisfied guests.

Recommendation

(1) The Parks and Recreation

Department Director should modify departmental PPM PRO-J03 to include controls needed to prevent opportunities for abuse including, cursory reviews by Facility Management of voided transactions for detection of irregularities or excessive voids, of the condition(reason) under which the transaction was voided to ensure the proper process was followed, and requiring a customer's signature on voided cash transactions as a compensating control when the on-duty manager is unavailable. In addition, voided transactions should be monitored by documenting these transactions to help detect patterns of abuse or excess use of voids.

Cash Drawers

Countywide PPM #CW-F-041 entitled "Petty Cash, Change Funds, Imprest Checking Accounts and Cash Drawers" states that cash drawers should not be shared with any other employee and that cashiers

shall be personally responsible for the security of the cash assigned to them.

Our sight visit to the three pools reviewed found cash registers are shared by more than one cashier. We observed cash registers being used by the assigned cashier, by a relief cashier (during lunch break) and by the late shift cashier, all using the same cash drawer.

At the waterparks, a breaker's job is to relieve the cashiers for lunch break. A cash drawer is assigned to the breaker to be used in the cash registers of the cashiers being relieved. When the breaker relieves a cashier, the cashier's cash drawer is locked in a separate drawer under the cash register and the breaker's cash drawer is placed in the cash register.

We noted that at one of the waterparks, one cash register was smaller than the other cash registers in the waterpark. When the breaker moves from the small cash register to a larger cash register, the money in the breaker's drawer has to be moved to a larger cash drawer in order to fit in the larger cash registers. Our observation of this process found the money is moved to the larger cash drawer by the Fiscal Specialist while the breaker waits at the location of the cashier being relieved.

(2) The Parks and Recreation

Department Director should ensure that a separate cash drawer is provided to each cashier in order to avoid sharing of cash drawers and that each cashier has been instructed on their responsibility for the security of the cash that has been assigned to them as defined in PPM CW-F-041.

Check Processing

Internal PPM DOF-005 entitled 'Revenue Collection, Depositing, and Reporting' provides the requirements for the acceptance of checks, money orders and travelers checks. The requirements identified in the PPM include:

- the Payer's driver's license number and phone number must be printed on the front of the check above the Payer's imprinted name
- the Payee is identified as 'Board of County Commissioners'
- the date of the check is the current date
- the Payer's correct name and complete address are professionally imprinted on the check

Our review of the paperwork submitted between July 30 and August 10, 2013 by the three pools and two waterparks reviewed found 30 instances where checks were accepted without the Payer's driver's license number or phone number, six instances where checks were made out to the pool or waterpark, three instances where checks did not have the current date and one instance where the check had no date, and two instances where checks did not have the Payer's correct name and complete address professionally imprinted on the check.

(3) The Parks and Recreation Department Director should modify departmental PPM DOF-005 to include a cursory review by Facility Management of the checks accepted for payment to ensure all the requirements for accepting a check have been met.

Management Comments and Our Evaluation

In responding to a draft of this audit report the Department Director and Division officials agreed with the finding and recommendations. As to recommendation #1, Division officials indicated a new PPM was being developed on cashiering procedures and that the finding had been reviewed with waterpark and pool staff to clarify procedures for handling void transactions. The implementation date established for the revisions to PPM-PRO-Jo3 is December 31, 2014. As to recommendation #2, Division officials stated their belief that providing separate cash drawers for each cashier was not practical due to the number of cashiers and limitations on storage for the additional drawers and that compensating controls have been put in place. Department officials also noted the Countywide PPM may not be relevant to a multiple cashiers location, and that a Departmental PPM on cash handling procedures had recently been developed. As to recommendation #3 Department officials noted that the bank has accepted all checks presented for deposit, without regard to the payee on the face of the check. They also agreed that facility management needs to be more proactive in ensuring that check acceptance requirements are met. However, the officials believe PPM DOF-005 does not require modification, that better training on the requirements of the PPM will suffice.

We appreciate the actions already taken and underway by the Department to address the recommendations. We also understand the limitations on storage of multiple cash drawers.

Finding 2 Oversight of Complimentary Passes Needed

Departmental PPM PRF-J03 entitled 'Complimentary Pass' provides the guidelines for dispensing the passes which

includes the requirement to record passes in numerical order on the Complimentary Pass Log Sheet (Log Sheet). Our review of approximately 3400 passes distributed in FY 2013 by the three pools and two waterparks reviewed found passes were not accurately recorded. Log Sheets showed gaps in pass numbers recorded leaving 112 passes unaccounted for. Log Sheets also showed 45 pass numbers recorded twice. In addition, one facility had not recorded the distribution of passes in FY 2013 leaving 31 passes unaccounted for.

Departmental PPM PRF-J03 also states the Facility Manager on duty will be responsible for the distribution of all passes and that during times of mass distribution, the Facility Manager can assign passes to the Office Manager or Fiscal Specialist for distribution. Attached to the PPM is a copy of the Complimentary Pass Log Sheet which provides a place to identify the Facility Manager authorizing the distribution of the passes and the staff member receiving the passes for distribution. Our review of Log Sheets used to record the distribution of passes in FY 2013 showed instances when the Facility Manager did not sign off (authorize) on the passes that were distributed. At one facility we found the distribution of 4 passes was authorized by a cashier and the distribution of 42 passes was not authorized by anyone. We also found a facility that uses a different log sheet that doesn't provide a place for the Facility Manager to authorize the distribution of

passes resulting in 5 unauthorized passes being distributed.

Recommendation

- (4) **The Parks and Recreation Department Director should ensure the Facility Managers are maintaining the Log Sheets as required by PPM PRF-J03. In addition, all Log Sheets should be submitted to the Waterpark Coordinator for monthly review.**

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials agreed with the finding and recommendation. Division officials pointed out that their problems with PPM compliance occur when there is a mass distribution of complimentary passes due to inclement weather or some similar incident. The officials discussed potential revisions to the PPM to address the mass distribution situations. The officials also agreed that log sheets need to be better maintained at the facilities and that log sheets should be submitted for monthly review.

We agree with Management's intention to consider revision to their PPM.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

The Division has established a mission statement, organizational objectives relevant to the mission and performance measures to achieve those objectives. The Division's mission statement is, *'We are committed to providing a healthy, safe and enjoyable*

aquatic experience for all citizens and visitors in Palm Beach County through the use of a well trained team of aquatic professionals.' The table below summarizes the objectives and performance measures:

Objective	Performance Measure	Category
1. Promote drowning prevention by partnering with the Drowning Prevention Coalition of Palm Beach County, Head Start, and local schools to provide swimming lessons and water safety presentations.	Number of students participating in swim lessons and/or water safety presentation.	Output- a measure of workload.
2. Maintain the 10 aquatic facilities and associated equipment with a minimal number of unplanned shut down occurrences.	Percentage of scheduled operating hours without unplanned shut downs.	Outcome - a measure of effectiveness.
3. Provide safe aquatic environments through well-trained staff that meet or exceed the requirements of the United States Lifesaving Association (beaches) and American Red Cross (pools and waterparks).	Percentage of staff that meets or exceeds USLA & American Red Cross requirements.	Outcome - a measure of effectiveness.

Our review of the Division's performance management process included:

- Evaluating the mission statement
- Ascertaining if the objectives support and address all elements of the mission statement
- Evaluating each objective using the SMART criteria
- Determining the relationship of each objective to performance measures
- Determining how the Division defines and measures effectiveness and efficiency

- Evaluating the data gathering and reporting methodology used

Mission Statement:

The mission statement clearly states the overall goal of the Division. However, as written, it seems to limit the Division's goal to what the well trained aquatic professionals do to provide a healthy, safe and enjoyable experience. Leaving off the end of the statement, 'through the use of a well trained team of aquatic professionals' would remove that limitation.

Objectives:

The objectives support the mission statement, however not all elements of the mission statement have been addressed. Objectives #1 and #3 address 'safe' element identified in the mission statement. Objective #2 addresses the 'healthy' element implying that when facilities and equipment are maintained (kept clean and in working condition), they provide a healthy environment. However, no objectives regarding the 'enjoyable' element of the mission statement have been established.

To evaluate the completeness of each objective, we used an evaluation criteria known by the acronym 'SMART' (Specific, Measurable, Attainable, Realistic, and Time Oriented). We found objectives 1 and 2 meet the criteria. However, objective 3 combines two elements - "*safe aquatic environments*" and "*well trained staff*" that, while related, are two different things. Safety could be measured in terms of accidents per so many patrons, or reductions in the number of accidents, or some similar measure. Training could be measured by the number of training sessions or hours that were achieved per individual or in total.

Performance measures:

Each objective is supported by a performance measure. However, when the objectives have no goal to measure against, the performance measures lack meaning.

In addition, the Division has not established measures of efficiency.

Other Measures Gathered for Management Review

Although formal objectives have not been established, the Division also tracks statistics on attendance and revenue. Attendance statistics include details for admission, lessons and programs, and swim/dive team (depending on the activities offered at each location) collected on a monthly basis. These statistics are used to set priorities and establish pool space needs. Revenue statistics include revenue collected for attendance, pool/equipment rentals, merchandise, food, and beverage (depending on the services offered at each location). These statistics are used for budgeting purposes and capital request justifications.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing performance management.

We support Management's desire to enhance their performance measurement system in any way that will be helpful to them.

ANALYSIS OF ADMISSION RATE METHODOLOGY FOR POOLS AND WATERPARKS

Admission rates for County operated swimming pools and waterparks are based on biennial research conducted by the Parks Department of the rates charged at similar facilities in South Florida. We independently compared rates at various pools and aquatic facilities in Miami-Dade, Broward and Palm Beach counties and found admission fees were consistent throughout the area for comparable properties. However, simply comparing admission fees may not be the best or most effective way of establishing admission fees. We believe the cost of operating the facility and the relative share of that cost the user is expected to bear should also be considered. Accordingly, we conducted the following cost recovery analysis to gain additional insight into the issue.

Cost Recovery Analysis

During the summer months County pools provide activities for children and families and field trip destinations for summer day camps. They also provide high school swim teams with a place to practice and have swim meets and a place for elementary school children to take swimming lessons and attend water safety classes. There is however, a cost associated with providing these services. Our summary of the revenues and expenses generated by the County's pools and waterparks for FY 2013 is illustrated below.

	Coconut Cove	Calypso Bay	North County	Lake Lytal	Aqua Crest	Santa-luces	Pioneer Park
Revenues	\$754,144	\$692,567	\$489,165	\$309,175	\$174,193	\$40,414	\$12,705
Expenses	\$917,652	\$925,750	\$933,815	\$711,685	\$513,029	\$148,432	\$169,287
Difference	(163,508)	(233,183)	(444,650)	(402,510)	(338,836)	(108,018)	(156,582)
Attendance	66,921	59,946	85,625	104,819	27,749	4,495	4,393
Cost Recovery	83%	75%	53%	44%	34%	28%	8%
Revenue per capita current	11.23	11.56	5.72	2.95	6.28	8.93	2.90
Revenue per capita for full recovery	13.72	15.45	10.91	6.79	18.49	33.03	38.54

The table demonstrates that none of the aquatic facility's revenues are sufficient to cover the facility's operating costs. The differences are made up from general revenues of the County. The total subsidy to the aquatic facilities for FY 2013 was \$1.8 million. The revenues are primarily admissions fees and concessions. The expenses are primarily staff and operating & maintenance costs. Generally, replacement of major equipment and refurbishment of facilities are funded through the County's capital budget rather than the facility's operating budget.

There are no County policies regarding setting rates for services such as these aquatic facilities. The Department surveys comparable facilities in South Florida periodically to determine if their rates are reasonable. The Department also charges a standard fee at all similar County facilities. The three 50 meter pools require the largest dollar subsidies. The two 25 meter pools are used the least. We understand that economics is not the only consideration in

establishing rates for these facilities and that other considerations such as the facility's drawing area and, the economics and demographics of that drawing area also factor into the rate making decision. We believe that cost recovery percentages should also be a factor in considering the rate making decision. It is also possible that there could be a distinction between the 50 meter pools and the 25 meter pools for admissions.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing the setting of rates.

We support Management's desire to develop cost analyses in any ways that will be helpful to them.

BACKGROUND

The Parks and Recreation Department (Department) serves residents countywide through 104 regional, district, community, beach, and neighborhood parks encompassing 8,569 acres. Services include public safety, grounds maintenance, recreation programs and a vast array of specialized facilities that include aquatic centers, community centers, nature centers, championship golf courses, fishing piers, equestrian centers, amphitheaters, athletic fields and courts, boating facilities, beaches,

and historical and cultural museums. The Department is divided into five divisions: Administrative/Financial and Support Services Division, Special Facilities Division, Aquatics Division, Recreation Services Division, and Maintenance Division. For Fiscal Year 2013, Parks has a staff of 562 and a budget of approximately \$62.7 million.

The Aquatics Division (Division) provides quality water related recreation opportunities

for people of all ages and abilities. Primary services include managing, programming and coordinating the use of County aquatic facilities and beaches; providing a variety of aquatic programs, activities and events; prevention, rescue and emergency medical care at County beaches, pools and waterparks; and providing water safety education for schools, groups and individuals.

The Division’s aquatic facilities include five traditional swimming pools (three 50 meter and two 25 meter), three splashparks and two waterparks. The splashparks are self-supervised interactive water playgrounds that do not require admission fees and do not offer food or beverages. The waterparks and swimming pools generate revenue through admission fees, food and beverages, and equipment and room rentals. Revenue generated in FY 2013 was as follows:

<u>WATERPARKS</u>	Coconut Cove	\$754,143.73
	Calypso Bay	\$692,566.59
<u>POOLS</u>	North County (50 meter)	\$489,165.13
	Lake Lytal (50 meter)	\$309,175.38
	Aqua Crest (50 meter)	\$174,193.26
	Santaluces (25 meter)	\$40,414.09
	Pioneer Park (25 meter)	\$12,704.72

AUDIT SCOPE AND METHODOLOGY

This audit of the Aquatics Division was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were money handling, size of operation, and operating revenues. In addition, the BCC requested emphasis on the effectiveness and efficiency of the operation and controls intended to minimize fraud risks. Through meetings with Department staff and a review of Countywide and departmental policies and procedures, organizational charts, and other documentation we selected the specific audit objectives cited above for detailed review and reporting.

The scope of our audit was fiscal year 2013 through August 31, 2013. Audit field work was conducted in the Department and at the County's pools and waterparks from August to October 2013.

To answer Objective 1, we met with Aquatics management to get background information about the waterparks and pools. We reviewed Countywide and Departmental policies and procedures (PPMs). We reviewed Operations Manuals, organizational charts, and the FY 2013 revenue and expense budgets. We observed cash handling at three pools and two waterparks and reviewed the daily cash

The table demonstrates that none of the aquatic facility's revenues are sufficient to cover the facility's operating costs. The differences are made up from general revenues of the County. The total subsidy to the aquatic facilities for FY 2013 was \$1.8 million. The revenues are primarily admissions fees and concessions. The expenses are primarily staff and operating & maintenance costs. Generally, replacement of major equipment and refurbishment of facilities are funded through the County's capital budget rather than the facility's operating budget.

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establishing rates for these facilities and that other considerations such as the facility's drawing area and, the economics and demographics of that drawing area also factor into the rate making decision. We believe that cost recovery percentages should also be a factor in considering the rate making decision. It is also possible that there could be a distinction between the 50 meter pools and the 25 meter pools for admissions.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing the setting of rates.

We support Management's desire to develop cost analyses in any ways that will be helpful to them.

BACKGROUND

The Parks and Recreation Department (Department) serves residents countywide through 104 regional, district, community, beach, and neighborhood parks encompassing 8,569 acres. Services include public safety, grounds maintenance, recreation programs and a vast array of specialized facilities that include aquatic centers, community centers, nature centers, championship golf courses, fishing piers, equestrian centers, amphitheaters, athletic fields and courts, boating facilities, beaches,

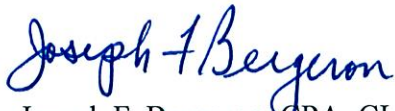
and historical and cultural museums. The Department is divided into five divisions: Administrative/Financial and Support Services Division, Special Facilities Division, Aquatics Division, Recreation Services Division, and Maintenance Division. For Fiscal Year 2013, Parks has a staff of 562 and a budget of approximately \$62.7 million.

The Aquatics Division (Division) provides quality water related recreation opportunities

receipt documentation submitted to FSS between July 30 and August 10, 2013.

To answer Objective 2, we obtained the Aquatics Division's mission statement, objectives, and performance measures for FY 2013. We compared the mission statement to the objectives, tested the objectives to determine whether they were specific, measurable, attainable, realistic, and time oriented. We also determined whether each objective had a specific performance measure.

To answer Objective 3, we identified the rates for admissions established for each of the swimming pools and waterparks. We discussed the process for establishing the rates and identified the last time the rates were changed with the Aquatics Supervisor. We also determined the cost of operating each pool and waterpark and calculated what the cost per person would be for full cost recovery.



Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
January 8, 2014
Audit W/P No. 2013-07

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

ADMINISTRATIVE RESPONSE



**Inter-Departmental Communication
Palm Beach County
Parks and Recreation Department**

DATE: May 7, 2014
TO: Eric Call, Director
Parks & Recreation Department
FROM: Dave Lill, Director
Aquatics Division
Rebecca Pine, Director
Financial and Support Services
RE: Response to Internal Audit Report

Dave Lill

cc. Ms.

We are in receipt of the Internal Audit Report for the Aquatics Division Pools and Waterparks Cash Management from Joseph F. Bergeron, Internal Auditor and concur with the findings and recommendations in this report. The following represents actions that will be taken and in some cases have already been taken:

Finding 1 Controls Over Cashiering Procedures Need Improvement

Recommendation

- (1) The Parks and Recreation Department Director should modify departmental PPM PRO-J03 to include controls needed to prevent opportunities for abuse including, cursory reviews by Facility Management of voided transactions for detection of irregularities or excessive voids, of the condition(reason) under which the transaction was voided to ensure the proper process was followed, and requiring a customer's signature on voided cash transactions as a compensating control when the on-duty manager is unavailable. In addition, voided transactions should be monitored by documenting these transactions to help detect patterns of abuse or excess use of voids.

Response: Concur: The Aquatics Division and the Financial and Support Services Division will work together to modify Division PPM PRO-J03 by December 31, 2014.

The definition of "voided transactions" at the time of this audit was a broad definition that included corrections for any transaction error made at the smart register. Improvements have already been implemented at all facilities to ensure that voids are made appropriately and tracked. Waterpark and Pool managers, and cashier staff have been re-trained on how to process voids and the conditions under which a transaction may be voided. The procedure recommended in the audit of requiring a customer signature on voided transactions has been implemented. The RecTrac point of sale system was implemented at the waterparks in 2013, the pools on February 11, 2014, and will be implemented for the Waterpark remote concession sites by next season (Summer 2015). The use of this system allows management to narrow the scope of the definition for "voided transactions" so that they only take place when the transaction has been completed and there was a mistake in the amount paid or a credit card did not clear. This system also allows us to track all transactions by individual cashier.

- (2) The Parks and Recreation Department Director should ensure that a separate cash drawer is provided to each cashier in order to avoid sharing of cash drawers and that each cashier has been instructed on their responsibility for the security of the cash that has been assigned to them as defined in PPM CW-F-041.

