

300-1

PALM BEACH COUNTY
BOARD of COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: 5/19/2015

[X] Consent [] Regular
[] Public Hearing

Department:

Submitted By: Internal Auditor's Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to receive and file:

- A. Audit reports reviewed by the Audit Committee at its March 18, 2015 meeting as follows:
- 1. 15-02 Library Department - *Procurement and Payroll* (2014-18).
 - 2. 15-03 Water Utilities Department - *Operations and Maintenance* (2014-10)
 - 3. 15-04 Engineering and Public Works Department - *Roadway Production* (2014-15)
 - 4. 15-05 Parks and Recreation Department - *Special Facilities* (2014-05)
 - 5. 15-06 Palm Tran Department - *Fixed Route* (2014-02)
 - 6. 15-07 Office of Equal Opportunity - Fair Housing and Equal Employment (2014-14)

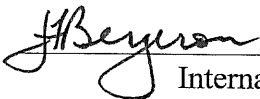
Summary: Ordinance 2012-011 requires the Internal Audit Committee to review audit reports prior to issuance. Ordinance 2012-012 requires the County Internal Auditor to send those reports to the Board of County Commissioners. At its meeting on March 18, 2015, the Committee reviewed and authorized distribution of the attached audit reports. We are submitting these reports to the Board of County Commissioners as required by the Ordinance. Countywide (PFK)

Background and Policy Issues: The Internal Audit Committee reviewed and authorized distribution of audit reports 15-02 through 15-07 at its March 18, 2015 meeting.

Attachments:

Audit reports as identified above

Recommended by:



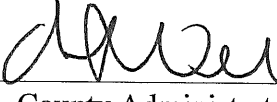
Internal Auditor

4.2.15

Date

Recommended by:





County Administrator

4.7.15

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2015	2016	2017	2018	2019
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:

✕ No fiscal impact


A. Department Fiscal Review:

.....

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

Susan Henry 4/2/15
 Budget/OFMB
 4/2


 Contract Administration
 4-13-15 Bwheeler

B. Legal Sufficiency:

Paul R. [Signature] 4/6/15
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 #2015-02

LIBRARY DEPARTMENT
PROCUREMENT AND PAYROLL



*Reviewed by Audit Committee
March 18, 2015*

DATED JANUARY 8, 2015

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the Department Director ensure that the Library procurement and payment processes were managed in accordance with County and Departmental PPMs and contract terms for Fiscal Year 2014 through July 31, 2014?
were accurately recorded and properly approved for Fiscal Year 2014 through July 31, 2014?
2. Did the Department Director ensure that Library payroll processes were managed in accordance with the County's and departmental PPMs and that payrolls
3. Describe and evaluate the Department's performance management processes including methods used to measure and report on effectiveness and efficiency of operations.

WHAT WE FOUND

As to objective one above, we found the Department Director ensured that the Library procurement and payment processes were managed in accordance with County and Departmental PPMs. However, we found one contract for library materials that had significant overbilling issues.

As to objective two above, we found that the Library payroll processes were managed in accordance with the County's and

departmental PPMs and that payrolls were accurately recorded and properly approved.

As to objective three above, we found the Department Director had established appropriate organizational objectives and performance measures which were specific, concise and measurable, and accurately and timely reported.

WHAT WE RECOMMEND

The audit report makes three recommendations to management to review the overbillings so as to make recovery from the vendor, work with the vendor to develop invoices that contain the information

required by the contract, and implement training and procedures for staff for these types of transactions.

DETAILED FINDING AND RECOMMENDATIONS

Finding 1. Vendor Overbilling of Processing Fees

Countywide PPM CW-L-008 "*Purchasing Policies and Procedures*" assigns the responsibility of administering and monitoring of all purchasing contracts to the user departments. This includes the accurate and appropriate receipt of the procured goods and services as well as the accurate and appropriate payments for received goods and services.

Departmental PPM CLO-1200 "*Library Materials Acquisitions Procedures*" requires that the responsible "staff check the sum, extension, list price, discounts, and freight charges if any, on the vendor invoice, to determine if they are in agreement to what is contracted," before creating and approving an electronic receiver (RC) document in the County accounting system(AMS), and sending it with the original invoice(s) to the Palm Beach County Finance Department for payment.

The Department entered into a Centralized Master Agreement (CMA) contract with Midwest Tape LLC for the purchase of Shelf Ready Audiovisual Materials in July 2010. This agreement was a piggyback contract to the Dallas Public Library Contract # BS0903. As per the contract agreement the Processing fees for DVDs were as follows:

- Single DVD \$3.40
- Double DVD \$3.40
- Multiple DVD \$3.90 flat rate per case (one case containing three or more DVDs)

The Single, Double and Multiple indicate the number of DVDs contained in a DVD media title purchased. For example a movie title or television program may be comprised of a single, double or multiple DVDs, packaged in a single or multiple pack case.

The CMA also requires the vendor invoice to show the producer's or distributor's list

price and the discount applied to it, and that the charges for all services covered by this price agreement to be separately stated and explained.

The original CMA (#150661) was valid from 7/3/10 through 9/10/12. It had two annual renewals (#s 150661A & 150661B) with the most recent one expiring on 9/8/14. The total amount spent for the three agreements was \$3,945,193.64.

We reviewed a sample of four purchase orders (DOs) totaling \$205,642.11 for Fiscal year 2014 from a population of 78 DOs valued at \$889,200.28. We found that the vendor was invoicing the department for processing fees at a flat rate of \$3.15 per DVD. This translated into under billing for Single and Double DVDs which should have been billed at \$3.40 per DVD title, and overbilling for Multiple DVDs which should have been billed at \$3.90 per case (DVD title) rather than \$3.15 per DVD. In addition to all Multiple DVD titles being billed at the rate of \$3.15 per DVD, we also found one instance of a double DVD title being billed at the rate of \$3.15 per DVD. After adjusting for the under billing, our review found that the vendor had overbilled the Department for processing fees in the amount of \$7,024.70. This amounted to an overbilling error rate of 3.41598% (3.42%) of the total purchase amount of \$205,642.11 of the four purchased orders tested.

We applied the overbilling error rate of 3.41598% (3.42%) to the total amount spent for the three agreements of \$3,945,193.64 in order to estimate the overbilling of processing fees by the vendor over the term of the three contract agreements. We estimated the overbilling of processing fees by the vendor to be approximately \$135,000.

We also reviewed a sample of eight invoices to check the accuracy of amounts invoiced including recalculations of the processing fees and discounts. Our sample of invoices represented billings for 40 different DVD items. The vendor properly computed the required discount for each item. The pattern of erroneous processing fees found in our review of purchase orders was also found in our review of invoicing. DVD titles consisting of one or two discs were consistently undercharged for processing. DVD titles consisting of more than two discs were consistently overcharged. The total amount invoiced in our sample was \$28,202. The total processing fees included in the invoiced amount was \$5,998. The net overcharge for the eight invoices was \$2,705 (9.6% of the total).

The reviews we conducted resulted in estimates of error rates in the total population ranging from 3.4% to 9.6%. Based on the \$3.9 million in purchases, the estimated range of overcharges could be from \$135,000 to \$370,000. Our samples were not conducted to support a precise overbilling amount. The samples were conducted to identify an issue and suggest an appropriate response.

Through conversations with the procurement specialist who was reconciling and processing the vendor invoices for payment we determined that she was not aware of the terms of the agreement relating to the processing fees. In addition, while her supervisor had some dated correspondence relating to the agreement he informed us that he was not provided with the contract document or the renewal documents.

Our review of the vendor's invoices also found that the invoices did not show the discount applied to the retail price of the item as required in the agreement. Also, the

invoices did not separately state the charges for the processing fees as required by the agreement.

Recommendations:

- 1. The Library Director should review 100% of the invoices from the vendor to determine the actual Dollar amount of the processing fee overbilling and seek a refund/credit for the amount from the vendor.**
- 2. The Library Director should work with the vendor to make changes to the invoices to more readily show details specified in the contract.**
- 3. The Library Director should implement procedures to ensure that all vendor invoices are reviewed for accuracy and appropriateness prior to approval for payment. At a minimum this should include training of related staff on the procurement and contract agreement terms and conditions.**

Management Comments and Our Evaluation

In responding to a draft of this audit report, the Department Director agreed with the finding and the recommendations. The Director stated that a settlement had been reached with the vendor on the overbillings and that payment had been received from the vendor for the agreed upon settlement amount \$85,396.25. The Director also stated that they were working with the vendor to revise the invoices and that they had already implemented new procedures to address the issues identified in the audit finding.

We agree with the actions taken by Department management in response to the audit finding and recommendations.

Prior to issuance of this report we conducted a review of the actions taken by Library management relating to our recommendations and determined that all recommended actions have been taken. Accordingly, we consider these three recommendations closed upon report issuance.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

We examined the Department's mission statement and objectives. We compared the mission statement to their objectives to determine if the objectives were directly related to and linked to the elements of the mission statement.

The Department's Mission Statement is "*To continually improve services by providing the public with free access to library materials in a variety of formats; helping people of all ages find information which*

meets their diverse personal, educational, and professional needs; encouraging children, the future leaders of our community, to develop a love for reading, learning, and libraries; and promoting community enrichment, economic vitality, and individual achievement through reading and life-long learning."

The table below summarizes the objectives and performance measures published in the County Fiscal Year 2014 budget book:

Objective	Performance Measure	Type
1. Increase circulation of print and non print materials by 3% over FY 2012 including service to the underserved groups through the Bookmobile, Books by Mail, and Talking Book services.	1. Items circulated.	Output
	2. Circulation per registered borrower.	Outcome
	3. Percent of items circulated via self-check.	Efficiency
2. Increase the number of library cardholders by 1% over FY 2012 and continue to exceed the Florida Library Association enhanced quality level standard of 50% of population registered for a library card.	4. Library card holders	Demand Outcome
	5. Percent of population registered.	
3. Increase the materials collection to 2.17 holdings per capita which exceeds the Florida Library Association's essential quality of service level standard of 2.0 for libraries serving 750,001 or more people.	6. Holdings per capita.	Outcome
4. Increase the number of information and reference transactions handled by 3% over FY 2012.	7. Information/reference transactions handled.	Output
5. Increase attendance at story times and multimedia programs presented for infants, children, and teens by 1% over FY 2012.	8. Story time /multimedia program attendance.	Outcome

6. Increase attendance at ABC Kit story time programs by 1% over FY 2012.	9. ABC Kit story time attendance.	Outcome
7. Increase the number of public PC sessions by 5% over FY 2012 by offering public access computers to exceed the Florida Library Association standard for exemplary service of 1 workstation per 1,000 population.	10. Public PC sessions. 11. Ratio of public computers to 1,000 population.	Outcome Efficiency
8. Increase the number adult literacy instructional hours provided by 1% over FY 2012.	12. Adult literacy instructional hours.	Output
9. Increase attendance at programs for adults (educational, cultural, and recreational) by 5% over FY 2012.	13. Adult program /class attendance.	Outcome
10. Increase the number of library visits by 1% over FY 2012.	14. Library visits. 15. Library visits per capita	Demand Demand

Our review of the Department'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; (Specific, Measurable, Attainable, Realistic, and Time oriented)
- Determining the relationship of each objective to performance measures;
- Determining how the Department defines and measures effectiveness and efficiency; and
- Evaluating the data gathering and reporting methodology used.

Mission Statement

The *Budget Instruction Manual* describes the mission statement as a "concise expression of the Department's purpose expressed in terms of benefit to the intended customer." The Department's mission statement expresses the Department's purpose in terms of their customer benefits. The Department's mission statement as written describes its services and includes a description of how those services will be

provided. The mission statement also describes the intended benefit to the customers. The Department's mission statement satisfies the requirements of the *Budget Instruction Manual*.

As written, the mission statement could be construed as "To continually improve services." This mission is accomplished by doing a variety of activities. Perhaps the mission statement could be "To provide the public" a variety of services as listed.

The *Budget Instruction Manual* also states that there should be a linkage between the mission statement, objectives and performance measures. All of the Department's ten objectives are linked to and supported the Department's mission statement.

Objectives

We used the SMART framework to evaluate the Department's objectives. In our evaluation against the SMART criteria we found that overall they met most of the elements of the SMART criteria. We found that the Department's objectives generally

linked to Florida Library Association's best practices standards. Objective #s 2, 3 & 7 had extra language to state that the objective exceeded Florida Library Association standards.

One aspect of the "A" (attainable) in SMART is the degree of control we have over the achievement of the desired outcome. Nine of the ten objectives (excluding objective #3) are outside the control of the Department and, as such, they are not attainable by the Department. The Department has the ability to influence each of these objectives by taking certain actions. However, none of the objectives identify a method of achieving the objective.

The desired results may be achieved, but they may not be the result of any deliberate actions taken by the Department. In a sense, these objectives are more like goals. Identifying measurable actions that can be taken by the Department to achieve each of these "goals" would shift the emphasis to what the Department can control. For example, the Department might choose to offer training and personal research support to county personnel as one way to increase the number of information and reference transactions (objective #4).

Performance Measures

The department's has fifteen performance measures related to their ten objectives. These incorporate a cross section of types including efficiency, demand, output, and outcome. Each Objective had at least one performance measure with four objectives having more than one.

However, nine of the ten objectives are stated as "increase something by x% over a previous year" (all but #3 have that format). The performance measures for those

objectives are simple counts of the items in the objective. For example, objective #1 calls for a 3% increase in circulation over FY 2012 while its associated performance measure is the number of items circulated. To accurately measure the objective there should be an element of comparison included, in this case being the percentage increase. Perhaps each of these objectives could have two measures: one with the raw numerical result and one with the percentage increase over the base year.

Additionally, as to objective #1, there are three components of the objective that do not have associated performance measures, and two performance measures that, while related to circulation, do not relate to the objective of increasing circulation.

The Department has a comprehensive Long Range Plan which outlines the Department's mission, their organizational objectives and the related performance measures to be used for assessment for each of the three years of the Plan. The plan goes further into detailing the strategies and respective tasks that the Department will embark on to achieve their performance objectives. Library department and branch management contribute towards the development of the strategy and tasks to meet their respective objectives and are assigned accountability of the same. In our discussions with Department and branch management, they informed us that the performance measures that were used by the Department were closely tied in to industry best practice measures and standards, and were all tied into meeting their mission. The tracking, recording and reporting of the information relating to the performance measures was done by the individual(s) assigned responsibility of the performance measure(s). Much of the data is tracked and recorded through the branch locations with

some of it being recorded electronically through the Library's data systems. The Department's Public Information Services Manager acts as the centralized accumulation and repository for the information. Each responsible individual reports their respective performance data to the Public Information Services Manager at a monthly basis. The Public Information Services Manager compiles this information into a monthly report and provides it to department and branch management. The annual report is also reported to the County's Office of Financial Management and Budget for inclusion in the County's Annual Budget Book.

In addition the Department prepares a semiannual long range plan report which essentially is a progress report detailing the current status in relation to their objectives and the progress and pitfalls as it relates to the respective strategies and tasks that were employed. This report is also distributed to department and branch management as well as County Administration.

We had discussions with eleven Department managers and staff assigned responsibilities over performance measures. We discussed how they recorded, tracked and reported their respective information. We also discussed how they used the information in their decision making related to their processes. We reviewed the backup document and reports relating to eight performance measures and traced them to the individual transactions as well as the monthly reports. We were able to validate the accuracy and timeliness of the reported information for all of the data reviewed.

Conclusions:

Overall, our review found that the Department's performance management system appeared to be streamlined and functional. Their operational objectives were linked to their mission, met the SMART criteria and had respective performance measures. Department and branch management utilized the information in their decision making. We were also able to validate the accuracy and timeliness of the reported information

Considerations for Improvement:

1. The Department Director should consider revising the mission statement to shift the focus to a provision of services rather than continual improvement of services.
2. The Department Director should consider revising the objectives to focus on measurable actions that can be taken to achieve the outcomes identified in the objectives.
3. The Department Director should consider revising or adding performance measures to better support the various objectives.

Management Comments and Our Evaluation

At the exit conference on January 8, 2015 Department officials agreed with our comments and evaluation of their performance management system and indicated they would incorporate our considerations for improvement into their next budget and long range plan updates.

We agree with the actions planned by management relative to improvements in their performance management process.

BACKGROUND

The Palm Beach County Library (Library or Department) consists of the unincorporated area of Palm Beach County and 23 municipalities that do not provide their residents with library facilities. The Library provides services through the Main Library, 16 branches, and a logistical support center. The Library provides access to holdings of 1.9 million items and offers expanding access to electronic information. In addition to offering informational, educational, and recreational reading, listening, and viewing to patrons of all ages and abilities, the Library provides a diverse range of services includes research to government and business, electronic resources training, reading readiness activities for children and parents, and literacy training. The budget for fiscal year 2014 was \$48 million. The annual procurement amount is \$10.3 million and the library materials accounted for approximately 75% of the annual procurement amount for FY 2014. The remaining procurement being for non-library materials and supplies and direct payment purchases. The Department has a staff of 420 permanent employees and 110 non permanent employees including 106 students and 4 on-call employees for fiscal year 2014.

The Procurement and Payroll sections are both within the Financial and Facilities Division of the Department. Each section is headed by a Financial Analyst III who is responsible for the section. The Procurement section has two groups: one located at the Annex responsible for the procurement functions related to the Library materials; and the other located at the Library headquarters responsible for the procurement of non-library materials and supplies and direct payment purchases. The Annex group consists of a staff of eight including a Financial Analyst, a Fiscal Specialist III, three Procurement Specialists, two Store Clerks and a Senior Clerk Typist. The headquarters group consist of a staff of four including a Fiscal Specialist II, a Procurement Coordinator, a Storekeeper and an Administrative Assistant.

The Payroll group consists of two Fiscal Specialist IIs, who report to the Financial Analyst III responsible for Payroll and Accounts receivable. Each of the Fiscal Specialist IIs is responsible for processing payroll for the Department's two functional units (Main & Branches) of approximately 250 employees each.

AUDIT SCOPE AND METHODOLOGY

This audit was selected as a result of our annual risk assessment of County department operations and additional discussions with the library department director. The risk factors identified in the assessment were: Procurement and Payment throughout the Department, including Library materials; Payroll and timekeeping; and the effectiveness and efficiency of operations. Through interviews with Department management and staff concerning these risk factors, review of Departmental policies and procedures, the County Budget Book for fiscal year 2014, prior audit reports, and other pertinent documentation, we selected the specific audit objectives cited above for detailed review and reporting.

The audit scope included a review of internal controls in place to ensure that the Department's Procurement and Payment, and Payroll activities were carried out in accordance with Countywide and Departmental policies and procedures for current Fiscal Year 2014 through July 31. In addition, our review included an evaluation of the Department's performance management process for establishing objectives and performance measures, and capturing and reporting the related measures. Audit field work was conducted in the Department headquarters and at the Library Annex and branch locations in September and October 2014.

For audit objective #1, our methodology included the review and testing of the

procurement and payment processes and transactions using analytical procedures applied to judgmental samples for the audit period. We reviewed backup documentation as well as Advantage (the County's accounting system) and Sirsi (the Library's collection management system) data related to the procurement transactions and payments. We reviewed the purchasing agreements for the sample vendors and verified vendor compliance to the terms. We also reviewed County and Departmental PPMs related to procurement.

In order to answer objective #2, we reviewed and tested the payroll processes and transactions using analytical procedures applied to judgmental samples for the audit period. We reviewed backup documentation as well as HRIS, Timeserver (the County's human resource and time keeping systems) and Payroll system data related to the payroll transactions. We reviewed all the personnel actions for the audit period and verified the changes were accurately and timely reflected in the payroll transactions. We also compared the payroll transactions to the Department's complement report to identify any ghost employees on the payroll. We also reviewed the County Payroll policy procedure manual, and the Departmental procedures and the bargaining unit agreement relating to time and attendance and payroll.

To address audit objective # 3, we identified the mission statement for the Department, as well as the objectives, and related

performance measures. In order to determine if significant elements of the mission statement were addressed in the objectives, we compared the Department's mission statement to the objectives. Next, we evaluated each of the objectives to determine if they:

- (1) Met the S.M.A.R.T. (Specific, Measurable, Attainable, Realistic, and Time oriented) criteria;
- (2) Addressed all elements of the mission statements; and
- (3) Were supported by at least one performance measure.

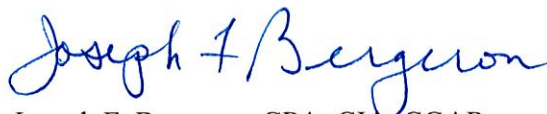
In addition, we met with Department management and staff to gain an understanding of the process for capturing and reporting performance measures, as well as how efficiency and effectiveness of their operations is determined and measured. Further, we reviewed and tested reports used for the reporting of performance measures to verify the accuracy and reliability of the data reported.

Our audit work included discussions with Department management and staff and with audit management, in which we addressed the possibility of fraud in relation to their procurement and payroll functions. They informed us that they were very much aware of the risks when it comes to these two areas

and have instituted controls over these areas. As part of our audit review we tested and validated some of these controls in place, in particular the authorization and segregation of duty controls over the procurement and payroll transactions.

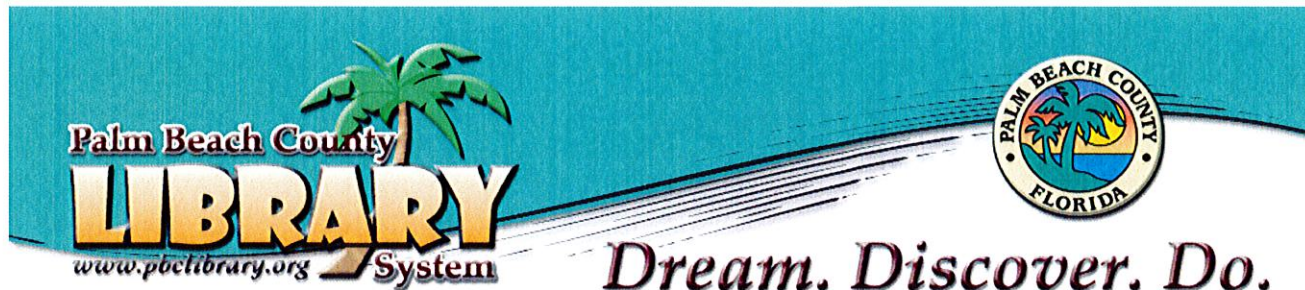
Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information 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
January 8, 2015
Audit W/P No. 2014-18

ADMINISTRATIVE RESPONSE



LIBRARY ADMINISTRATION: (561) 233-2600 • COUNTYWIDE: 1-888-790-4962 • FAX: (561) 233-2644

TO: Joseph F. Bergeron
Internal Auditor

DATE: January 29, 2015

FROM: Douglas Crane
Library Director

RE: Response to Internal Audit Report

The Library is in receipt of the draft audit report dated January 8, 2015. The purpose of the audit was to examine the library's procurement, payment and payroll processes and determining if those processes were compliant with Palm Beach County policy. With one exception, the audit report has found the library does acquire materials in accordance with approved policy. Please see the findings and recommendations below, followed by the Library's response.