Response: *Compensating controls are in place for our Department as it is not feasible for each cashier to have a separate cash drawer. We will recommend that OFMB change the language in PPM CW-F-041 so that in cases where cashiers cannot be assigned a separate physical cash drawer, compensating controls must be in place to ensure the security of the cash.*

The compensating controls at the pools are as follows:

- 1. Cash is reconciled upon each shift change utilizing a cash reconciliation form.*
- 2. Each cashier is required to log-in with a unique ID each time they use RecTrac.*
- 3. Managers generate and review a report daily showing all transactions made by each cashier.*

- (3) The Parks and Recreation Department Director should modify departmental PPM DOF-005 to include a cursory review by Facility Management of the checks accepted for payment to ensure all the requirements for accepting a check have been met.

Response: *Concur that facility management needs to be proactive in ensuring that the requirements for accepting a check are met; however, do not concur that departmental PPM DOF-005 needs to be modified.*

Language in PPM DOF-005 already provides staff with specific instructions on acceptance of checks. If staff is not following instructions per the PPM, it is Aquatics Division management's responsibility to train them accordingly. As such, Managers have instructed cashier staff to review each check accepted for the requirements. They are also reviewing the checks on a daily basis and will work with each cashier accordingly. In the case of checks made out to the facility, the check is accepted by the bank as long as endorsement is stamped on the check. As to not inconvenience the patron, he/she will be called with instructions on how to make out checks in the future.

Finding 2 Oversight of Complimentary Passes Needed

Recommendation

- (4) The Parks and Recreation Department Director should ensure the Facility Managers are maintaining the Log Sheets as required by PPM PRF-J03. In addition, all Log Sheets should be submitted to the Waterpark Coordinator for monthly review.

Response: *Concur that the log sheets need to be better maintained at the facilities and that log sheets should be submitted to Aquatics supervision for monthly review.*

Effective immediately the Aquatics Supervisor will review the waterpark logs monthly during the season and the Aquatics Programs Coordinator will review the pool logs monthly during the summer and twice during the remainder of the year. The process for mass distribution of passes will be reviewed with all staff to ensure compliance.

DESCRIPTION AND EVALUATION OF PERFORMANCE MANAGEMENT SYSTEM

ANALYSIS OF POOL AND WATERPARK ADMISSION RATE METHODOLOGY

Response: *The comments and suggestions from these portions of the audit are appreciated and will be taken into consideration when addressing Performance Management and the setting of rates.*



Office of the County Internal Auditor
Audit Report #2014-06

**RISK MANAGEMENT DEPARTMENT
WORKERS COMPENSATION DIVISION**



*Reviewed by Audit Committee
June 18, 2014*

DATED MAY 13, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the Risk Management Department's Workers Compensation Division Manager ensure the contract with the third-party administrator managed in accordance with the agreed terms and conditions?
2. Describe and evaluate the Division's performance management process including methods used to measure and report on effectiveness and efficiency of operations.

WHAT WE FOUND

As to objectives one above, the Division Manager has ensured the contract with the third-party administrator was managed in accordance with the agreed upon terms and conditions.

We did notice situations that, although not rising to the level of a finding, should be communicated to management. A memorandum communicating those items

has been provided to the Division Manager for informational purposes only.

As to objective two above, we found that the Division Director had established appropriate organizational objectives and performance measures. However, we noted some areas for improvement.

WHAT WE RECOMMEND

The audit report makes no recommendations to the Department and Division Directors

The report also makes several suggestions for improvement in the performance

management system relating to objectives and performance measures.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

As a part of the County's Annual Budget submittal procedures, as outlined in the County Budget Instructions Manual, Departments are required to establish objectives for their departments and develop and report on performance measures related to these objectives. The Manual requires that the objectives be concise and measurable.

As part of our review we compared the Division's mission statement to their objectives to determine if the objectives were directly related to and linked to the elements of the mission statement. We determined if each objective had a specific related performance measure(s), and in our evaluation, we used the generally accepted "SMART" framework to review the objectives (Specific, Measurable, Attainable, Realistic, and Time Oriented). Finally, we tested the accuracy and reliability of reported performance measures and the timeliness distribution to appropriate personnel.

Mission Statement

The Risk Management Department's mission statement is *To serve the citizens and employees of Palm Beach County by providing cost-effective and efficient coordination of all functions relating to the identification, analysis, and control of exposures which threaten loss to the county.* The Division's mission is to *manage and oversee the administering of the County's self-insured Workers' Compensation claims administered by a TPA.* The mission of the division appears to be in alignment with the mission of the department.

Objectives/ Performance Measures

The table below summarizes the Division's objectives and performance measures published in the County FY2013 Budget Book.

Objective	Performance Measure	Category
1. Work Closely with the workers' compensation third party administrator to ensure all claims are handled within the terms of the contract and medical utilization is appropriate for each claim.	Claims closing ratio.	Measure of efficiency.
	Reduce lost time claims.	Measure of effectiveness.

2.Pursue any and all subrogation, Special Disability Trust Fund and excess recoveries with the assistance of the third party administrator and defense counsel.	No performance measure reported.	
3.Aim for further penetration of the contracted workers' compensation PPO network to achieve maximum savings.	No performance measure reported.	

The division has developed performance measures for objective #1, but no performance measures are reported for objectives #2 and #3. Each objective should contain at least one performance measure.

Objective #1 does not specifically identify what is being measured or how the objective will be measure their achievement (i.e. number or percentage).

Objective #2 is not specific as it does not establish a time frame, constraints are identified by 'any and all', and there is no specific reason or purpose of accomplishing this goal.

Objective #3 does not specifically identify what the requirements for achievement are, does not establish a time frame for completion, and does not state a reason or benefit. This objective is also not measureable as there is no criteria for measuring progress.

In our evaluation of the objectives against the SMART criteria we found that while the objectives did contain some of the SMART criteria, overall they do not fully meet all of the elements.

Considerations for Improvement:

- The Division Manager should review current objectives and performance

measures to ensure each objective is specific, measurable, and time oriented.

- The Division Manager should ensure that performance measures are a specific quantitative and qualitative measure of work performed that supports its objectives and goals.
- The Division Manager should consider implementing a performance management program to include additional objectives such as reducing future workers' compensation cost, promoting work place safety, and improving returning injured workers to work.
 - These additional objectives can also be applied at the department-wide level.

Management Comments and Our Evaluation

At the Exit Conference on May 13, 2014, Department officials generally agreed with the comments and suggestions. They believed this discussion will be beneficial to them as they work to further develop and improve their performance management system.

We support Management's desire to enhance their performance measurement system in any way that will be helpful to them.

BACKGROUND

The Risk Management Department (Department) coordinates all functions relating to identification, analysis, and control of exposures which threaten loss to the County through proactive management of various programs including Workers' Compensation. The Workers Compensation Program provides employees injured on the job with both (1) medical care at the County's expense and (2) compensation for a portion of their wages during the recuperation. The County's claim administration is in accordance with the Florida Workers' Compensation Law, Florida Statutes 440. Under a current budget of \$12M, the Workers' Compensation Division (Division) manages and oversees the administering of the County's self-insured Workers' Compensation claims with a staff of two and the use of a Third Party Administrator (TPA).

Third Party Administrator (TPA)

The County's Workers Compensation claims are administered by Preferred Governmental Claim Solutions (PGCS), a third party administrator, who is mainly responsible for:

1. Reviewing first injury reports, conducting claim investigations, and adjusting qualified claims;
2. Providing bill review and payment services of claims and expenses;
3. Filing required forms with the State of Florida;
4. Assisting the County in establishing banking arrangements;
5. Coordinating investigations on litigated claims;
6. Investigating & pursuing subrogation and lien possibilities on behalf of the County;
7. Providing on-site adjustors with access to the RiskMaster claim processing system.

Types of Claims

There are two types of Workers' Compensation claims: (1) medical claims and (2) lost-time claims. Medical claims include medical, surgical, pharmaceutical, and other approved provider claims, as well as transportation or mileage charges to and from a County approved medical providers' office. Loss-time claims involve time lost from work due to a work related accident or injury.

Financial Structure of Workers' Compensation Program

The Division maintains a Loss Fund Account with a minimum balance of \$750,000 to fund the Workers' Compensation Program. The Division reviews the check register provided by the TPA, authorizes payments, and funds the Loss Fund Account on a weekly basis.

Worker's Compensation Audit #12/13-100

The Florida Department of Financial Services, Division of Worker's Compensation, Bureau of Monitoring and Audit (Bureau) performed an audit of the Workers' Compensation Program during April 2013. Since the County's workers compensation program is administered by

the TPA, the audit conducted by the Bureau focused on actions taken primarily by the TPA. The audit found that 19 of 229 (91.7%) indemnity payments were not made timely. The statutory standard for timely payment is for at least 95% of indemnity

payments (11 payments) to be made in a timely fashion. The Bureau imposed a \$50 fine for each of the 8 payments beyond the 95% threshold resulting in a \$400 fine paid by the TPA.

AUDIT SCOPE AND METHODOLOGY

This audit of this Division was selected as a result of our annual risk assessment of the County's department operations. The risk factors identified in the assessment were the contract management with the TPA and the security of client information. In addition, the BCC requested an emphasis on the effectiveness and efficiency of the operation and controls intended to minimize fraud risks. Based on our preliminary audit planning meeting with the Division Manager, the TPA is in charge of securing the client information and has implemented security features in their systems such as unique user passwords, password controls at network and application levels, and users' explicit authority to functions. The TPA also performs a thorough investigation at the beginning of each case, along with detailed reviews for each claim filed. Our risk matrix analysis indicated that controls are in place to reasonably secure client information and to prevent fraudulent claims. Therefore, our audit focus was on the Division's contract management and the effectiveness & efficiency of its operations.

Our audit scope covered the Workers' Compensation claims from August 1, 2009 to September 30, 2013.

Our audit procedures used for these two objectives included but were not limited to:

- Interviewing the Division Manager;
- Reviewing the contract for third party workers' compensation claims administration services, and the State's and County's Workers Compensation related policies & procedures;
- Reviewing supporting documents.

For Objective 1, we judgmentally selected and tested 94 samples. Among the 94 samples, 30 claims were selected for testing the TPA service charges, 5 claims were selected for testing the indemnity charges, 40 claims were selected for testing the claim handling process and 19 claims were selected for testing the timely filing for Notice of Denial to the State of Florida. In addition, we verified the annual fixed contract fees paid to the TPA.

For Objective 2, we reviewed the Division's mission statement, objectives and performance measures; and used the SMART (Specific, Measurable, Attainable, Realistic and Time-Oriented) criteria to further evaluate the Division's objectives and performance measures.

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Joseph F. Bergeron, CPA, CIA, CGAP

Internal Auditor

May 13, 2014

Audit W/P No. 2013-06

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the Parks and Recreation Department Director ensure revenue collections, cash handling, and deposits at County operated waterparks and swimming pools were performed in accordance with Countywide and departmental policies and procedures during FY 2013 through August 31, 2013?
2. Describe and evaluate the Aquatics Division's performance management processes including methods used to measure and report on effectiveness and efficiency of operations.
3. How are the rates for admission to swimming pools and waterparks established?

WHAT WE FOUND

As to objectives one above, we found the Division Director generally ensured compliance with the relevant guidance. However, we noted that controls over cashiering procedures need improvement and that oversight of complimentary passes is needed.

As to objective two above, we found that the Division Director had established

appropriate organizational objectives and performance measures. However, we noted some areas for improvement.

As to objective three, we found the process of establishing admission rates is reasonable and adequate to ensure competitive rates. However, we noted additional considerations for management to incorporate into their process.

WHAT WE RECOMMEND

The audit report makes four recommendations to the Department and Division Directors to address the control weaknesses identified in objective one.

The report also makes several suggestions for improvement in the performance management system relating to objectives and performance measures.

The report makes several suggestions for management to consider in development of admission rates for pools and waterparks such as cost recovery percentages and distinguishing between 50 meter pools and 25 meter pools.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 Controls Over Cashiering Procedures Need Improvement

Void Processing

Departmental PPM PRO-J03 entitled 'Void and Previous Void' requires the cashier to complete a Void Approval Form and obtain a signature on the form from the manager or authorized designee for each transaction processed on their assigned cash register that requires correction. Only the on-duty manager or authorized designee will have the authority to process and complete a void transaction. The PPM allows a cashier to get verbal authorization to proceed with the processing of a void transaction when the on-duty manager or authorized designee is unavailable at the time the error occurs but provides no compensating control for this exception.

Our review of 105 void transactions processed by the three pools and two waterparks reviewed between July 30 and August 10, 2013 found three instances where the employee that filled out the Void Approval Form was not the cashier identified on the original transaction receipt. We also found eight instances where the cashier signed the Void Approval Form. In addition, we found 103 of the 105 void transactions reviewed were processed by the cashier.

Departmental PPM PRO-J03 also defines the conditions under which a void is executed. The conditions include: cashier input error; guest error placing order; credit card declined; or customer unable to pay. Our review of the daily paperwork submitted by the three pools and two waterparks reviewed between July 30 and

August 10, 2013 found three instances where a void was performed (resulting in a refund) when the description of the void did not meet the condition of a void. The descriptions of the voids processed were: wanted money back; unhappy with birthday; and wanted to leave due to people upsetting her. These descriptions would however, meet the conditions for distribution of a Complimentary Pass. Departmental PPM PRF-J03 entitled 'Complimentary Pass' defines the conditions under which a Complimentary Pass is dispensed to be; inclement weather, attraction closure or unsatisfied guests.

Recommendation

(1) The Parks and Recreation

Department Director should modify departmental PPM PRO-J03 to include controls needed to prevent opportunities for abuse including, cursory reviews by Facility Management of voided transactions for detection of irregularities or excessive voids, of the condition(reason) under which the transaction was voided to ensure the proper process was followed, and requiring a customer's signature on voided cash transactions as a compensating control when the on-duty manager is unavailable. In addition, voided transactions should be monitored by documenting these transactions to help detect patterns of abuse or excess use of voids.

Cash Drawers

Countywide PPM #CW-F-041 entitled "Petty Cash, Change Funds, Imprest Checking Accounts and Cash Drawers" states that cash drawers should not be shared with any other employee and that cashiers

shall be personally responsible for the security of the cash assigned to them.

Our sight visit to the three pools reviewed found cash registers are shared by more than one cashier. We observed cash registers being used by the assigned cashier, by a relief cashier (during lunch break) and by the late shift cashier, all using the same cash drawer.

At the waterparks, a breaker's job is to relieve the cashiers for lunch break. A cash drawer is assigned to the breaker to be used in the cash registers of the cashiers being relieved. When the breaker relieves a cashier, the cashier's cash drawer is locked in a separate drawer under the cash register and the breaker's cash drawer is placed in the cash register.

We noted that at one of the waterparks, one cash register was smaller than the other cash registers in the waterpark. When the breaker moves from the small cash register to a larger cash register, the money in the breaker's drawer has to be moved to a larger cash drawer in order to fit in the larger cash registers. Our observation of this process found the money is moved to the larger cash drawer by the Fiscal Specialist while the breaker waits at the location of the cashier being relieved.

(2) The Parks and Recreation

Department Director should ensure that a separate cash drawer is provided to each cashier in order to avoid sharing of cash drawers and that each cashier has been instructed on their responsibility for the security of the cash that has been assigned to them as defined in PPM CW-F-041.

Check Processing

Internal PPM DOF-005 entitled 'Revenue Collection, Depositing, and Reporting' provides the requirements for the acceptance of checks, money orders and travelers checks. The requirements identified in the PPM include:

- the Payer's driver's license number and phone number must be printed on the front of the check above the Payer's imprinted name
- the Payee is identified as 'Board of County Commissioners'
- the date of the check is the current date
- the Payer's correct name and complete address are professionally imprinted on the check

Our review of the paperwork submitted between July 30 and August 10, 2013 by the three pools and two waterparks reviewed found 30 instances where checks were accepted without the Payer's driver's license number or phone number, six instances where checks were made out to the pool or waterpark, three instances where checks did not have the current date and one instance where the check had no date, and two instances where checks did not have the Payer's correct name and complete address professionally imprinted on the check.

(3) The Parks and Recreation Department Director should modify departmental PPM DOF-005 to include a cursory review by Facility Management of the checks accepted for payment to ensure all the requirements for accepting a check have been met.

Management Comments and Our Evaluation

In responding to a draft of this audit report the Department Director and Division officials agreed with the finding and recommendations. As to recommendation #1, Division officials indicated a new PPM was being developed on cashiering procedures and that the finding had been reviewed with waterpark and pool staff to clarify procedures for handling void transactions. The implementation date established for the revisions to PPM-PRO-Jo3 is December 31, 2014. As to recommendation #2, Division officials stated their belief that providing separate cash drawers for each cashier was not practical due to the number of cashiers and limitations on storage for the additional drawers and that compensating controls have been put in place. Department officials also noted the Countywide PPM may not be relevant to a multiple cashiers location, and that a Departmental PPM on cash handling procedures had recently been developed. As to recommendation #3 Department officials noted that the bank has accepted all checks presented for deposit, without regard to the payee on the face of the check. They also agreed that facility management needs to be more proactive in ensuring that check acceptance requirements are met. However, the officials believe PPM DOF-005 does not require modification, that better training on the requirements of the PPM will suffice.

We appreciate the actions already taken and underway by the Department to address the recommendations. We also understand the limitations on storage of multiple cash drawers.

Finding 2 Oversight of Complimentary Passes Needed

Departmental PPM PRF-J03 entitled 'Complimentary Pass' provides the guidelines for dispensing the passes which

includes the requirement to record passes in numerical order on the Complimentary Pass Log Sheet (Log Sheet). Our review of approximately 3400 passes distributed in FY 2013 by the three pools and two waterparks reviewed found passes were not accurately recorded. Log Sheets showed gaps in pass numbers recorded leaving 112 passes unaccounted for. Log Sheets also showed 45 pass numbers recorded twice. In addition, one facility had not recorded the distribution of passes in FY 2013 leaving 31 passes unaccounted for.

Departmental PPM PRF-J03 also states the Facility Manager on duty will be responsible for the distribution of all passes and that during times of mass distribution, the Facility Manager can assign passes to the Office Manager or Fiscal Specialist for distribution. Attached to the PPM is a copy of the Complimentary Pass Log Sheet which provides a place to identify the Facility Manager authorizing the distribution of the passes and the staff member receiving the passes for distribution. Our review of Log Sheets used to record the distribution of passes in FY 2013 showed instances when the Facility Manager did not sign off (authorize) on the passes that were distributed. At one facility we found the distribution of 4 passes was authorized by a cashier and the distribution of 42 passes was not authorized by anyone. We also found a facility that uses a different log sheet that doesn't provide a place for the Facility Manager to authorize the distribution of

passes resulting in 5 unauthorized passes being distributed.

Recommendation

- (4) The Parks and Recreation Department Director should ensure the Facility Managers are maintaining the Log Sheets as required by PPM PRF-J03. In addition, all Log Sheets should be submitted to the Waterpark Coordinator for monthly review.**

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials agreed with the finding and recommendation. Division officials pointed out that their problems with PPM compliance occur when there is a mass distribution of complimentary passes due to inclement weather or some similar incident. The officials discussed potential revisions to the PPM to address the mass distribution situations. The officials also agreed that log sheets need to be better maintained at the facilities and that log sheets should be submitted for monthly review.

We agree with Management's intention to consider revision to their PPM.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

The Division has established a mission statement, organizational objectives relevant to the mission and performance measures to achieve those objectives. The Division's mission statement is, *'We are committed to providing a healthy, safe and enjoyable*

aquatic experience for all citizens and visitors in Palm Beach County through the use of a well trained team of aquatic professionals.' The table below summarizes the objectives and performance measures:

Objective	Performance Measure	Category
1. Promote drowning prevention by partnering with the Drowning Prevention Coalition of Palm Beach County, Head Start, and local schools to provide swimming lessons and water safety presentations.	Number of students participating in swim lessons and/or water safety presentation.	Output- a measure of workload.
2. Maintain the 10 aquatic facilities and associated equipment with a minimal number of unplanned shut down occurrences.	Percentage of scheduled operating hours without unplanned shut downs.	Outcome - a measure of effectiveness.
3. Provide safe aquatic environments through well-trained staff that meet or exceed the requirements of the United States Lifesaving Association (beaches) and American Red Cross (pools and waterparks).	Percentage of staff that meets or exceeds USLA & American Red Cross requirements.	Outcome - a measure of effectiveness.

Our review of the Division's performance management process included:

- Evaluating the mission statement
- Ascertaining if the objectives support and address all elements of the mission statement
- Evaluating each objective using the SMART criteria
- Determining the relationship of each objective to performance measures
- Determining how the Division defines and measures effectiveness and efficiency

- Evaluating the data gathering and reporting methodology used

Mission Statement:

The mission statement clearly states the overall goal of the Division. However, as written, it seems to limit the Division's goal to what the well trained aquatic professionals do to provide a healthy, safe and enjoyable experience. Leaving off the end of the statement, 'through the use of a well trained team of aquatic professionals' would remove that limitation.

Objectives:

The objectives support the mission statement, however not all elements of the mission statement have been addressed. Objectives #1 and #3 address 'safe' element identified in the mission statement. Objective #2 addresses the 'healthy' element implying that when facilities and equipment are maintained (kept clean and in working condition), they provide a healthy environment. However, no objectives regarding the 'enjoyable' element of the mission statement have been established.

To evaluate the completeness of each objective, we used an evaluation criteria known by the acronym 'SMART' (Specific, Measurable, Attainable, Realistic, and Time Oriented). We found objectives 1 and 2 meet the criteria. However, objective 3 combines two elements - "*safe aquatic environments*" and "*well trained staff*" that, while related, are two different things. Safety could be measured in terms of accidents per so many patrons, or reductions in the number of accidents, or some similar measure. Training could be measured by the number of training sessions or hours that were achieved per individual or in total.

Performance measures:

Each objective is supported by a performance measure. However, when the objectives have no goal to measure against, the performance measures lack meaning.

In addition, the Division has not established measures of efficiency.

Other Measures Gathered for Management Review

Although formal objectives have not been established, the Division also tracks statistics on attendance and revenue. Attendance statistics include details for admission, lessons and programs, and swim/dive team (depending on the activities offered at each location) collected on a monthly basis. These statistics are used to set priorities and establish pool space needs. Revenue statistics include revenue collected for attendance, pool/equipment rentals, merchandise, food, and beverage (depending on the services offered at each location). These statistics are used for budgeting purposes and capital request justifications.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing performance management.

We support Management's desire to enhance their performance measurement system in any way that will be helpful to them.

ANALYSIS OF ADMISSION RATE METHODOLOGY FOR POOLS AND WATERPARKS

Admission rates for County operated swimming pools and waterparks are based on biennial research conducted by the Parks Department of the rates charged at similar facilities in South Florida. We independently compared rates at various pools and aquatic facilities in Miami-Dade, Broward and Palm Beach counties and found admission fees were consistent throughout the area for comparable properties. However, simply comparing admission fees may not be the best or most effective way of establishing admission fees. We believe the cost of operating the facility and the relative share of that cost the user is expected to bear should also be considered. Accordingly, we conducted the following cost recovery analysis to gain additional insight into the issue.

Cost Recovery Analysis

During the summer months County pools provide activities for children and families and field trip destinations for summer day camps. They also provide high school swim teams with a place to practice and have swim meets and a place for elementary school children to take swimming lessons and attend water safety classes. There is however, a cost associated with providing these services. Our summary of the revenues and expenses generated by the County's pools and waterparks for FY 2013 is illustrated below.

	Coconut Cove	Calypso Bay	North County	Lake Lytal	Aqua Crest	Santa-luces	Pioneer Park
Revenues	\$754,144	\$692,567	\$489,165	\$309,175	\$174,193	\$40,414	\$12,705
Expenses	\$917,652	\$925,750	\$933,815	\$711,685	\$513,029	\$148,432	\$169,287
Difference	(163,508)	(233,183)	(444,650)	(402,510)	(338,836)	(108,018)	(156,582)
Attendance	66,921	59,946	85,625	104,819	27,749	4,495	4,393
Cost Recovery	83%	75%	53%	44%	34%	28%	8%
Revenue per capita current	11.23	11.56	5.72	2.95	6.28	8.93	2.90
Revenue per capita for full recovery	13.72	15.45	10.91	6.79	18.49	33.03	38.54

The table demonstrates that none of the aquatic facility's revenues are sufficient to cover the facility's operating costs. The differences are made up from general revenues of the County. The total subsidy to the aquatic facilities for FY 2013 was \$1.8 million. The revenues are primarily admissions fees and concessions. The expenses are primarily staff and operating & maintenance costs. Generally, replacement of major equipment and refurbishment of facilities are funded through the County's capital budget rather than the facility's operating budget.

There are no County policies regarding setting rates for services such as these aquatic facilities. The Department surveys comparable facilities in South Florida periodically to determine if their rates are reasonable. The Department also charges a standard fee at all similar County facilities. The three 50 meter pools require the largest dollar subsidies. The two 25 meter pools are used the least. We understand that economics is not the only consideration in

establishing rates for these facilities and that other considerations such as the facility's drawing area and, the economics and demographics of that drawing area also factor into the rate making decision. We believe that cost recovery percentages should also be a factor in considering the rate making decision. It is also possible that there could be a distinction between the 50 meter pools and the 25 meter pools for admissions.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing the setting of rates.

We support Management's desire to develop cost analyses in any ways that will be helpful to them.

BACKGROUND

The Parks and Recreation Department (Department) serves residents countywide through 104 regional, district, community, beach, and neighborhood parks encompassing 8,569 acres. Services include public safety, grounds maintenance, recreation programs and a vast array of specialized facilities that include aquatic centers, community centers, nature centers, championship golf courses, fishing piers, equestrian centers, amphitheaters, athletic fields and courts, boating facilities, beaches,

and historical and cultural museums. The Department is divided into five divisions: Administrative/Financial and Support Services Division, Special Facilities Division, Aquatics Division, Recreation Services Division, and Maintenance Division. For Fiscal Year 2013, Parks has a staff of 562 and a budget of approximately \$62.7 million.

The Aquatics Division (Division) provides quality water related recreation opportunities

for people of all ages and abilities. Primary services include managing, programming and coordinating the use of County aquatic facilities and beaches; providing a variety of aquatic programs, activities and events; prevention, rescue and emergency medical care at County beaches, pools and waterparks; and providing water safety education for schools, groups and individuals.

The Division’s aquatic facilities include five traditional swimming pools (three 50 meter and two 25 meter), three splashparks and two waterparks. The splashparks are self-supervised interactive water playgrounds that do not require admission fees and do not offer food or beverages. The waterparks and swimming pools generate revenue through admission fees, food and beverages, and equipment and room rentals. Revenue generated in FY 2013 was as follows:

<u>WATERPARKS</u>	Coconut Cove	\$754,143.73
	Calypso Bay	\$692,566.59
<u>POOLS</u>	North County (50 meter)	\$489,165.13
	Lake Lytal (50 meter)	\$309,175.38
	Aqua Crest (50 meter)	\$174,193.26
	Santaluces (25 meter)	\$40,414.09
	Pioneer Park (25 meter)	\$12,704.72

AUDIT SCOPE AND METHODOLOGY

This audit of the Aquatics Division was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were money handling, size of operation, and operating revenues. In addition, the BCC requested emphasis on the effectiveness and efficiency of the operation and controls intended to minimize fraud risks. Through meetings with Department staff and a review of Countywide and departmental policies and procedures, organizational charts, and other documentation we selected the specific audit objectives cited above for detailed review and reporting.

The scope of our audit was fiscal year 2013 through August 31, 2013. Audit field work was conducted in the Department and at the County's pools and waterparks from August to October 2013.

To answer Objective 1, we met with Aquatics management to get background information about the waterparks and pools. We reviewed Countywide and Departmental policies and procedures (PPMs). We reviewed Operations Manuals, organizational charts, and the FY 2013 revenue and expense budgets. We observed cash handling at three pools and two waterparks and reviewed the daily cash

The table demonstrates that none of the aquatic facility's revenues are sufficient to cover the facility's operating costs. The differences are made up from general revenues of the County. The total subsidy to the aquatic facilities for FY 2013 was \$1.8 million. The revenues are primarily admissions fees and concessions. The expenses are primarily staff and operating & maintenance costs. Generally, replacement of major equipment and refurbishment of facilities are funded through the County's capital budget rather than the facility's operating budget.

There are no County policies regarding setting rates for services such as these aquatic facilities. The Department surveys comparable facilities in South Florida periodically to determine if their rates are reasonable. The Department also charges a standard fee at all similar County facilities. The three 50 meter pools require the largest dollar subsidies. The two 25 meter pools are used the least. We understand that economics is not the only consideration in

establishing rates for these facilities and that other considerations such as the facility's drawing area and, the economics and demographics of that drawing area also factor into the rate making decision. We believe that cost recovery percentages should also be a factor in considering the rate making decision. It is also possible that there could be a distinction between the 50 meter pools and the 25 meter pools for admissions.

Management Comments and Our Evaluation

In responding to a draft of this audit report Department officials said that the comments and suggestions are appreciated and will be taken into consideration when addressing the setting of rates.

We support Management's desire to develop cost analyses in any ways that will be helpful to them.

BACKGROUND

The Parks and Recreation Department (Department) serves residents countywide through 104 regional, district, community, beach, and neighborhood parks encompassing 8,569 acres. Services include public safety, grounds maintenance, recreation programs and a vast array of specialized facilities that include aquatic centers, community centers, nature centers, championship golf courses, fishing piers, equestrian centers, amphitheaters, athletic fields and courts, boating facilities, beaches,

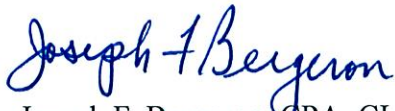
and historical and cultural museums. The Department is divided into five divisions: Administrative/Financial and Support Services Division, Special Facilities Division, Aquatics Division, Recreation Services Division, and Maintenance Division. For Fiscal Year 2013, Parks has a staff of 562 and a budget of approximately \$62.7 million.

The Aquatics Division (Division) provides quality water related recreation opportunities

receipt documentation submitted to FSS between July 30 and August 10, 2013.

To answer Objective 2, we obtained the Aquatics Division's mission statement, objectives, and performance measures for FY 2013. We compared the mission statement to the objectives, tested the objectives to determine whether they were specific, measurable, attainable, realistic, and time oriented. We also determined whether each objective had a specific performance measure.

To answer Objective 3, we identified the rates for admissions established for each of the swimming pools and waterparks. We discussed the process for establishing the rates and identified the last time the rates were changed with the Aquatics Supervisor. We also determined the cost of operating each pool and waterpark and calculated what the cost per person would be for full cost recovery.



Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
January 8, 2014
Audit W/P No. 2013-07

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

ADMINISTRATIVE RESPONSE



**Inter-Departmental Communication
Palm Beach County
Parks and Recreation Department**

DATE: May 7, 2014
TO: Eric Call, Director
Parks & Recreation Department
FROM: Dave Lill, Director
Aquatics Division
Rebecca Pine, Director
Financial and Support Services
RE: Response to Internal Audit Report

Dave Lill

cc. Ms.

We are in receipt of the Internal Audit Report for the Aquatics Division Pools and Waterparks Cash Management from Joseph F. Bergeron, Internal Auditor and concur with the findings and recommendations in this report. The following represents actions that will be taken and in some cases have already been taken:

Finding 1 Controls Over Cashiering Procedures Need Improvement

Recommendation

- (1) The Parks and Recreation Department Director should modify departmental PPM PRO-J03 to include controls needed to prevent opportunities for abuse including, cursory reviews by Facility Management of voided transactions for detection of irregularities or excessive voids, of the condition(reason) under which the transaction was voided to ensure the proper process was followed, and requiring a customer's signature on voided cash transactions as a compensating control when the on-duty manager is unavailable. In addition, voided transactions should be monitored by documenting these transactions to help detect patterns of abuse or excess use of voids.

Response: Concur: The Aquatics Division and the Financial and Support Services Division will work together to modify Division PPM PRO-J03 by December 31, 2014.

The definition of "voided transactions" at the time of this audit was a broad definition that included corrections for any transaction error made at the smart register. Improvements have already been implemented at all facilities to ensure that voids are made appropriately and tracked. Waterpark and Pool managers, and cashier staff have been re-trained on how to process voids and the conditions under which a transaction may be voided. The procedure recommended in the audit of requiring a customer signature on voided transactions has been implemented. The RecTrac point of sale system was implemented at the waterparks in 2013, the pools on February 11, 2014, and will be implemented for the Waterpark remote concession sites by next season (Summer 2015). The use of this system allows management to narrow the scope of the definition for "voided transactions" so that they only take place when the transaction has been completed and there was a mistake in the amount paid or a credit card did not clear. This system also allows us to track all transactions by individual cashier.

- (2) The Parks and Recreation Department Director should ensure that a separate cash drawer is provided to each cashier in order to avoid sharing of cash drawers and that each cashier has been instructed on their responsibility for the security of the cash that has been assigned to them as defined in PPM CW-F-041.

Response: *Compensating controls are in place for our Department as it is not feasible for each cashier to have a separate cash drawer. We will recommend that OFMB change the language in PPM CW-F-041 so that in cases where cashiers cannot be assigned a separate physical cash drawer, compensating controls must be in place to ensure the security of the cash.*

The compensating controls at the pools are as follows:

- 1. Cash is reconciled upon each shift change utilizing a cash reconciliation form.*
- 2. Each cashier is required to log-in with a unique ID each time they use RecTrac.*
- 3. Managers generate and review a report daily showing all transactions made by each cashier.*

- (3) The Parks and Recreation Department Director should modify departmental PPM DOF-005 to include a cursory review by Facility Management of the checks accepted for payment to ensure all the requirements for accepting a check have been met.

Response: *Concur that facility management needs to be proactive in ensuring that the requirements for accepting a check are met; however, do not concur that departmental PPM DOF-005 needs to be modified.*

Language in PPM DOF-005 already provides staff with specific instructions on acceptance of checks. If staff is not following instructions per the PPM, it is Aquatics Division management's responsibility to train them accordingly. As such, Managers have instructed cashier staff to review each check accepted for the requirements. They are also reviewing the checks on a daily basis and will work with each cashier accordingly. In the case of checks made out to the facility, the check is accepted by the bank as long as endorsement is stamped on the check. As to not inconvenience the patron, he/she will be called with instructions on how to make out checks in the future.

Finding 2 Oversight of Complimentary Passes Needed

Recommendation

- (4) The Parks and Recreation Department Director should ensure the Facility Managers are maintaining the Log Sheets as required by PPM PRF-J03. In addition, all Log Sheets should be submitted to the Waterpark Coordinator for monthly review.

Response: *Concur that the log sheets need to be better maintained at the facilities and that log sheets should be submitted to Aquatics supervision for monthly review.*

Effective immediately the Aquatics Supervisor will review the waterpark logs monthly during the season and the Aquatics Programs Coordinator will review the pool logs monthly during the summer and twice during the remainder of the year. The process for mass distribution of passes will be reviewed with all staff to ensure compliance.

DESCRIPTION AND EVALUATION OF PERFORMANCE MANAGEMENT SYSTEM

ANALYSIS OF POOL AND WATERPARK ADMISSION RATE METHODOLOGY

Response: *The comments and suggestions from these portions of the audit are appreciated and will be taken into consideration when addressing Performance Management and the setting of rates.*



Office of the County Internal Auditor
Audit Report #2014-07

DEPARTMENT OF AIRPORTS
FIXED BASE OPERATOR
SIGNATURE FLIGHT SUPPORT



*Reviewed by Audit Committee
June 18, 2014*

DATED MAY 13, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following question:

Did Signature Flight Support management comply with the material provisions of the fixed base operator lease agreement with Palm Beach County for fiscal years 2012 and 2013 through April, 2013?

This audit of a fixed based operator's compliance with the lease agreement was requested by the Department of Airports (DOA) and included in the annual audit plan.

WHAT WE FOUND

Signature Flight Support management complied with the material provisions of the fixed base operator lease agreement with Palm Beach County for fiscal years 2012

and 2013. However, the observation listed below details an overpayment that should be brought to DOA management's attention.

WHAT WE RECOMMEND

The audit report makes no recommendations to the Department Director.

OBSERVATION

During our detail testing we noticed two payments to DOA listed as landing fees that were actually rental payments to Signature for rental of a fuel truck. This was brought to the attention of Signature's accounting manager who identified the transaction as

being incorrectly categorized. The accounting manager stated that the truck rental amount was mistakenly placed in the landing fee column and that a refund would be requested from DOA.

BACKGROUND

Signature Flight Support Corporation (Signature) provides fixed-based operator (FBO) services for general aviation aircraft at the Palm Beach International Airport (Airport) pursuant to a lease agreement originally approved in 2004 which has been amended several times since then. Lease provisions require Signature to pay the Airport for ground and building rents, landing, based landing fees, and environmental fees, and apron and fuel flowage fees. Ground and building rents are based on square footage per an independent appraisal. Landing fees and environmental

charges are based on type of aircraft, collected and remitted to the Airport minus an administrative fee of 15% and 10%, respectively. Apron and fuel flowage fees are based on fuel usages at 3 and 5 cents a gallon, respectively. Revenue received from Signature for calendar years 2012 and 2013 was \$2,274,924 and \$2,249,551 respectively.

The table on the following page provides details of the components of the above revenues for each year.

Revenue from Signature

	<u>2012</u>	<u>2013</u>
Landing Fees	\$358,401	\$335,283
Environmental Fees	\$17,120	\$18,160
Ground Rents	\$370,234	\$370,234
Building Rents	\$982,343	\$982,343
Apron Fees	\$205,055	\$209,776
Fuel Flowage Fees	\$341,771	\$333,755
Total Revenue	\$2,274,924	\$2,249,551

AUDIT SCOPE AND METHODOLOGY

The scope of planning for this audit was directed to the specific risks contained in contract administration during the period of fiscal year 2012 and 2013. Audit field work was conducted at airport sites from August through November 2013. For this planning effort, we conducted an entrance conference with DOA, toured Signature Flight offices and grounds, interviewed appropriate Airport and Signature staff about the various activities and processes used in operations, and reviewed the lease agreement provisions, prior audit reports, and other pertinent documentation. Based on the planning effort, the specific audit objective cited above was selected for detailed review and reporting. The Department of Airports (DOA) requested this audit.

To answer the above objective, for fiscal year 2013, we selected a sample from November 2012 and February 2013 monthly reports submitted by the FBO and traced revenues reported for landing fees, based

landing fees, environmental fees, apron and fuel flowage fees to supporting documentation. Rates charged for landing and environmental fees were recalculated and traced to the Annual PBIA landing fee schedule. Building rents were traced to the Rental Rate Adjustment Schedule and fuel fees were traced to invoices. Certificates of insurance submitted by Signature were compared to lease provisions.

To answer the above objective for fiscal year 2012, the annual audit report dated March 14, 2013, prepared by an independent certified public accounting office, was reviewed. In order to facilitate the audit effort, we requested that the external audit firm make available its working papers. Since the external auditor office is located in Orlando, Florida, we were able to review of the working papers online with a Citrix connection during the week of September 20, 2013. Based on the work paper review, we are relying on the

external auditor work for fiscal year 2012 without additional testing.