Finding & Recommendations from the Auditor

1. Vendor Overbilling of Processing Fees

Countywide PPM CW-L-008 *"Purchasing Policies and Procedures"* assigns the responsibility of administering and monitoring of all purchasing contracts to the user departments. This includes the accurate and appropriate receipt of the procured goods and services as well as the accurate and appropriate payments for received goods and services.

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The auditor also reviewed a sample of eight invoices to check the accuracy of amounts invoiced including recalculations of the processing fees and discounts. The sample of invoices represented billings for 40 different DVD items. The vendor properly computed the required discount for each item. The pattern of erroneous processing fees found in the review of purchase orders was also found in the review of invoicing. DVD titles consisting of one or two discs were consistently undercharged for processing. DVD titles consisting of more than two discs were consistently overcharged. The total amount invoiced in the sample was \$28,202. The total processing fees included in the invoiced amount was \$5,998. The net overcharge for the eight invoices was \$2,705 (9.6% of the total).

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Through conversations with the procurement specialist who was reconciling and processing the vendor invoices for payment the auditor determined that she was not aware of the terms of the agreement relating to the processing fees. In addition, while her supervisor had some dated

correspondence relating to the agreement he informed the auditor that he was not provided with the contract document or the renewal documents.

The auditors' review of the vendors' invoices also found that the invoices did not show the discount applied to the retail price of the item as required in the agreement. Also, the invoices did not separately state the charges for the processing fees as required by the agreement.

Recommendations from the Auditor

1. The Library Director should review 100% of the invoices from the vendor to determine the actual Dollar amount of the processing fee overbilling and seek a refund/credit for the amount from the vendor.

2. The Library Director should work with the vendor to make changes to the invoices to more readily show details specified in the contract.

3. The Library Director should implement procedures to ensure that all vendor invoices are reviewed for accuracy and appropriateness prior to approval for payment. At a minimum this should include training of related staff on the procurement and contract agreement terms and conditions.

Library Response

1. The Library contacted the vendor immediately upon being notified of the audit finding. The vendor conducted an independent audit of their records and identified a refund amount due to the Library of \$85,396.25. At the same time the Library's Acquisitions section began a review of all records beginning with start date of the original CMA (#150661) which was 07/03/10. Library staff was able to review more than 50% of the records for the affected contract period. Within these records library staff identified an additional \$1,481.30 in refunds due to the Library. Based on the staff time being expended and the additional amounts being identified, management determined that it was not in the best interest of the Library System to review 100% invoices for the affected time period. A sample was selected of the remaining records and reviewed. The vendor agreed to add the additional refund amount to their findings and issued a check on December 18, 2014 in the amount of \$86,877.55 to the Library. Along with the check, the vendor provided a more detailed pricing letter for the processing fees which was also provided to the Purchasing department to become part of the official contract file.

2. During the course of the Library review of records, staff worked with the vendor to change the format of the invoices. The processing fees are now listed as a separate total on each invoice. Library staff is now able to identify and reconcile the processing fees charged on each invoice more efficiently.

3. Library staff has been trained on procurement and payment processing procedures. Library staff has also been provided with the appropriate contract terms and conditions for library agreements. Library staff has been informed to request any and all documentation needed prior to issuing documents to ensure that the Library is following County purchasing and payment procedures.

Please do not hesitate to contact me should you have any questions about this response.



Office of the County Internal Auditor
Audit Report #2015-03

WATER UTILITIES DEPARTMENT
OPERATIONS AND MAINTENANCE



*Reviewed by Audit Committee
March 18, 2015*

DATED NOVEMBER 18, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the Water Utilities Department (WUD) Director ensure that consultant contracts for the Department's Asset Management related projects were managed in accordance with the County's and the Department's policies and procedures?
2. Did the WUD Director ensure that the Maximo Asset Management Software Licenses were managed in accordance with Countywide Policy and Procedure Memorandum (PPM) CW-O-059 and COBIT's control objectives?
3. Did the Operations & Maintenance (O&M) Division Director ensure that internal controls related to tools and specialized equipment were designed and implemented to comply with Countywide and Departmental policies and procedures and to adequately guard against loss and abuse during Fiscal Year 2013 and through June 30, Fiscal Year 2014?
4. Did the O & M Division Director ensure that the Lines and Lift Stations section's preventive and corrective maintenance programs were conducted in accordance with County and WUD procedures and internal practices for Fiscal Year 2013 and through June 30, Fiscal Year 2014?
5. Describe and evaluate the project management controls and measures incorporated into the Maximo asset management program implemented by WUD. Specifically in the areas of:
 - Project deliverables (scope, quality etc.)
 - Project time
 - Project cost
6. Describe and evaluate the Operations and Maintenance Division's performance management processes including methods used to measure and report on effectiveness and efficiency of operations.

WHAT WE FOUND

As to objectives one above, we found the Department Director ensured that Consultant contracts for the Department's Asset Management related projects were managed

in accordance with the County's and Department's policies and procedures. We identified one instance where a consultant

was re-tasked on a project without written direction as required by policy. (Finding #1) We also observed use of sub-consultants on contracts who were not part of the original team without specific approval from the Department Director. (Finding #2)

As to objective two above, we found that the Maximo Asset Management Software Licenses were managed in accordance with Countywide Policy and Procedure Memorandum (PPM) CW-O-059 and COBIT's control objectives. However, we observed that unneeded or unnecessary user licenses had been purchased. (Finding #3)

As to objective three above, we found the internal controls related to tools and specialized equipment were designed and implemented to comply with Countywide and Departmental policies and procedures and to adequately guard against loss and abuse during Fiscal Year 2013 and current Fiscal Year 2014. However, we noted that Departmental policies did not require tracking specific equipment items and no lists of specialized tools and equipment were maintained. (Finding #4)

As to objective four above, we the Lines and Lift Stations section's preventive and corrective maintenance programs were conducted in accordance with County and WUD procedures and internal practices for Fiscal Year 2013 and current Fiscal Year 2014. However, we also found that WUD could improve their work process documentation and administration. (Finding #5)

As to objective five above, we found the Department is reorganizing the Asset Management Project Management team and reassessing the existing project management controls and measures incorporated into the Maximo asset management program. These existing controls and measures could be improved as outlined in the report.

As to objective six above, we found the Division has established organizational objectives and performance measures relevant to the Facilities Management Division's mission. These objectives could be improved so that each objective is specific, concise and measurable and include a key performance measure associated to each.

WHAT WE RECOMMEND

The audit report makes seven recommendations to management to improve controls over consultant contract management, user licenses, specialized tools and equipment, and to improve management of the work order process.

The report also offers considerations for improvement in the management of the Asset Management (Maximo) project, and performance management.

DETAILED FINDING AND RECOMMENDATIONS

Finding 1. Payment of Consultant for work not done

County Wide PPM CW-F-049 entitled "*Contract Development & Contract Responsibility*" Section IIIG states "All requests for payment shall be accompanied by documentation sufficient to establish the amount of goods and services delivered to incur payment and obligation of the County to pay." The Consultant's Contract Section 5 'Payments to Engineer' states(5.1) "The Engineer will bill the County on a monthly basis, or as otherwise provided, at the amounts for services rendered towards the completion of the Scope of Work on each Consultant Service Authorization (CSA). Where incremental billings for partially completed items are permitted, the total billings shall not exceed the percentage of estimated completion of identifiable deliverables or accepted deliverables, as of the billing date." Also Section 5.2 states "Pay applications received from the engineer

pursuant to this contract will be reviewed and approved by the initiating County department, indicating the services have been received and then will be sent to the Finance Department for payment. Section 7.13 of the Contract 'Disclosure and Ownership of Documents' states 'the Engineer shall deliver to the County for acceptance, and before being eligible for final payment of any amounts due, all documents and materials, prepared by and for the County under this Contract.'

We reviewed two Consultant Contracts and the related Consultant Service Authorizations (CSAs) for the Asset Management Program, including the Hazen and Sawyer Consultant Contract (R2011-0631) that had the following CSAs:

CSA # 6 Asset Management - Wastewater System Lump Sum \$98,090

CSA # 8. Asset Management - Phase 2: Gap Analysis Lump Sum \$46,800

We also reviewed Supplement 2 to CSA #6 (6.2) which was in the process of being approved by the department Director.

Our review of the Hazen and Sawyer CSAs found that full payment (\$98,090) was made to the consultant through seven pay applications for CSA # 6. However, we found that the Consultant had completed work on only three of the five tasks and that no work was done on two tasks nor were any deliverables provided to the department for them. This amounted to about 52% of the work being completed. This should have resulted in total payments of \$51,336 (52% of \$98,090). The department may have paid the Consultant \$46,754 for work that was not done.

Recommendations:

The WUD Director should:

- (1) Implement actions to ensure that consultant pay applications are made in accordance with County requirements. These actions should include the assigning and enforcing of these compliance requirements.**
- (2) Implement actions to ensure the receipt, use and retention of all contract deliverables.**
- (3) Implement actions to recover the over payments made to the Consultant for the work not done the tasks for CSA # 6.**

Management Comment and Our Evaluation

In responding to a draft of this report, the WUD Director stated that a new Standard Operating Procedure (SOP) would be developed that would address Recommendations #1 and #2 above. As to

Recommendation #3, the Director stated that a new supplemental agreement had been issued to modify the scope of the original agreement to accurately reflect the deliverables and work products for the project.

We believe a properly designed and implemented SOP should adequately address our concerns. We also believe that, while a new supplemental agreement as described corrects the specific situation we observed, the potential will continue to exist for similar occurrences in the future if not addressed in the SOP. Since the Director was silent on this point we will look for this in our follow-up.

Finding 2. Use of Sub Consultant not on Prime Consultant Team

County Wide PPM CW-O-048 entitled "*Selection of Professional Engineers, Architects, Landscape Architects, Land Surveyors and Mappers*" requires consultants to list their sub-consultant team that will be working on the project in their project proposal. The PPM outlines the criteria to be used in the selection process of a consultant. The two top weighted selection criteria are:

- Ability, knowledge of design criteria and past performance of firm and the designated project team to satisfy the requirements of the project.
- Approach to the project, understanding of the project and quality of the presentation/written response including meeting time requirements. The PPM is mute on the use of sub-consultants on the project that were not listed as part of the project team.

The Consultant's Contract Section 5 (5.6) "Payments to Engineer" states "Sub

contractor services shall be approved by the County in writing prior to the performance of the Sub contractual work."

We reviewed two Consultant Contracts for the Asset Management Program and the proposals and selection documents, the related Consultant Service Authorizations (CSAs) as well as CSA deliverables and payments. This included the Black and Veatch Corporation Consultant Contract (R2014-064) that had the following CSAs:

CSA # 2: Asset Management
Strategy Development Lump Sum
\$98,917.

CSA #4: Lump sum \$49,060 which
was in the process of being approved
by the department director.

Our review found that the Director of Strategic Planning had solicited a proposal from Electronic Data Inc. (EDI) to provide asset management consulting services that were essentially the same as some of those included in the Black and Veatch contract. Black and Veatch was awarded CSA #2 and the work was assigned to EDI as a sub-consultant. In its proposal documents and presentation Black and Veatch corporation highlighted their in-house expertise in the area of asset management. Their proposal documents did not indicate the need for a sub consultant on the team to provide asset management services. On page 14 of their proposal they have a 'Guarantee of Team Continuity' which states "The County has our guarantee that the key members of our team will remain as proposed and assigned to this contract for its duration. If any substitution is necessary after the project is underway we will request the County's approval in advance before making any key personnel changes."

We reviewed the summary of the selection committee's evaluation of the proposers for

this contract and found that Black and Veatch had been given higher ratings than any of its competitors in the categories of ability to satisfy the technical requirements of the project and in approach and understanding of the project. The proposal solicited from EDI was included in CSA #2. Black and Veatch's Budget Summary submitted with CSA #2 had the sub-consultant costs listed as \$68,790 which was as the same as the EDI proposal plus a 10% markup fee of \$6,879 for administration plus some additional work for Black and Veatch. In our conversation with the Prime Consultant Director, he informed us that although these were services his firm could have provided in-house, when approached for the services, they decided to use EDI as sub-consultants to provide the services, since WUD had already initiated conversations for the said services with EDI and had received a proposal from them.

We believe that solicitation of a proposal from a vendor to provide services already included in another vendor's contract does not comply with the requirements of the CCNA selection process and County procurement policies. In addition, the fee paid the prime consultant to oversee the services of the sub-consultant in this situation could have been avoided if the work had been done by Black and Veatch.. Finally, WUD did not follow established procedures to add a sub-consultant to the prime consultant's contract.

Recommendation:

The WUD Director should:

- (4) Ensure that consultants use sub-consultants listed as their team members to deliver the required services. The use of outside sub-consultants should be preapproved by**

the WUD Director after being reviewed for validity of substitution against the consultant's original performance capability.

Management Comment and Our Evaluation

At the exit conference on November 18, 2014, Department officials stated that the Department's vision was for Black and Veatch to provide a high level of service and use sub-consultants for the more detailed work. Subsequent to the exit conference the Department provided a copy of a memorandum from Black and Veatch dated September 24, 2014 requesting permission to add EDI and another sub-consultant to the project team. The Notice to Proceed on CSA #2 which authorized the work EDI was to do was issued on March 19, 2014.

We believe the Department's vision on their use of Black and Veatch is not consistent with the solicitation and evaluation conducted for these consultant services. We do not question EDI's capability to perform the services. We continue to believe that Black and Veatch was fully capable of providing the services which were assigned to EDI and that Black and Veatch was selected for this service in part based on their own firm capabilities in this area. Further, we believe that, at minimum, the Department should have formally authorized the addition of the sub-consultant prior to approving any work by that sub-consultant.

In responding to a draft of this report, the WUD Director stated that the SOP referenced in the management response to Finding #1 would address the issues raised in this finding.

In that our recommendation is best implemented by development of a written

procedure, we support management's plan to incorporate this in their new SOP.

Finding 3. Management of the Maximo User Licenses

County Wide PPM CW-O-059 entitled "*Information Technology Security Policy*" Chapter 22 "System Access" Section 22.3 "Policy Provisions" require that access to applications and systems be based on the job assignment or function (i.e., the role) of the user. Section 22.4 "Roles and Responsibilities" requires that policies and procedures for user credentials be developed and maintained to facilitate efficiency during user activating and de-activating. Section 5.4 "Roles and Responsibilities" of Chapter 5 "Personnel Management" of the PPM requires that annual review of access authorizations be conducted to confirm access rights are still appropriate.

COBIT standards (DS9) establish requirements for the management of all IT components which includes the identification and recording of all IT assets and their physical location including software assets. The standard has three components: Asset Register; Asset Labeling; and Asset Status Reporting. The requirements of this standard include a reliable and accurate inventory (register) of licensed software and the authorized users. The standards also require that standards for user credentials to IT system and resources include Access control Lists (ACLs) and user activating and de-activating protocols.

We reviewed the current Maximo Asset Management Licenses owned by the department and the Licenses purchased in the prior four years (FY 2010 through FY 2014). The Maximo System Administrator provided us with the Licensing agreement quotes for four of the five years, not

including 2011. The Maximo System Administrator prepared a schedule of current licenses owned, used and projected future use. The total license costs for the four years was \$364,156.34. Using the schedule and the license cost as per each year's agreement we projected the estimated unused license cost for the four years for which we had agreements to be approximately \$106,113.78, or 29% of the total actual costs. The table below shows total licenses acquired and the projected total uses of licenses by fiscal year:

	FY 201 4	FY 201 3	FY 201 2	FY 201 0
Total Licenses	453	456	456	206
Unused Licenses	331	334	334	117

The purchasing of unneeded and/or unused licenses adds a cost burden on the Department and does not demonstrate good fiscal responsibility. Not tracking the use of licenses could also have an adverse operational impact on the systems users who may not be getting the needed functionality or getting unneeded functionality.

Recommendations:

The WUD Director should:

- (5) Implement actions to ensure only needed licenses are purchased. This could include requiring a needs assessment of required user licenses be conducted prior to purchasing them.**
- (6) Implement a system to track the use of all Maximo software assets (licenses)**

owned and used by Department.

Management Comment and Our Evaluation

In responding to a draft of this report, the WUD Director stated that Maximo licenses were underutilized up until the point where online requisitioning was implemented in the Maximo system and that since that time the number of licenses being used is very close to the number of licenses purchased. The Director also stated that a new software approach will be implemented to track use of all Maximo licenses owned and used.

We believe the actions proposed by management are responsive to our recommendations.

Finding 4. Management Controls over Specialized Tools and Equipment Inventory

County Wide PPM CW-O-26 entitled "*Physical Identification and Management of County-owned Fixed Assets.*" recommends that Departments develop a process to inventory their miscellaneous assets. It recommends the use of a Z tag for identification and the recording and tracking of these assets through an inventory management system and processes similar to those used for the Fixed Assets.

The Division does not have procedures for the assignment and tracking of specialized tools and equipment assigned to Division staff, as confirmed in our meetings with Line & Lift Station Superintendents and supervisors as well as Plant Managers and maintenance supervisors. The Department has a PPM WUD- P 012 entitled "*Lost and Damaged Equipment*" which requires an employee to pay for any damage or loss of County property caused by the fault of the

employee. The PPM also assigns the responsibility to the supervisor to determine if the loss or damage occurred through the negligent or willful act of the employee. However, the PPM does not require any tracking for specialized tools and equipment. The Division does not maintain a listing of the specialized tools and equipment, not considered fixed assets, owned by the Division. Therefore we were unable to determine the dollar value or number of specialized tools owned and maintained by the division.

We reviewed the controls in place to assign, and track specialized tools at the seven plants and 12 groups in the Lines and Lift Station (L&LS) Sections. Tools are purchased by the supervisor through the Department's purchasing group and assigned to crew members. Our review found that 15 of the 19 supervisors used some type of form or list to record and track the issuance of specialized tools. Some used spreadsheets and some used manual forms. Only two of the supervisors said their list was current, one having updated it in the previous week. The remaining supervisors said that their lists were neither current nor accurate. They informed us that they had not updated the lists in a while to reflect disposed items or add newly assigned items to the lists. One plant and one L&LS supervisor told us that they had only started maintaining a list in 2012 and tools assigned prior to that would not be on their list. We reviewed a judgmental sample of lists from four plants and four L&LS groups. We found only one to be current and accurate. We found discrepancies such as: disposed tools still on the list, recently assigned tool not on list, duplicate entry of same tool, a transferred tool still on tool list, a tool wrongly identified, and a damaged tool in the supervisor's office was still on a tool list.

We ran a report of the tools purchased by the Division on CMA (Centralized Master Agreement) 680-445001111. The report covered CMA activity from December 2010 to November 2013. In that period the Division had purchased 1,111 tools for a value of \$281,389 (average cost \$253). These tools comprised of specialized power & non-power tools and accessories used by the O & M crews, not classified as fixed assets (under \$1,000 in cost). We selected a judgmental sample of 75 tools each for Plants and L&LS purchased on this agreement. We physically tested the existence of these tools at the various locations. Other than the few discrepancies listed our review was able to verify 66 of the 75 tools. We were told that two of the tools were disposed of (1 Plants & 1 L&LS) without any paperwork. The sections were also unable to locate seven tools (3 Plants & 4 L&LS) for verification. We were told by staff that these tools were perhaps lost or disposed, but staff had no documentation to verify the same. We also found four tools that were not working but still kept at the sites.

Lack of controls to assign and track these specialized tools and equipment results in the lax accountability of these items and could ultimately lead to the loss and/or abuse/misuse of these items.

Recommendation:

(6) The WUD Assistant Director Operations should implement procedures to ensure that all specialized tools assigned to the Division are controlled and accounted for. This should include an accurate perpetual inventory listing of all these asset items held at each location; a signed acceptance of all inventory by asset custodians; accurate backup documentation for lost, missing and

surplussed items; and an annual reconciliation of items to inventory listing.

Management Comment and Our Evaluation

In responding to a draft of this report, the WUD Director stated that spreadsheets are being used to track these tools by geographical location and supervisor with periodic supervisor reviews of the spreadsheets and periodic physical inventories of the tools being conducted. The Director also stated that a new SOP would be developed detailing use of the spreadsheets and periodic reviews and inventories.

We believe management's proposal is responsive to our recommendation.

Finding 5. Improvements needed for work process reporting documentation

County Wide PPM CW-O-001 entitled "*Policies and Procedures Memorandum (PPMs)*" requires department and division directors to issue and maintain PPMs that promulgate standard policies and procedures for all operational areas under their control. Directors are expected to ensure that their staff is aware of and comply with established policies and procedures.

Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The *Internal Control Management and Evaluation Tool* issued by the U.S. Government Accountability Office (GAO), Control Activities Section requires that appropriate policies, procedures and techniques exist with respect to each agency's activities; the control activities

identified as necessary are in place and being applied; and control activities are regularly evaluated to ensure they are still appropriate and working as intended.

The Division does not maintain PPMs for their Line and Lift Station work processes. However, the Division has established forms that are used for the reporting of work processes.

We reviewed the work process reporting documentation of eight Line & Lift Station (L&LS) groups including Line, Lift Station, Inflow & Infiltration, Night shift and Zone 6 groups. We judgmentally selected a sample month to review the work process reporting documentation for each group. Our review found there was no consistency in the forms being used or the manner of the reporting. For example, the lines groups used three different kinds of work order forms and an activity log to report their work processes. Similarly, the two lift station groups reviewed used two different kinds of work order forms and an activity log to report their work processes. The groups also completed the reports inconsistently. For example, some groups filled out the work order forms individually even if the work was done as a group, while others were filled out as a group for group work. There were also a number of instances where work process information was not completed on the form. Some examples are:

- Work was not recorded on all man days of work.
- No mileage was recorded.
- No labor time recorded.
- No materials listed.
- No supervisor signature on form.

The Division will be transitioning the work process reporting to the Maximo work management system, which will incorporate

a more standardized format and will require more consistency in the accurate reporting of work process components.

Complete and accurate reporting of the work process is an important component of ensuring that the work is being done and verifying the quality of the work. It is also an important component to managing the proper use of the departments resources.

Recommendation:

(7) The WUD Assistant Director Operations should implement procedures to standardize the reporting requirements for the work processes incorporating the new Maximo system reporting. The procedures should include reporting requirements for all work process components, and the supervisory monitoring and approval of the work process reporting. Field staff should be

trained on these reporting requirements.

Management Comment and Our Evaluation

In responding to a draft of this report, the WUD Director stated that work orders and other work process reporting forms and documentation have been standardized based on operational area and work flow. The Director also stated that, while much of the information flow has been standardized, there is still manual collection database input. The Director stated that these standardized processes would be addressed in a new SOP and that automation of these processes is included the development plan for Maximo.