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be

performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor

May 13, 2014

Audit W/P No. 2012-17 Signature Flight Support



Office of the County Internal Auditor
Audit Report #2014-08

**DEPARTMENT OF ECONOMIC
SUSTAINABILITY**

**CAPITAL IMPROVEMENTS, REAL ESTATE,
AND INSPECTION SERVICES**



*Reviewed by Audit Committee
June 18, 2014*

DATED APRIL 8, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the Capital Improvement, Real Estate, and Inspection Services (CIREIS) Section (the Section) Manager of the Department of Economic Sustainability ensure the Section assisted in providing the required annual monitoring of sub-recipients in accordance with the U.S. Department of Housing and Urban Development (HUD) Monitoring Handbook, and Neighborhood Stabilization Program (NSP) and Disaster Recovery Initiative (DRI) Monitoring Handbooks, if applicable?
2. Did the CIREIS Manager ensure the Section effectively administer construction and contract oversight of Sub-recipients and Developers to ensure compliance with related County agreements and grantor requirements?
3. Review and Evaluate the Section's Performance Management Process.

WHAT WE FOUND

As to objectives one above, we found the CIREIS Section Manager did not ensure the Section assisted in the required formal annual monitoring review of sub-recipients in accordance with the NSP, and DRI Monitoring Handbooks.

As to objective two above, we found that except for the finding and recommendations described below, the CIREIS Section Manager ensured the Capital Improvement

and Real Estate Inspection Services Section effectively administered construction and contract oversight of Sub-recipients and Developers to ensure compliance with related County agreements and grantor requirements.

As to objective three, an evaluation of the Sections' Performance Management process resulted in considerations for improvement.

WHAT WE RECOMMEND

The audit report makes four recommendations to the Department Director and Section Manager to address the control weaknesses identified in objectives one and two.

The report also makes several suggestions for improvement in the performance management system relating to objectives and performance measures.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1. Formal Sub-recipient Monitoring Needs Improvement

A. Neighborhood Stabilization Program:

A Formal Monitoring Review Was Not Conducted for Sub-recipients of Neighborhood Stabilization Program (NSP) Funds -- *Palm Beach County Department of Economic Sustainability Neighborhood Stabilization Program Monitoring Handbook [Preparing for Monitoring]* states, "The Department of Economic Sustainability (DES) will carefully monitor all funding recipients at least once per year."

During our review of formal monitoring efforts, we learned an annual formal monitoring review of sub-recipients of NSP grant program funds had not been conducted. Further, 2 of 3 sub-recipient project files reviewed had been receiving funding for at least a year by the end of the

audit period (September 30, 2013) and subsequent to the adoption of the handbook (March 2013); and thus, should have been carefully monitored.

An Annual Risk Analysis Was Not Performed for Sub-Recipients of Neighborhood Stabilization Program (NSP) Funds -- *Palm Beach County Department of Economic Sustainability Neighborhood Stabilization Program Monitoring Handbook, [Risk Analysis]* states "DES will undertake annual monitoring of all sub-recipients/ developers. The type of monitoring to be conducted (in-depth, limited, on-site or desk monitoring) will depend on the results of a risk analysis conducted on each sub-recipient/developer. The risk analysis process will be conducted annually and will involve a review of the following parameters: amount of funding received (\$2,500,000 triggers in-depth monitoring)."

During our review of formal monitoring efforts, we learned that an annual risk analysis of NSP sub-recipients was not performed. Further, one sub-recipient of NSP funds received combined funding of \$3.45M; and thus, would have been required to have an in-depth monitoring.

B. Disaster Recovery Initiative Program:

Each Step of the DRI Sub-recipient Formal Monitoring Process Was Not Documented Nor Maintained

Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Building an Administrative Record] states "The Basis for the Need: DES recognizes the need to build an Administrative Record that includes all documents considered, either directly or indirectly, by DES Reviewers in reaching a final decision on an issues." It continues to *[Documentation]* state, "DES will adequately document each step of the monitoring process" and "All correspondence, documentation and working papers relating to the monitoring and conclusions will be maintained in the official DES files."

Documentation of DRI sub-recipient formal monitoring work plans (3 of 3 sub-recipients reviewed), on-site fieldwork (3 of 3 sub-recipients reviewed), and notification letters (2 of 3 sub-recipients reviewed) were not maintained in official DES files; and as a result, we were unable to test compliance with DRI Monitoring Handbook procedures for sub-recipient notification and monitoring. Monitoring documentation (i.e. checklist used during on-site reviews) are not normally retained by DES once the related formal monitoring report has been issued. Therefore, DES staff were not able

to provide documentation related to on-site fieldwork for formal monitoring reviews of DRI sub-recipients (3 of 3, 100%) of sub-recipients reviewed.

A Documented Risk Assessment of DRI Sub-recipients Was Not Completed -- *Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Preparing for Monitoring]* states, "Based on determinations made during DES's risk assessment process...", and "consistent with DEO monitoring practices, DES will use similar procedures to define the scope and focus of monitoring efforts. "

Written documentation was not created nor maintained to support completion of a risk assessment to define the scope and focus of monitoring efforts of DRI sub-recipients as required. Thus, we were unable to ascertain DES' risk assessment efforts for monitoring DRI sub-recipients.

Monitoring Reports Were Not Issued Within 30 Days After the Completion of Monitoring. --*Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Monitoring Letter]* states, "30 days after completion of monitoring, DES will send the monitoring letter to the sub-recipient/ developer describing the results."

Our review of DRI sub-recipient formal monitoring reviews revealed that monitoring reports were issued more than 30 days after the date of the monitoring visit for 3 of 3, 100% of sub-recipients reviewed (an average of 40 days after the monitor visit date).

C. Community Development Block Grant:

No Written Policies And Procedures For Monitoring Sub-recipients of CDBG Funding. -- Although CIREIS Section Officials verbally indicated that the Department has adopted the HUD Monitoring Handbook, there are no official written policies and procedures that address DES approval of the handbook for monitoring sub-recipients of CDBG Entitlement funding. In addition, it was learned that formal monitoring reviews are not being conducted for sub-recipients of CDBG funding.

Recommendations:

- 1. The DES Director and the CIREIS Section Manager should ensure formal monitoring reviews are conducted in accordance with Departmental monitoring handbooks (NSP, DRI).**
- 2. The DES Director and the CIREIS Section Manager should consider conducting annual monitoring reviews of CDBG sub-recipients; and officially adopting or developing a monitoring handbook to address formal monitoring of CDBG sub-recipients.**

Management Comments and Our Evaluation

In replying to a draft of this audit report the DES Director and CIREIS Section Manager generally concurred with the recommendations. They stated that an additional layer of administrative oversight and monitoring review is appropriate and has been initiated. They also committed to update the monitoring handbooks for each program. The revisions to the NSP monitoring handbook are expected to be complete

within 120 days of final report, followed by the DRI handbook in another 120 days and followed by the CDBG handbook 180 days after that. The DES Director and the CIREIS Section Manager stated they are committed to ongoing improvement of their monitoring efforts.

We understand the constraints the Department is working under, and appreciate their commitment to timely implementation of the recommendations and development on enhanced policies.

Finding 2. Completion of Key Requirements For Sub-recipients Are Not Consistently Documented in the Official DES Files

Our review of construction and contract oversight of sub-recipients revealed instances in which documentation was not available in the official DES files to substantiate completion of key requirements. More specifically, there was:

- No Evidence That An Invoice Submitted For Reimbursement Was Reviewed for Programmatic Compliance (i.e. Inspection of Project Site to Confirm Work Complete As Indicated in Payment Request). -- *Palm Beach County Action Plan, October 2012 - September 2013, Department of Economic Sustainability*, states, "Strategic Planning, CIREIS, and BHI staff review invoices for programmatic compliance with the agreement they are responsible, and submit invoices to DES' Fiscal Section for secondary review and processing."

CIREIS Section protocol is to review sub-recipient invoices for programmatic compliance by verifying work has been completed as indicated in the payment request prior to recommending a reimbursement payment be processed. However, a review of the sub-recipient project files showed no evidence (documentation) that one of six invoices received from sub-recipients was reviewed for programmatic compliance. Further, our review of other similar sub-recipient project files contained documentation that a payment request site visit had been completed. CIREIS staff indicated that the work site had been inspected prior to recommending payment, but did not document this activity in the file.

- No Evidence That Davis-Bacon Act Wage Decision and Related Amendments Were Included in Construction Bid Solicitation Documents As Required. -- *The Agreement Between Palm Beach County and Pahokee Housing Authority, Inc. (R2012 1798), DAVIS-BACON ACT:* states, "The Agency shall request the County to obtain a Davis-Bacon wage decision for the project prior to advertising the construction work. The Agency shall incorporate a copy of the Davis-Bacon wage decision and shall disclose the requirements of the Davis-Bacon Act in its construction bid solicitation and contract."

During our review of six sub-recipient files we noted one file where documentation in the project file revealed that, while a Davis-Bacon Act wage decision and related amendments for the project was obtained, the construction bid solicitation documentation maintained showed no evidence that these documents had been included in the solicitation as required.

- No Evidence That Davis-Bacon Act Wage Decision and Poster, Employee Rights Under the Davis-Bacon Act, was confirmed to be Posted at the Job Site. - *U.S. Department of Housing and Urban Development, Davis-Bacon Labor Standards, January 2012, The Wage Decision, Posting the Wage Decision,* states, "If you are the prime contractor, you will be responsible for posting a copy of the wage decision (or the Project Wage Rate Sheet) and a copy of the DOL Davis -Bacon poster titled Employee Rights under the Davis-Bacon Act (Form WH-1321) at the job site in a place that is easily accessible to all of the construction workers."

During our review of six sub-recipient files we noted one file where there was no evidence that CIREIS staff confirmed that the Davis-Bacon Act wage decision and Employee Rights poster were appropriately posted at the job site. A review of other similar sub-recipient project files included documentation and/or photos confirming compliance with this Federal requirement.

- No Evidence That Sub-recipient Reports Were Submitted As Required in the County Agreement -- *The Agreement Between Palm Beach County and Housing authority of the City of Belle Glade, Reports (R2012-0137),* states, "The Agency shall submit to HCD reports as described below: (a) Monthly Report.... (b) Semi-Annual Report....."

During our review of six sub-recipient files we noted one file where there was no evidence that the sub-recipient submitted to DES the required monthly and semi-annual reports. It could not be determined if the reports had been obtained but not maintained, or had not been obtained. Staff

was unable to confirm what had happened. Thus, we were unable to verify compliance with the agreement for this attribute. Without adequate documentation of key contract/ agreement requirements, it is difficult to determine if CIREIS is in compliance with the related requirements; and may make it difficult for grantors to assess DES compliance with agreements and pertinent Federal regulations.

- No Written Policies And Procedures For Monitoring Sub-recipients For Contract and Construction Oversight:
Countywide PPM CW-O-001
Policies and Procedures Memoranda (PPMs) states, “Each department, division, and separate office will maintain a set of Countywide PPMs, a set of PPMs applicable to itself and a set of PPMs applicable to its department (if a division) or its divisions (if a department)”. However, according to the CIREIS Manager, there are no departmental procedures, in writing, to address construction administration and contract oversight of sub-recipients/ developers. Written procedures clearly communicate to staff expectations and ensure consistencies. The Executive Summary to the COSO report “Internal Control over Financial Reporting – Guidance for Smaller Public Companies” contains a very succinct summary and explanation of the usefulness of control documentation to an organization.
Documentation of business processes and procedures and other elements of internal control systems is developed and maintained by companies for a

number of reasons:

- *One is to promote consistency in adhering to desired practices in running the business.*
- *Effective documentation assists in communicating what is to be done, and how, and creates expectations of performance.*
- *Another purpose of documentation is to assist in training new personnel and as a refresher or reference tool for other employees.*
- *Documentation also provides evidence to support reporting on internal control effectiveness.*

Without written procedures, management cannot be assured of uniformity and consistency in its monitoring efforts and adherence to key requirements.

Recommendations:

- 3. The CIREIS Manager should ensure sub-recipient project files are documented to substantiate DES compliance with Federal regulations, grant requirements, and sub-recipient adherence to its agreements with the County.**
- 4. The CIREIS Manager should ensure procedures to address the CIREIS Section's construction administration and contract oversight are in writing.**

Management Comments and Our Evaluation

In replying to a draft of this audit report the DES Director and the CIREIS Section Manager concurred with the recommendations. They stated that some information was not contained in the "hard-copy" files but was available electronically. They also said they will continue to work diligently to ensure that sub-recipient project files are

appropriately documented. The Director and Section Manager agreed to develop additional policies and procedures as recommended. The development schedule for those policies and procedures is covered in the response to Findings 1 and 2 above.

We reviewed several sample agreements provided by DES after the exit conference and agree that they include very detailed and

extensive lists of requirements for the sub-recipients to comply with. However, we continue to believe that formal guidance on conducting the necessary oversight would benefit the program. We support the officials intention to develop appropriate relevant policies and procedures.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

The CIREIS Section has its own mission statement and performance measures; however, its objective is shared with other DES Sections and is not specific to the Section.

The Section's mission statement is "Responsible for grant funded project management of single-family and multi-family residential construction and rehabilitation projects and capital improvement projects for economic development, housing and community development....." The mission statement also includes the Sections' core processes as follows:

- Proposals (RFP's), bid documents and other procurement related activities;

- Reviews reimbursement and funding requests, change orders, construction contracts, and consultant service agreements;
- Provision of inspection services to sections within the department during construction to ensure compliance with County, State and Federal grant requirements;
- Program monitoring to assure compliance with applicable funding and regulatory requirements."

The Section's objective is not directly supported by its three performance measures. The table below summarizes the objective and performance measures:

Objective	Performance Measure	Category
1. Continue to implement the Community Development Block Grant (CDBG), Disaster Recovery Initiative (DRI), and Neighborhood Stabilization Program (NSP) funded housing programs and capital improvement projects. <i>(in 2013 Budget).</i>	1. Housing Rehabilitations completed	Output- a measure of workload (units produced, services delivered)
	2. Capital improvement projects completed	Output- a measure of workload (units produced, services delivered)
	3. Demolitions processed	Output- a measure of workload (units produced, services delivered)

Our review of the Section's performance management process included:

- Evaluating the mission statement;
- Ascertaining if the objective supports and addresses all elements of the mission statement;
- Evaluating the objective using the SMART criteria;
- Determining the relationship of the objective to the performance measures;
- Determining how the Section defines and measures effectiveness and efficiency; and
- Evaluating the data gathering and reporting methodology used.

Mission Statement:

While the first element of the mission statement more clearly defines the Section's core purpose; the other elements of the mission statement more closely describe core processes (methods) utilized by the Section to assist in achieving its mission, rather than describing an actual mission. According to OFMB's Budget Instruction Manual, a Mission Statement should be a concise expression of the Department's purpose and expressed in terms of benefit to

the intended customer. There should be a link between the mission statement, objectives, and performance measures. For most departments, the mission should not change from year to year.

Objectives:

The Section's objective is descriptive of a core purpose and more closely resembles a mission statement as opposed to a specific goal or objective. The objective relates to the first element of the Section's mission statement as it describes grants management; but does not specifically address (1) single-family and multi-family residential construction and rehabilitation projects, and (2) capital improvement projects for economic development, or housing & community development. In addition, the objective does not relate to the other four elements of the Section's mission statement. This may be due to the generalness of the objective, which allows it to also pertain to other Sections at DES, and not specifically to the CIREIS Section.

We used a general evaluation criteria for objectives known by the acronym "SMART." The acronym stands for

Specific, Measurable, Attainable, Realistic, and Time Oriented. Essentially, a good objective statement meets each of the components of the SMART criteria. The objective does not satisfy the SMART criteria, as it is not specific, measurable, and time-oriented.

According to OFMB's Budget Instruction Manual, department objectives are established to set forth specific outcomes to be achieved during the upcoming fiscal year; and typically involve improvement in some aspect of the program operation, and in defining key results, which is a key element of the planning process. Further, objectives should be concise and measurable; and in order to be measurable, they must specify a target level of achievement in terms of percentage, date, time, cost, etc.

Performance Measures:

The objective is not supported by the Section's three performance measures, as the performance measures do not measure or gauge achievement of the objective. In addition, the performance measures do not state a specific standard of measurement (i.e. number or percentage), which makes it unclear as to what is being measured. All of the Section's performance measures report workload outcomes.

The Section does, however, establish goals through its projected outcomes in the annual budget document for each performance measure for the fiscal year. The projected outcomes (goals) relate to the first element of the Section's mission statement, "Responsible for grant funded project management of single-family and multi-family residential construction and rehabilitation projects and capital improvement projects for economic development, housing and community development....." CIREIS Section management monitors these performance

measure outcomes as compared to the related projections to ascertain how its goals are being met.

The CIREIS Section does not have any performance measures for gauging effectiveness; however, management maintains, updates, and reviews internal reports to continuously ascertain (1) how grant expenditure deadlines are being met, and (2) the number of projects being completed. Also, management meets periodically with staff to gauge how sub-recipients are being assisted by CIREIS.

The CIREIS Section does not have any performance measures for gauging efficiency; however, DES officials indicated they evaluate available funding and leverage resources in order to meet project goals.

Reported Performance Measure Outcome Data Cannot be Relied Upon

For Fiscal Year 2013 Annual Budget Document, the CIREIS Section reported the following performance measures:

- Housing rehabilitations completed
- Capital improvement projects completed
- Demolitions processed

For the period ending March 31, 2013, output results for each performance measure were compiled by CIREIS Management and staff, and submitted to the Fiscal Manager for reporting to OFMB. To test the reliability of these reported outputs for each performance measure, we requested back-up documentation to substantiate the reported numbers. However, CIREIS Management nor staff were able to provide back-up documentation to support the exact numbers reported.

Also, management and staff were unclear as to which results from their reports were

being captured under each of the performance measures. For example, management indicated that "Demolitions processed" is based on demolitions referred to Facilities for processing; while staff indicated that "Demolitions processed" is based on demolitions completed (and in which they also provide to the Planning Section for grant reporting).

Considerations for Improvement:

1. We believe that the Section's mission statement should be a written declaration that describes its core purpose and should exclude elements that describe core processes for achieving its goals.
2. The Section shares an objective with other DES Sections, which neither meets SMART criteria nor is specifically linked to its mission statement. We believe the Section should develop its own objective(s) that are also measurable, time-oriented, and specific, and relate directly to its mission statement.
3. We believe the Section's performance measures should be a specific quantitative and qualitative measure of work

performed and should support its objectives and goals.

4. We believe the methodology and record keeping for capturing performance measure data should be clearly communicated and supported to ensure accurate, consistent, and reliable reporting.
5. We believe additional measures for efficiency and effectiveness may provide for a more comprehensive picture of the Section's performance.

Management Comments and Our Evaluation

In replying to a draft of this audit report the DES Director and CIREIS Section Manager stated that the CIREIS Section has improved its recordkeeping related to the performance management system. They also agreed that the suggestions above represent best practices and that they will work to incorporate the suggestions as they go forward.

We support management's intention to improve their performance management system.

BACKGROUND

The Department of Economic Sustainability (DES) (Department) Capital Improvements, Real Estate and Inspection Services (CIREIS) Section (Section) is responsible for grant funded project management of single-family and multi-family residential

construction and rehabilitation projects, and capital improvement projects for economic development, housing, and community development projects. The Section reviews requests for proposals (RFP's), bid documents and other procurement related

activities, reimbursement and funding requests, change orders, construction contracts, and consultant service agreements; provision of inspection services to sections within the Department during construction to ensure compliance with County, State and Federal grant requirements; and performs program monitoring to assure compliance with applicable funding and regulatory requirements.

The CIREIS Section was formerly titled, "Housing and Capital Improvements Section (HCIS)" under the Housing and Community Development Department (HCD). During Fiscal Year 2012, the HCD merged with the Economic Development Department and the name of the department was changed to the

Department of Economic Sustainability. The Department's operations are located at the Airport Centre in West Palm Beach.

The Department of Economic Sustainability has a current staff of 56 positions, of which 11 positions are in the CIREIS Section. Currently, 49 of the 56 positions are filled; leaving seven vacancies (of which three vacancies are in the CIREIS Section). The Department's FY 2013 approved budget was \$75.3M, supported by \$52.9M in grant funding (70.3% of the budget), with the remaining \$22.4 from non-grant sources including \$2.2M from Ad Valorem taxes. The adopted budget for FY 2014 is \$55.4M, which is a 26.5% reduction from the prior fiscal year.

AUDIT SCOPE AND METHODOLOGY

This audit of the CIREIS Section was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were as follows: management of properties owned by the County, size of operation, grant revenues, effectiveness and efficiency of this operation, and controls intended to minimize fraud risk. Through interviews with Section management and staff concerning these risk factors and addressing the Section's role in the Department, as well as reviewing Countywide and related departmental policies and procedures, departmental monitoring handbooks, grant agreements, Federal requirements and regulations, prior audit reports, and other pertinent documentation, we selected the audit

objectives cited above for detailed review and reporting.

Through interviews with Section management and staff we developed an understanding of the methods and procedures used in monitoring sub-recipients and developers receiving funding from each of the following Federal Grant Programs: Neighborhood Stabilization Program (NSP), Disaster Recovery Initiative (DRI), and Community Development Block Grant (CDBG). We also developed an understanding of the Section's construction and contract oversight responsibilities and practices of sub-recipients and developers receiving funding from Federal Grant Programs (NSP, DRI, and CDBG). We also discussed with Section management the Section's performance management

processes to gain an understanding of that process.

The scope of our audit was the 12-month period October 1, 2012 through September 30, 2013; and included a review of actual procedures and internal controls to (1) administer construction and contract oversight of sub-recipients/ developers to ensure compliance with related County Agreements and Federal regulations, and (2) provide assistance with the Department's formal annual monitoring of sub-recipients of Federal funding. In addition, our review included an evaluation of the Section's performance management process for establishing objectives, as well as capturing and reporting performance measure outcomes.

We also referred to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for information on internal control documentation.

To answer audit objective # 1, we met with CIREIS management and staff to gain an understanding of the Section's role in completing annual formal monitoring reviews of sub-recipients/developers. We obtained and reviewed departmental monitoring handbooks for both NSP and DRI, as well as the HUD Monitoring Handbook. We obtained a listing of NSP, DRI, and CDBG sub-recipients who had projects during the audit period, and (1) randomly selected a sample from each of these three major grants, (2) confirmed the CIREIS Section was expected to participate in the related sub-recipient monitoring review; and (3) requested the associated monitoring report and documentation to review for compliance with the applicable monitoring handbook.

To answer audit objective # 2, we met with CIREIS management and staff to gain an

understanding of the procedures used to administer the construction and contract oversight of sub-recipients/ developers of NSP, DRI, and CDBG program funding. We utilized the listings obtained in objective #1 to judgmentally select sample sub-recipient/ developer projects from each of the three major grants (NSP, DRI, CDBG); and obtained and reviewed the associated grant agreements, County agreements, and project files. By reviewing the related agreements, we identified significant grantor and County requirements, and reviewed the related files to ascertain the Section's effectiveness in ensuring their compliance. In addition, we identified change orders/ amendments in the related project files and confirmed if appropriate approvals were obtained.

To complete audit objective # 3, we obtained and reviewed both the Department's and the Section's mission statements; and identified objective(s) and performance measures pertaining to the CIREIS Section. We compared the Section's objective(s) to its mission statement to determine if significant elements of the mission statement were addressed in the objective(s). We evaluated the objective(s) to determine if they (1) met the S.M.A.R.T. criteria, (2) addressed all elements of the mission statement, and (3) was supported by at least one performance measure. In addition, we met with Section management and staff to gain an understanding of their process for capturing and reporting performance measure outcomes; as well as discussed how they measured effectiveness and efficiency in their operations. Further, we reviewed captured outcomes for reporting to confirm the accuracy and reliability of the data for publishing in the County's annual budget document. Lastly, we inquired as to the timely reporting and

accessibility of outcome measure results provided to management.

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be

performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Joseph F. Bergeron, CPA, CIA, CGAP

Internal Auditor

April 8, 2014

Audit W/P No. 2013-04

ADMINISTRATIVE RESPONSE



Department of Economic Sustainability

Capital Infrastructure, Real Estate, & Inspection Services

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West Palm Beach, FL 33406

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**PALM BEACH COUNTY
INTER-OFFICE MEMORANDUM**

DATE: May 8, 2014
TO: Joe F Bergeron, Internal Auditor
Internal Audit
FROM: Edward W. Lowery, Director
Department of Economic Sustainability
RE: Response to Final Draft

Mr. Bergeron,

Please find attached the Department of Economic Sustainability (DES) response to Final Draft Audit Report W/P No. 2013-04; Report No. 2014-XX as submitted to DES on April 22, 2014. As agreed per your request, this response is being provided to you as of May 8, 2014.

DES will be moving forward to address the recommendations as provided in the Final Draft with which we concur upon the schedule that we have outlined in our response.

We look forward to continuing to work with you as we move forward with our ongoing process improvement efforts.

Edward W. Lowery, J. D.
Director

C: Sherry Howard, Deputy Director
Betsy Barr, Director of Contract Development & Quality Control
Carlos Serrano, Director of Operations & External Affairs
Bud Cheney, CIREIS Manager

*"An Equal Opportunity
Affirmative Action Employer"*

May 8, 2014

**Department of Economic Sustainability (DES)
Response to Final Draft Audit Report W/P No. 2013-04; Report No. 2014-XX.**

DES response includes excerpts from Auditor's Final Draft report submitted to DES on April 22, 2014:

CONCLUSIONS

Objective #1: The CIREIS Section Manager did not ensure the Capital Improvement and Real Estate and Inspection Services Section assisted in the required formal annual monitoring review of sub-recipients in accordance with the NSP, and DRI Monitoring Handbooks.

DES Response: The CIREIS Section Manager ensured that the Capital Improvement, Real Estate and Inspection Services Section's NSP and DRI projects were appropriately monitored throughout the projects' implementation process, and will further ensure that CIREIS Section will assist in appropriate periodic post implementation monitoring review in accordance with the department's NSP and DRI Monitoring Handbooks. The department's NSP and DRI Monitoring Handbooks will be revised to identify and include appropriate monitoring review of projects during the implementation process, and include revisions to certain other monitoring review processes. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

Objective #2: Except for the finding and recommendations described below, the CIREIS Section Manager ensured the Capital Improvement and Real Estate Inspection Services Section effectively administered construction and contract oversight of Sub-recipients and Developers to ensure compliance with related County agreements and grantor requirements.

DES Response: DES Director and CIREIS Section Manager ensured that the Capital Improvement and Real Estate Inspection Services Section effectively administered CIREIS projects to ensure compliance with related County agreements and grantor requirements. Evidence related to any Findings in the Final Draft will be addressed individually below.

Objective #3: An evaluation of the Sections' Performance Management process resulted in considerations for improvement.

Response: DES Director and the CIREIS Section Manager acknowledge the considerations for improvement submitted in the Final Draft, and will evaluate inclusion of these considerations within the CIREIS Section's ongoing process improvement efforts.

Finding 1. Formal Sub-recipient Monitoring Needs Improvement

A. Neighborhood Stabilization Program:

A Formal Monitoring Review Was Not Conducted for Sub-recipients of Neighborhood Stabilization Program (NSP) Funds -- Palm Beach County Department of Economic Sustainability Neighborhood Stabilization Program Monitoring Handbook [Preparing for Monitoring] states, "The Department of Economic Sustainability (DES) will carefully monitor all funding recipients at least once per year."

During our review of formal monitoring efforts, we learned an annual formal monitoring review of sub-recipients of NSP grant program funds had not been conducted. Further, 2 of 3 sub-recipient project files reviewed had been

receiving funding for at least a year by the end of the audit period (September 30, 2013) and subsequent to the adoption of the handbook (March 2013); and thus, should have been carefully monitored.

DES Response: DES Director and the CIREIS Section Manager believe that periodic monitoring review is a component of appropriate administrative oversight of CIREIS projects. However, DES Director and the CIREIS Section Manager further believe that additional administrative oversight and monitoring review is appropriate during the critical implementation process of the NSP projects, and thus initiated additional administrative oversight and monitoring review during the project implementation process. DES acknowledges that the current draft of the NSP Monitoring Handbook does not outline the additional administrative oversight and monitoring review process undertaken by CIREIS during project implementation. DES will revise the NSP Monitoring Handbook to identify the additional administrative oversight and monitoring review process undertaken during the project implementation process, and will include revisions to certain other monitoring review processes. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

An Annual Risk Analysis Was Not Performed for Sub-Recipients of Neighborhood Stabilization Program (NSP) Funds -- Palm Beach County Department of Economic Sustainability Neighborhood Stabilization Program Monitoring Handbook, [Risk Analysis] states "DES will undertake annual monitoring of all sub-recipients/ developers. The type of monitoring to be conducted (in-depth, limited, on-site or desk monitoring) will depend on the results of a risk analysis conducted on each sub-recipient/developer. The risk analysis process will be conducted annually and will involve a review of the following parameters: amount of funding received (\$2,500,000 triggers in-depth monitoring)."

During our review of formal monitoring efforts, we learned that an annual risk analysis of NSP sub-recipients was not performed. Further, one sub-recipient of NSP funds received combined funding of \$3.45M; and thus, would have been required to have an in-depth monitoring.

DES Response: DES undertook its first post implementation process Risk Analysis for the first NSP grant (NSP1) on November 6, 2013. NSP1 was selected for the first NSP post implementation Risk Analysis as nearly all of sub-recipients had completed the implementation process under the grant. DES acknowledges that its documentation of the Risk Analysis process needed improvement. Documentation of the November 2013 NSP1 Risk Analysis has been enhanced, and is attached (Attachment 1). After the initial NSP Risk Analysis was performed for NSP1, DES has continued to improve documentation of the Risk Analysis process including development of standardized review forms. DES completed the Risk Analysis for the NSP2 grant on March 28, 2014. Documentation of that Risk Analysis process includes utilization of the standardized Risk Analysis review forms developed by DES (Attachment 2). DES will undertake a Risk Analysis for the NSP3 grant once the implementation process for the grant is complete. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

B. Disaster Recovery Initiative Program:

Each Step of the DRI Sub-recipient Formal Monitoring Process Was Not Documented Nor Maintained

Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Building an Administrative Record] states " The Basis for the Need: DES recognizes the need to build an Administrative Record that includes all documents considered, either directly or indirectly, by DES Reviewers in reaching a final decision on an issues." It continues to [Documentation] state, "DES will adequately document each step of the monitoring process" and " All correspondence, documentation and working papers relating to the monitoring and conclusions will be maintained in the official DES files."

Documentation of DRI sub-recipient formal monitoring work plans (3 of 3 sub-recipients reviewed), on-site fieldwork (3 of 3 sub-recipients reviewed), and notification letters (2 of 3 sub- recipients reviewed) were not maintained in official DES files; and as a result, we were unable to test compliance with DRI Monitoring Handbook procedures for sub-recipient notification and monitoring. Monitoring documentation (i.e. checklist used during on-site reviews) are not normally retained by DES once the related formal monitoring report has been issued. Therefore, DES staff were

not able to provide documentation related to on-site fieldwork for formal monitoring reviews of DRI sub-recipients (3 of 3, 100%) of sub-recipients reviewed.

DES Response: DES acknowledges that documentation of the DRI Monitoring on-site field-work and notification letters were not maintained. Documentation of this type would have been maintained by a former DES employee who was laid off due to budget constraints (CIREIS Section Manager wishes to note that this employee was not working within the CIREIS Section). In order to prevent this issue from reoccurring, DES will establish and maintain central common files for DES monitoring review documentation. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

A Documented Risk Assessment of DRI Sub-recipients Was Not Completed -- Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Preparing for Monitoring] states, "Based on determinations made during DES's risk assessment process...", and "consistent with DEO monitoring practices, DES will use similar procedures to define the scope and focus of monitoring efforts."

Written documentation was not created nor maintained to support completion of a risk assessment to define the scope and focus of monitoring efforts of DRI sub-recipients as required. Thus, we were unable to ascertain DES' risk assessment efforts for monitoring DRI sub-recipients.

DES Response: DES acknowledges that documentation of a Risk Assessment was not maintained. Documentation of this type would have been maintained by a former DES employee who was laid off due to budget constraints. (CIREIS Section Manager wishes to note that this employee was not working within the CIREIS Section). In order to prevent this issue from reoccurring, DES will establish and maintain central common files for DES monitoring review documentation. DES has also acknowledged that its documentation of the Risk Analysis process needed improvement. Documentation of the Risk Analysis process has been enhanced, including development of standardized DRI Risk Analysis review forms, an example of this form is attached (Attachment 3). DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

Monitoring Reports Were Not Issued Within 30 Days After the Completion of Monitoring. -- Palm Beach County Department of Economic Sustainability Disaster Recovery Initiative Program Monitoring Handbook, [Monitoring Letter] states, "30 days after completion of monitoring, DES will send the monitoring letter to the sub-recipient/ developer describing the results."

Our review of DRI sub-recipient formal monitoring reviews revealed that monitoring reports were issued more than 30 days after the date of the monitoring visit for 3 of 3, 100% of sub-recipients reviewed (an average of 40 days after the monitor visit date).

DES Response: DES believes that Monitoring Reports should be provided in a timely manner. DES acknowledges that the current draft of the DES Monitoring Handbooks do not provide an appropriate amount of time to issue Monitoring Reports. DES will revise the Monitoring Handbooks to identify appropriate monitoring review processes. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

C. Community Development Block Grant:

No Written Policies And Procedures For Monitoring Sub-recipients of CDBG Funding. -- Although CIREIS Section Officials verbally indicated that the Department has adopted the HUD Monitoring Handbook, there are no official written policies and procedures that address DES approval of the handbook for monitoring sub-recipients of CDBG Entitlement funding. In addition, it was learned that formal monitoring reviews are not being conducted for sub-recipients of CDBG funding.

DES Response: DES acknowledges that it has yet to develop a departmental CDBG Monitoring Handbook. DES believes that periodic monitoring review is a component of appropriate administrative oversight of CIREIS projects. However, DES also believes that an additional level of administrative oversight and monitoring review is appropriate during the critical implementation process of the projects. DES will develop a CDBG Monitoring Handbook, and will subsequently initiate appropriate periodic monitoring review processes. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

Recommendations:

1. The DES Director and the CIREIS Section Manager should ensure formal monitoring reviews are conducted in accordance with Departmental monitoring handbooks (NSP, DRI).
2. The DES Director and the CIREIS Section Manager should consider conducting annual monitoring reviews of CDBG sub-recipients; and officially adopting or developing a monitoring handbook to address formal monitoring of CDBG sub-recipients.

DES Response: DES Director and the CIREIS Section Manager generally concur with recommendations 1 and 2 listed above. DES Director and the CIREIS Section Manager believe that periodic monitoring review is a component of appropriate administrative oversight and monitoring review of CIREIS projects. However, DES Director and the CIREIS Section Manager further believe that an additional level of administrative oversight and monitoring review is appropriate during the critical implementation process of projects, and thus have initiated an additional level of administrative oversight and monitoring review during project implementation. DES Director and the CIREIS Section Manager acknowledge that the current draft of the NSP and DRI Monitoring Handbook does not outline the additional administrative oversight and monitoring review process undertaken by CIREIS section during the project implementation process. DES will revise the NSP and DRI Monitoring Handbook to identify the administrative oversight and monitoring review process undertaken during project implementation, and will include revisions to certain other monitoring review processes. Revisions of the NSP Monitoring handbook are expected to be complete within 120 days of release of the Auditor's Final Report. Revisions of the DRI Monitoring Handbook are expected to be complete within 120 days of the completed revisions to the NSP Monitoring Handbook. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

DES will develop a departmental CDBG Monitoring Handbook, and will subsequently initiate appropriate periodic monitoring review processes as outlined in the CDBG Monitoring Handbook to be developed. The development of a CDBG Monitoring Handbook is expected to be completed within 180 days of completion of the revisions to the DRI Monitoring Handbook. Initiation of appropriate periodic post implementation monitoring review of the projects will begin subsequent to development of the departmental CDBG Monitoring Handbook. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

Management Comments and Our Evaluation

At the exit conference on April 8, 2014, the DES Director and CIREIS Section Manager generally agreed with the findings and recommendations. They stated they were aware of the issues noted in the audit and that they had been working on correcting them on a prioritized schedule which was only recently addressing some of the noted issues. They also stated that the Department of Housing and Urban Development (HUD) had completed a review recently that noted some concerns but that also expressed pleasure with the Department's progress. The Director indicated that relevant policies and procedures were being updated and developed as necessary and should be completed soon. The Department officials also noted certain challenges due to employee turnover which they are attempting to address.

We understand the constraints the Department is working under, and appreciate their commitment to timely implementation of the recommendations and development on enhanced policies.

DES Response: DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts. We appreciate the Auditor's understanding of the challenges we face with employee turnover, and the budget constraints that the DES and the CIREIS Section are currently working through. We appreciate the Auditor allowing a sufficient amount of time to address the recommendations listed above given our current challenges and constraints.

Finding 2. Completion of Key Requirements For Sub-recipients Are Not Consistently Documented in the Official DES Files

Our review of construction and contract oversight of sub-recipients revealed instances in which documentation was not available in the official DES files to substantiate completion of key requirements. More specifically, there was:

No Evidence That An Invoice Submitted For Reimbursement Was Reviewed for Programmatic Compliance (i.e. Inspection of Project Site to Confirm Work Complete As Indicated in Payment Request).

-- *Palm Beach County Action Plan, October 2012 - September 2013, Department of Economic Sustainability*, states, "Strategic Planning, CIREIS, and BHI staff review invoices for programmatic compliance with the agreement they are responsible, and submit invoices to DES' Fiscal Section for secondary review and processing."

CIREIS Section protocol is to review sub-recipient invoices for programmatic compliance by verifying work has been completed as indicated in the payment request prior to recommending a reimbursement payment be processed. However, a review of the sub-recipient project files showed no evidence (documentation) that one of six invoices received from sub-recipients was reviewed for programmatic compliance. Further, our review of other similar sub-recipient project files contained documentation that a payment request site visit had been completed. CIREIS staff indicated that the work site had been inspected prior to recommending payment, but did not document this activity in the file.

DES Response: DES acknowledges that the Auditor's review of the project file documentation may not have identified that a site visit had been conducted related to a payment request for installation and completion of the Drexel Apartments fire alarm system. Even though the Community Development Project Coordinator previously assigned to this project is no longer employed with DES, the Coordinator currently assigned to the file investigated the issue and confirms that the prior Community Development Project Coordinator assigned to the project did in fact conduct a site visit to confirm completion of work related to the payment request. Furthermore, the previous Project Coordinator attests to the fact that "I did review pay applications to the conditions at the site." Documentation related to this matter has been placed in the project file, and a copy is attached to this response (Attachment 4):

- **The previous Project Coordinator made site visits on 4/12/2013 at which time he conducted Davis Bacon Interviews.**
- **An Inspection was conducted by the Building (Fire) Department on 5/30/2013. Result - Failed (see Inspection Notice).**
- **All violations corrected and a Final re-inspection conducted by the Building (Fire) Department on 5/31/2013. Result – Pass.**
- **Certificate of Completion issued 5/31/2013.**
- **A final walk thru was conducted by Project Coordinator on Tuesday June 25, 2013 @ 2.00 pm as indicated in the email.**

The documentation confirms that a site visit was conducted related to the payment request to ascertain programmatic compliance.