We believe management's plans are responsive to our recommendations.

MAXIMO ASSET MANAGEMENT PROGRAM DESCRIPTION AND EVALUATION

Review Scope and Methodology:

In our review of the Maximo Asset Management Project (AMP) we met with key Executive management, the Strategic Planning Director, O & M Division management and crews, Maximo Steering committee members, the Asset Manager, and Maximo IT and technical staff. We conducted a survey of key users and managers related to the AMP to obtain their feedback on the status and goal of the project. We reviewed procurement records and consultant agreements. We attended Maximo steering committee meetings as well as reviewed minutes of the Maximo Steering Committee for the last two years. We reviewed and traced all the available Maximo Action Plans (MAP) to identify decision making and monitoring controls. We prepared queries and ran reports to analyze the transactions and data being captured in the system and determine the size and functionality of the user groups. We also familiarized ourselves with the Project Management best practices contained in the Project Management Institute's *Project Management Book of Knowledge* (PMBOK). Our review was

conducted in three areas related to the project:

- The current status of the project
- The history of the project
- The project management controls and measures incorporated into the Maximo asset management program

The Maximo AMP has been in development since FY 2006 and is not yet fully implemented. The AMP is intended to provide asset management and work management functionalities for Plants and Lines & Lift Stations. While our complete evaluation is outlined in the report below, our review found that the project lacked specific and clear project requirements, had no project plan defining scope, work elements, milestones and time schedules, and did not track the project costs. In addition, there were no procedures established for management of the project.

The Current status of the Maximo Project:

The Table below summarizes the status of the key system objectives as estimated by the WUD personnel interviewed for this review:

Program Area/Objective	Status/Comment
Plants - Asset Management	
All assets are correctly identified.	80 to 90% complete. However, there may be data integrity issues due to lack of a quality control process and a recent system failure (crash).
The system can record failure and work	80 to 90% complete.

transactions on all assets	
Reporting functionality	Not yet implemented.
Plants - Work Management	
Design recording templates for all planned and unplanned maintenance activities.	Approximately 50% for eastern plants, not started on western plants.
Incorporate service level delivery metrics for maintenance activities.	Begun at one plant so far.
Incorporate frequency scheduling and job tasks requirements for planned maintenance	80% to 90% complete for eastern plants, not started on western plants.
Record all planned and unplanned maintenance activities	Approximately 40% to 60% complete for eastern plants, not started on western plants. Limited use recording of actuals especially materials & labor.
Reporting functionality	Not yet implemented.
Lines & Lift Stations (L&LS) - Asset Management	
All assets are correctly identified.	Approximately 25% complete. This applies to only lift station and valve & hydrant crew assets.
The system can record failure and work transactions on all assets	Approximately 10% complete. This applies to only lift station and valve & hydrant crew assets.
Reporting functionality	Not yet implemented.
Lines & Lift Stations (L&LS) - Work Management	
Design recording templates for all planned and unplanned maintenance activities	Approximately 40% of this work has been done, all related to PM activities for lift stations and the hydrant crews.
Incorporate service level delivery metrics for maintenance activities.	Not yet implemented.
Incorporate frequency scheduling and job tasks requirements for planned maintenance	Approximately 80% complete. This applies to only lift station and valve & hydrant crews.
Record all planned and unplanned maintenance activities	Approximately 40% of this work has been done, all related to Preventive Maintenance (PM) activities for lift stations and the hydrant crews. Limited use recording of actuals especially materials & labor.
Reporting functionality	Not yet implemented.
	Lines has not implemented anything in the Maximo work management module.

The History of the Project:

The Maximo Project initiative dates back to Fiscal Year 2006 as a result of a Strategic Management decision to implement a utility wide Enterprise Asset Management program to indentify, manage track and replace the assets of the utility. The benefits of the program were to minimize the life cycle costs of utility assets, meeting and optimizing service levels and controlling the risk of failure and do so in the most efficient manner.

2006 through 2008:

The initial project management and direction was primarily conducted by a consultant group with the oversight of the O & M Division Director at the time. Things moved slowly and most of the initial two years were devoted to an enterprise level asset management needs assessment and the identification of the data needs for identifying business processes and performance metrics to be incorporated into the project tool. The consultant who functioned as the implementer for the project, developed and maintained schedules of project milestones and activities during that time frame. Project management during these initial years was primarily conducted by the consultant with minimal input from WUD O & M Management and included project schedules with related work breakdown structures and activity lists but lacked activity duration estimations, criteria for determining meeting milestones or human resource or cost estimation and tracking.

2008 through 2011:

The project suffered a number of setbacks during these years. Firstly, there was an

unresolved dispute between WUD and the consultant relating to deliverables and payments which resulted in the severance of relationship with the consultant leaving WUD with the dilemma of evaluating the current state of affairs of the project and managing it from that point forward. At this point the plants had their assets identified in the system and were in the process of setting up preventive maintenance (PM) programs for them. Lines and lift stations were attempting to compile list of their related assets. In addition to the loss of the consultant, the department also lost the O & M Director in late 2010. For the latter two years of this period, the project was being managed with no direction by the O & M Director and/or the IT staff involved in the project.

2011 through Current:

In 2011 WUD hired a Director of Strategic Planning who was given the responsibility of managing the Maximo asset management program. In November 2011 the Director of Strategic Planning put together a Maximo steering committee, with the objective of having them be instrumental in setting the direction and course of the Maximo project. The steering committee comprised of the Plants and Lines and Lift station O & M Directors, Managers from both Plants and L & L, members from the asset management group and the IT Maximo group. The steering committee maintained minutes of their meeting and in May 2013 started a Milestones and Action Plan (MAP) in a effort to manage the program. The department also hired consultants in 2012 and 2013 to provide them with various assessments, such as gap analysis, condition assessments and level of service and metrics/performance indicators all related to the Asset management program. An Asset Manager was hired in early 2013 to assist in

the Management of the process. Some progress was made for the project, such as:

- There is a complete Asset Inventory for Plants and temps have been on staff for nearly two years adding pertinent specification data for tens of thousands of L&LS assets.
- PM plans for all Plant assets have been initiated and functional.
- Corrective maintenance work order functionality at some plants.
- New resources were added to the project enhancing the capability. These include: an asset Manager; a training coordinator; a new planner scheduler; and a second system administrator.
- Training is continuous and in house.
- GIS Mapping System has been upgraded and is fully functional, field staff moved off paper maps. GIS is completely integrated with Maximo 7.5.
- Supervisory Control and Data Acquisition (SCADA) system is integrated with Maximo, done in house.
- All L&LS staff have been trained in computer use and the lift station and the valve and hydrant crews are trained and using Maximo for their preventive work processes.
- The Asset Management Strategic Plan was developed.
- Key Performance Indicators (KPIs) have already been established for lines and lifts and will be incorporated in the Maximo system.

The project again suffered a few setbacks in the last year starting in late 2013. The asset manager was terminated prior to making probation due to performance issues related to the project. Another major setback was with the 6.0 version of Maximo running at the plants crashing just prior to being

upgraded to the 7.5 version. Currently all of the different units in Maximo are operating on 7.5 version which in itself was a big achievement. Lastly, the Director of Strategic Planning also resigned in May 2014. A new Asset Manager has since been hired and the asset management project has been assigned to the Assistant Department Director for Finance and Administration. In April of 2014, the department hired a consultant to assess the current state of the Maximo project in the plants and to assess the condition of the data and work practices in the plants. The department expects a detailed inventory of tasks as well as a schedule and resource requirement to be a part of their study recommendations. The department is planning to use these assessments and related recommendations to refocus their efforts on the project and bring it back in line.

Evaluation of the Program's Project Management Controls and Measures

- While it was clear who the project team leader was, it was ambiguous as to who the project owner was.
- There was no clear statement of what the project objectives were and this also resulted in the project lacking specific, clear and unambiguous project requirements.
- There was no comprehensive needs assessment and analysis leading up to the development of project requirements. The Maximo IT group was the driving force in determining the system design needs for the user groups.
- There was no project plan prepared that defined the project scope and identified work elements and milestones with estimated time schedules and costs. At best, in the last year, the Maximo steering

committee came up with a Milestone and Action Plan (MAP) document, which highlighted a number of tasks to be completed which were not followed through or related to each other. Accountability of task completion was rarely tracked or enforced.

- The only project cost available for review were consultant costs. Since the inception of the project the department has spent approximately \$2.2 million in consultant fees on the Maximo Project.
- While the Maximo Steering Committee are O & M Management level staff and are familiar with the O & M processes and transactions, they do not have a high level understanding of the functional capability of the Maximo asset management tool.
- The Maximo Steering committee does not have any procedures established for project management. In order to manage the project proactively, and ensure its progress, procedures should be developed to address how issues will be managed; how scope changes will be addressed; how risks and quality issues will be addressed and how team roles and responsibilities will be defined.

Considerations for Improvement: Based on our review of the history, the current status, and the project management controls and measures incorporated into the Maximo asset management project, management should consider implementing the following actions:

- Establish clear and defined project ownership and accountability.

- Establish clear procedures for project management. These procedures need to address how issues will be managed; how scope changes will be addressed; how risks and quality issues will be addressed; and how team roles and responsibilities will be defined.
- Provide the Maximo steering committee with training on the functional capability of the Maximo Asset Management tool.
- Establish specific, clear project requirements. This will require user involvement, and include for the asset management section, such things as establishing clear (enterprise level) definitions of an asset and related hierarchy and relationships; and for the work management section, clear definitions of the workflow processes, transactions and requirements. The system requirements should developed by first, clearly defining and standardizing what information needs to be collected, and how the system will be used.
- Establish a Project Plan that defines the scope, identifies the work elements(work breakdown structures), and an estimated schedule and needed resources. The work elements should have the related activity list and activity definitions with assigned durations and responsibilities as well as measurable milestones.
- Establish quality control steps for the testing and validation of new releases into production and for the continuous monitoring of the integrity of the system data.
- Incorporate both system and user improvised reporting into the

functionality. Tie reporting to performance metrics and key performance indicators.

- The Asset management group should have key functionality of ensuring the functionality and integrity of the system and therefore should not have not reporting responsibility to Plant or L & L management.

Many of the above recommendations are Project Management Best Practices espoused by the Project Management Institutes' Book of Knowledge (PMBOK) and were also included in the consultant's report relating to the Maximo assessment of the plants.

Management Comment and Our Evaluation

At the exit conference on November 18, 2014, Department officials stated that they believe the team they now have in place will be able to expeditiously implement the system.

We believe the emphasis management has now placed on finishing the implementation will be a substantial support to the process.

As there were no findings or recommendations for this topic, management was not required to provide a written response.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

As part of our review, we examined the Division's mission statement and objectives. We compared the mission statement to their objectives to determine if the objectives were directly related to and linked to the elements of the mission statement.

The Division's Mission Statement is *"To provide the highest quality potable water, reclaimed water, and wastewater service to*

customers in a fiscally and environmentally sound manner. The Water Utilities Department's vision for the future is "To provide the Best Water, Best Service & Best Environmental Stewardship."

The tables below summarizes the objectives and performance measures published in the County Fiscal Year 2014 budget book:

Table 1 - Objectives

Objective	Performance Measure
1. Implement an asset management program to help the transition from a growth to a sustainable utility. An asset management program provides a systematic method of minimizing the life cycle costs of utility assets, meeting desired service levels and controlling risks in the most efficient manner.	None
2. Begin a five-year plan to replace the GUA's existing water distribution system which currently has a 50% water loss rate. This exceeds the maximum 15% water loss rate set by the South Florida Water Management District, in addition to, significantly increasing operating costs.	None
3. Complete rehabilitation of six lift stations as part of the asset management program.	None
4. Complete construction of six new production wells as part of the asset management program.	None

Table 2 - Performance Measures

These are the Division's performance measures listed in the County Fiscal Year 2014 budget book. None of these were linked to the objectives listed above.

Objective	Performance Measure	Type
None	1. Gravity Mains inspected and evaluated (in Feet)	Output
None	2. Gallons per day of Inflow eliminated.	Efficiency
None	3. Percentage of water "unaccounted for".	Efficiency
None	4. Cost per thousand gallons of wastewater treated	Efficiency
None	5. Millions gallons per day of wastewater treated	Output
None	6. Average monthly wastewater dwelling units served	Output
None	7. Number of reclaimed water connections	Output
None	8. Costs per thousand gallons of water treated	Cost
None	9. Number of new dwelling units served	Demand
None	10. Average monthly water dwelling units served	Output

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; (Specific, Measurable, Attainable, Realistic, and Time oriented)
- Determining the relationship of each objective to performance measures;
- Determining how the Division defines and measures effectiveness and efficiency; and
- Evaluating the data gathering and reporting methodology used.

Mission Statement

The *Budget Instruction Manual* describes the mission statement as a "concise expression of the Department's purpose expressed in terms of benefit to the intended customer." The Division's mission statement expresses the Department's purpose in terms of their customer benefits. The Division's mission statement as written describes its services and includes a description of how those services will be

provided. The mission statement also describes the intended benefit to the customers. The Division's mission statement satisfies the requirements of the *Budget Instruction Manual*.

The *Budget Instruction Manual* also states that there should be a linkage between the mission statement, objectives and performance measures. The Division's four objectives are linked to and support the mission statement of the Division.

Objectives

We used the SMART (Specific, Measurable, Attainable, Realistic, and Time oriented) framework to evaluate the Division's objectives. In our evaluation against the SMART criteria we found the objectives were not specific and not clearly defined. While the objectives had some SMART criteria elements, overall they do not fully meet the elements of the SMART criteria.

- Objective #1 appears to be more of a goal than an objective. As written, the objective is not measurable. The objective should state in measurable

terms when it will be attained. This objective is not supported by any performance measures. Also, given the eight year history it seems unlikely to attain in FY 14, making the objective an unattainable and unrealistic objective. The second sentence in the objective, while describing the benefits of an asset management tool, is probably not necessary as part of the objective.

- Objective #2 also is neither specific nor measurable. In that "begin" describes a starting point not an end result. The objective defines the negative current status rather than stating the results sought. This objective is not supported by any performance measures.
- Objective #s 3 & 4 met the elements of the SMART criteria, while these objectives had no time frame specified, since these are performance objectives established by the division and presented in the County's annual Budget Book the Fiscal Year is implied. These objectives are also not supported by any performance measures.

Performance Measures

The division has ten performance measures. These incorporate a cross section of types including costs, demand, output, and efficiency. While these performance measures do not directly link to the Division's four objectives they are closely linked to the Division's Mission statement and are industry accepted standard performance standards.

In our discussions with Division management, they informed us that the performance measures that were used by the Division were industry best practice measures and standards, and were all tied into meeting their mission. Most of the reporting information relating to the

production side (plants) were automated, however those on the Lines and Lift station side were primarily collected manually. These manually reported and compiled performance measures had the inherent risk of manual errors. The Division is in the process of incorporating the reporting of these into the Maximo asset management system. In addition to the annual report in the County's Budget Book, the Department prepares a monthly progress report which is provided to the County Commission and County Administration. The progress report includes the performance measures of the Division.

In addition in 2010, the Department undertook a Strategic Planning Initiative that resulted in the Department implementing six Overarching Utility Goals and a related Performance Management Program. The Program requires each supervisor, including the executive level to determine those action steps/projects that directly related to each of the six utility goals complete with a metric or service level to measure its success and identify staff who were directly responsible for achieving the objective. This performance work plan was prepared by each Supervisor, including the executive level, and reviewed twice annually in one - on - one sessions to determine whether the goals are being met and what needs to be updated or changed. Each individual supervisor's performance work plans are linked to the division plans and likewise to the overall utility goals. We reviewed the Division level and a few supervisory level plans for the Division and discussed the program and plans with the Directors, managers and supervisors.

The O & M Lines & Lift Stations Director along with his manager and superintendents have embarked on incorporating some industry best practice key performance

indicators (KPI) for the Lines and Lift Station functions and is in the process of incorporating them into the Maximo system. Upon full implementation they plan to include these in the Monthly Progress reports.

Considerations for Improvement:

The Operations & Maintenance Division Director should consider the following actions to enhance their performance measures:

- Review their current objectives and performance measures to ensure that each objective is specific, concise and measurable and have a key performance measure associated to it.
- Until the implementation of the Maximo reporting system institute a manual review of the performance data reported to ensure the accuracy and integrity of the reported information.

Management Comment and Our Evaluation

At the exit conference on November 18, 2014, Department officials stated that the ISO certification actions Black and Veatch is developing will substantially satisfy our suggestions.

We concur with management's belief in that achieving full ISO certification should fully address the performance management issues we raised. However, in the interim, we believe management should take actions to improve their current practices to the extent possible.

As there were no findings or recommendations for this topic, management was not required to provide a written response.

BACKGROUND

The Water Utilities Department (WUD) is an enterprise fund operation of the Palm Beach County Board of County Commissioners (BCC). WUD provides potable water, reclaimed water, and wastewater services to approximately 532,000 residents within 1,200 square miles primarily in the unincorporated area of Palm Beach County. In addition, WUD provides services directly to the residents and businesses of Royal Palm Beach, Greenacres, and Haverhill, Belle Glade,

South Bay, and Pahokee and indirectly, through wholesale agreements, to the residents of Palm Springs, Lake Worth, Boynton Beach, and Atlantis. The Department operates five regional water treatment plants with a total treatment capacity of 114.4 million gallons a day (mgd). The Department operates three wastewater treatment plants including the 35 mgd Southern Region Water reclamation facility, a state of the art wastewater and water reclamation facility. Additionally, the

Department owns 23.5 mgd of capacity in the East Central Regional Wastewater Treatment Plant, which is operated by the City of West Palm Beach. The department also operates a Central Region Operations Center, a Southern Region Operations Center, a Nationally accredited Central Laboratory, and a customer service facility. The department has a staff of 561 employees and a \$134 million budget for fiscal year 2014.

The Operations and Maintenance Division (Division) is responsible for the continuous operations and maintenance of WUD's five Water treatment plants, three Wastewater treatment plants and the related collection and distribution systems. The Division maintains WUD's water distribution system, which includes over 2364 miles of water mains, ten ground storage tanks and 17,593 fire hydrants; and the wastewater collection system which includes 1826 miles of gravity sewers and force mains, 886 lift stations and 31,132 manholes. The Division is in the process of implementing the Maximo asset management system to track, schedule and record preventive and corrective maintenance activity and manage their

assets. For fiscal year 2013 the Division performed maintenance on over 56,000 pieces of equipment using over 40,000 work orders. The Division has two sections – Plants; which is comprised of the Water and Wastewater production facilities; and Lines and Lift stations which is comprised of the distribution systems. Each section is managed by a Director who report to the Water Utilities Assistant Director Operations. The Division operates with a staff of 329. It has a budget of \$68.9 million for fiscal year 2014.

The last audit report (# 08 - 28) of the Division was issued by Internal Audit on August 5, 2008. That audit was conducted to review the design of the Asset Management Program for the required management controls. The report concluded that the design of the new Asset Management Program incorporated the required management controls for the Division's preventive and corrective maintenance activities.

AUDIT SCOPE AND METHODOLOGY

This audit was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were their operational size and complexity, and the effectiveness and efficiency of the operation. Through interviews with Division and regional management and staff concerning these risk factors, review of Department's

and Division's policies and procedures, the County Budget Book for fiscal year 2013, prior audit reports, and other pertinent documentation, we selected the specific audit objectives cited above for detailed review and reporting.

The audit scope for objective 1 covered Consultant Service Agreements (CSAs)

issued for the Maximo Asset Management project in FY 2014. For audit objective 2 the scope covered Maximo user license agreements from FY 2010 through FY 2014. For audit objectives 3 and 4, the scope included reviews of internal controls over the Division's specialized tools and equipment, and for the Lines and Lift Stations maintenance programs for FY 2013 and FY 2014 through June 30, 2014. For audit objective 5, the scope included reviewing documentation from FY 2006 through FY 2014 and interviewing staff during the period of our field work. The scope for audit objective 6 was FY 2014. Audit field work was conducted at Department head quarters and at various field locations of the Division between April and August 2014.

For audit objective #1, we reviewed the CSAs for the two most recent consultant contracts related to the Asset Management Project. We reviewed Departmental and Countywide Policies and Procedures relating to selection and management of consultant contracts. We reviewed the selection process, the service deliverables and consultant payments and tested evidence of compliance with the above guidelines and requirements.

In order to answer objective #2, we reviewed the Maximo user license agreements purchased from FY 2009 through FY2014 and verified the appropriate use and tracking of those licenses using both County as well as COBIT standards.

For audit objective #3, we tested controls in place to track and safeguard specialized tools and equipment using analytical procedures applied to judgmental samples.

In order to answer objective #4, we tested the reporting of the operations and

maintenance processes and transactions using analytical procedures applied to judgmental samples for the audit period. We reviewed backup documentation as well as available Maximo maintenance and system data related to the preventive and corrective maintenance transactions. We reviewed the reporting of resources used for the transactions especially labor, materials and equipment.

For audit objective # 5, we conducted our review in three areas related to the project:

- The current status of the project
- The history of the project
- The project management controls and measures incorporated into the Maximo asset management program

We met with key executive management and staff groups and individuals related to the project, and discussed the history, current status, the goals and objectives of the project, and the controls and measures in place to manage the project. We examined available project documents and prepared queries and ran reports to analyze the transactions and data being captured in the system to determine the extent of the user groups. We also conducted our evaluation of their controls and measures against the background of the Project Management best practices contained in the Project Management Institutes Project Management Book of Knowledge (PMBOK).

For audit objective # 6, we reviewed the Division's objectives and performance measures as reported in County Budget Book for Fiscal year 2014 and discussed with Division and regional management the measures used to determine effectiveness and efficiency of operations. We also conducted our standard evaluation of their measures against the 'SMART' criteria

(Specific, Measurable, Attainable, Realistic, and Time oriented).

Our audit work included discussions with Division and regional management and staff and with audit management, in which we addressed the possibility of fraud in relation to their operations. They informed us that they were very much aware of the risks when it comes to their material supplies, tools, and equipment items and have instituted controls over these areas. As part of our audit review we tested and validated some of these controls in place over tools and specialized equipment.

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. These 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
November 18, 2014
Audit W/P No. 2014-10

ADMINISTRATIVE RESPONSE



**Water Utilities Department
Administration**

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**Palm Beach County
Board of County
Commissioners**

Shelley Vana, Mayor
Mary Lou Berger, Vice Mayor
Hal R. Valeche
Paulette Burdick
Steven L. Abrams
Melissa McKinlay
Priscilla A. Taylor

County Administrator

Robert Weisman

February 12, 2015

Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
2300 Jog Road
West Palm Beach, FL 33411

RE: Response to Internal Audit Report, O&M Division

Dear Mr. Bergeron,

This letter is in response to the Internal Audit Report we received on January 21, 2015. Attached please find our detailed plan to correct the findings outlined in the Audit Report (including attachment A).