- No Evidence That Davis-Bacon Act Wage Decision and Related Amendments Were Included in Construction Bid Solicitation Documents As Required. -- *The Agreement Between Palm Beach County and Pahokee Housing Authority, Inc. (R2012 1798), DAVIS-BACON ACT:* states, "The Agency shall request the County to obtain a Davis- Bacon wage decision for the project prior to advertising the construction work. The

Agency shall incorporate a copy of the Davis-Bacon wage decision and shall disclose the requirements of the Davis-Bacon Act in its construction bid solicitation and contract."

During our review of six sub-recipient files we noted one file where documentation in the project file revealed that, while a Davis-Bacon Act wage decision and related amendments for the project was obtained, the construction bid solicitation documentation maintained showed no evidence that these documents had been included in the solicitation as required.

DES Response: DES acknowledges that the Auditor's review of the project file documentation may not have identified that the Wage Decision was included in the Construction Bid Documents. Of special note related to this issue, as R2012 -1798 provided Disaster Recovery Funding administered by the State of Florida, Wage decisions are requested by DES from the State Department of Economic Opportunity (DEO, formerly DCA). DEO provides the appropriate wage decision to DES, who in turn provides the Wage Decision to the sub-recipient to include with the Bid Documents upon issuing approval for the project to go out to bid. DES further confirms the contractor's receipt of the Wage Decision provided by DES upon award of the bid to the Contractor. DES CIREIS Section protocol is to host a special-purpose pre-construction Davis Bacon and Related Acts (DBRA) meeting with contractors who are awarded Bids. The meeting is conducted by a CIREIS Section Community Development Project Coordinator, and is attended by the Contractor awarded the Bid, their subcontractors, and the contractor's and subcontractor's payroll staff for the project. The Wage Decision is reviewed in detail with the contractors, subcontractors, and payroll staff during this meeting to determine if there are any questions related to worker classifications in the project, and to determine if any additional wage classifications must be obtained for worker classification in the project that are not currently identified within the Wage Classification. A secure electronic copy of the final Bid Documents (dated February 9, 2012) was obtained directly from the project Architect, confirming that the Wage Decision was included within the 358 page Bid Document Package beginning on page 155. A copy off the official Bid Document package as submitted by the project Architect appears on the disk attached to this response (Attachment 5), and a copy has been included in the project file. This confirms that the Wage Decision provided to the sub-recipient by DEO and DES was included in the project bid documents.

- No Evidence That Davis-Bacon Act Wage Decision and Poster, Employee Rights Under the Davis-Bacon Act, was confirmed to be Posted at the Job Site. -- U.S. Department of Housing and Urban Development, Davis-Bacon Labor Standards, January 2012, *The Wage Decision, Posting the Wage Decision*, states, "If you are the prime contractor, you will be responsible for posting a copy of the wage decision (or the Project Wage Rate Sheet) and a copy of the DOL Davis -Bacon poster titled Employee Rights under the Davis-Bacon Act (Form WH-1321) at the job site in a place that is easily accessible to all of the construction workers."

During our review of six sub-recipient files we noted one file where there was no evidence that CIREIS staff confirmed that the Davis-Bacon Act wage decision and Employee Rights poster were appropriately posted at the job site. A review of other similar sub-recipient project files included documentation and/or photos confirming compliance with this Federal requirement.

DES Response: DES acknowledges that the Auditor's review of the project file documentation did not contain pictures of the DBRA Wage Decision and poster. There is no requirement under Federal regulations for the project files to contain such pictures. While the CIREIS Section Manager has encouraged including such pictures within the file as a "best practice," the Project Coordinator or other CIREIS staff conducting DBRA enforcement activities on the site would simply note the absence of the required notifications if such absence was observed during site visits to conduct DBRA interviews with employees (or for other purposes) at the job site. Electronic records related to the project were searched resulting in two separate photo documentation examples taken at different time periods documenting the fact the required notifications were posted prominently on site. Copies of the photographic evidence are attached to this response (Attachment 6), and such documentation has been placed in the project file. The photo documentation demonstrates the notices were posted at the project site in compliance with Federal requirements.

- No Evidence That Sub-recipient Reports Were Submitted As Required in the County Agreement -- The *Agreement Between Palm Beach County and Housing authority of the City of Belle Glade, Reports (R2012-0137)*, states, " The Agency shall submit to HCD reports as described below: (a) Monthly Report.... (b) Semi-Annual Report....."

During our review of six sub-recipient files we noted one file where there was no evidence that the sub-recipient submitted to DES the required monthly and semi-annual reports. It could not be determined if the reports had been obtained but not maintained, or had not been obtained. Staff was unable to confirm what had happened. Thus, we were unable to verify compliance with the agreement for this attribute. Without adequate documentation of key contract/ agreement requirements, it is difficult to determine if CIREIS is in compliance with the related requirements; and may make it difficult for grantors to assess DES compliance with agreements and pertinent Federal regulations.

DES Response: DES acknowledges that the Auditor's review of the project file documentation may not have identified monthly reports related to these projects. DES is required to submit monthly progress reports to the state (DEO) related to all DRI project activities. The CIREIS Project Coordinator assigned with DRI project responsibilities provides project updates to the DES Planning Section in order for them to prepare monthly status reports to be submitted to the State DEO. The DES Contracts Section staff member who was previously the CIREIS Community Development Project Coordinator assigned to the Belle Glade Housing Authority DRI projects at the time, reports that the Field Status reports received by email were sufficient. "Field Reports from Keith and DES documents contained all information we needed to track the project and contained all the information that would have been on the report in the Agreement." While examples of monthly report formats are provided for use in the agreements between the County and Sub-recipients, DES acknowledges that the DRI Project Coordinator accepted alternate forms of monthly reports and other project status updates including those submitted by email for the Belle Glade Housing Authority projects. Attached are copies of emails containing the status update reports for the Belle Glade Housing Authority projects (Attachment 7). The documentation contained in the attachment has been included in the project file. While DES acknowledges that the email status reports are not in the format provided in the agreement between the County and the sub-recipient, receipt of the status updates in this form from the sub-recipient (as supplemented by CIREIS staff site visits and other documentation) allowed the DRI Project Coordinator to have sufficient information on the project status to provide appropriate administrative oversight, and contained sufficient information in order for DES to submit the required monthly status reports to DEO. DES acknowledges that such sub-recipient reporting is not optimal. CIREIS Project Coordinators currently provide technical assistance and administrative oversight in order to have sub-recipients to submit proper reports in an appropriate format in a timely fashion.

- No Written Policies And Procedures For Monitoring Sub-recipients For Contract and Construction Oversight: Countywide PPM CW-O-001 *Policies and Procedures Memoranda (PPMs)* states, "Each department, division, and separate office will maintain a set of Countywide PPMs, a set of PPMs applicable to itself and a set of PPMs applicable to its department (if a division) or its divisions (if a department)".

However, according to the CIREIS Manager, there are no departmental procedures, in writing, to address construction administration and contract oversight of sub-recipients/ developers. Written procedures clearly communicate to staff expectations and ensure consistencies. The Executive Summary to the COSO report "Internal Control over Financial Reporting – Guidance for Smaller Public Companies" contains a very succinct summary and explanation of the usefulness of control documentation to an organization. *Documentation of business processes and procedures and other elements of internal control systems is developed and maintained by companies for a number of reasons:*

- *One is to promote consistency in adhering to desired practices in running the business.*
- *Effective documentation assists in communicating what is to be done, and how, and creates expectations of performance.*
- *Another purpose of documentation is to assist in training new personnel and as a refresher or reference tool for other employees.*

Documentation also provides evidence to support reporting on internal control effectiveness. Without written procedures, management cannot be assured of uniformity and consistency in its monitoring efforts and adherence to key requirements.

DES Response: DES acknowledges that the Auditor inquired with the CIREIS Section Manager if there were written policies or a procedure manual for reviewing pay applications/reimbursement requests or required inspections to be conducted as part of the pay application/reimbursement request review for the State funded DRI projects. Following the inquiry, the CIREIS Section Manager wrote to the State Department of Economic Opportunity (DEO) which administers the DRI funding on behalf of HUD inquiring if DEO had any published manuals or policies, or technical assistance documentation related to the review of pay applications/reimbursement requests or related to any required inspections for the DRI projects. DEO was able to provide only a monitoring checklist entitled Financial Management II Checklist - Transaction Testing that DEO utilizes specifically in monitoring its DRI grantees on the second monitoring site visit. The CIREIS Section Manager further confirmed with the state that DEO had no written policies or procedures related to required inspections. The CIREIS Manager's written inquiries and the State's related responses are attached to this response (Attachment 8).

In full compliance with Countywide PPM CW-O-001, DES and/or the CIREIS Section maintains a set of Countywide PPMs, a set of PPMs applicable to itself and a set of PPMs applicable to its department (if a division) or its divisions (if a department). The adoption of additional formal written policies for CIREIS Section's construction administration and contract oversight process had been deemed superfluous. DES Contracts Section develops specific and very highly detailed procedurally focused agreements for each funded project. CIREIS Section is not involved to a significant degree in the development of individual agreements, and begins its oversight of the project/sub-recipient only after the agreement has been fully executed, and the project subsequently assigned to the section for implementation of the project. CIREIS Section protocol has been and continues to be to provide administrative oversight for the project in compliance with the executed agreement and applicable regulations identified in the agreement. CIREIS Section contends that the executed County agreements are the appropriate written policies guiding the administrative oversight of each project assigned to the CIREIS Section particularly as the specific procedures and requirements under each agreement may be unique to that specific project. The CIREIS Section has found it desirable to utilize and develop numerous checklists, tools, and other review documentation on a project specific basis derived from the written procedures outlined in the formal executed County agreement for specific projects in order to conduct appropriate administrative oversight due to the variety of project types, and the diversity of project scopes assigned to the CIREIS Section.

CIREIS Section Manager takes issue with the accuracy of the statement that there are "No written Policies and Procedures For Monitoring Sub-recipients For Contract and Construction Oversight." When this concern was identified in the Discussion Draft during the Auditor's exit conference, the CIREIS Section Manager subsequently submitted copies of two example agreements, and numerous example review checklists, tools and documentation to the Auditor which support that the formal written agreements executed by the County and sub-recipients appropriately serve as written policies, and the example checklists, tools and review documentation provided with the agreements clearly exhibit that there are written procedures guiding review of the projects. Along with this documentation the CIREIS Section Manager submitted a written request to the Auditor to have this concern removed from the Final Draft of the Auditor's report (Attachment 9). Of the two examples provided, the smallest agreement (Executed under the Authority of the Board of County Commissioners R2012-1252) is comprised of 49 written pages. The project review checklist developed by CIREIS

for this one sub-recipient activity is 11 written pages in length containing approximately 400 items to be reviewed by CIREIS in each individual project file, supplemented by a written 15 step process for CIREIS staff to follow in processing payments under this agreement, followed by a written 2 page mandatory file organization checklist specifying that each individual project file be organized in 10 sections, with a list of specific documentation to be contained in each section.

Recommendations:

3. The CIREIS Manager should ensure sub-recipient project files are documented to substantiate DES compliance with Federal regulations, grant requirements, and sub-recipient adherence to its agreements with the County.

DES Response: DES Director and CIREIS Section manager concur with this recommendation. DES acknowledges that the Auditor identified instances where documentation in the sub-recipient project files may have been missing or incomplete. All missing or incomplete documentation or acceptable variations of specific reports identified in Finding 2 of this Final Draft of the Auditor's report have been provided to the Auditor with this response. DES acknowledges that some information was not contained in the 'hard-copy' project file but was available in electronic format. Copies of the documentation provided to the Auditor with this response have been included in the 'hard-copy' sub-recipients project files. The DES Director and CIREIS Section Manager will continue to work diligently to ensure that sub-recipient project files are appropriately documented.

4. The CIREIS Manager should ensure procedures to address the CIREIS Section's construction administration and contract oversight are in writing.

DES Response: DES Director and the CIREIS Section Manager concur with this recommendation. DES identifies that construction administration and contract oversight are essentially monitoring activities. DES Director and the CIREIS Section Manager acknowledge that the current draft of the NSP and DRI Monitoring Handbook does not outline the additional administrative oversight and monitoring review process undertaken by CIREIS section during the project implementation process. In order to address this, DES will revise the NSP and DRI Monitoring Handbook to identify the additional administrative oversight and monitoring review process undertaken during project implementation, and will include revisions to certain other monitoring review processes. Revisions of the NSP Monitoring handbook are expected to be complete within 120 days of release of the Auditor's Final Report. Revisions of the DRI Monitoring Handbook are expected to be complete within 120 days of the completed revisions to the NSP Monitoring Handbook. DES will develop a departmental CDBG Monitoring Handbook. Development of a CDBG Monitoring Handbook is expected to be completed within 180 days of completion of the revisions to the DRI Monitoring Handbook. DES Director and the CIREIS Section Manager are committed to ongoing improvement of our monitoring efforts.

Management Comments and Our Evaluation

At the exit conference on April 8, 2014, the DES Director and CIREIS Section Manager generally agreed with the findings and recommendations. They stated that site visits are conducted, even though they are not required by the State, but that their documentation of those site visits will be improved. They also stated that, while there were no formal policies addressing the issues discussed above, there were extensive check-lists in use and that the actual sub-recipient agreements had very extensive requirements spelling out what the specific duties of the sub-recipients were and what time frames for compliance with the requirements were established. They also indicated this area experiences issues with staff turnover that complicate program oversight. The Director and Section Manager agreed to develop additional policies and procedures as recommended.

We reviewed several sample agreements provided by DES after the exit conference and agree that they include very detailed and extensive lists of requirements for the sub-recipients to comply with. However, we

continue to believe that formal guidance on conducting the necessary oversight would benefit the program. We support the officials intention to develop appropriate relevant policies and procedures.

DES Response: DES Director and the CIREIS Section Manager are committed to ongoing improvement of our construction administration and contract oversight monitoring efforts. The CIREIS Section Manager appreciates the Auditor's supplementary review of the example agreements and project review documentation provided after the exit interview. The CIREIS Section Manager understands and appreciates the potential benefits to the program that can be achieved by providing additional formal written guidance for appropriate administrative oversight and monitoring of the projects. DES Director and the CIREIS Section Manager appreciate the Auditor's understanding of the challenges we face with employee turn-over, and the budget constraints that DES and the CIREIS Section are currently working through. We appreciate the Auditor allowing a sufficient amount of time to address the recommendations listed above given our current challenges and constraints.

EVALUATION OF PERFORMANCE MANAGEMENT SYSTEM

Considerations for Improvement:

1. We believe that the Section's mission statement should be a written declaration that describes its core purpose and should exclude elements that describe core processes for achieving its goals.
2. The Section shares an objective with other DES Sections, which neither meets SMART criteria nor is specifically linked to its mission statement. We believe the Section should develop its own objective(s) that are also measurable, time-oriented, and specific, and relate directly to its mission statement.
3. We believe the Section's performance measures should be a specific quantitative and qualitative measure of work performed and should support its objectives and goals.
4. We believe the methodology and record keeping for capturing performance measure data should be clearly communicated and supported to ensure accurate, consistent, and reliable reporting.
5. We believe additional measures for efficiency and effectiveness may provide for a more comprehensive picture of the Section's performance.

Management Comments and Our Evaluation

At the exit conference on April 8, 2014, the Director and CIREIS Section Manager generally agreed with the descriptions and evaluations made on the Section's performance management system. The Section Manager stated he had already begun maintaining necessary supporting documentation for the periodic performance reports. Department officials agreed that the suggestions above represent best practices and that they will work to incorporate the suggestions as they go forward.

We support management's intention to improve their performance management system.

DES Response: CIREIS Section has improved its recordkeeping related to the performance management system. DES Director and the CIREIS Section Manager acknowledge the considerations for improvement submitted in the Final Draft, and will evaluate inclusion of these considerations within the CIREIS Section's ongoing process improvement efforts. DES Director and the CIREIS Section Manager support the inclusion of best practices into our ongoing operations.

DES has attached the complete Final Draft Audit Report W/P No. 2013-04; Report No. 2014-XX for reference (Attachment 10).

Edward Lowery, DES Director

May 8, 2014



Office of the County Internal Auditor
Audit Report #2014-09

DEPARTMENT OF AIRPORTS
FIXED BASE OPERATOR
JET AVIATION



*Reviewed by Audit Committee
June 18, 2014*

DATED MAY 13, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following question:

Did Jet Aviation's management comply with the material provisions of the fixed base operator lease agreement with Palm Beach County for fiscal years 2012 and 2013?

This audit of a fixed based operator's (FBO) compliance with the lease agreement was requested by the Department of Airports (DOA) and included in the annual audit plan.

WHAT WE FOUND

Jet Aviation management complied with the material provisions of the fixed base operator lease agreement with Palm Beach County for fiscal years 2012 and 2013 with

the exception of landing fees which were charged at a rate higher than the approved rate schedule.

WHAT WE RECOMMEND

The audit report makes one recommendation to the Department Director to provide formal notification of rate changes to the

FBOs when the rate schedules are updated each year.

DETAILED FINDING AND RECOMMENDATION

Resolution 2008-1690 approved March 11, 2008, established landing fees for General Aviation (GA) operation at the Airport. GA landings at the Airport are charged a landing fee based on aircraft weight, equal to the rate charged to commercial carriers, currently at \$1.344 per 1,000 lbs. for fiscal year 2013 per the PBIA landing fee schedule. Landing fees are reported and remitted to the County monthly, with a 15% commission to be retained by Jet. Military aircraft are exempt from all landing fees.

Based aircraft pay a based aircraft landing fee monthly instead of the per landing fee charged to itinerant users. The based aircraft fee is equal to twelve aircraft landings annually, using the current landing fee applicable to GA users.

For the months, February 2013 and April 2013, 1174 landing fees and based aircraft landing fees transactions were reported totaling \$51,883. A sample of 50 landing fees and based aircraft landing fees (valued at \$2950, 6% of total dollars) was tested to determine if the rate charged was in agreement with the rate listed per the 2013 PBIA landing fee schedule. Our testing of landing fees and based aircraft landing fees showed that 48 of 50 fees tested did not agree with the amount listed on the 2013 airport landing fee schedule.

Based on our recalculations of Jet's reported landing fees, Jet used a landing fee rate of approximately \$1.459 per 1,000 pounds of

landed weight for FY 2013. The FY 2013 PBIA Landing Fee Schedule provided to us showed a landing fee rate of \$1.479 per 1,000 pounds of landed weight. We were also referred to the Airport's web site (Exhibit "E" to the Airline-Airport Use and Lease Agreement for PBIA Rates and Fee Schedule for the period October 1, 2012 through September 30, 2013) which listed the FY 2013 rate as \$1.344 per 1,000 pounds of landed weight for signatory airlines.

We attempted to identify the source of the variation in the rates used by Jet. Jet's controller stated that "the differences relate to the rate changes by the airport where the rate schedule was not provided to the local accountant when the rates were revised." Airport staff confirmed that no formal communication is sent to the FBOs, but that the rate schedules are posted on the PBIA website usually in late July for the coming fiscal year. Additionally, we determined the Landing Fee Schedule we used as the basis for our testing appeared to have been the non-signatory airline rates which are 10% higher than signatory airlines rate ($\$1.344 \times 1.10 = \1.479). In any event, the rate used by Jet, \$1.459/1,000 lbs, was not the official rate of \$1.344/1,000 lbs. We also considered that Jet may have simply used the FY 2012 rate. However, since the FY 2012 rate was \$1.531/1,000 lbs that consideration was not supported. Accordingly, we conclude that some communication breakdown was the cause of the deviation.