Sincerely,

A handwritten signature in blue ink that reads "Jim Stiles".

Jim Stiles
Director

*"An Equal Opportunity
Affirmative Action Employer"*

Finding 1. Payment of Consultant for work not done

Response to Recommendations:

1. Implement actions to ensure that consultant pay applications are made in accordance with County requirements. These actions should include the assigning and enforcing of these compliance requirements.

Water Utilities will develop a new Cross Divisional Project Management Standard Operating Procedure (SOP) that will dictate the steps required for the management of projects that are under the responsibility of other divisions and are approved and paid by the Engineering Division. The main focus of the SOP will be the approval of payments and retention/approval of deliverables. In the meantime, the Asset Management Section is now reviewing and approving pay requests for those Contracts where they are the managing entity. The SOP will be completed by May 31, 2015.

2. Implement actions to ensure the receipt, use and retention of all contract deliverables.

The SOP mentioned in response #1 above will also dictate the receipt and retention of contract deliverables.

3. Implement actions to recover the over payments made to the Consultant for the work not done in the tasks for CSA #6.

Supplement 6.2 approved on June 24, 2014 modified the original scope of services to accurately reflect the deliverables and work products of the project. (See attached Exhibit A)

Finding 2. Use of Sub Consultant not on Prime Consultant Team

Response to Recommendations:

4. Ensure that consultants use sub-consultants listed as their team members to deliver the required services. The use of outside sub-consultants should be preapproved by the WUD Director after being

reviewed for validity of substitution against the consultant's original performance capability.

The SOP mentioned in response #1 above will also contain the procedures to be followed when a consultant request to add a sub consultant that was not listed in the Request for Qualifications for the project.

Finding 3. Management of the Maximo User Licenses

Response to Recommendations:

5. Implement actions to ensure only needed licenses are purchased. This could include requiring a needs assessment of required user licenses be conducted prior to purchasing them.

WUD agrees that MAXIMO licenses were underutilized up until the point when online requisitioning was implemented in the MAXIMO system. The number of licenses being used after this implementation was, and continues to be, very close to the amount purchased.

WUD will commission an independent audit of all MAXIMO related licenses to verify that our license count accurately reflects the needs of the Utility. WUD will then perform an annual internal audit to ensure that the licenses purchased will provide the functionality required. The initial license audit will be completed by May 31, 2015.

6. Implement a system to track the use of all Maximo software assets (licenses) owned and used by Department.

WUD will implement IBM's SmartCloud Control Desk software to track the use of all MAXIMO licenses owned and used. System implementation will be complete by August 31, 2015.

Finding 4. Management Controls over Specialized Tools and Equipment Inventory

Response to Recommendations:

6. The WUD Assistant Director Operations should implement procedures to ensure that all specialized tools assigned to the Division are controlled and accounted for. This should include an accurate perpetual inventory listing of all these asset items held at each location; a signed acceptance of all inventory by asset custodians; accurate backup documentation for lost, missing and surplussed items; and an annual reconciliation of items to inventory listing.

Accounting for tools costing between \$100 and \$1,000 is being accomplished using electronic spreadsheets that are designed especially for this purpose. Each spreadsheet is essentially a database that provides suitable fields to capture information about tools. A partial listing of this information includes tool descriptions, costs, purchase dates, base locations, and stewardship.

Each tool is assigned to a geographical location that corresponds to the Supervisor entrusted there. Tool data is compiled by the appropriate location Supervisor and given to the administrative assistant commissioned in the respective area. The assistant is responsible for the upkeep of the database tool which actually resides in a protected portion of the Departmental computer system. Supervisors are responsible for documenting tool acquisition and loss, and decommissioned or surplus tools. Administrative assistants are responsible to refreshing the spreadsheets with the accumulated information.

Control of the assigned tools is accomplished by using two direct checks. First, Supervisors conduct periodic reviews of the database. This is done by comparing tool lists with a current tool purchase report provided by the Procurement Division. Additions and corrections are made on a report form. The report is dated, initialed and moved to the administrative employee who updates and refreshes the list.

Second, a periodic, physical inventory check is undertaken by Superintendents to whom Supervisors report. During this check, a test is made that verifies the correct description and location of randomly selected tools by matching physical tools with the spreadsheet lists.

A Standard Operating Procedure memo outlining this process along with the database spreadsheets and accumulated tool information will be completed by July 31, 2015. Subsequent annual inventories will be conducted.

Finding 5. Improvement needed for work process reporting documentation.

Response to Recommendations:

7. The WUD Assistant Director Operations should implement procedures to standardize the reporting requirements for the work processes incorporating the new Maximo system reporting. The procedures should include reporting requirements for all work process components, and the supervisory monitoring and approval of the work process reporting. Field staff should be trained on these reporting requirements.

Work orders and other work process reporting forms and documentation have been standardized based on operational area and type of work flow. Water treatment plants have a work request system that is integrated with MAXIMO making process documentation uniform across the whole operation. Lift station personnel process work flows using MAXIMO and, like plant staff, use that database to record and analyze work yields.

The Special Project crew and all Line crews are now using a uniform work order that is standard across operational boundaries. The Valve and Hydrant crew use the same described orders with some additions that allow for special fire hydrant data. Information from all these crew activities is manually collected and transferred monthly to a database. Future plans include the automation of these sections into Maximo.

The design for the work process documents described here and a formula for their effective use will be outlined in Standard Operating Procedure memos that will be completed by July 31, 2015.



Office of the County Internal Auditor
Audit Report #2015-04

**ENGINEERING & PUBLIC WORKS
DEPARTMENT**

ROADWAY PRODUCTION



*Reviewed by Audit Committee
March 18, 2015*

DATED FEBRUARY 11, 2015

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the Engineering and Public Works (EPW) Roadway Production Division (the Division) Director monitor, control, and manage projects of Roadway Production to ensure these projects meet their goals, time lines, and budget?
2. Describe and evaluate the funding of the road program to determine adequate resources are available to achieve desired system functionality.
3. Describe and evaluate Roadway Production's performance management process including methods used to measure and report on effectiveness and efficiency of operations.

WHAT WE FOUND

As to objective one above, we found the Division Director adequately monitored, controlled, and managed the projects of Roadway Production to ensure these projects met their goals, time lines, and budget. However, during the course of fieldwork we noted certain situations that did not rise to the level of findings that we felt should be communicated to management. A management letter was issued to the Department Director identifying these situations for informational purposes only.

As to objective two above, we reviewed a combination of different sources for the

funding of the Road Program. We also determined that although there have been significant changes in the structure and amounts of the funding available, it appears that there has been no ill-effects on the system functionality of the Road Program.

As to objective three above, we found the Roadway Production Division has established an appropriate mission statement, relevant organizational objectives, and adequate performance measures to achieve those objectives.

WHAT WE RECOMMEND

The audit report makes no recommendations to management to improve controls.

County Commissioners on the long-term funding considerations for the program.

The report makes no recommendations on the resources allocated to the Five Year Road Program, but does suggest that Engineering Department management conduct a workshop with the Board of

The report does offer considerations for improvement in the Division's performance management program.

DETAILED FINDING AND RECOMMENDATIONS

NONE

FIVE YEAR ROAD PROGRAM FUNDING DESCRIPTION AND ANALYSIS

The Five Year Road Program (Road Program) has been funded by a combination of local option gasoline taxes, road impact fees, state and other contributions, and interest earnings on those funds. Gasoline taxes are imposed by County Ordinances and levied as a number of pennies per gallon of fuel sold. Depending on the specific tax, fuel may be defined as either gasoline, diesel or both. Road Impact fees are imposed by local ordinance and levied on new construction of both residential and commercial properties. Gasoline tax collections are influenced by long-term fleet fuel efficiencies and short term economic variations. Road impact fee collections are subject to variations in building activity. Use of gasoline tax collections is restricted by Florida Statute to certain defined activities, but generally included road construction, road maintenance and mass transit as eligible uses. Road impact fee collections may only be used for thoroughfare road system improvements within the geographic area where the fees are collected.

The Great Recession of 2008 adversely affected the County and the Road Program in several ways. Taxable property values countywide peaked in FY 2008, before the recession, at approximately \$170 billion. The values bottomed out in FY 2012 at \$124.5 billion, a 27% decrease. This drop in taxable property values put tremendous pressure on the County's General Fund and those programs and agencies funded with ad valorem resources. Collections of local option gasoline taxes, however, were relatively flat over the same period. The

Board of County Commissioners (BCC) reallocated the gasoline taxes from Road Program uses to Mass Transit uses to offset the reductions in ad valorem resources available to Mass Transit. Collections of road impact fees also declined dramatically during the same period from \$14.4 million in FY 2008 to an average of \$5.8 million the next three years recovering to \$12.7 million in FY 2012.

The following tables summarize Road Program sources and uses of funding (dollars in millions) for each five year program group for the last seven five year plans:

In the Revenues and Other Sources table, gas tax revenues in the first four columns have been adjusted to conform to the presentation of the Road Programs shown beginning with the 2012 - 2016 program. The adjustment was made to present a consistent basis for comparison. The earlier road program documents did not show a portion of the gas taxes that were going directly to mass transit while the later road program documents showed all the gas taxes being collected. In the table, total gas taxes less gas taxes used for mass transit result in the gas taxes available for road program uses. Impact fees shown in the table represent impact fees available for assignment to projects in the respective impact fee geographic areas (there are five). The impact fees available are based on projections of future collections, currently available balances and potential projects in each impact fee area.

Revenues and Other Resources

	FY 2008 FY 2012	FY 2009 FY 2013	FY 2010 FY 2014	FY 2011 FY 2015	FY 2012 FY 2016	FY 2013 FY 2017	FY 2014 FY 2018
Total Gas Taxes (GT)	189.7	168.3	161.9	166.8	225.6	231.4	232.8
GT Used for Mass Transit	37.5	76.8	72.5	72.5	159.3	160.9	161.3
GT Used for Roads	152.2	91.6	89.4	94.3	66.3	70.5	71.5
Impact Fees Used for Projects	110.8	49.4	70.7	60.2	51.3	89.2	130.2
Bonds	84.0	84.7	87.0	75.0	70.0	80.0	80.0
Grants and Contributions	76.8	81.0	42.6	36.9	12.9	11.0	12.8
Net Interest	12.1	10.8	10.3	10.7	2.3	0.2	1.2
Available Reserves	41.0	21.0	36.0	23.0	32.0	34.0	27.0
Balances Forward	0.6	2.0	0.6	4.9	0.4	4.0	6.6
Total Revenues	477.5	340.5	336.6	305.0	235.2	288.9	329.3

Uses of Road Program Revenues and Other Resources

Maintenance	10.0	9.6	9.9	9.8	10.0	10.0	10.0
Glades Roads	6.1	6.0	6.0	6.0	3.5	3.5	9.5
Pathways	8.1	7.5	7.5	7.5	7.5	7.5	7.5
Street Lighting	8.0	8.0	8.0	8.0	8.0	8.0	0.0
Streetscape	11.6	12.2	12.8	13.5	12.8	13.2	13.8
Debt Service	23.0	13.6	8.9	8.0	17.2	5.1	5.1
Road Improvements	410.7	283.6	283.5	252.2	176.2	241.6	283.4
Total Uses	477.5	340.5	336.6	305.0	235.2	288.9	329.3
Percentage of Resources Available for Road Improvements	86.0%	83.3%	84.2%	82.7%	74.9%	83.6%	86.0%
Construction Projects	28	24	34	34	34	44	45
Average Cost	9.9	8.5	6.4	6.0	4.2	4.4	5.0

Although there have been significant changes in the structure and amounts of funding available to the Road Program, it appears that there have been no adverse effects on construction levels as indicated by the number of construction projects and the overall amount of construction funding included in the program. However, it appears that the average construction project size has decreased over the period covered in the table. In the FY 2008 to FY 2012 program the average construction project size was \$9.9 million, in the FY 2014 to FY 2018 program the average construction project size was \$5.0 million.

The Road Program appears to be keeping up with current new development and growth in the County. However, there are several other areas that may require funding in the near future that may jeopardize or at least compete with the Road Program's ability to keep up with growth. These other areas include bascule bridges over the Intracoastal Waterway (ICW), concrete fixed bridge maintenance, and thoroughfare road maintenance.

The County is responsible for eight ICW bascule bridges. The Engineering Department (Department) conducts routine maintenance and periodic painting and rehabilitation projects on the bridges. The bridges are:

- Jupiter Inlet Colony (CR 707) built in 1969, two lane span
- Donald Ross Road built in 1998, two 3-lane spans
- Ocean Avenue Lantana replaced in 2013, built in 1950, two lane span
- Woolbright Road built in 1967, two lane span
- George Bush Blvd built in 1949, two lane span
- Linton Blvd built in 1981, two 3-lane spans

- Palmetto Park Road built in 1987, four lane span
- Camino Real/Boca Club built in 1937, last rehab in 2007, two lane span.

The County is also responsible for maintenance and repairs on nearly 300 fixed bridges. The Florida Department of Transportation (FDOT) is responsible for inspecting all fixed and movable bridges over 20 feet in length. Their reports, on a biennial basis, are provided to the Engineering Department for use in developing maintenance and repair priorities. Department staff also inspects all fixed bridges not covered by FDOT using the same inspection elements and the same frequency. Department staff also perform monthly structural, mechanical and electrical maintenance and inspections on each of the eight bascule bridges. The majority of fixed bridges cross canals and drainage ditches, but some are much larger such as the Congress Avenue bridge over the CSX Railroad (built in 1994), the Palm Beach Lakes Blvd bridge over the Florida East Coast Railway (FEC), (built in 1965) or the Hypoluxo Road bridge over the Turnpike (built in 2009).

According to officials in the Department's Road & Bridge Division, the two oldest bascule bridges, Camino Real/Boca Club and George Bush Blvd, have or are scheduled to have next year major rehabilitation work which should extend the useful lives of the bridges another 10 to 15 years. According to these officials no other bascule bridges are considered in need of replacement in the next 10 to 15 years. Based on the opinion of these officials we conclude that there are no imminent funding requirements for bascule bridge replacements that will adversely affect production of the Road Program.

As to the concrete fixed bridges, the Road and Bridge officials indicated that a program of replacement of fixed bridges with culverts is underway on an "as the opportunity presents" basis. The culvert replacements are done, where possible, to present significant savings in on-going maintenance costs. The culvert replacements are generally only considered for the smaller fixed bridges that are under 20 feet in length and generally only when they can be coordinated with scheduled road maintenance or improvement projects. The Road and Bridge officials also indicated that the larger concrete fixed bridges are thoroughly maintained on a regular basis and that there are few structures that may be in need of major repair work or replacement. However, the Department is considering a project on the Palm Beach Lakes Blvd bridge over the FEC Railroad in the future. Depending on the nature of the work ultimately decided on, this project has the potential to be individually expensive. Nevertheless, based on the input of the Department officials it does not appear that any projects in the fixed bridge area have the potential to adversely affect production of the Road Program.

The Department is also responsible for maintenance on approximately 3,400 lane miles of roadways. That inventory of roadways includes thoroughfare roads, local roads and Glades Area roads. According to a presentation made by the County Engineer to the MPO in September 2014 arterial (thoroughfare) roads have a life expectancy of 12 to 15 years before serious deterioration can occur. Similarly, the life expectancy of local roads is in the 20 to 25 year range. The County Engineer also reported the average cost for milling and resurfacing one lane mile of roadway at \$70,000. He also stated a planning average life of a roadway before serious deterioration as 18 to 20

years. The County Engineer presented a scenario whereby 170 lane miles of roadway would be resurfaced annually (3,400 lane miles divided by 20 year average life expectancy) at a cost per lane mile of \$70,000. The total annual cost of this program would be \$12 million. According to the County Engineer, total funding for milling and resurfacing for the five years from FY 2010 to FY 2014 was \$8.8 million. This five year funding total is \$51.2 million below that proposed by the County Engineer.

The Road Program has been in existence since 1985 and has had tremendous success in meeting thoroughfare road needs in the County. The most recently adopted Five Year Road Program has \$3 million for resurfacing and \$5 million for safety improvement and resurfacing projects. As the Road Program matures it is reasonable to expect a shift from new construction and capacity improvements to maintenance and resurfacing. As shown in the tables on page 5, funding for the 2014 to 2018 program is 64% from impact fees and bond issues (\$130M + \$80M / \$329M). These revenues are not legally available for resurfacing and maintenance. We believe the future maintenance and resurfacing needs of the County road system have the potential to adversely affect production of the Road Programs.

We believe the County Engineer should consider preparing a workshop to discuss these issues with the Board of County Commissioners so that future budgeting decisions can be made in light of the relevant facts and issues.

PERFORMANCE MANAGEMENT PROCESS DESCRIPTION AND EVALUATION

As part of our review, we examined the Division's mission statement and objectives. We compared the mission statement to their objectives to determine if the objectives were directly related to and linked to the elements of the mission statement.

The Roadway Production mission statement satisfies those criteria.

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 an evaluation criteria known by the acronym 'SMART' (Specific, Measurable, Attainable, Realistic, and Time Oriented);
- Determining the relationship of each objective to performance measures;
- Determining how the Division defines and measures effectiveness and efficiency; and
- Evaluating the data gathering, reporting methodology, accuracy, and integrity of the reported measures.

Mission Statement

The Department's mission statement is, *'To provide the citizens of Palm Beach County with a high quality and aesthetically pleasing system of roads, bridges, and pathways made safe and easily accessible by appropriate traffic control; to ensure development conformance to the*

engineering standards of the Unified Land Development Code and provide engineering assistance in the zoning process; to assist in mitigating beach erosion by the operation of sand transfer facilities; and to provide effective drainage facilities in County rights-of-way.'

The Division has no division specific mission statement. Their primary services are described in the FY 2015 County Budget as follows:

- Administer, coordinate, schedule and monitor the design, right-of-way acquisition, preparation of contract documents, bidding, and construction of the County's Five Year Road Program;
- Manage the Municipal Service Tax Unit Program (MSTU);
- Work with the Countywide Community Revitalization Team (CCRT) to provide services in designated areas; and
- Review subdivision plats, boundary surveys, legal descriptions and sketches, and Development Review Committee (DRC) petitions to ensure compliance with all applicable codes and standards.

The Budget Instruction Manual provides guidance on the structure of organizational mission statements. The mission statement is described as a concise expression of the organization's purpose expressed in terms of benefit to the intended customer. The mission statement is also expected to be fairly consistent from year to year and to be linked or supported by objectives and performance measures.

The Department's mission statement satisfies those criteria and the Division's statement of services supports the Department's mission statement.

The table below summarizes the objectives and performance measures published in the County Fiscal Year 2014 budget book:

Objectives	Performance Measures	Reported Category
1. Award 100% of the construction contracts in the Five Year Road Program within the fiscal year.	Percentage of the construction contracts awarded in the Five Year Road Program within the fiscal year.	Outcome
2. Award 100% of the design contracts within 10 months of consultant selection.	Percentage of the design contracts awarded within 10 months of consultant selection.	Output

Objectives

In our judgment, each reported objective satisfies the SMART criteria, and each objective is supported by an applicable performance measure.

Although both reported objectives support the compliance element of the mission, there are currently no objectives representing the activities of the Survey or Right-of-way sections. Roadway Production has added new objectives and performance measures for FY 2015. The new objectives include consultant selection objectives, and activities in the Survey section.

There are elements of the Division's statement of services that are not supported by objectives or performance measures. These elements include:

- Managing the MSTU Program;
- Working with the CCRT Program;
- Reviewing subdivision plats, boundary surveys, and legal descriptions and sketches; and
- Reviewing DRC petitions.

Performance Measures

The Division Director and each of the section Managers provided reasonable definitions and actions used to measure effectiveness and efficiency. As per Division management, effectiveness and efficiency can be measured by results of their performance measures and compliance with time frames and deadlines in the county ordinance. We noted no issues with the methodology used to gather and report performance measure amounts, and note no differences between the amounts reported and amounts calculated using support documentation

Considerations for Improvement

The Division Director should consider developing a Division specific mission statement, objectives and performance measures for internal use that focus on the elements of the statement of services that are not currently supported by any objectives and performance measures as addressed above.

BACKGROUND

The Engineering and Public Works (EPW) Department's mission is to provide the citizens of Palm Beach County with a high quality and aesthetically pleasing system of roads, bridges, and pathways. Their goal is to ensure development conformance to the engineering standards of the Unified Land Development Code and provide engineering assistance in the zoning process. Assisting in mitigating beach erosion and providing effective drainage facilities in County's rights-of-way areas are also part of their task. For Fiscal Year 2014, EPW has 421 positions. This number hasn't changed from the FY 2013 budget, but has decreased from 433 positions in FY 2012. The Department's budget for FY 2014 is approximately \$33.6 million.

The Roadway Production Division (Division) administers, coordinates, schedules, and monitors the design, right-of-way acquisition, preparation of contract documents, bidding, and construction of the County's Five-Year Road Program, as it relates to thoroughfare roads. The current Roadway Production organization has seven separate functional areas (sections):

- The Land Survey section has a staff of fifteen, ten fieldwork employees and five office staff members. Their tasks include land survey and topographical work. They perform survey work for county agencies and survey control for the community.
- The Local Roads section with four staff members, manage roads not considered a major thoroughfare, make improvements to unpaved roads, and drainage.
- The Contracts section has a staff of five and its main duties are with the hiring of design consultants in accordance with the Consultant Competitive Negotiations Act (CCNA). The key objectives for this section are to see that qualified consultants get properly qualified and selected. The contract section also deals with design projects and annual contracts.
- The Special Projects section has three Professional Engineers (P.E.) on staff. Their main focus is with special cases, developer driven projects, localized intersections, and permit jobs.
- The Thoroughfare Road Section has three P.E.'s on board and one project coordinator. This section's focus is thoroughfare roads as detailed in the approved program to design and construct these roads.
- The Right of Way section includes seven staff members. This section is responsible for the acquisition of rights-of-way and easements for all road projects constructed by Palm Beach County. Their goal is to acquire all needed rights of way and easements in a timely and economically feasible manner.
- The Administrative Support section has five team members. They are charged with assigning project numbers for the Five Year Road Program, developer projects, and annual contracts. Their tasks include project and permit tracking,

receptionist duties, records management, and support and assistance to other sections in the Roadway Production Division.

Roadway Production has 52 positions. At the time of our fieldwork, three of those positions were vacant manager positions and

one vacant administrative support position. Interviews have since been conducted for the section manager positions and the vacant Technical Assistant position will be filled shortly.

AUDIT SCOPE AND METHODOLOGY

The audit of Roadway Production was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were size of operation and capital dollars managed. In addition, the Board of County Commissioners (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. Audit field work was conducted in the Department from April to July 2014.

To answer Objective #1, we conducted testing in three different sections:

- Five Year Road Program (which includes Special Projects, Local Roads, Thoroughfare Roads and Municipal Service Taxing Units (MSTU) projects).
- Survey Section.
- Right-of Way Section.

We reviewed the monitoring tools and tracking methods used to manage and control the projects in each respective area. We compared the individual project to those tracking tools to determine adequate monitoring of progress, and we reviewed compliance with Countywide and Departmental policies and procedures. We met with each section manager to determine how effectiveness and efficiency is measured, the methods used to achieve their goals, their understanding of their mission and objectives, and how plans to achieve their goals are communicated to staff.

For Objective #2, we obtained the funding sources for the Road Program (Program), reviewed state statutes, county ordinances, and board policies which stipulate the funding of the Program. We evaluated current practices and other variables which impact the funding of the Program. We conducted interviews with the Division Director of Roadway Production, Director of Administrative Services for the Engineering Department, and the Executive Director of the Metropolitan Planning Organization to determine if adequate resources are available to achieve a desired system functionality of the Program. We

interviewed officials in the Road and Bridge Division concerning the status of bascule and fixed bridges. We also interviewed the Assistant County Engineer concerning the status of roadway maintenance activities.

For Objective #3, we obtained Roadway Production's Division 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.

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. These 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
February 11, 2015
W/P # 2014-15



Office of the County Internal Auditor
Audit Report #2015-05

PARKS AND RECREATION DEPARTMENT
SPECIAL FACILITIES



*Reviewed by Audit Committee
March 18, 2015*

DATED FEBRUARY 6, 2015

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the Special Facilities Division Director ensure revenue was collected, recorded, and deposited in accordance with contract requirements and Department internal policies and procedures during FY 2014 through July 31, 2014:
 - a) for events held at County Amphitheaters?
 - b) for the John Prince Golf Learning Center?
2. Did the Special Facilities Division Director ensure that contracts were administered in compliance with contract requirements and Countywide policies and procedures during FY 2014 through July 31, 2014:
 - a) for events held at County Amphitheaters?
 - b) for the John Prince Golf Learning Center?
3. Describe and evaluate Special Facilities Division's performance management processes including methods used to measure and report on effectiveness and efficiency of operations.
4. Describe and evaluate methods used by the Special Facilities Division to promote and market the facilities.

WHAT WE FOUND

For Objective #1, revenue was generally collected, recorded, and deposited in accordance with contract requirements and Department internal policies and procedures during FY 2014 through July 31, 2014:

- a) for events held at County Amphitheaters; and
- b) for the John Prince Golf Learning Center.

However, we noted several areas for improvements in controls over cash refunds (Finding #1), Range Card Refills (Finding #2) and point of sale system access

passwords (Finding #3) all at the John Prince Golf Learning Center.

For Objective #2, contracts were administered in compliance with contract requirements and Countywide policies and procedures during FY 2014 through July 31, 2014:

- a) for events held at County Amphitheaters; and
- b) for the John Prince Golf Learning Center.

However, during the course of fieldwork we noted certain situations that did not rise to the level of findings that we felt should be communicated to management. A management letter was issued to the Department Director identifying these situations for informational purposes only.

For Objective #3, the Special Facilities Division Director established appropriate organizational objectives relevant to Golf Operations' mission and performance measures to achieve those objectives

however, the Amphitheater Section could add objectives that tie their mission to the performance statistics collected.

For Objective #4, both the Amphitheater Section and Golf Operations use a combination of methods to promote business which include advertising, building partnerships, use of social networks, use of an email database, and the County website.

WHAT WE RECOMMEND

The audit report makes three recommendations to management to improve controls relating to the three findings noted above.

The report offers considerations for improvement in the Division's performance management program.

The report also makes a suggestion for improvements in marketing for the golf courses.

DETAILED FINDING AND RECOMMENDATIONS

Finding 1 Controls Over Refund Processing at JPGLC Need Improvement

Departmental PPM DO-F-017 entitled *'Refunds and Voids'* requires: 1) the original receipt number and a reason for the refund to be entered into the POS system; 2) the customer to sign the POS refund receipt; and 3) the refund and associated documentation (original receipt, refund receipt, etc.) must be included in the daily paperwork. Our review of the six refunds submitted with the daily paperwork between January 26, 2014 and February 1, 2014 found: three of the six were processed without entering a reason into the POS system; none of the six had an original receipt number entered into the POS system; four of the six were processed without a customer signature, and three of the six did not include an original receipt.

In addition, we observed refunds can be processed using a sales transaction. For example, a negative amount (refunded amount) can be entered as a sales transaction. However, the sales transaction process does not provide the controls (i.e., the requirement to enter an original receipt number in the POS system, a place for the customer to sign the refund receipt, or the requirement to include the receipt from the original sale) implemented in the refund transaction process. Without these controls, the proof of an original sale that justifies the refund is lost and an opportunity for a loss in revenue from fraud increased.

Recommendation

(1) The Special Facilities Division Director should not allow the use of a sales transaction for processing refunds. All refunds should be processed as refunds, documented according to PPM requirements, and all documentation submitted to the Financial and Support Services (FSS) Division for review.

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Director and the Special Facilities Division Director agreed with the finding and recommendation. They indicated that actions had already been taken to direct staff in the proper procedure for processing refunds, and that the facility manager will ensure staff is following this procedure during the daily cash reconciliation process.

We believe management's proposed actions are responsive to our recommendation.

Finding 2 Daily review and reconciliation of Range Card Refills is Needed

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, (September 2014), states that management should design control activities to achieve objectives and respond to risks (Principle 10). The

standards go on to state that control activities at the transaction level may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities (Principle 10.10).

A program provided by Golf Operations is the Driving Range Debit Card (debit card). The program offers a discount on golf balls applied to the debit card which can be used to dispense range balls from the Range Servant golf ball dispenser. The process of filling/refilling a debit card is a two-step process. It requires a purchase through the POS system followed by adding the number of golf balls purchased to the debit card through the Range Servant system. To ensure refills added to debit cards through the Range Servant system have been paid for through the POS system, a daily Range Servant system report must be generated and reconciled to the daily Tran Code Activity Report generated by the POS system. Our review of the backup documentation retained in the facility files for the week of January 26, 2014 thru February 1, 2014 found five of the seven daily Tran Code Activity Reports generated by the POS system reported debit card purchases, however only one Range Servant system report was found for the seven days reviewed.

Recommendation

(2) The Special Facilities Division Director should require the Range Servant Report to be printed daily, compared to the Tran Code Activity Report, initialed by the facility Manager or Assistant Manager and included in the backup documentation retained in the facility files.

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Director and the Special Facilities Division Director agreed with the finding and recommendation, and that documentation of the reconciliation between the Range Servant and POS systems be included in the daily paperwork.

We believe management's directions to staff are responsive to our recommendation.

Finding 3 Changing of Passwords is Needed

PPM CW-O-059 entitled '*Information Technology Security Policies*' Section 22 - System Access provides guidelines for the establishment of requirements for granting, modifying and removing electronic access to the applications, systems and information assets of the County. Section 22.3 - Policy Provisions states that user IDs and passwords will be required for accessing electronic computer systems, information and programs from any County office and location. Passwords will be assigned to all new users and must be changed on a periodic basis. First time passwords may be mailed to the user with instructions that they shall be immediately changed at system login.

In our review of password security controls we found when signing on to the POS system for the first time, the system does not prompt the user to change their password, nor does the system require the password to be periodically changed. We were told by the POS Systems Administrator that the control requiring a new user to change their password when signing on to the system for the first time has not been implemented, nor has the control requiring passwords to be periodically changed.

Recommendation

(3) The POS Systems Administrator should request a modification to the POS systems to require a new user to change their password when signing on to a POS application for the first time and to change their password periodically (at least every 180 calendar days).

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Director and the Special

Facilities Division Director agreed with the finding and recommendation and stated that the FSS Division, responsible for the POS system, has implemented an automatic password change requirement in the system.

We believe management's actions adequately address the issue of periodically changing passwords. However, there is no mention of a requirement to immediately change a newly issued password.

Accordingly, we will look specifically for this element when we conduct our follow-up review.

DESCRIPTION AND EVALUATION OF THE DIVISION'S PERFORMANCE MANAGEMENT PROCESS

Our review of the 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;
- Evaluating the data gathering and reporting methodology used

Amphitheater Section

The Amphitheater Section has established a mission statement, organizational objectives relevant to the mission and performance measures to achieve those objectives. The Division's mission statement is, *'To provide a safe and pleasurable outdoor environment for residents and visitors to Palm Beach County to enjoy concerts, theater and the arts'*. The table below summarizes the objectives and performance measures:

Objective	Performance Measure(s)
1. Promote Parks and Recreation to County residents and visitors. Have 90% of participants indicate they will return to use the services again.	1) Percentage of customers rating participation as important and will return.
2. Evaluate all operations and institute changes that provide for greater efficiencies and promote future sustainability.	2) Number of efficiency audits.

In addition to the objectives and performance measures mentioned above, the Amphitheater Section also collects information on:

- Attendance
- Number of Events
- Revenue
- Sponsorship Income
- Expenses

Mission Statement:

The Budget Instruction Manual provides guidance on the structure of organizational mission statements. The mission statement is described as a concise expression of the

organization's purpose expressed in terms of benefit to the intended customer. The mission statement is also expected to be fairly consistent from year to year and to be linked or supported by objectives and performance measures.

The Amphitheater Section mission statement satisfies those criteria.

Relationship of Objectives to Mission Statement:

The objectives do not address all the elements of the mission statement.

Objective 1 proposes having 90% of participants indicate they will return. This could imply a 'pleasurable' outdoor environment and 'enjoyable' concerts, theater, and the arts which are elements of the mission statement. However, there are no objectives for the element of a 'safe' outdoor environment. In addition, Objective 1 proposes promoting Parks and Recreation to County residents and visitors. This has no link to the mission statement.

Objective 2 provides an element of 'efficiency' by having all operations evaluated and implementing changes that provide greater efficiencies; and toward 'sustainability' by implementing changes that promote future sustainability. However, neither efficiencies nor sustainability are included as an element of the Mission Statement.

Evaluation of Objectives using the SMART criteria:

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 objective #1 did not meet the 'specific' criteria. The objective appears to have compound objectives, one that proposes to promote Parks and Recreation to County residents and visitors and a second that proposes to have 90% of participants indicate they will return to use the services again. We believe this objective could be separated into two objectives and include a purpose or benefit and a goal for the objective to promote Parks and Recreation to County residents and visitors (i.e., to increase attendance/use of facilities by 10%).

Objective #2 does not meet the SMART criteria. It is not measurable because it does not identify the frequency or number of evaluations to be performed, or the timeframe for the institution of changes (i.e., evaluate bi-annually, institute changes within 6 months of the evaluation).

Performance measures:

Each objective has a specific performance measure. However, the performance measure for objective #1 only reports on the percentage of participants that indicate they will return to use the services again. There are no performance measures to report on the efforts to promote Parks and Recreation to County residents and visitors. In addition, the performance measure for objective #2 reports on the number of efficiency audits performed but does not report on the number of recommendations made to improve efficiencies or promote future sustainability or the implementation of any recommendations.

Data Gathering and Reporting

For performance measure #1, questionnaires that are distributed to Amphitheater patrons are used to collect customer ratings. The results of the questionnaires are totaled and the percent of participants that indicate they will return is calculated to determine whether the 90% goal is met.

For performance measure #2, the number reported reflects the number of audits performed by the Financial and Support Services Division during the fiscal year.

Considerations for Improvement

1. The objectives should address all elements stated in the mission statement.

2. Each objective should have at least one performance measure that identifies a specific and measurable metric.

Golf Operations

Golf Operations has established a mission statement, organizational objectives relevant

to the mission and performance measure to achieve those objectives. The Golf Operations mission statement is, *'To build lasting relationships while growing the game of golf through valued programs, quality facilities, and sincere customer service'*. The table below summarizes the objectives and performance measures:

Objective	Performance Measure(s)
1. Increase the number of Frequent Player cards sold and the number of events and activities for cardholders to participate in.	1. Increase the number of frequent player cards sold by 10% for FPC year ending in March.
2. Increase the number of Junior Play Passes sold and develop a competitive golf program for participants in the Junior Play Pass program.	2. Increase the number of Junior Play Passes sold by 100%.
3. Give older golf courses a facelift to solidify current market share and recapture share lost to newer facilities.	3. Increase the number of outside tournament outing and events by 10% over prior year. 4. Increase the number of outside tournament outing and event player numbers by 10% over prior year. 5. Increase the number of internally coordinated tournaments, leagues, and evens by 10%. 6. Increase the number of league groups by over 10%. 7. Increase league group average player numbers by 10% over the prior year.

4. Improve our customer service delivery and measurement. Create additional value for our customers.	8. Increase the number of customer survey responses that rate our customer service, golf experience, and value as excellent by 10% over the same period in the prior year. 9. Establish the number of participants that answer yes to "Is your participation in this program or service important to you quality of life and would you return to experience it again?" at 90% or greater. 10. Efficiency audits conducted.
5. Create customer service guidelines and develop new methods of enhancing customer service.	11. Develop 5 new methods of enhancing customer service.
6. Manage expenses so that operating costs do not exceed revenues and capital projects are funded without adversely affecting customer service, facility conditions, golf programming and staff innovation.	12. Operating costs per round of golf as a percentage of revenues per round of golf.
7. Create additional volunteer opportunities that will impact and enhance golf operations.	13. Increase the number of volunteers by 10%. 14. Increase the number of volunteer hours by 10%.

In addition to the objectives and performance measures mentioned above, Golf Operations also collects information on:

- Attendance at Private Lessons
- Attendance at Adult Group Lessons
- Attendance at Junior Group Lessons

Information specific to the John Prince Golf Learning Center collected monthly includes:

- Driving Range Units
- Frequent Player Card sales, rounds, and range balls

- Comp Rounds

Mission Statement:

The Budget Instruction Manual provides guidance on the structure of organizational mission statements. The mission statement is described as a concise expression of the organization's purpose expressed in terms of benefit to the intended customer. The mission statement is also expected to be fairly consistent from year to year and to be

linked or supported by objectives and performance measures.

The Golf Operations mission statement satisfies those criteria.

Relationship of Objectives to Mission Statement:

Each element of the mission statement is supported by at least one objective, and every objective is related to the mission statement.

Evaluation using the SMART criteria:

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 believe none of the objectives, as currently stated, is specific. However, the performance measures related to the objectives include specific targets which are lacking in the objective. For example, Objective #1 is to "Increase the number of Frequent Player cards sold..." The objective should state how much of an increase is desired. The desired increase is stated in the performance measure as 10%. Furthermore, six of the seven objectives are compound in that they have at least two components. A specific objective should focus on a single topic. For example, Objective #1 is to "Increase the number of Frequent Player cars sold and the number of events and activities for cardholders to participate in."

Comments regarding each objective individually follow:

- Objective 1: not specific, compound, target in performance measure, no measure for second element of objective.

- Objective 2: not specific, compound, target in performance measure, no measure for second element of objective.
- Objective 3: not specific, compound, target in performance measure, no measure for first element of objective.
- Objective 4: not specific, compound, target in performance measure, no measure for third element of objective, contains one measure that may not relate to objective.
- Objective 5: not specific, compound, target in performance measure, no measure for first element of objective.
- Objective 6: not specific, compound, unclear as to whether performance measure fully covers financial element of objective, no measure for second element of objective.
- Objective 7: not specific, compound, target in performance measure, no measure for second element of objective, unclear if performance measures are actually measuring first element of objective.

Performance measures:

Each objective has one or more associated performance measures. However, as mentioned above, we found the performance measures contained goals that should be identified in the objective. We also believe the performance measures do not adequately describe the actual metric involved. For example, the performance measure for Objective #1 is stated as "Increase the number of frequent player cards sold by 10% for FPC year ending in March." As we have already stated the target - a 10% increase - should be in the objective. The

metric could be described as the number of FPC cards sold this year divided by the number of FPC cards sold last year.

We also believe that the objectives and performance measures, taken in their entirety, do present a comprehensive picture of the performance of the Golf Operations section. Our comments above are somewhat focused on improving the technical presentation of the package.

Data Gathering and Reporting

The data gathered for the reporting of performance measures is a combination of automated and manual collection. The automated data is collected and reported using POS system generated reports, the online survey tool SurveyKey, and a volunteer database used by the Department to track volunteers and hours worked. The Director of Special Facilities meets with each section weekly to get updates. In addition, each section is required to provide a monthly report showing a comparison to prior year statistics for management review. Manually collected data includes tracking the number of tournaments, leagues and events by the Facility Managers. This information is reported at the end of the year. The following is a breakdown of the performance measure information collected.

The information collected and reported from POS system reports include:

- The number of frequent player cards sold (PM #1)
- The number of junior play passes sold (PM#2)
- Rounds of golf (PM#12)

The information manually collected and reported from the Facility Managers include:

- The number of outside tournament outing and events (PM#3)

- The number of outside tournament outing and event players (PM#4)
- The number of internally coordinated tournaments, leagues, and events (PM#5)
- The number of league groups (PM#6)
- League group average player numbers (PM#7)

The information collected and reported using the online survey SurveyKey include:

- The number of customer survey responses that rate our customer service, golf experience, and value as excellent (PM#8)
- The number of participants that answer yes to 'Is your participation in this program or service important to your quality of life and would you return to experience it again?' (PM#9)

The information collected and reported submitted from employees in the section. These include:

- Number of efficiency audits requested (PM#10)
- Number of new methods developed to enhance customer service (PM#11)

The information collected and reported for two of the performance measures comes from the Volunteer Services Section who have a database of volunteers at all Park's facilities. These include:

- Number of volunteers (at golf facilities) (PM#13)
- Number of volunteer hours (at golf facilities) (PM#14)

Considerations for Improvement

1. Each objective should be specific.
2. Each objective should indicate a desired target or metric.

3. Compound objectives should be separated and have at least one related performance measure.
4. Each performance measure should relate to and clearly measure the element of the objective.

Management Comments and Our Evaluation

At the exit conference on February 6, 2015 the Department Director and the Special Facilities Division Director (management officials) agreed with the considerations for improvement. There was considerable discussion of our expectations for the performance management process and the relationship of our suggestions to the instruction issues by the Budget Office. We explained that our approach was developed in response to direction given by the County

Commission, and that while we believe our approach represents sound management practice, we are not in a position to make recommendations that differ from guidance provided by the Budget Office. We also pointed out that our suggestions should be evaluated for incorporation into performance management activities focused within the Department.

Nevertheless, management stated they would be attempting to implement our suggestions in the next annual budget process and as they go forward with internal process enhancements.

We support management's intention to improve and enhance their performance management processes.

DESCRIPTION AND EVALUATION OF METHODS USED TO PROMOTE AND MARKET THE FACILITIES

Amphitheaters

To evaluate the methods used by Palm Beach County to promote and market Amphitheaters we reviewed the Amphitheater facilities provided by Broward County's Parks and Recreation and the strategies used to market those facilities and the Amphitheater facilities provided by Palm Beach County's Parks and Recreation Department and the strategies used to market those facilities.

Palm Beach County Amphitheaters

Palm Beach County has three Amphitheater facilities: Sunset Cove (capacity 6,000); Seabreeze (capacity 2,000); and Canyon (capacity 500). The Sunset Cove Amphitheater hosts national acts, tribute bands, festivals, community fundraisers, and family movies. Seabreeze Amphitheater hosts theater, concerts, tribute bands, community fundraisers and movies. The Canyon Amphitheater hosts concerts, fundraising events, church services, cultural celebrations, holiday themed functions, and classic car shows.

The Amphitheater Section promotes and markets events that take place at the three County Amphitheaters using a combination of online marketing, social networking, and paid advertising. Online marketing is provided by Palm Beach County Parks and Recreation's website which offers up to date information on concerts, activities, and events featured at all three Amphitheaters as

well as location and contact information for each. Social networking is used to promote and market events through department Twitter and Instagram accounts. Individual Facebook pages have been created for each of the venues. Cross marketing of events through advertisements on vendor and sponsor websites and social media provide additional promotion of upcoming events. In addition, a direct approach to marketing the Amphitheaters has also been implemented where staff approach event patrons to conduct event surveys and to sign them up for e-Lerts (alerts via email or text of events coming to the Amphitheater).

In FY 2014 \$5,000 was approved for advertising expenses. Paid advertising for the promotion of Amphitheater events included ads in 'New Times', a newspaper published once a week covering local events and entertainment in Broward-Palm Beach, and the Sun-Sentinel, a daily newspaper that emphasizes local news, through its Community News and Local sections covering Broward County with expanded coverage to all of South Florida.

Broward County Amphitheaters

Broward County has three Amphitheaters located within their nature centers: Anne Kolb (capacity 250); Fern Forest (capacity 120); and Secret Woods (capacity 100) and an open-air Amphitheater (capacity 5,000) located within CB Smith Park. Three of the four Amphitheaters (Anne Kolb, Fern Forest, and Secret Woods) are primarily

used for educational events, special occasions, weddings and receptions in addition to once a month 'Jam' sessions open to the public at Fern Forest and Secret Woods. The larger events hosted by outside groups, for example the annual 99.9 KISS County Chili Cook-off takes place at CB Smith Park.

Marketing strategies used to promote Broward County's Amphitheater facilities include a combination of the Broward County Parks and Recreation website, social media including Facebook, Twitter, YouTube, and Instagram, a monthly newsletter that highlights upcoming events, in addition to posting fliers at the County parks. Paid advertising for the Broward County Amphitheater facilities is limited. We were told the advertising budget for the entire Division was approximately \$225,000 with the majority of the budget being used to promote the Division's major revenue generators - Water Parks and Camp Grounds. Consequently, paid advertising for the larger events hosted by outside groups, for example the annual 99.9 KISS County Chili Cook-off, is provided by the event organizers.

Although we found differences in the Amphitheaters facilities and types of events provided by Broward and Palm Beach County, we found similar marketing strategies are used by both counties. Both counties use online advertising, social media and email marketing to promote their facilities and events. We believe these methods provide low-cost, effective, immediate and measurable benefits.

Golf Operations

To evaluate the methods used by Palm Beach County to promote and market Golf Operations we reviewed the golf facilities

provided by Miami-Dade County's Parks, Recreation and Open Spaces Division and the strategies used to market those facilities and the golf facilities provided by Palm Beach County's Parks and Recreation Department and the strategies used to market those facilities.

Palm Beach County Golf Facilities

Palm Beach County has four golf courses: Okeethee (27-hole golf course); Osprey Point (27-hole golf course); Park Ridge (18-hole golf course); and Southwinds (18-hole golf course); in addition to the John Prince Golf Learning Center.

Golf Operations promotes and markets the County's four golf courses and the John Prince Golf Learning Center using a combination of online marketing, social networking, and paid advertising. Online marketing includes Palm Beach County Parks and Recreation's website which offers links to all golf facilities, the ability to book tee times online, rates, specials, and a calendar of events. In addition, partnering with other facilities, such as the County Libraries or the Morikami Museum promotes the golf facilities to their patrons. Accounts on social networking sites Twitter and Facebook have been set up to promote and market golf facility events.