RECOMMENDATION

The DOA Director should formally notify the FBOs of the approved rates annually.

Management Comments and Our Evaluation

In responding to a draft of this audit report DOA management concurred with the finding and stated they will insure better communication with the FBOs to get positive confirmation that they receive and understand the current rate.

We agree with the actions planned by DOA management.

BACKGROUND

Jet Aviation Association, LTD.(Jet), a Florida limited partnership, provides fixed-based operator services for general aviation aircraft at the Palm Beach International Airport (Airport) pursuant to a lease agreement dated November 23, 1999 with two subsequent amendments. Lease provisions require Jet Aviation to pay the Airport for ground and building rents, landing fees, based landing fees, environmental fees, and apron and fuel flowage fees. Ground and building rents are based on square footage shown on an

annualized basis. The ground and building rental rates are based on an independent appraisals. Landing fees, based landing fees, and environmental charges are based on type of aircraft, collected and remitted to the Airport minus an administrative fee of 15% and 10%, respectively. Apron and fuel flowage fees are based on fuel usages at 3 and 5 cents a gallon, respectively. Revenue received from Jet Aviation for fiscal years 2012 and 2013 was \$1,737,574 and \$1,749,528, respectively.

Revenue from Jet Aviation

<u>Revenue</u>	<u>2012</u>	<u>2013</u>
Landing Fees	\$ 147,324	\$150,667
Environmental Fees	\$ 1,498	\$ 1,211
Ground Rents	\$ 334,379	\$334,379
Building Rents	\$ 949,722	\$949,722
Apron Fees	\$ 114,244	\$ 117,581
Fuel Flowage Fees	\$ 190,407	\$195,968
Total Revenue	\$1,737,574	\$1,749,528

AUDIT SCOPE AND METHODOLOGY

The scope of planning for this audit was directed to the specific risks contained in contract administration during the period of fiscal year 2012 and 2013. Audit field work was conducted at airport sites from July through November 2013. For this planning effort, we conducted an entrance conference with DOA, toured Jet Aviation offices and grounds, interviewed appropriate DOA and Jet staff about the various activities and processes used in operations, and reviewed the lease agreement provisions and other pertinent documentation. Based on the planning effort, the specific audit objective cited above was selected for detailed review and reporting. The Department of Airports (DOA) requested this audit.

To answer the above objective, for fiscal year 2013, we selected a sample from February and April 2013 monthly reports submitted by Jet, and traced revenues reported for landing fees, based landing fees, environmental fees, apron and fuel flowage fees to supporting documentation. Rates charged for landing and environmental fees were recalculated and traced to the annual Airport landing fee rate schedule. Building rents were traced to the rental rate adjustment schedule and fuel fees were traced to invoices. Certificates of insurance submitted by the Jet were compared to lease requirements.

To answer the above objective for fiscal year 2012, the annual audit report dated March 13, 2014, prepared by an

independent certified public accounting office, was reviewed. In order to facilitate the audit effort, we requested that the external audit firm make available its working papers relevant to the report. Since the external auditor office is located in Zurich, Switzerland, we were able to review the working papers via DVD supplied by the auditors during the week ended November 22, 2013 at Jet's offices at the Airport. Based on the work paper review, we are relying on the external auditor work for fiscal year 2012 without additional testing.

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the

evidence obtained provides a reasonable
basis for our findings and conclusions based

on our audit objectives.



Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor

May 13, 2014

Audit W/P No. 2012-17 Jet Aviation



Office of the County Internal Auditor

**AUDIT RECOMMENDATION STATUS
FOLLOW-UP REPORT
AS OF MARCH 31, 2014**

ISSUED JUNE 18, 2014

Stewardship – Accountability – Transparency



Internal Auditor's Office

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**Palm Beach County
Board of County
Commissioners**

Priscilla A. Taylor, Mayor

Paulette Burdick, Vice Mayor

Hal R. Valeche

Shelley Vana

Steven L. Abrams

Mary Lou Berger

Jess R. Santamaria

County Administrator

Robert Weisman

DATE: June 18, 2014
TO: The Audit Committee
FROM: Joseph F. Bergeron, Internal Auditor *JFB*
SUBJECT: Transmittal Letter for Recommendation Follow-Up
Report Dated March 31, 2014

Attached is the Internal Auditor's Recommendation Follow-Up Report providing the status of audit recommendations as of March 31, 2014. These reports will be prepared semiannually for periods ending March 31 and September 30. The reports are submitted to the Audit Committee at its meeting following the report "as of" dates. We will submit the reports to the BCC (generally January and July) following Audit Committee review.

The report contains a Summary Status of Audit Recommendations followed by:

- Exhibit 1 Audit Recommendations Open at Beginning of the October 1, 2013 through March 31, 2014 Reporting Period
- Exhibit 2 Audit Recommendations Issued During the October 1, 2013 through March 31, 2014 Reporting Period
- Exhibit 3 Open Audit Recommendations by County Department at March 31, 2014
- Exhibit 4 Summary Aging of Open Audit Recommendations at March 31, 2014
- Exhibit 5 Audit Recommendations Submitted for Audit Committee Consideration
- Exhibit 6 Recommendation Status at March 31, 2014

The purpose of this report is to keep the Audit Committee, the BCC and County Administration informed of the status of recommendations made by the Internal Auditor's Office and to facilitate oversight by County Administration on departmental implementation activities.

Exhibit 5 includes recommendations which have had final management action without correcting the underlying condition where we believe additional action is necessary (Part A) or that have been open for at least two years (Part B).

Audit recommendation follow-up is conducted to determine if management has implemented the corrective action agreed to during the audit and to ensure the underlying condition has been corrected.

"An Equal Opportunity
Affirmative Action Employer"

Audit recommendations are proposed by the Internal Auditor's Office and either accepted by management as proposed or management proposes alternate solutions, which are acceptable to Internal Audit. An audit recommendation is "Open" from the time the audit report containing the recommendation has been reviewed by the Audit Committee until management has either implemented the recommendation or decided to take no further action. Audit recommendations remain in this report as long as the recommendation is open. If management chooses to take no further action, Internal Audit reports that in Exhibit 5 and recommends appropriate action to the Audit Committee.

This report tracks every audit recommendation from the date of issuance through to final disposition. Management establishes projected implementation dates for all recommendations during the audit. Internal Audit tracks the projected implementation dates and conducts follow-up on audit recommendations when management confirms the recommendation has been implemented.

If management has not implemented the recommendation by the scheduled implementation date, Internal Audit makes inquiries of management to determine:

- What actions, if any, have been taken by management;
- Why the recommendation has not been implemented as scheduled; and
- When will the recommendation be implemented?

Internal Audit will conduct limited due diligence reviews to determine the validity of management's responses and consult with County Administration to determine if the reasons for delay are reasonable and report delinquencies where appropriate. The recommendation implementation date will be adjusted as necessary based on the new information from management.

Recommendation status is listed in Exhibits 5 and 6 as either:

- **Completed** The recommendation has been fully implemented or management has implemented alternative actions that achieved the same purpose as the original recommendation, and the actions taken by management have corrected the underlying conditions. Internal Audit review confirms management's actions.
- **In process** Management has begun implementation of the audit recommendations but work is not yet complete. Internal Audit conducts limited review work to confirm the "in process" status of management's actions on a recommendation. Management provides a new projected implementation date for the corrective action.
- **Implementation pending** The implementation date established by management occurs after the date of this report and Internal Audit has done no review work on the recommendation.
- **Follow-up pending** The department has reported implementation of the audit recommendation. However, Internal Audit has not yet done the follow-up review work to confirm management's actions.

SUMMARY STATUS OF AUDIT RECOMMENDATIONS

MARCH 31, 2014

As of March 31, 2014, the Internal Auditor's Database of Audit Recommendations showed that management actions had not been completed on 48 recommendations. These recommendations are considered as "Open". Of those 48 open recommendations, follow-up has been conducted on 11 showing that management action has started but was not yet complete. The other 37 open recommendations are scheduled for follow-up in the future and no audit evaluation has been conducted at this time.

Changes in the inventory of Audit Recommendations during the period October 1, 2013 through March 31, 2014 are shown below:

Open Audit Recommendations as of September 30, 2013	48
Additional Audit Recommendations from Audit Reports Issued October 1, 2013 through March 31, 2014	25
Audit Recommendations Completed October 1, 2013 through March 31, 2014	11
Open Audit Recommendations as of March 31, 2014	62

Recommendation follow-up work is generally conducted within one year of report issuance or earlier if management indicates that final action has been completed. Follow-up is done to determine the following:

- Was the recommendation implemented as agreed to by management? Or, if not, did alternative management action(s) correct the identified deficiency (ies)?
- Was the underlying cause (condition) corrected?

Sufficient audit evidence is developed to support a conclusion as to implementation of the recommendation and correction of the underlying cause (condition). If final management action has been taken on all audit recommendations in an audit report, the recommendations are considered "Complete" and are included in the current report, but not in future reports.

If management action(s) are not complete on any or all of the audit recommendations in an audit report, they are included in this report as "In Process" and another audit follow-up will be scheduled. In those cases where final management action has been taken and the underlying cause (condition) has not been corrected, we show this recommendation as Completed, Not Implemented. These recommendations are included within Exhibit 5 for Audit Committee consideration.

**Exhibit 1: Audit Recommendations Open at Beginning of the October 1, 2013
through March 31, 2014 Reporting Period**

Report	Issue Date	Number of Open Audit Recommendations Beginning of Reporting Period	Final Management Action Taken During Reporting Period	Number of Open Audit Recommendations End of Reporting Period
<u>10-23</u> Fire Rescue Bureau of Safety Services	Sep-10	1	0	1
<u>11-09</u> Economic Sustainability Commission on Affordable Housing	Dec-10	1	0	1
<u>12-06</u> Engineering & Public Works Traffic Division - Traffic Operations Section	Jun-12	8	0	8
<u>12-07</u> Public Safety Emergency Management Division	Sep-12	1	0	1
<u>12-10</u> Fire Rescue Accounting for Fuel Dispensed	Sep-12	1	0	1
<u>13-02</u> Parks and Recreation Morikami Museum and Japanese Gardens Cash Management	Dec-12	4	4	0
<u>13-05</u> Engineering and Public Works Bridge Maintenance and Operations	Mar-13	6	6	0
<u>13-06</u> Water Utilities Engineering Division	Jun-13	1	0	1
<u>13-08</u> Facilities Development and Operations Electronic Services and Security	Sep-13	6	0	6
<u>13-09</u> Public Affairs Graphics Division	Sep-13	14	0	14
<u>13-10</u> Tourist Development Council TDC Administration	Sep-13	4	0	4
<u>13-11</u> Office of Financial Mgt and Budget Fixed Assets Management Office Thrift Store Operations	Sep-13	1	1	0
Total		48	11	37

**Exhibit 2: Audit Recommendations Issued During the October 1, 2013 through
March 31, 2014 Reporting Period**

Report	Issue Date	Number of Audit Recommendations Issued this Reporting Period	Final Management Action Taken During Reporting Period	Number of Open Audit Recommendations End of Reporting Period
14-01 Public Safety Department Victim Services Division	Mar-14	9	0	9
14-02 Airports Department Airports Operations and Maintenance Division	Mar-14	10	0	10
14-03 Office of Financial Mgmt & Budget Town of Jupiter Impact Fee Review	Mar-14	1	0	1
14-04 Palm Tran Bus Bench and Bus Shelter Contracts	Mar-14	5	0	5
Total		25	0	25

**Exhibit 3: Open Audit Recommendations
by County Department
as of March 31, 2014**

Department	Open Recommendations in Process	Open Recommendations Future Implementation with Follow-up Pending
Airports	0	10
Economic Sustainability	0	1
Engineering & Public Works	8	0
Facilities Development and Operations	6	0
Fire Rescue	1	1
Office of Financial Mgt and Budget	0	1
Palm Tran	0	5
Public Affairs	14	0
Public Safety	1	9
Tourist Development Council	4	0
Water Utilities	1	0
Total Open Recommendations	35	27

**Exhibit 4: Summary Aging of Open Audit Recommendations
As of March 31, 2014**

Timeframe	Inventory at Beginning of Period (Exhibit 1)	Issued During this Period (Exhibit 2)	Closed During this Period (Exhibits 1 & 2)	Open at the End of this Period	In Process	Follow-up Not Yet Scheduled
0 - 3 Months	0	25	0	25	0	25
3 - 6 Months	0	0	0	0	0	0
6 - 12 Months	26	0	1	25	25	0
1 - 2 Years	20	0	10	10	10	0
Over 2 Years	2	0	0	2	0	2
Total	48	25	11	62	35	27

0 - 3 Months	January 2014 to March 2014
3 - 6 Months	October 2013 to December 2013
6 - 12 Months	April 2013 to September 2013
1 - 2 Years	April 2012 to March 2013
Over 2 Years	March 2012 or earlier

**Exhibit 5: Audit Recommendations Submitted for Audit Committee
Consideration as of March 31, 2014**

**Recommendations for which Final Management Action Has Been Taken
Without Resolving the Underlying Condition**

None	

Recommendations Which Have Been Open Longer Than Two Years

10-23 Fire Rescue <i>Bureau of Safety Services</i>	
Report Issued 09/15/2010 containing two recommendations First follow-up October 2011 Second follow-up March 2012 Third follow-up September 2012 Fourth follow-up March 2013	
#2 The Bureau of Safety Service Deputy Chief should establish and implement internal controls to ensure that fire inspections are billed in accordance with the Code.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending.</p> <p>Status – March 2013 In process. Implementation of the new computer system is not yet complete. A process of testing a sample of fire inspection reports on a monthly basis has been implemented and will be continued once the new computer system is fully implemented.</p> <p>Status – September 2012 In process. Fire Rescue management opted to implement new controls in a new computer system which is expected to be fully implemented in March 2013. The module is in place and scheduled for implementation testing following completion of work on the fire reporting module. Next follow-up scheduled for April 2013.</p>

Exhibit 5: Audit Recommendations Submitted for Audit Committee
Consideration as of March 31, 2014