In FY 2014 \$15,000 was approved for advertising expenses. Paid advertising for the promotion of the County's golf facilities include ads in local newspapers such as the Sun Sentinel and the Palm Beach Post in addition to the Tee Times which covers St. Lucie, Martin, Palm Beach, Broward and Miami-Dade counties. Advertisements are also placed in magazines such as Travel Host, Clubhouse Living, and Parenting Plus and on the LCD screen at Palm Beach International Airport. In addition, tee time

advertising and sales services are provided by third party vendors Canam Golf and GolfNow.

Miami-Dade County Golf Facilities

Miami-Dade County operates five golf facilities: Briar Bay (9 hole course), Country Club of Miami (two 18 hole courses), Crandon Golf at Key Biscayne (18 hole course), Greynolds (9 hole course), and Palmetto (18 hole course), which includes Palmetto Mini Golf.

The Golf Enterprise Marketing Plan includes strategies used to promote all facilities, programs, and services as well as an advertising budget and plan for individual golf courses. Marketing strategies used to promote Miami-Dade's golf facilities include: the Miami-Dade County Parks, Recreation, and Open Spaces website which offers links to all golf facilities and the ability to book tee times online; a call center with a toll-free tee time reservation hotline; social media, such as Face Book, Twitter and Instagram. Long-standing relationships with the Greater Miami Convention and Visitors Bureau and VISITFLORIDA are leveraged to promote all five golf facilities. The Division also conducts in-person outreach to local businesses and hotels.

In FY 2014, approximately \$95,000 was approved for advertising expenses relating to the facilities programs, and services managed by the Golf Enterprise. Paid advertising for the promotion of the Country Club of Miami included targeted direct mail, newspaper advertising, and a 30-second television advertisement on local cable television. The promotion of Crandon Golf at Key Biscayne included renew agreements with Where Magazine and Travel Host, which are distributed through hotels and area attractions, advertisements in local

community newspapers, and a 30-second television advertisement. The promotion of the Palmetto Golf Course included advertisements in local community newspapers and a 30-second television advertisement as well as an advertisement and coupon related to Palmetto Mini Golf in Where Map, which targets visitors to Miami and the Florida Keys.

Additional paid advertising used to promote all golf facilities includes the Patron Card discount/loyalty program advertised in the Tee Times newspaper and tee time advertising and sales services that are provided by third party vendor Golf18 Network.

Although we found Miami-Dade has a significantly larger budget for paid advertising, we found similar marketing strategies are used by both counties. Both counties use online advertising, social media and email marketing to promote their facilities and events. In addition, both counties have partnered with other local agencies to promote their facilities. We believe these methods provide low-cost, effective, immediate and measurable benefits.

Both counties have also purchased paid advertising in The Tee Times, South Florida Golf News covering golf in St. Lucie, Martin, Palm Beach, Broward and Miami-Dade counties and in Travel Host Magazine, distributed through hotels and area attractions. Both counties use tee time advertising and sales services provided by third party vendors. We believe these methods expose a wide range of potential customers to the attributes of each golf facility.

We believe Golf Operations should explore a partnership with the County Convention

and Visitors Bureau for promotion of the golf courses similar to that done by Miami-Dade County.

Management Comments and Our Evaluation

At the exit conference on February 6, 2015 the Department Director and the Special Facilities Division Director (management officials) agreed with our comments and evaluation of their marketing activities. However, management also pointed out that, while they are already working with the County Convention and Visitors Bureau to a

limited extent, they did not wish to pursue a heavier emphasis on promoting golf to visitors. They stated their prime purpose was to promote golf to residents.

We understand and support management's position on promotion of golf to County residents.

BACKGROUND

The Parks and Recreation Department (Department) manages over 8,000 acres of park properties, including 104 regional, district, community, beach, and neighborhood parks. The Department is divided into five divisions:

Administrative/Financial and Support Services, Special Facilities, Aquatics, Recreation Services, and Parks Maintenance. For Fiscal Year 2014, the Department has a staff of 559 and a budget of approximately \$64 million.

The Special Facilities Division (Division) provides customer focused leisure and cultural opportunities. Services include managing, maintaining, programming, and coordinating Okeeheelee, Southwinds, Park Ridge, and Osprey Point Golf Courses and the John Prince Golf Learning Center; the Jim Brandon Equestrian Center; the Morikami Museum and Japanese Gardens;

the Sunset Cove, Seabreeze, and Canyon Amphitheaters and a Special Events Section; and the South County Civic Center which provides meeting space for community and social groups along with public and private events.

The Amphitheaters were developed to expand opportunities for cultural activities and events by offering county-sponsored events that generate a sense of community and by making the facilities available as rentals to groups and agencies for cultural and fundraising activities. The Department has estimated a total of 60 Activities/Events for FY 2014, including 17 rental events and 43 county sponsored events. The Amphitheaters are managed by a staff of three employees with revenues estimated at \$125,072 and sponsorship income estimated at \$28,400 in FY 2014.

The John Prince Golf Learning Center (JPGLC) is a state-of-the art, comprehensive golf learning and practice facility. It provides 42 hitting stations with two covered hitting areas, a lighted driving range with multiple target greens, a practice fairway bunker, three regulation practice holes and 16,000 square feet of practice putting and chipping greens. The JPGLC features LPGA and PGA instructors and provides affordable group and private

instruction for all ages and abilities. Custom club fitting, a fully stocked golf shop, food, and refreshments are some of the amenities offered. The JPGLC is open seven day a week including holidays from 9:00am-10:00pm and is managed by a staff of 10 employees with revenues estimated at \$400,500 for FY 2014.

AUDIT SCOPE AND METHODOLOGY

The audit of Special Facilities 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, operating revenues, and information technology use. 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 2014 through July 31, 2014. Audit field work was conducted in the Department from July to September 2014.

To answer Objective 1, we reviewed Departmental policies and procedures (PPMs) concerning revenue collection, depositing, and reporting; the Division's organizational charts; and FY 2014 revenue

projections and expense budgets. We met with Special Facilities Division staff to get background information about the Amphitheaters and the JPGLC. We also reviewed the controls implemented in the Point of Sale (POS) applications.

To answer Objective 2, we reviewed contracts for the rental of County Amphitheaters and for the services to be provided at the JPGLC by Golf Professional Services, Inc. (GPS). We also performed site visits at one of the County's Amphitheaters and at the JPGLC.

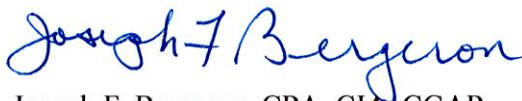
To answer Objective 3, we obtained the mission statements, objectives, and performance measures for the Amphitheater Section and Golf Operations for FY 2014. We compared the mission statements of each section to the objectives and tested the objectives to determine whether they were specific, measurable, attainable, realistic, and time oriented. We also determined whether each objective had a specific performance measure.

To answer Objective 4, we met with the Special Facilities Supervisor and spoke to the Manager of the Parks Public Communications Group in Broward County to discuss and compare the methods used to promote and market Amphitheaters. We also met with the Golf Course Supervisor and spoke to the Golf Sales & Marketing Coordinator in Miami-Dade County to discuss and compare the methods used to promote and market Golf Operations.

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. These 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
February 6, 2015
W/P # 2014-05

ADMINISTRATIVE RESPONSE



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

DATE: February 23, 2015
TO: Eric Call, Director
Parks & Recreation Department
FROM: Jon Herrick, Director
Special Facilities Division
RE: Response to Internal Audit Report

We are in receipt of the Internal Audit Report for the Special Facilities Division from Joseph F. Bergeron, Internal Auditor and concur with the findings and recommendations in this report. The following represents corrective actions already implemented:

Finding 1 Controls Over Refund Processing at JPGLC Need Improvement

Recommendation

- (1) The Special Facilities Division Director should not allow the use of a sales transaction for processing refunds. All refunds should be processed as refunds, documented according to PPM requirements, and all documentation submitted to the FSS Division for review.

Response: Concur. The Staff at John Prince Golf Learning Center have been directed to process all refund transactions as refunds and to follow the procedures identified in PPM DO-F-017 when processing refunds. The facility manager will ensure that staff is following this procedure during the daily cash reconciliation process.

Finding 2 Daily Review and Reconciliation of Range Cards Refills is Needed

Recommendation

- (2) The Special Facilities Division Director should require the Range Servant Report to be printed daily, compared to the Tran Code Activity Report, initialed by the Facility Manager or Assistant Manager and included in the backup documentation retained in the facility files.

Response: Concur. The Staff at John Prince Golf Learning Center have been directed to include the Range Servant report in the daily deposit paperwork and to initial the report once they have reconciled it with the POS activity report.

Finding 3 Changing of Passwords is Needed

Recommendation

- (3) **The POS Systems Administrator should request a modification to the POS systems to require a new user to change their password when signing on to a POS application for the first time and to change their password periodically (at least every 180 calendar days).**

Response: *Concur. The Financial and Support Services Division responsible for POS support has implemented an automatic 180 day password change requirement in the POS system.*

DESCRIPTION AND EVALUATION OF PERFORMANCE MANAGEMENT SYSTEM

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



Office of the County Internal Auditor
Audit Report #2015-06

PALM TRAN DEPARTMENT
FIXED ROUTE



*Reviewed by Audit Committee
March 18, 2015*

DATED FEBRUARY 11, 2015

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the Palm Tran Director ensure that scheduling of overtime for Amalgamated Transit Union (ATU) employees and supervisors complied with the ATU and Service Employees International Union (SEIU) collective bargaining agreements, respectively, for FY 2013 through July 1, 2014?
2. Did the Palm Tran Director design and implement policies and procedures to ensure effective internal control and efficient use of Trapeze's (a) bidding, (b) dispatch, and (c) payroll process for FY 2014 through July 1, 2014 according to (a) Fixed Route Transit Scheduling in Florida: The State of the Industry, (b) Best Practice in Bus Dispatch from the Center for Urban Transportation Research (CUTR), and (c) GAO Human Resource and Payroll Systems Requirements?
3. Did the Palm Tran Director ensure adequate internal control of the purchases, sales, timely deposit, custody, money room security, and accurate reconciliation of bus passes for FY 2014 through July 1, 2014 according to Palm Tran and County's Policies and Procedures?

WHAT WE FOUND

As to objective one above, we found the Palm Tran Director generally ensured that scheduling of overtime complied with the bargaining agreement requirements. However, we found instances of lack of compliance with the requirements which led to errors in assigning individuals to work overtime which, in turn, led to unnecessary overtime costs. (Finding #1)

As to objective two above, we found the Palm Tran Director generally effective policies and procedures had been implemented to ensure effective control over

and use of the Trapeze system. However, we identified control weaknesses in granting and managing user access privileges to the system. (Finding #2) We also identified potential enhancements to more effectively utilize the Trapeze system. (Finding #3)

As to objective three above, we noted a need for improved physical access security and monitoring of the cash vaults. (Finding #4)

We also noted several other situations that, while not rising to the level of findings, we believed should be communicated to

management. A memorandum communicating those items has been

provided to the Department Director.

WHAT WE RECOMMEND

The audit report makes 13 recommendations to management to improve internal controls and to improve effectiveness and efficiency of use of the Trapeze system.

Three recommendations relate to finding one, three recommendations relate to finding two, five recommendations relate to finding three, and two recommendations relate to finding four.

DETAILED FINDING AND RECOMMENDATIONS

Finding 1 Contract Compliance with Scheduling of Overtime Policy Needs Improvement

According to Article 30.3 of the SEIU collective bargaining agreement (union contract), if it is necessary to fill an entire shift with overtime, Palm Tran will contact employees starting in each location by Division classification seniority order and rotating thereafter. The union contract also requires Palm Tran to pay overtime to senior employees improperly passed-over for overtime assignments.
Out of Seniority Order

An example of an SEIU employee is a Dispatcher. A scheduling of overtime error is an instance where an SEIU employee is not afforded the opportunity to work an

available overtime on a given day based on their respective seniority order requirement. In essence, management assigned overtime out of seniority order. As a result of these errors, the employees may file grievances requesting remedy for the scheduling errors. The remedy can include payment for lost wages. The filed grievances lead us to believe these were possible errors. Management's approval for payments for these errors validate these errors occurred.

We were unable to determine the total number of the errors because these errors are not separately tracked in the payroll system. These errors are lumped together with other pay codes. In an effort to determine the number of the errors, from January 1, 2013 through July 1, 2014, we reviewed the following two files:

- three total available payroll adjustment emails, and
- SEIU grievance logs for 2013 and 2014.

Based on the grievance logs reviewed, we found 16 instances where Palm Tran did not schedule overtime for supervisors according to SEIU agreement. In the 2014 SEIU grievance log, we found 5 out of 8 (62%) entries and 11 out of 16 (68%) entries in the 2013 SEIU grievance log were for claims of improperly scheduled overtime. We found two additional scheduling of overtime errors based on two separate emails. Essentially, Palm Tran paid overtime to both less senior supervisors who were incorrectly given overtime and to other more senior supervisors who were by-passed/skipped because of the errors. Some of these scheduling of overtime errors (83%) occurred with some of the same supervisors. As of August 25, 2014, there were 29 supervisors on Palm Tran's employee roster. Based on a sample grievance report, one of the reasons for the errors is that management is not calling in the correct supervisor for overtime based on seniority order. These errors result in avoidable overtime costs. Palm Tran is paying overtime for work not performed as a result of not complying with the seniority order requirements. Based on the identified scheduling of overtime errors, the average overtime hours owed to a supervisor is 10 hours. The average overtime hourly rate for a supervisor is \$37. We computed the cost associated with errors scheduling overtime at \$370 (10 hours x \$37) per instance.

According to the SEIU and ATU contracts, grievances are defined as either a controversy, dispute, complaint or disagreement between an employee and Palm Tran. We identified some scheduling of overtime errors using the manual

grievance logs. The grievance logs were not sufficient to identify all scheduling of overtime errors because not all overtime complaints were entered into the Human Resource grievance logs. According to the Director of Administrative Services, not every situation that could be a grievance under the contract becomes a formal grievance because management is able to take appropriate action to resolve the situation. In some cases, employees verbally complained to Management and then the Operations Section sent a payroll adjustment via email to the Payroll Section requesting payment of the overtime complaint hours to the employees. In other cases, the employee completed the grievance form and submitted it to Management. Supporting documentation for grievances is in writing and contains such items as reasons, dates of violation, and remedy desired. One SEIU grievance log was incomplete, because it contained two grievance entries where the validity of the grievances were unknown. These grievances were filed in June and July 2013. The risk of not properly maintaining the grievance log is that Palm Tran will be unable to determine if grievances regarding scheduling of overtime errors were valid or have been investigated.

We increased the extent of our testing to identify additional scheduling of overtime errors by reviewing payroll adjustment folders for 2013 and 2014. There was one pay period adjustment folder for each pay period for a total of 26 for a given year. We selected a sample of six pay periods (11%) out of 52 pay periods (two years). Further testing showed no additional scheduling of overtime errors within the selected payroll adjustment folders.

Tracking Scheduling of Overtime Error

Palm Tran's Payroll section processes grievances in their payroll system. We found that the Payroll System is not configured with pay codes to identify time paid to bus operators or supervisors for scheduling of overtime errors. Palm Tran cannot run a report to know the costs associated with scheduling of overtime errors. The risk of not tracking scheduling of overtime errors is that Palm Tran will be unable to properly monitor and manage the scheduling of overtime errors' costs. According to the Government Accountability Office's *Government Auditing Standards*, management should continually monitor and assess potential risks that could keep the organization from achieving its goals.

Recommendations:

- 1. The Department Director should enforce overtime scheduling requirements based on seniority order.**
- 2. The Department Director should ensure the Human Resource Manager accurately and completely maintains grievance logs and related supporting documentation as required by the bargaining agreements.**
- 3. The Department Director should establish a code in the payroll system to identify costs associated with scheduling of overtime errors to help monitor and manage cost.**

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Assistant Director and the Director of Administration agreed with the findings and recommendations. They stated

that a recent modification of the Fixed Route Operations management structure should ensure better consistency and adherence to labor contract terms throughout the Department. They also stated that grievance logs had been revised and a new payroll code had been established.

We believe management's actions are responsive to our recommendations.

Finding 2 Trapeze System Access Controls Need Improvement

According to the County's *Information Technology Security Policy* (CW-O-059), the department or agency shall immediately review access authorizations when employees resign or are transferred to other positions within the County and initiate appropriate actions such as closing and establishing accounts and changing system access authorizations. General Access controls set the foundation for effective control over computerized information system assets.

Unauthorized Users Access & Several Generic Accounts

Palm Tran's Trapeze System Administrator II is responsible for maintaining the accounts of Trapeze users. We examined access accounts of Trapeze users to determine if terminated, resigned, and/or reassigned employees have access. As of July 10, 2014, Trapeze contained the following 15 security issues:

- One unauthorized bus operator had access to change his pay record. This bus operator was originally promoted to a Supervisor's position on August 11, 2013 and granted access into the system on August 13, 2013. Subsequently the employee was demoted to a bus operator on

May 15, 2014. His supervisor's access was not removed.

- Three reassigned employees have access to the system. One of them has Payroll access.
- Three separated employees have either Power user, Administrator, Payroll, or Dispatch access. One of the employees was terminated nearly two years ago,
- Eight generic accounts exist in Trapeze. Among the eight generic accounts, three have Administrator access which allows access above the normal users.

According to the Trapeze System Administrator II, Palm Tran does not have an established procedure for activation and deactivation of users in Trapeze.

Failure to disable application access for separated employees can increase the risk of employees inappropriately accessing Trapeze. Weaknesses in users account management can lead to access that compromises the integrity of Trapeze and its data. The presence of generic test accounts in Trapeze could pose a security risk because these accounts are shared among IT application team members. This results in several people knowing the login's username and password for these test accounts, which makes it more difficult to identify which individual performed an activity in the system. The three Administrator generic accounts increase the level of risks because they allow users to have access to change system settings.

Recommendations:

- 4. The Department Director should review the current security profiles for all Trapeze users and administrators and ensure that**

appropriate system access rights are assigned only to employees whose current duties and responsibilities require system access.

- 5. The Department Director should review and assess generic Trapeze accounts to determine if they are necessary and disable unnecessary generic accounts.**
- 6. The Department Director should establish written procedures covering requesting, modifying, and deleting system access for users, and a schedule for periodically reviewing user lists and the associated access rights for Trapeze.**

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Assistant Director and the Director of Administration agreed with the findings and recommendations. They stated that Trapeze security profiles had been amended after reviewing each employee's duties and responsibilities, that generic accounts had been deleted in Trapeze, and that a Standard Operating Guideline for maintenance of Trapeze access had been issued.

We reviewed actions taken by management prior to issuance of this report and find that recommendations #5 and #6 have been implemented. We consider those recommendations closed with issuance of this report.

We believe management's actions as reported for recommendation #4 are responsive to the recommendation.

**Finding 3 Enhanced Use of Trapeze
Could Improve Effectiveness and
Efficiency of Certain Processes**

According to the Government Accountability Office, management is responsible for using its financial, physical, and informational resources legally, effectively, efficiently, economically, ethically, and equitably to achieve the purposes for which the resources were furnished.

Payment for Unused Module

Trapeze was purchased in 2001 for \$327,125. Included in the contract terms between Palm Tran and Trapeze, Palm Tran pays annual maintenance schedule costs. The maintenance schedule costs increase every year. Trapeze's annual maintenance fee for Fiscal Year 2014 was \$234,134. The fee is based on the different modules within Trapeze and is allocated as followed:

DESCRIPTION	2014 COSTS
FX	\$27,251
FX MON	\$12,532
PLAN	\$11,342
OPS	\$43,141
OPS-PAYROLL INTERFACE	\$5,460
PASS CERT	\$17,167
PASS COM	\$12,464
PASS CT	\$86,730
MALTEZE PASS (MEDICAID)	\$10,107
MAPMAKER	\$7,940
TOTAL	\$234,134

According to Palm Tran's Connection Director, the Malteze Pass (Medicaid) software is for Medicaid services and Palm Tran stopped providing Medicaid services in 2008. Palm Tran paid \$10,107 for the module in Fiscal Year 2014 and \$9,626 in Fiscal Year 2013. It appears Palm Tran may be paying for a module not being used.

Ineffective Use of Trapeze's Software

Organizations should avoid duplications of efforts by employees. Data entry discrepancies and data entry duplication issues are being experienced within the fixed route dispatch office. We reviewed the

process that Palm Tran uses to capture daily scheduling information. Based on our observations of two weeks of Extra-Board sheets, we noted the following:

- Some dispatchers utilize the Trapeze OPS Absence Report and some dispatchers reference the "Red Book".
- The Trapeze OPS Absence Report is used to verify all absences for the operational day.
- The "Red Book" is a manual book system of records for absences.
- Palm Tran also utilizes manual, legal-sized, color coded Extra-Board sheets with many different notations.

According to a Trapeze group's *OPS Health Check Review (May 28, 2014)*, many of the standard features of Trapeze OPS modules are currently not being utilized. Trapeze is fully capable of managing all absences for all operators electronically according to the *OPS Health Check Review* and based on our observation of an actual Trapeze's report. Additionally, Trapeze is capable of performing the daily dispatch functions of Extra-Board assignment according to a Trapeze group's *OPS Health Check Review*. The review indicates Trapeze is capable of managing the Extra-Board using the OPS Daily list, Work Assignment Assistant, and other tools in Trapeze.

We believe these manual conditions could contribute to a potential for errors, inefficiencies and unnecessary adjustments. Managing unscheduled absences both on a manual process and in the system can cause inconsistencies in how these dispatch events are recorded and managed. Using the Trapeze system (which has added controls) to capture data limits data entry errors that are inherent in manual recording of the same data. Fully utilizing the Trapeze system or setting up an automated system allows for quick turnaround time for payroll, dispatch, and bid processing. This would ensure that duplication of efforts and records are not occurring.

Trapeze Manual Bidding Process

According to the National Center For Transit Research, the Agency-Developed Rostering method gives the agency more control over the rostering process and provides more opportunities to develop rosters that are more cost-effective.

Operation staff monitors the run selection process to ensure that bus operators pick work according to all rules governing the

process addressed in the labor agreement. Palm Tran uses Cafeteria-style bidding. This Cafeteria-style bidding is when bus operators select runs for the week that they would like to work, and their days off. The name is derived from how customers in a cafeteria choose individual food items that make up their meal as opposed to a pre-packaged meal. The operation department will post a list containing all weekday, Saturday, and Sunday runs and a list of available days off for the sign-up.

The Cafeteria-style bidding is different from an Agency-Developed Roster-style bidding. In an Agency-Developed Roster-style bidding system, the organization has already assembled runs into weekly work assignments nearing 40 or more hours. The driver merely selects one of these assembled runs. Currently, the ATU Labor agreement only permits the Cafeteria-style bidding process. We surveyed other Transit agencies to identify and compare their roster styles. Both Broward County (BCT) and Tampa (Hartline) have unions and both use the Agency-Developed Roster-style. All of the Transit agencies surveyed prefer the Agency-Developed Roster-style because it gives the Transit Agencies more control over overtime.

We judgmentally selected two months of Trapeze's helpdesk work orders to find bidding functionality issues relating to Trapeze. We selected April & May of 2014 because they were near an active bidding period. We reviewed eight helpdesk work orders that dealt with access and processing errors. We noted a processing error that occurred in the bid selection process that went into effect in May 2014. Based on a helpdesk work order submitted on April 10, 2014, we discovered there were errors in the bidding process.

Palm Tran officials described some of the errors as followed:

- Bus Operators selected runs that were not opened,
- Bus Operators selected two days off on the same day,
- Bus Operators selected unavailable days off,
- Union Representative forgot to note selected runs on board,
- Operations did not properly track run assignments, and
- Bus Operators selected runs that violated the Florida 14-90 eight hours rest rule.

Palm Tran Operations Management had to re-bid some of these runs due to these errors. Re-bid indicates that some or all bus operators have to re-select their routes. The length of time to resolve these issues can vary depending upon on how many operators were affected. Similar errors occurred in the subsequent bid selection process that was conducted in the month of September 2014.

Trapeze Payroll Reconciliation Procedures

According to the General Accounting Office's *Financial Management Series*, organizations must provide for reconciliations of data in their payroll systems to data in their disbursing, accounting, and other administrative systems to ensure accuracy, completeness, and data integrity. The purpose of reconciliation is to compare and reconcile differences between systems.

In our review of Palm Tran's payroll procedures we learned from Payroll staff that, while reconciliations are conducted of data from the Trapeze system and Time Server, the reconciliation documentation is not retained. We reviewed payroll records for one pay period and noted there was a

variance between Trapeze and Time Server totals. We noted no notes or tick marks indicating a reconciliation was performed. Payroll reconciliations are essential to ensure complete and accurate payroll information is prepared. Those reconciliations should be retained with the payroll backup to provide appropriate documentation of the reconciliation.

Recommendations:

- 7. The Department Director should cease annual payment of maintenance fees for any unused Trapeze's software.**
- 8. The Department Director should evaluate potential improvements in Trapeze's processing efficiency that may result from:**
 - **Developing and implementing policies and procedures requiring the use of Trapeze and elimination of some manual processing such as the manual Absence Log (Red Book) and Extra-Board Sheets; and**
 - **Implementing an automated payroll system that interfaces with the County Payroll System.**
- 9. The Department Director should implement the Agency-Developed Rostering approach to improve controls over scheduled overtime and to improve the bidding process.**
- 10. The Department Director should discuss with ATU and vendors, such as Hastus and/or Trapeze, about implementing an electronic bidding process to improve efficiencies and reduce errors due to the manual bidding process.**
- 11. The Department Director should**

implement procedures to consistently document and retain reconciliation efforts between data in the Trapeze system to data in Time Server payroll system after each pay period. A supervisor should also review and approve the reconciliations.

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Assistant Director and the Director of Administration agreed with the findings and recommendations. They stated a credit had been negotiated with Trapeze for the unused module and that they are working with the vendor to enhance staff's ability to use the full potential of Trapeze. As to Recommendations #9 and #10 regarding changing the bidding process, they stated that Palm Tran will consider negotiating this change in the next labor agreement with the ATU. They also stated that procedures to document and retain payroll reconciliations between Trapeze and the County system have been implemented.

We believe management's actions and planned actions are responsive to our recommendations.

Finding 4 Inadequate Security Controls Over Cash Room

According to the Government Accountability Office's *Standards for Internal Control*, control activities are policies and procedures used by the organization to address identified risks. An example of control activities include physical controls such as security.

According to the Palm Beach County's *Access Systems Policy and Procedure Memorandum (CW-L-041)*, the Electronic

Services and Security Division (ESS) is responsible for maintaining the access card system including issuing the access cards. The PPM requires user agencies to notify ESS immediately by email, fax, or phone of any change in a cardholder's status upon transfer, leave of absence, suspension, or termination of an employee.

According to the Security Manager of ESS, Palm Tran is responsible for submitting a work order to the Facilities Management Division requesting a change in the punch code door lock for the vault upon the termination or reassignment of employees who have had previous access.

Cash Vault Access Risk

From 2010 to July 22, 2014, four cashiers have resigned or been reassigned from the Palm Tran vault room. Palm Tran last changed the punch code door locks for the vault rooms in 2010. The West Palm Beach and Delray facilities use a punch code door lock to gain access into the money room vault. The code is the same for all cashiers. After our inquiry regarding the door locks, Palm Tran submitted a work order to change the locks on August 8, 2014 for both locations. Failure to change combinations and/or access codes to money room could result in unauthorized access and increase the risk of theft or loss.

Inaccurate Camera Monitoring Log

According to the *Financial Management Oversight Review* issued by the Federal Transit Administration (FTA) on July 17, 2013, cameras that record Farebox cash counting were not monitored by Palm Tran on a regular basis. As a result of the FTA's finding, Palm Tran implemented the *Vault Monitoring Policy PT-F-405*.

According to *Vault Monitoring Policy* (PT-F-405), Palm Tran established a procedure mandating the random, periodic real-time monitoring of daily cash counting activities in the money room. According to *Vault Monitoring Policy* (PT-F-405), the Financial Analyst I shall maintain the Vault Monitoring Log (Log) for a 12 month period coinciding with the County's fiscal year (October 1-September 30).

We reviewed the Log for accuracy. The Log is maintained by a Financial Analyst I. Based on the Log, the Financial Analyst I indicated he monitored the camera system on May 19, 2014 at 2:00 pm. However, the money room sign-in/sign-out sheet indicated the Financial Analyst I was counting the money on May 19, 2014 from 8:15 am to

4:58 pm. Both logs show conflicting time against one another. On September 12, 2014, we reviewed the Log again and compared the Log to the Financial Analyst's I work schedule. We noted two days (3/16/2014 & 6/1/2014) in which the Financial Analyst I indicated he was viewing the camera activities, but was off from work that day based on his schedule. Palm Tran explained that the Log reflected the wrong dates due to data entry mistakes.

In addition, we randomly selected three dates on the Log and compared it to the camera system's access history record for camera activities in the vault room. We searched for the Financial Analyst I's login that was listed under the Palm Tran's Finance username. We noted the following:

Date	Facility	Time Viewed based on Monitoring Log	Time Viewed based on Camera System Access History Record	Did both Logs Time Match? (Yes/ No)
01-22-14	Belle Glade	9:30 am	None	No
06-25-14	Belle Glade	11:15 am	None	No
07-21-14	North	9:00 am	None	No

The selected times on the Log did not match the actual camera system's access history record. The camera system's access history record was based on the actual date-stamp when users were in the camera system database. The camera system's access history record showed no camera viewing activities for the selected times. Palm Tran explained that the times from the Log did not match the history record because the Financial Analyst I was not putting the correct monitoring time for when he viewed the camera. Going forward, Palm Tran stated they will indicate the exact monitoring time.

Failure to view camera activities and verify the Log for accuracy will reduce security controls over cash handling and could permit the concealment of cash to go undetected.

Recommendations:

12. The Department Director should ensure that door lock access to the money rooms are changed when employees with access are terminated or reassigned.

13. The Department Director should direct Palm Tran to periodically verify the accuracy of the camera's

Vault Monitoring Log.

Management Comments and Our Evaluation

In responding to a draft of this report, the Department Assistant Director and the Director of Administration agreed with the findings and recommendations. They stated that the punch code access system will be replaced within a few months. They also stated that there were other security systems beyond the punch code system that help to

ensure physical access security for the cash rooms and other electronic security systems for monitoring activity within the cash rooms, and access to the cash vaults, and financial reconciliations to provide monitoring of amounts received and deposited. They also stated that a newly hired Financial Analyst position will be responsible for monitoring the vault camera logs.

We believe management's actions are responsive to our recommendations.

BACKGROUND

Palm Tran's mission is to provide the citizens of Palm Beach County with a safe, convenient, and affordable mode of transportation. The fixed route bus system provides daily scheduled services throughout Palm Beach County. Palm Tran provides two types of public transit services for Palm Beach County: Fixed Route and Connection. The Fixed Route Division has a fleet of 148 buses, operating from facilities in West Palm Beach, Delray Beach, and Belle Glade. At peak times, 124 buses are running and servicing 33 fixed routes.

Fixed Route Service

Palm Tran's organizational chart shows Fixed Route as consisting of Operations and Maintenance, with Planning & Scheduling, and Safety & Training serving as support to the Fixed Route system. In FY 2013, total payroll expenditures (less benefits and

taxes) for Palm Tran were \$24 million. Regular salaries and wages totaled \$21 million and overtime costs were \$3 million. Overtime accounted for 14% of the total payroll. The primary role of Fixed Route is to safely and reliably operate Palm Tran's Fixed Route bus schedules. The role of Operations includes:

- Dispatching drivers/vehicles;
- Maintaining services due to traffic and/or, service interruptions, vehicle breakdowns and dealing with absenteeism;
- Administering the Amalgamated Transit Union (ATU) contract for bus drivers; and
- Investigating, responding to and dealing with customer's complaints.

The Primary role of Maintenance is to ensure that there are sufficient vehicles ready and in good working order to meet the daily service requirements. This includes performing vehicle repairs, service calls,

preventive maintenance, daily cleaning, and fueling. Palm Tran's Scheduling section is responsible for developing the bus route time tables (schedules) and creating the block and run cut which defines the scheduled work assignments. The Safety and Training Department has several roles including investigating accidents, training new driver hires, and retraining employees when and where appropriate.

The ATU contract between Palm Tran and the bus operators guides some of the processes for how bus operators sign up for routes and runs. Bus Operator bid sign-up periods occur three times a year and are held at multiple garages. Sign-ups are based on seniority and last approximately two weeks. Bus Operators can choose their workdays and sign up for a weekly schedule. Their selections are entered into a computer system called Trapeze. Palm Tran uses the Trapeze FX for scheduling. Palm Tran uses Trapeze OPS (Operation) for bidding, dispatching, and timekeeping. There are many instances when Palm Tran needs to replace the bus operators assigned to a route, such as when an operator has a planned or unplanned absence or when a bus breaks down or is involved in a collision and another bus is sent to continue service. The Extra-Board bus operators provide coverage to respond to these situations.

Similarly, there are instances when Palm Tran needs to replace Operation and Maintenance supervisors assigned to

supervise a shift. The Service Employees International Union (SEIU) contract between Palm Tran and the supervisors guides this process of assigning supervisors to shifts.

Fixed Route Bus Pass

Bus pass revenues totaled \$1.9 million for each fiscal year in 2012 and 2013. There are six fare types: adult, student, senior, disabled, veterans, and Medicare. Bus passes and cash fares are processed by the computerized general farebox system onboard the buses while the driver selects the appropriate fare rate from a keypad on the farebox.

Palm Tran sells bus passes to Florida Atlantic University, to the public, and non-profit agencies. Bus Passes are consigned to Connection and Palm Beach County Public Libraries for sale to the public. The Library is the largest distributor of Palm Tran passes in the County at the rate of over \$126,000 annually. Cash from bus pass sales is deposited and recorded as revenue to Palm Tran. Pre-purchased bus passes are swiped through the farebox each time the customer boards the bus. This activates the pass and programs and prints the expiration date onto the pass. The general farebox system automatically saves the revenue information, type of fares (adult, youth, senior, disabled), and tracks passenger count.

AUDIT SCOPE AND METHODOLOGY

The audit scope for this engagement was for FY 2014 from October 1, 2013 through July 1, 2014 for objective 2 and 3; and FY 2013 through July 1, 2014 for objective 1. This audit was part of the 2014 annual audit plan as approved by the Audit Committee. Audit field work was conducted in the Department from August to September 2014.

In order to answer audit objective one, we reviewed the collective bargaining agreements regarding overtime. We interviewed managers and supervisors regarding the approval of overtime. We determined if internal controls were in place to ensure compliance with all policies and procedures.

For audit objective two, our methodology included a discussion with the Trapeze Systems Administrator II to identify internal controls of the Trapeze system. We met with a group of Palm Tran managers to discuss utilization of the Trapeze system. We contacted other transit authorities and conducted a survey to determine their experiences with Trapeze or other systems that they might have purchased. We compared trends from the survey and the CUTR report to identify best practices.

For audit objective three, we selected bus pass documents such as purchase orders, sales receipts, sales deposits, and inventory reconciliations for testing to ensure compliance with internal controls. We determined security of bus pass operations, including the use of cameras at selected locations. We had discussions with

management to identify the monitoring of the bus pass process.

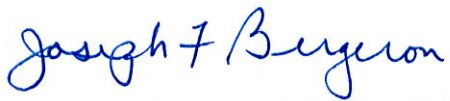
We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.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

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. These 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

February 11, 2015

W/P # 2014-02

ADMINISTRATIVE RESPONSE



MEMORANDUM Palm Beach County

Date: February 27, 2015

To: Mr. Joe Bergeron, Internal Auditor

Thru: Charles D. Frazier, Assistant Director

From: Joe Doucette, Director of Administration

RE: Internal Audit 2014-02

In response to your recent audit, I am submitting the following responses to the recommendations contained therein:

Recommendations:

1. **The Department Director should enforce overtime scheduling requirements based on seniority order.**

Staff response: Palm Tran does not disagree that its south county facility had a number of SEIU labor contract violations relating to overtime during the period reviewed. The Fixed Route Operations management structure has recently been amended to ensure consistency and adherence to labor contract terms throughout the department.

2. **The Department Director should ensure the Human Resource Manager accurately and completely maintains grievance logs and related supporting documentation as required by the bargaining agreements.**

Staff response: Palm Tran does not disagree with this finding and has revised the format of the grievance logs to ensure efficient and accurate processing of grievances.

3. **The Department Director should establish a code in the payroll system to identify costs associated with scheduling of overtime errors to help monitor and manage cost.**

Palm Tran

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Palm Beach County Board of County Commissioners

Shelley Vana, Mayor

Mary Lou Berger, Vice Mayor

Hal R. Valeche

Paulette Burdick

Steven L. Abrams

Melissa McKinlay

Priscilla A. Taylor

County Administrator

Robert Weisman

"An Equal Opportunity
Affirmative Action Employer"

Staff response: Palm Tran does not disagree with this finding and has established a payroll code to identify overtime paid due to contract violations. Overtime due to contract violations will be monitored more closely to facilitate a reduction of contract violations.

4. The Department Director should review the current security profiles for all Trapeze users and administrators and ensure that appropriate system access rights are assigned only to employees whose current duties and responsibilities require system access.

Staff response: Palm Tran does not disagree with this finding and has amended Trapeze security profiles after reviewing each employee's duties and responsibilities.

5. The Department Director should review and assess generic Trapeze accounts to determine if they are necessary and disable unnecessary generic accounts.

Staff response: Palm Tran does not disagree with this finding and has deleted generic user accounts in Trapeze after determining that they are no longer necessary.

6. The Department Director should establish written procedures covering requesting, modifying, and deleting system access for users, and a schedule for periodically reviewing user lists and the associated access rights for Trapeze.

Staff response: Palm Tran does not disagree with this finding and has established a Standard Operating Guideline for maintenance of system access to Trapeze.

7. The Department Director should cease annual payment of maintenance fees for any unused Trapeze's software.

Staff response: Palm Tran does not disagree with this finding and has negotiated a credit with Trapeze for payments made for annual maintenance of the Medicaid module.

8. The Department Director should evaluate potential improvements in Trapeze's processing efficiency that may result from:

- Developing and implementing policies and procedures requiring the use of Trapeze and elimination of some manual processing such as the manual Absence Log (Red Book) and Extra-Board Sheets; and
- Implementing an automated payroll system that interfaces with the County Payroll System.

Staff response: Palm Tran does not disagree with this finding and is currently working with the vendor to develop Palm Tran staff user capacity, whereby efficiencies will be gained by capitalizing on Trapeze's full potential. Wherever possible, manual processing will be eliminated. Also, Palm Tran is working with the vendor and the County's Information System Services department to complete the automated interface with the County Payroll System.

9. The Department Director should implement the Agency-Developed Rostering approach to improve controls over scheduled overtime and to improve the bidding process.

Staff response: Palm Tran does not disagree with this finding. The current process, "Cafeteria-style" bidding, is specified in the current labor agreement with the ATU for the three (3) year period ending September 30, 2016. However, Palm Tran will consider this recommendation when negotiating the next labor agreement with the ATU.

10. The Department Director should discuss with ATU and vendors, such as Hastus and/or Trapeze, about implementing an electronic bidding process to improve efficiencies and reduce errors due to the manual bidding process.

Staff response: Palm Tran does not disagree with this finding. The current bid process is specified in the current labor agreement with the ATU for the three (3) year period ending September 30, 2016. However, Palm Tran will consider this recommendation when negotiating the next labor agreement with the ATU. Palm Tran will also evaluate electronic bidding options available through its current vendors.

11. The Department Director should implement procedures to consistently document and retain reconciliation efforts between data in the Trapeze system to data in Time Server payroll system after each pay period. A supervisor should also review and approve the reconciliations.

Staff response: Palm Tran does not disagree with this finding and has implemented procedures to document and retain reconciliation between trapeze & Time Server.

12. The Department Director should ensure that door lock access to the money rooms are changed when employees with access are terminated or reassigned.

Staff response: Palm Tran does not disagree with this finding and has entered into an agreement with Facilities Development and Operations to convert the punch code access system to a swipe card system which will allow for unique identity security access and immediate termination of access. Conversion is estimated to be completed within a few months.

It is noted that the punch code door lock is just one control in place to ensure safeguarding of cash. There is an externally monitored electronic alarm system with unique individual access codes assigned to each employee. There is a vault monitoring camera system (internal and external) in place, and once inside the cash room only those individuals with access to the vaults and/or locked receivers can access cash. Moreover, there are procedures for accessing the cash room whereby two (2) employees must be present at all times, and counted cash is reconciled to collections reported from receiver software as well as deposits made.

13. The Department Director should direct Palm Tran to periodically verify the accuracy of the camera's Vault Monitoring Log.

Staff response: Palm Tran does not disagree with this finding. The vacant Financial Analyst III position has recently been filled and that person will be responsible for ensuring this process is completed accurately and in a timely manner.

I appreciate you and your staff's time and effort in assisting us in identifying opportunities to make improvements in our operations. If you need any additional information, please contact me.



Office of the County Internal Auditor
Audit Report #2015-07

OFFICE OF EQUAL OPPORTUNITY
FAIR HOUSING AND EQUAL EMPLOYMENT



*Reviewed by Audit Committee
March 18, 2015*

DATED OCTOBER 8, 2014

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

1. Did the OEO Director ensure investigations of Equal Employment Charges of Discrimination were effectively and efficiently processed in accordance with (1) the U.S. Equal Employment Opportunity Commission Work Sharing Agreement and (2) the Palm Beach County Equal Employment Ordinance?
administered in accordance with (1) the U.S. Department of Housing and Urban Development Memorandum of Understanding, and (2) the Palm Beach County Fair Housing Ordinance, and to ensure maximum payment was obtained?
2. Did the OEO Director ensure investigative activities for Fair Housing Complaints were effectively and efficiently
3. Describe and evaluate the Office of Equal Opportunity (OEO)'s performance management processes including methods used to measure and report on effectiveness and efficiency of operations.

WHAT WE FOUND

For Objective #1, we found that Equal Employment investigations were not conducted either effectively or efficiently due primarily to an inability to achieve the required 100 day target for completing investigations.

For Objective #2, we found that Fair Housing investigations were not conducted either effectively or efficiently due primarily

to an inability to achieve the required 100 day target for completing investigations.

For Objective #3, we found several opportunities for improvement in the Office's performance management processes.

WHAT WE RECOMMEND

The audit report makes ten recommendations to management to improve controls relating to the findings noted above for Objectives #1 and #2.

The recommendations address strengthening controls relating to the investigation process, including documenting internal policies and procedures, monitoring progress on investigations, and enhancing software system support for the project tracking and reporting process. The recommendations

also address improvements in the process of providing written notification of investigation status to complainants, suggest revisions to related ordinances, and review of staff retention issues.

The report offers considerations for improvement in the Office's performance management program.

DETAILED FINDING AND RECOMMENDATIONS

Finding Timeliness of Case Processing and Ability To Meet All Requirements Needs Improvement

A. Failure to Timely Investigate Complaints

Equal Employment

The *Palm Beach County Equal Employment Ordinance*, states, "Within one hundred (100) days of the filing of a complaint...the

staff of the office of equal opportunity shall make such investigation as the director or the board deems appropriate to ascertain facts and issues."

As of July 7, 2014, the status of cases opened between January 1, 2012, and July 7, 2014, was as follows:

Period: Calendar Year	No. of Cases Opened During the Calendar Year Period	No. of Cases Remaining with <u>Open Status</u>	No. of Open Status Cases Open beyond the 100 Day Requirement	Percentage of <u>Open Status</u> Cases Assigned for Investigation
2012	292	54	54	93% [50]
2013	217	97	97	24% [23]
2014 YTD through July 7	97	60	Information not available	13% [8]
Total	606	211	151+	38% [81]

In our detailed testing of 14 Equal Employment cases we found that 50% were beyond the 100 day requirement for investigation. The average age of these seven cases was 272 days with a range from 105 days to 431 days. The table above shows that cases opened in all three years are still awaiting either assignment to an investigator or some other type of further action.

In addition, the table shows that of the 292 cases opened during 2012, 238 had been closed. Similarly, for the 217 cases opened in 2013, 120 had been closed. We were unable to determine how many of those cases, if any, exceeded the 100 day requirement. The data base used by OEO to track their case statistics does not support reporting or analysis of cases by length of time cases have been open. We were able to determine the case durations for the 14 cases we tested by conducting a detailed analysis of each case. We believed that such analysis of the cases from 2012 and 2013 that had been closed would have been time and cost prohibitive and accordingly, we did not conduct the analysis.

It was also determined that the average monthly number of cases opened during this period was 28; however, the average number of cases closed was 19. Thus, for the past 30 months, the average number of cases

being opened has exceeded the average number of cases being closed. Please refer to *"Contributing Factors for Failure to Timely Investigate Complaints"* on page 7 for discussion of causes for lack of timely investigations.