	<p>Status - March 2012 Implementation Pending. Implementation scheduled for May, 2012; follow-up scheduled for June, 2012.</p> <p>Status – September 2011 In process. New software system has been purchased and, according to Department official, should be implemented by December 2011.</p>
<p>11-09 Economic Sustainability Commission on Affordable Housing</p>	
<p>Report Issued 12/08/2010 containing nine recommendations First follow-up May 2012 Second follow-up September 2012 Third follow-up March 2013</p>	
<p>#5 The Economic Sustainability Department Director should ensure that follow-up actions on the remaining 130 SHIP program recipients are completed in a timely manner, and that any recipient found to be ineligible be referred to the County Attorney’s Office for evaluation as to whether action is appropriate.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 In Process. Follow-up in February 2013 showed that, while there has been significant improvement, there are still 18 of the original 130 recipients yet to be completed.</p> <p>Status – September 2012 Implementation pending.</p> <p>Status – March 2012 In Process. Follow up in May 2012 showed that management had not yet completed action on the 130 SHIP program recipients. Management believed final action will be taken by September 30, 2012.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>10-23 Fire Rescue <i>Bureau of Safety Services</i></p>	
<p>Report Issued 09/15/2010 containing two recommendations First follow-up October 2011 Second follow-up March 2012 Third follow-up September 2012 Fourth follow-up March 2013</p>	
<p>#2 The Bureau of Safety Service Deputy Chief should establish and implement internal controls to ensure that fire inspections are billed in accordance with the Code.</p>	<p>Status - March 2014 Follow-up pending.</p> <p>Status - September 2013 Follow-up pending.</p> <p>Status – March 2013 In process. Implementation of the new computer system is not yet complete. A process of testing a sample of fire inspection reports on a monthly basis has been implemented and will be continued once the new computer system is fully implemented.</p> <p>Status – September 2012 In process. Fire Rescue management opted to implement new controls in a new computer system which is expected to be fully implemented in March 2013. The module is in place and scheduled for implementation testing following completion of work on the fire reporting module. Next follow-up scheduled for April 2013.</p> <p>Status - March 2012 Implementation Pending. Implementation scheduled for May, 2012; follow-up scheduled for June, 2012.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>Status – September 2011 In process. New software system has been purchased and, according to Department official, should be implemented by December 2011.</p>
<p>11-09 Economic Sustainability <i>Commission on Affordable Housing</i></p>	
<p>Report Issued 12/08/2010 containing nine recommendations First follow-up May 2012 Second follow-up September 2012 Third follow-up March 2013</p>	
<p>#5 The Economic Sustainability Department Director should ensure that follow-up actions on the remaining 130 SHIP program recipients are completed in a timely manner, and that any recipient found to be ineligible be referred to the County Attorney’s Office for evaluation as to whether action is appropriate.</p>	<p>Status - March 2014 Follow-up pending.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 In Process. Follow-up in February 2013 showed that, while there has been significant improvement, there are still 18 of the original 130 recipients yet to be completed.</p> <p>Status – September 2012 Implementation pending.</p> <p>Status – March 2012 In Process. Follow up in May 2012 showed that management had not yet completed action on the 130 SHIP program recipients. Management believed final action will be taken by September 30, 2012.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>12-06 Engineering & Public Works Traffic Division – Traffic Operations Section</p>	
<p>Report Issued 7/18/2012 containing 16 recommendations First follow-up March 2013 Second follow-up September 2013</p>	
<p>#2 The Traffic Division Director should initiate a review of the warehouse inventory to identify general purpose items in order to distinguish them from items intended for work projects.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 In Process. Division management decided not to segregate inventory items between those used for work orders and other items. They are working to ensure that all items issued for work orders are charged to those work orders. This item also relates to #3 below.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for August 2012</p>
<p>#3 The Traffic Division Director should reestablish the practice of recording the project location and/or work order number on the Issue Request form, in compliance with Division policies and procedures. This would apply to those items judged as non-general purpose in nature.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 Implementation Pending Our review showed none of the 106 requisitions reviewed had work order or location numbers. The Director stated he had discussed this matter in a staff meeting in June 2012 and that this item would be completed by 4/30/13.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>Status – September 2012 Implementation Pending Implementation scheduled for June 2012</p>
<p>#8 The Traffic Division Director should ensure that all Traffic Operations staff complete signature cards and that these cards are provided to the warehouse staff for accurate identification of authorized signatures.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 In Process. Our review found that signature cards had been completed but have not been provided to warehouse staff. Management plans to have the cards available to warehouse staff by 4/30/13.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for June 2012</p>
<p>#11 The Traffic Division Director should direct warehouse staff not to accept Issue Request forms on which increases have been made to the quantities requested. Alternatively, we suggest he implement a policy requiring that any increases in the quantities be initialed by the person making the change, such as is the practice on a negotiable check, and be made in such a way as to not obscure the original amount.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 In Process. Our review found that the Division Director directed staff to strike through and initial changes. However, we also found that 3 of 4 items with quantity increases had no approving initials.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for June 2012</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>#13 The Traffic Division Director should ensure that PPM ETL-006 is consistent with County-wide PPM CW-F-075.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for April 2013.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for August 2012</p>
<p>#14 The Traffic Division Director should work with Traffic Operations staff to determine an appropriate definition of “tools and equipment” and initiate a review of the warehouse inventory to identify such items.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for April 2013.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for August 2012</p>
<p>#15 The Traffic Division Director should identify an appropriate methodology for determining the value of tools and equipment subject to return or payment upon employee termination and require that such items are returned or paid for, in compliance with Countywide and Divisional policies and procedures.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for April 2013.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for August 2012</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>#16 The Traffic Division Director should review the cases of tools not returned by the three terminated employees identified in the audit report, and seek the return of such tools or reimbursement for the value thereof.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process.</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for April 2013.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for August 2012</p>
<p>12-07 Public Safety Division of Emergency Management</p>	
<p>Report Issued September 2012 containing two recommendations First follow-up March 2013</p>	
<p>#1 The EM Division Director should ensure that the 911 Coordinator review a sample of invoices paid under the earlier contract with AT&T for Fiscal Year 2011 and 2012. The review should include a determination that payments made were in accordance with contract requirements for the individual PSAP.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Follow-up pending. Management reported completion of the invoice review. Audit follow-up scheduled for June 2013.</p> <p>Implementation Pending Implementation scheduled for August 2012</p>
<p>12-10 Fire Rescue Accounting for Fuel Dispersed</p>	
<p>Report Issued September 2012 containing three recommendations First follow-up November 2012 Second follow-up March 2013</p>	
<p>#1 The Fire Rescue Administrator should review the actions</p>	<p>Status - March 2014</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>suggested in this audit report and consider taking action as needed to better account for fuel dispersed to Department vehicles at both Department and Fleet Management sites.</p>	<p>In process. Status - September 2013 In process.</p> <p>Status – March 2013 In process. Fire Rescue scoped an automated fuel system for its 40+ fueling sites. The estimated cost to install the system is \$700,000. Management believes this system is not cost beneficial and is exploring other methods of improving fuel accountability.</p> <p>Status – September 2012 Implementation Pending Implementation scheduled for January 2013.</p>
<p>13-02 Parks and Recreation Morikami Museum and Japanese Garden Cash Management</p>	
<p>Report Issued December 2012 containing eight recommendations First follow-up March 2013 Second follow-up scheduled for July 2013</p>	
<p>#1 The Department Director should ensure that Morikami management and FSS staff work together to develop a control structure at the Morikami that provides an adequate control environment given the reduction in on-site fiscal staff.</p>	<p>Status - March 2014 Completed.</p> <p>An Enhanced Management Oversight Plan was approved December 2012 and included the requirement that the Park Administrator will ensure all fiscal controls, inclusive of separation of cash handling responsibilities, receiving funds, reconciliation and other security control safeguards are adhered to immediately.</p> <p>Status - September 2013</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>Follow-up pending</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for June 2013.</p>
<p>#2 The Department Director should ensure that FSS staff performs unannounced visits to the Morikami at least once a year to independently review cash collection operations and to audit petty cash and change funds, in compliance with PPM #DOF-003.</p>	<p>Status - March 2014 Completed. The Morikami has developed a PPM which requires the Administrator to conduct random cash counts of tills, change fund, and petty cash. Management and staff have completed an unannounced /independent review of cash collection operations, petty cash, and the change funds. These reviews are part requirements of the new PPM and will continue on an ongoing basis.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for June 2013.</p>
<p>#5 The Department Director should establish a formal training program for cash management procedures at the Morikami.</p>	<p>Status - March 2014 Completed. Formal training programs have been initiated and completed as a result of the cash management audit.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for June 2013.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>#6 The Department Director should ensure that the Morikami's Operations Manuals and PPMs are updated on a regular basis.</p>	<p>Status - March 2014 Completed. Morikami management has replaced a dated PPM with two new ones as well as revised and implemented new SOP's.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending Implementation scheduled for June 2013.</p>
<p>13-05 Engineering & Public Works Bridge Maintenance and Operations</p>	
<p>Report Issued March 2013 containing 6 recommendations First follow-up scheduled for May 2013</p>	
<p>#1 The Division Director should ensure that Section managers and group supervisors begin utilizing the Job Cost system in the planning, execution and monitoring of their operational activities.</p>	<p>Status - March 2014 Completed. Our review found that the Division has implemented the use of the Projects Tracking System (PTS) to document, prioritize and monitor all deficiencies identified.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>#2 The Division Director should ensure the Bridge Inspection Tracking Spreadsheet includes accurate bridge inspection data.</p>	<p>Status - March 2014 Completed. We reviewed the Bridge Inspection Tracking Spreadsheet as well as backup documents and verified that these were accurate and current.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>#3 The Division Director should ensure that a system is put in place that supports and documents Section management’s evaluation, prioritization and monitoring of deficiencies identified in bridge inspection reports.</p>	<p>Status - March 2014 Completed. Our review found that the Division has implemented the use of the Projects Tracking System (PTS) to document, prioritize and monitor all deficiencies identified.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>#4 The Division Director should ensure that a system for scheduling, conducting, and monitoring routine inspections and maintenance is developed and implemented.</p>	<p>Status - March 2014 Completed. Our review found that the Division has implemented the use of the Projects Tracking System (PTS) to document, prioritize and monitor all deficiencies identified.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>#5 The Division Director should ensure that user access to the Job Cost system be removed for all terminated and transferred employees.</p>	<p>Status - March 2014 Completed. Our review of the Job Cost system User access lists and action history found that the new actions taken by the Division addressed the access control and accountability issues</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>relating to the Job Cost system.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>#6 The Division Director should ensure adequate access controls over the Job Cost system are put in place.</p>	<p>Status - March 2014 Completed.</p> <p>Our review of the Job Cost system User access lists and action history found that the new actions taken by the Division addressed the access control and accountability issues relating to the Job Cost system.</p> <p>Status - September 2013 Follow-up pending</p> <p>Status – March 2013 Implementation Pending</p>
<p>13-06 Water Utilities Engineering Division</p>	
<p>Report issued June 2013 containing 7 recommendations First follow-up September 2013</p>	
<p>#2 The Department Director should ensure that one full-time employee is assigned primary responsibility for collecting and recording fees received in the Division and that the assigned person is appropriately trained in fiscal matters.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 In Process. Our review showed that WUD and Human Resources have approved a Clerical Specialist position to be filled.</p>
<p>13-08 Facilities Development and Operations Electronic Services and Security</p>	
<p>Report issued September 2013 containing 6 recommendations</p>	

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
Follow-up scheduled for April 2014	
#1 ESS should develop and implement a plan that ensures that the items listed in the Maximo inventory module are in agreement with the items of actual inventory items located in the physical store rooms. Management should consider balancing the inventory by sections or small segments on a regular basis until the inventory count per the Maximo inventory module equals the actual inventory count of items located in the physical storerooms.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#2 The ESS Director should design and implement controls to monitor stock levels by identifying and reacting to stock replenishment requirements determined by stock-out, minimum order quantity reports and back order conditions.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#3 The ESS Director should design and implement controls to identify obsolescent and surplus stock and the proper disposal of such stock. This should include a periodic examination and evaluation of items and comparing on hand quantities to their usage. These procedures should be implemented prior to the annual physical inventory.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#4 The ESS Director should design and implement controls to review the accounting for the value of capital project items and reclaimed equipment.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#5 The ESS Director should design and implement controls to more clearly define roles, responsibilities and documentation requirements relating to the storekeeping function, cycle counts and inventory adjustment transactions. Also, compensating controls should be established to address the lack of separation of duties. For example, compensating controls can include management oversight of operations or review and reconciliation of reports by an independent party.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#6 The ESS Director should design and implement controls to review the use of virtual stores rooms in the Maximo inventory module and eliminate the storerooms that do not represent items for trucks/vans and physical inventory locations.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
13-09 Public Affairs Graphics Division	
Report issued September 2013 containing 14 recommendations First follow-up scheduled for June 2014	
#1 The Division Manager should ensure that procedures addressing the issues described above are either prepared or	<p>Status - March 2014 In process.</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
updated (as appropriate) in a timely manner.	<p>Status - September 2013 Follow-up pending</p>
#2 The Division Manager should ensure billing rates are adjusted to recover the cost of service, and continue to be submitted annually to OFMB for review as required by Countywide PPM CW-F-044.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#3 The Division Manager should consider implementing procedures (1) to track the current cost related to work orders, and (2) to determine if documents are produced in a cost effective manner.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#4 The Department Director should review with the County Administrator and the OFMB Director the Division's current practice of non-billing for one entity outside the General Fund.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#5 The Department Director should review with the County Administrator and the OFMB Director the inventory valuation amount that requires perpetual inventory records be maintained. We believe the current threshold of \$50,000 may be too low and result in higher administrative costs to maintain perpetual records for assets that may not be warranted.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#6 The Division Manager should ensure vulnerable assets and inventories of higher cost materials and supplies are physically secured with limited access to them.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#7 The Division Manager should implement procedures to ensure that the reported performance measure data is accurately captured and reported.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
#8 The Division Manager should implement controls and procedures in accordance with Countywide PPM CW-F-018 and update their departmental PPM to more appropriately manage transactions involving sales tax exemptions. The revised departmental PPM should address obtaining, reviewing and maintaining sales tax exemption certificates and exemption numbers; and ensure that sales taxes are charged as appropriate.	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>#9 The Division Manager should ensure security roles assigned to Graphics staff in the County's financial system (Advantage) provide for the adequate segregation of duties where feasible; and should not allow any one individual to be able to both (1) process (validate) and (2) approve (submit) procurement documents for ordering (purchasing) and receiving.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#10 The Division Manager should ensure that purchasing duties are adequately segregated so that no one person is approving purchases, receiving purchased items, and handling the related invoices for payment. If necessary, compensating controls should be established to address the lack of separation of duties. For example, compensating controls can include management oversight of operations, or review and reconciliation of reports by an independent party.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#11 The Division Manager should ensure that duties are segregated between receiving checks and the accounts receivable function by allowing Finance to assume these responsibilities, as opposed to the Division.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#12 The Division Manager should implement appropriate controls over cash receipts to ensure all payments are accounted for when received and are adequately safeguarded.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#13 The Division Manager should implement reconciliation procedures to ensure cash receipts (checks) received and forwarded to Finance for deposit are appropriately recorded in the County's Financial System.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#14 The Division Manager should consider implementing procedures to record all receivables for external customers in the County's financial system to promptly record all transactions, and to allow Finance to invoice and collect the related payment, relieving the Division of that responsibility.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>13-10 Tourist Development Council Tourist Development Administration</p>	
<p>Report issued September 2013 containing 4 recommendations Follow-up scheduled for April 2014</p>	

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
<p>#1 The TDC Executive Director should ensure written procedures are prepared outlining the steps necessary to review the contracts between the County and the agencies, review grants administered by the agencies, review reimbursement requests submitted by the agencies, and administer Special Projects. The procedures should include sufficient information to permit an individual that is unfamiliar with the operations to perform the necessary activities. These procedures should also assign responsibilities for performing and approving these steps and identify the backup documents to be maintained by TDC Administration.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#2 The TDC Executive Director should retain a copy of the checklists used to review agency contracts and expand the use of the checklists to document the reason and turnaround times for exhibits returned to the agencies and include the review of all updates to the contracts. Retaining the checklist would provide management with information that could be used to justify concerns with exhibits being returned and improve the efficiency of the process by reducing the probability of future returns.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#3 The TDC Executive Director should ensure the credibility of all reviews by including a place for the signature of the TDC Administration reviewer and the TDC Director on the checklists and requiring the checklists be signed and dated.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>#4 The TDC Executive Director should expand the use of the checklist included with the reimbursement requests to document the review of requests performed by TDC Administration. The checklist should include a place for results or comments from the review performed by TDC Administration. In addition, retaining the checklists in the Department would provide management with information that could be used to justify concerns with insufficient backup and improve the efficiency of the process by ensuring the reimbursement requests have sufficient backup before they are sent to Finance.</p>	<p>Status - March 2014 In process.</p> <p>Status - September 2013 Follow-up pending</p>
<p>13-11 Office of Financial Management and Budget Fixed Assets Management Office Thrift Store Operations</p>	
<p>Report issued September 2013 containing one recommendation Follow-up scheduled for January 2014</p>	
<p>#1 The FAMO Manager should revise the scrapping PPM and the scrapping approval form to require the actual date of scrapping and the individual actually scrapping the material to be included on the scrapping form.</p>	<p>Status - March 2014 Completed The Fixed Asset Manager has added the scrapping</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	<p>dates and scrapping personnel signatures to the scrapping approval forms. Also, the departmental PPM has been updated to reflect the changes made to the scrapping approval form.</p> <p>Status - September 2013 Follow-up pending</p>
<p>14-01 Public Safety Victim Services</p>	
<p>Report issued March 2014 containing nine recommendations Follow-up scheduled for May 2014</p>	
<p>#1 The Victim Services Division Director should strengthen existing controls to protect the inadvertent disclosure of sensitive client information. Consideration should be to the following when distributing documents with client information:</p> <p>A. Documentation provided to external parties should be thoroughly reviewed to ensure sensitive and confidential victim (client) information is fully redacted prior to its release.</p> <p>B. A client ID should be utilized, when possible, in-lieu of the client's (victim) name on documentation and/ or records maintained and provided to parties outside of the Division (i.e. Clerk's Finance Section).</p> <p>C. Documentation provided to support reimbursement request from the <i>Victims of Crime Emergency Support</i> fund should be limited to what is necessary to substantiate the purpose of the expenditure. In addition, the County Attorney's Office should be consulted to assist in identifying with the Clerk's Finance Section the specific information needed to support reimbursement requests from this fund.</p> <p>D. Electronic mail containing sensitive and confidential victim (client) information should be tagged utilizing the Microsoft Outlook "confidential" message setting in order to alert ISS in the event of a public records request.</p>	<p>Status - March 2014 Follow-up pending.</p>
<p>#2 The Victim Services Division Director should ensure a client confidentiality agreement is signed and maintained for all individuals, contractors, and staff whom are given access to sensitive and confidential client information in their roles. This includes assurances that a complete and most up-to-date version of the form is signed prior to access being given to client information.</p>	<p>Status - March 2014 Follow-up pending.</p>
<p>#3 The Department Director should ensure that receivables are</p>	<p>Status - March 2014</p>

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
recorded consistently, appropriately, and promptly.	Follow-up pending.
#4 The Department Director should ensure funds are drawn down from the grant on a timely basis. Consideration should be given to implementing request for payment quarterly to be congruent with the grantor's financial status reporting requirements.	Status - March 2014 Follow-up pending.
#5 The Department Director should ensure the imprest checking account for the <i>Victims of Crime Emergency Support</i> fund is reconciled and that copies of the reconciliations are forwarded to the Director of OFMB in accordance with Countywide PPM CW-F-041.	Status - March 2014 Follow-up pending.
#6 The Division Director should ensure (1) the custodian on record for the imprest checking account for the <i>Victims of Crime Emergency Support</i> fund is the same individual who controls the security, records and disbursements of the fund; and (2) the checkbook (imprest fund) is maintained in a secure location in accordance with Countywide PPM CW-F-041.	Status - March 2014 Follow-up pending.
#7 The Division Director should reduce the balance maintained in the imprest checking account for the <i>Victims of Crime Emergency Support</i> fund to be in-line with the current need pursuant to Countywide PPM CW-F-041.	Status - March 2014 Follow-up pending.
#8 The Department Director should ensure the petty cash account for the <i>Victims of Crime Emergency Support</i> fund are reconciled, signed by the custodian's supervisor, and kept on file in the Department in accordance with the Countywide PPM CW-F-041.	Status - March 2014 Follow-up pending.
#9 The Division Director should ensure that the existing resolution is amended to reflect the adopted annual budget funding changes to the <i>Victim of Crime Emergency Support</i> fund.	Status - March 2014 Follow-up pending.
14-02 Airports Operations & Maintenance	
Report issued March 2014 containing ten recommendations Follow-up scheduled for April 2014	
#1 The Division Director should develop and implement written policies and procedures for preventive maintenance work orders that include such things as: recording dates work orders are assigned and expected to be completed; requiring complete data be included on work orders for resources used to complete the work orders; and monitoring open work orders to ensure timely completion.	Status - March 2014 Follow-up pending.
#2 The Division Director should develop and implement written policies and procedures for the preventive maintenance system that would include such things as: standard frequencies for required work; standard definitions of the type and level of work	Status - March 2014 Follow-up pending.

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
required for the work; and monitoring the status of preventive maintenance activities to ensure that appropriate actions are being taken as defined in the preventive maintenance system.	
#3 The Division Director should develop and implement written policies and procedures for corrective maintenance work orders that include such things as: recording dates work orders are assigned and expected to be completed; requiring complete data be included on work orders for resources used to complete the work orders; and monitoring open work orders to ensure timely completion.	Status - March 2014 Follow-up pending.
#4 The Division Director should develop and implement written policies and procedures regarding the facility inspection program to ensure that recommendations are reviewed and prioritized in a timely manner, that plans to address the necessary corrective actions are implemented, and to monitor progress on the plan to ensure that all maintenance action items identified in the annual facility inspection reports are adequately addressed.	Status - March 2014 Follow-up pending.
#5 The Division Director should develop and implement written policies and procedures regarding monitoring stock levels to ensure that appropriate minimum stock levels are established to support maintenance needs, and that there are appropriate monitoring and reporting methods to support timely reordering of materials.	Status - March 2014 Follow-up pending.
#6 The Division Director should develop and implement written policies and procedures regarding monitoring materials to ensure that items with limited shelf lives and items that have had little or no use for a certain period of time are identified and appropriate actions are taken.	Status - March 2014 Follow-up pending.
#7 The Division Director should develop and implement written policies and procedures regarding conducting periodic cycle counts of warehouse.	Status - March 2014 Follow-up pending.
#8 The Division Director should develop and implement written policies and procedures regarding documentation of material receipt in the warehouse.	Status - March 2014 Follow-up pending.
#9 The Division Director should review the warehouse and procurement function and take action to ensure there is either an appropriate segregation of duties between the ordering, receiving, stocking and issuing personnel, or appropriate supervisory oversight of those critical activities.	Status - March 2014 Follow-up pending.
#10 The Division Director should develop and implement written policies and procedures regarding 'Z' tag assets assigned to the Division to ensure these assets are controlled and accounted for.	Status - March 2014 Follow-up pending.

Exhibit 6 - Recommendation Status at March 31, 2014

Audit Report Number, Title and Recommendation(s)	Recommendation Status
These policies and procedures should include such things as: an accurate perpetual inventory listing of all asset items held at each location; a signed acceptance of all inventory by asset custodians; accurate backup documentation for lost, missing or surplus items; and an annual reconciliation of items to inventory listing.	
14-03 Office of Financial Management and Budget Jupiter Impact Fees	
Report issued March 2014 containing one recommendation Follow-up scheduled for April 2014.	
#1 The Impact Fee Coordinator's Office should impose the late fees specified in Article 13 for those deposits which were not timely made as defined by Article 13.	Status - March 2014 Follow-up pending.
14-04 Palm Tran Bus Bench and Bus Shelter Advertising Contracts	
Report issued March 2014 containing five recommendations Follow-up scheduled for May 2014	
#1 The Palm Tran Executive Director should consult with the County Attorney's Office and determine appropriate action to be taken to bring both vendors into compliance with the contracts' ADA and FDOT provisions.	Status - March 2014 Follow-up pending.
#2 The Palm Tran Executive Director should incorporate a date stamping requirement into both policies regarding payment processing for the bench and shelter contracts.	Status - March 2014 Follow-up pending.
#3 The Palm Tran Executive Director should collect the outstanding late payment penalties from the vendors.	Status - March 2014 Follow-up pending.
#4 The Palm Tran Executive Director should ensure that staff implements the time frame requirements of the contracts exactly as specified in the contracts.	Status - March 2014 Follow-up pending.
#5 The Palm Tran Executive Director should consult with the County Attorney's Office to determine appropriate action to be taken relative to the practice of allowing the vendors to pay municipalities directly for benches and shelters located in municipalities covered by interlocal agreements.	Status - March 2014 Follow-up pending.