Pursuant to the County's Agreement with EEOC for FY 2014, OEO will receive \$650 for each charge resolved up to 139 complaints (a total of \$90,350) during the contract period. The approved number of resolved charges in the annual contract is based on OEO's actual production during a 12-month "measurement" period prior to the contract inception date. For the seven months thru April 2014 OEO had resolved 41 cases, an average of six cases per month. Ninety-eight additional Equal Employment charges would need to be resolved within the remaining 5 months of the contract period in order to meet the EEOC contracted number; an average of 19.6 cases per month. At its current production level, OEO seems unlikely to reach the contracted number of cases resolved. Delays in processing complaints can adversely impact (1) OEO's ability to meet the contracted number of resolved charges during the agreement period, (2) production during the measurement period used to determine the upcoming EEOC contract amount, and (3) the amount of related incoming revenue.

OEO Failed to Timely Make a Reasonable Cause Determination - The County's *Work Sharing Agreement with the U.S. Equal Employment Opportunity Commission/ Miami District Office* indicates to the extent of the common jurisdiction and goals of the agencies, both the OEO and the EEOC shall provide individuals with an efficient procedure under the appropriate Local Ordinance and Federal Laws. Thus, pursuant to Federal Law, *Title VII of Civil Rights Act of 1964, US Equal Employment Opportunity Commission, Enforcement Provisions. Sec. 2000e-5*, a determination on reasonable cause shall be made as promptly as possible and, so far as practicable, no later than 120 days from the filing of the charge. Prior to making a determination of reasonable cause that discrimination occurred, it is often necessary to conduct an investigation of a complaint in order to gather facts and evidence. Based on evidence and facts obtained during an investigation and presented in a report, a final determination is made by the OEO Director. Our review of seven cases that would require a reasonable cause determination revealed that all but one (86 percent) of these cases were outside the 120-day timeframe. Of the six cases outside the 120-day timeframe, one case had been closed at 148 days, the remaining five cases were either awaiting assignment or recently assigned for investigation and were between 161 and 431 days old. Further, the single case noted to be within the 120-day timeframe was 105 days old and still awaiting assignment for investigation.

Fair Housing

The *Memorandum of Understanding Between The Department of Housing and Urban Development (HUD) and the Palm Beach County Office of Equal Opportunity* indicates the OEO agrees to complete investigatory proceedings, including the preparation of a final investigative report,

within 100 days of receipt of the complaint. In addition, the *Palm Beach County Fair Housing Ordinance* states, "Within one hundred (100) days of the filing of a complaint..., the staff of the office of the fair housing division of the office of equal opportunity shall make such investigation as the director or the board deems appropriate to ascertain facts and issues."

A complaint of an unfair housing practice covered under both the County Ordinance and the Federal laws is dual-filed with OEO and with HUD. The Memorandum of Understanding with HUD provides for OEO to receive payment for dual-filed complaints processed in accordance with HUD standards. HUD reviews each processed dual-filed complaint to determine the final payment amount, which is first based on timeliness standards. A payment sliding scale, which progressively pays less for additional days taken to complete an investigation, is utilized; and the applicable sliding scale will depend on the final outcome of the case. The sliding scale for the most common type of complaint processed by OEO begins with a maximum of \$2,600 for the completion of an investigation (including preparation of final report) within 100 days. Further, HUD also considers extenuating circumstances that impact time to process a case when making a final payment determination.

Of the 92 Fair Housing cases opened during 2013, we selected 10 complaints which had related investigations to review. Of the ten complaints reviewed, six had been resolved. Three of the six resolved had not been investigated within the 100-day timeframe. Of the four remaining cases reviewed, two were already past the 100-day timeframe and one was at 97 days.

For the three resolved cases with an investigation completed past the 100-day timeframe, it was noted that either (1) a new investigator had been assigned mid-term and/or (2) the existing investigator had absorbed additional cases from another investigator who resigned. OEO management concurred that the reassignment of a case mid-term most likely adds to the time taken to investigate a case.

A review of payment determinations provided by HUD for five closed Fair Housing cases showed the total amount to be paid by HUD would be \$8,455. However, the maximum payment allowed for all five cases was \$12,480; an average difference of \$805 for each case.

The following table draws a comparison from information provided by HUD regarding timeliness of agencies at various levels:

Average Percentage of Investigations Completed within 100-Day Timeframe (a)	
<u>FHAP Agencies</u>	<u>Average Percentage</u>
National	49%
State (Florida)	46%
Palm Beach County OEO	13%

(a) Per HUD for the period: 7/1/12- 6/30/13

Additionally, information provided by HUD showed OEO filed 55 cases during the 12-month period ending June 30, 2013, in which they had completed 13% of the related investigations within the 100-day timeframe. For the same period by comparison, seven other Florida FHAP Agencies with similar caseloads [between 50 and 58 filed complaints], had completed between 26.4% and 98.3% of the related investigations within 100 days.

Lastly, HUD conducts an annual performance assessment of OEO to recommend continued certification as a substantially equivalent agency under the Fair Housing Act. HUD's performance report of OEO for the year-ending June 30, 2013, dated August 21, 2013, showed 13 percent of the investigations were completed timely, and also stated OEO appeared to be

having difficulty in completing investigations in a timely manner. It should be noted the period reviewed by HUD during their annual performance assessment of OEO was not identical to our scope; which comprised of a random sampling of files that showed 40 percent of cases reviewed had related investigations completed within the 100-day timeframe. Nonetheless, both reviews showed OEO's timely completion of investigations to be below the state and national averages.

HUD conducted a remote performance monitoring of OEO on September 29, 2014 for the period July 1, 2013 to June 30, 2014. The report found that OEO had improved its case investigative performance to 27% from 13% for the prior year. HUD recommended OEO use the Investigative Plan detailed in

HUD's Title VIII Handbook to improve case processing time.

Contributing Factors for Failure to Timely Investigate Complaints:

A. Case Allocation - Resources are not proportionately allocated to the workload. The OEO has five Compliance Investigative staff positions to handle both Equal Employment and Fair Housing cases. It was determined over a recent four month period that the average investigator caseload is allocated as follows: 57 percent to Equal Employment and 43 percent to Fair Housing; although, Equal Employment type cases comprise 70 percent of the cases opened at OEO. Further, OEO officials indicated that priority is given to processing Fair Housing cases over Equal Employment cases.

B. Investigative Staff Vacancies and Turnover - Information obtained from PBC Human Resources revealed there were consistently one to three investigative staff position vacancies during calendar year 2013; which computed to an average vacancy rate of 35 percent for the 12-month period. Since then, the average monthly vacancy rate for these positions increased to 43 percent for the first six months of calendar year 2014. Further, during calendar year 2013 and for the first six months of calendar year 2014, 25 percent (1 of 4) and 66 percent (2 of 3) of the separations, respectively, were within the first year of employment. A higher than normal turnover rate can lead to lower work productivity, which can have a direct impact on OEO's ability to meet its goals.

C. Lack of Written Standard Operating Procedures (SOPs) - Countywide PPM CW-O-001 *Policies and Procedures Memoranda (PPM)* 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, OEO officials indicated they do not have written procedures that outline protocols for timely and proper case handling.

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.

D. Reporting Limitations of OEO's Tracking System (CATS) - The OEO utilizes an application called Consumer Affairs Tracking System (CATS), provided by Information System Services (ISS), to maintain case notes and limited complaint information. All cases opened at OEO are entered into CATS. We determined this tracking system has several limitations as follows:

- Does not have application controls in place to help ensure the validity and accuracy of data entered into date fields.

- A lack of adequate field edits in the "date opened" field, which is utilized to query complaint information for a specified period of time. We noted instances of four-digit year transposition errors (i.e. 2031 instead of 2013) in this field, and confirmed with ISS this date field does not have a soft edit to preclude the input of an incorrect year. As a result, it was necessary to perform other reconciliations to identify complaints opened during a specified time in order to derive the accurate capturing of data for the period. A lack of validity controls in this date field may preclude the accurate capturing of future complaint information for a specified period.
- Available system-generated reports do not provide information needed, such as case aging, case history, and cases awaiting a specific action, to aid management in the handling of complaints.
- The system does not allow for the tracking of investigator time to a specific case, which makes it difficult to ascertain the exact amount of time and cost allocated to each complaint.

In response to the system's reporting limitations, OEO Management has implemented other monitoring tools through the use of spreadsheets that track cases assigned for investigation and by reviewing investigator monthly case logs.

Recommendation:

1. The OEO Director should strengthen management controls (i.e. implementation of tracking tools and reports) to ensure investigations for complaints are completed timely in an effort to obtain HUD maximum payment allowed, and

well as to meet EEOC contractual numbers.

2. The OEO Director should seek assistance from Human Resources to identify reasons for investigative staff turnover; and if necessary, implement corrective actions to retain staff needed to ensure complaints are processed timely in accordance with Federal laws, agreements and contracts, as well as local ordinances.

3. The OEO Director should develop written standard operating procedures for the prompt and appropriate handling of complaints in accordance with Federal and local requirements.

4. The OEO Director should request an enhanced software system application from Information Systems Services that facilitates accurate data input, capturing and reporting of information, and provides for meaningful reports to better assist OEO management in the monitoring, handling, and processing of complaints and charges of discrimination.

Management Comments and Our Evaluation

In responding to a draft of this report, the OEO Director agreed with the findings and recommendations. The Director stated that a review of the investigator positions by Human Resources had found the positions properly classified and at the high end of the comparable pay scales. The Director also stated that they will continue working with Human Resources. The Director also indicated that a request to the County IT department would be made to enhance the software as recommended.

We believe management's actions are responsive to our recommendations.

B. Undue Delays in Receiving Responses to Requests

Equal Employment

The *Palm Beach County Equal Employment Ordinance* states, "The respondent may file a sworn written answer to the complaint within ten (10) days of the receipt of the complaint." However, the OEO has incorporated an unwritten policy to allow 30 days for the respondent to provide a statement of their position after a complaint has been filed for Equal Employment cases. OEO officials indicated that due to the administrative remedies required for Equal Employment cases, ten days does not allow enough time for a respondent to file a sworn written answer and to provide the request for information. Further, our inquiry with the County Attorney's Office confirmed a 30-day timeframe is standard practice to allow a respondent to provide information for discovery, and that ten days is not a reasonable amount of time.

The *US Equal Employment Opportunity Commission (EEOC) State and Local Handbook*, states, "Experience shows that undue delays in responding to requests for information extends the time it takes to complete an investigation." During our review, cases were noted wherein more than one time extension was automatically granted to the respondent when requested. This action added to the number of days before OEO received a response to a request for information.

Fair Housing

The *Palm Beach County Fair Housing Ordinance*, states, "The respondent may file a sworn written answer to the complaint within ten (10) days of the receipt of the

complaint." Of 92 Fair Housing cases opened during 2013, we sampled 10 cases in which the respondent provided a sworn written answer in response to a filed complaint. Our review of these 10 cases showed 70 percent (7 of 10) of the respondents provided the requested information more than 10 days after the complaint was filed; ranging from 19 to 88 days. In addition, our review showed 100 percent (10 of 10) of the certified letters sent to these respondents to request a sworn written answer had provided for ten (10) **business** days of the date of receipt. However, the Palm Beach County Ordinance indicates a respondent may file a sworn written answer within ten (10) days, as opposed to ten business days.

Recommendations:

5. Consideration should be given to revising the County's Equal Employment Ordinance to increase the number of days, allowing for a respondent to provide requested information, to be congruent with industry practice.

6. The OEO Director should implement management controls to ensure respondents of Equal Employment complaints are not automatically granted more than the one extension allowed by the EEOC to provide requested information, which can unnecessarily add to further delays in the resolution of an Equal Employment complaint.

7. The OEO Director should revise the certified letter sent to respondents of Fair Housing complaints to reflect the number of days specified in the County's Fair Housing Ordinance.

Management Comments and Our Evaluation

In responding to a draft of this report, the OEO Director concurred with the finding and recommendations.

We believe the Director's comments are responsive to our recommendations.

C. Failure To Consistently Provide Required Written Notification To Parties

Equal Employment

The *Palm Beach County Equal Employment Ordinance* states, "If the office of equal opportunity is unable to complete the investigation within one hundred (100) days after the filing of the complaint, they shall notify the complainant and the respondent in writing of the reasons for not doing so." Of 217 cases opened during 2013, we sampled 14 cases, and of which, 7 complaints resulted in the necessity for a related investigation. Our review of these seven cases revealed 100 percent (7 of 7) of the cases were at more than 100 days of filing the complaint, and the related parties for 43 percent (3 of 7) of these cases were never notified in writing of the reason for the delay. The remaining 57 percent (4 of 7) of these cases showed a written notification was sent to the parties; however, the letters were mailed between 30 and 300 days after the 100-day thresh mark and did not include a reason for not completing the investigation within 100 days.

Although there is not a similar federal requirement to notify parties of a delay in completing an investigation within 100 days of filing an Equal Employment complaint, failure to notify the parties, in writing, could adversely impact the County's reputation.

Fair Housing

Pursuant to both the County's *Memorandum of Understanding with the Department of Housing and Urban Development* and the *Palm Beach County Fair Housing Ordinance*, the Fair Housing Division of the Office of Equal Opportunity shall notify the complainant and the respondent in writing of the reasons for not doing so if unable to complete the investigation within 100 days after the filing of a complaint.

In addition, pursuant to the *Memorandum of Understanding with the Department of Housing and Urban Development*, OEO agrees to administer the Fair Housing Act in a manner consistent with the performance standards set forth by the *24 CFR Federal Rules*, which requires written notification be provided to the parties within 110 days of the filing of the complaint; whereas, the County Ordinance is silent with regards to this requirement. Of the Fair Housing cases reviewed requiring written notification to the parties, 40 percent (2 of 5) were sent more than 110 days after the complaint was filed. Without a specified time requirement, an indefinite amount of time could pass before the parties are notified in writing of a delay in the processing of a complaint.

Recommendations:

8. The OEO Director should ensure the parties to an Equal Employment complaint are promptly notified, in writing, when OEO is unable to complete an investigation within 100 days of filing a complaint. In addition, the written notification should include the reason for not completing the investigation within the 100 day timeframe.

9. The OEO Director should ensure the parties of a Fair Housing complaint are notified within the federal required timeframe when unable to complete an

investigation within 100 days after the filing of a complaint.

10. Consideration should be given to revising the County's Fair Housing Ordinance to mirror the federal requirement to provide written notification of a delay of an investigation no later than 110 days of filing the complaint.

Management Comments and Our Evaluation

In responding to a draft of this report, the OEO Director concurred with the finding and recommendations.

We believe the Director's comments are responsive to our recommendations.

DESCRIPTION AND EVALUATION OF OEO'S PERFORMANCE MANAGEMENT PROCESS

The OEO has one overall mission statement and each of its three programs (Disability Accessibility, Equal Employment, and Fair Housing) have their own mission statement, objectives and performance measures.

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

- Evaluating the mission statements;
- Ascertaining if the objective supports and addresses all elements of the mission statements;
- Evaluating the objectives using the SMART criteria;
- Determining the relationship of the objectives to the performance measures;

- Determining how OEO defines and measures effectiveness and efficiency; and
- Evaluating the accuracy of the data gathering and reporting methodology used.

Evaluation of Mission Statements:

OEO's overall mission statement is "To promote a discrimination free quality of life for Palm Beach County residents through educating and advocating a policy of nondiscrimination and enforcement of federal, state, and local civil rights laws."

The individual mission statements for OEO's three programs are as follows:

Program	Mission Statement
Disability	Coordinates and monitors the <i>Disability Accessibility Awareness Grant Program</i> and provides services promoting and protecting the rights of disabled persons through referrals, surveys, and responses to requests for assistance. Additionally, this program disseminates information through training and outreach activities to increase the awareness of physical, attitudinal, programmatic, and service barriers throughout the County.
Equal	Receives, investigates, seeks to conciliate, and issues final determinations on

Employment	complaints of employment discrimination filed by residents of the County. Primary services include providing intake services, counseling, and referrals; providing workshops and training to employers; investigating and issuing final decisions on complaints of discrimination; and serving as a referral agency to state and federal counterparts when Office of Equal Opportunity (OEO) lacks jurisdiction or enforcement authority.
Fair Housing	Receives, investigates, seeks to conciliate, and issues final determinations on complaints of housing discrimination filed by residents of the County. Primary services include providing intake services, counseling, and referrals; providing workshops and training to housing providers; investigating and issuing final decisions on complaints of discrimination; and serving as a referral agency to state and federal counterparts when OEO lacks jurisdiction or enforcement authority.

Each of OEO's program mission statements can be linked to its overall mission statement.

Evaluation of Objectives:

OEO has eight objectives, seven being reported in the FY 2014 Annual Budget document and one objective reported internally.

Relationship Between Mission Statements and Objectives - The mission statements for the Disability Accessibility and Equal Employment Programs have one element that is not clearly supported by an objective. Moreover, the objective used by management to support these elements is reported under the Fair Housing Program.

Program/ Mission Statement Element	Objective Used	Reported Under
<u>Disability Accessibility</u>		
Disseminates information through training and outreach activities to increase the awareness of physical, attitudinal, programmatic, and service barriers throughout the County.	Set up display booths for at least eight of the projected eighteen public events and outreach activities.	<u>Fair Housing Program</u>
<u>Equal Employment</u>		
Provide workshops and training to employers.	Set up display booths for at least eight of the projected eighteen public events and outreach activities.	<u>Fair Housing Program</u>

Relationship Between Objectives and Performance Measures -

Objectives	Performance Measures	Category
<u>Disability Program</u>		

1. Disability Awareness grant funding to 5 agencies [Internally reported]	1. No. of handicapped accessibility grants to non-profit agencies.	Outcome
2. Conduct accessibility site visits within 10 days of citizens complaint	2. No. of accessibility site visits w/in 10 days of 1st contact. 3. Percentage of site visits completed w/in 10 days of complaint.	Output Efficiency
3. Issue an accessibility written report w/in 5 days after each site visit.	4. Percentage of accessibility written reports issued w/in 5 days of site visit.	Efficiency

Equal Employment Program

4. Provide employment discrimination intake services to at least 200 residents.	None	N/A
5. Successfully resolve 146 dual-filed changes of employment.	1. Charges resolved based on EEOC contract.	Outcome
None	2. Inquiries/complaints on employment issues	Demand

Fair Housing Program

6. Provide fair housing intake services to 75 residents.	1. No. of intakes received.	Demand
7. Successfully investigate 60 fair housing complaints.	2. No. of complaints investigated (HUD Contract).	Outcome
8. Set-up display booths for at least 8 of the projected 18 public events and outreach activities.	3. No. of outreach and educational events covered.	Output
None	4. No. of complaints. 5. Percentage of complaints resolved within 100 days. 6. Percent of complaints resolved verses complaints investigated (HUD Contract).	Demand Efficiency Outcome

As shown in the table above, objective 4 under the Equal Employment Program is not supported by a performance measure that specifically gauges its achievement; and the following performance measures are not linked to an established objective:

Equal Employment Program

- Inquiries/ complaints on employment issues

Fair Housing Program

- No. of complaints
- Percentage of complaints resolved within 100 days

- Percentage of complaints resolved verses complaints investigated (HUD contract)

The Categories shown in the Table above come from the FY 2014 budget document.

S.M.A.R.T. Evaluation - We used a general criteria for evaluating the 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. Our evaluation showed seven of the eight OEO's objectives satisfy the SMART criteria. Objective #4 is not specific in that its target is "at least 200 residents."

How Does OEO Define and Measure Efficiency and Effectiveness:

Efficiency - OEO has three performance measures (shown in the table above) categorized as efficiency. The Budget Instruction Manual describes an efficiency measure as one that measures either a ratio of inputs to outputs, or response time. Two of the three measures identified as efficiency for OEO (three and four under the Disability Program) are measures of response time. The third measure (five under Fair Housing) may be more of an effectiveness measure than efficiency.

Effectively, none of the efficiency measures identified in the table above would be considered traditional measures of efficiency. More traditional measures of efficiency for OEO might consider such things as the number of cases per investigator or the number of hours per case.

In addition to these measures, management indicated they

- Utilize checklists and timelines that detail what is to be done and by what date;
- Obtain and review monthly staff reports;
- Conduct individual case reviews to determine if complaints are being managed for completion within expected deadlines; and
- Evaluate case processing methodologies in an attempt to identify opportunities to streamline existing procedures.

Effectiveness - the Budget Instruction Manual identifies two categories of performance measures that may be considered as measures of effectiveness. These measure categories are Output and Outcome. Six of OEO's twelve performances measures are either Output or Outcome. However, management indicated they also perform the following to measure effectiveness:

- View system reports to ascertain the number of cases processed as compared to EEOC contracted number of cases for a contract period;
- Conduct monthly staff meetings to discuss case handling and assist in resolving any issues;
- Gauge OEO perception in the community based on feedback and completed surveys received at trainings and held events;
- Gauge quality of service provided to residents based on feedback from the community;
- Reviews investigative reports prepared by staff to ascertain the quality of the investigation; and
- Review complaints for case handling at the time a final determination is made.

In addition, the OEO Director indicated the use of surveys from complainants is in the works.

Accuracy of Data Collection for Reporting Performance Measures:

Data is collected by use of a combination of reports generated from both the HUD and EEOC systems and OEO's tracking system, as well as staff maintained spreadsheets/logs, which are then manually combined and calculated to derive the final outcomes reported to OFMB. No exceptions were noted with the accuracy of FY 2012 Actual performance measure outcomes reported to OFMB for inclusion in the FY 2014 Annual Budget Document.

Considerations for Improvement:

- 1. The OEO Director should consider developing measures for efficiency as described above to provide for a more comprehensive picture of the OEO's performance such as tracking the number of hours to process and investigate a case, which can also be utilized to ascertain associated cost.**
- 2. Each objective should be supported by a performance measure that gauges its achievement.**

Information related to performance measurements should be captured in OEO's system to allow for easy retrieval and reporting of performance data outcomes.

BACKGROUND

Palm Beach County's Office of Equal Opportunity (OEO), is a federally recognized substantially equivalent agency under the federal civil rights laws; Title VII (Equal Employment) and Title VIII (Fair Housing). The OEO receives, investigates, seeks to conciliate, and issues final determinations on complaints of discrimination in the areas of employment, and fair housing and public accommodations. The OEO has a Work Sharing Agreement with the U.S. Equal Employment Opportunity Commission (EEOC)/ Miami District Office, and a Memorandum of Understanding with the U.S. Department of Housing and Urban Development (HUD) under the Fair Housing

Assistance Program (FHAP) to provide referrals, and comprehensive and thorough investigation and conciliation activities for processing cases referred by HUD and EEOC for dual-filed complaints. Pursuant to these agreements, the OEO is required to be substantially equivalent, which means the County's discrimination ordinances must be equal or better than the related Federal Laws. Other primary services provided include intake services, counseling, referrals, and workshops and training to employers, attorneys and housing providers; as well as serving as a referral agency to State and Federal counterparts when OEO lacks jurisdiction or enforcement authority. In addition, OEO coordinates and monitors

the Disability Accessibility Program, which has received funding from handicapped parking fines through FY 2012. However due to recent changes in the State law, OEO no longer receives these funds and it is anticipated that funding for the program will be expended beginning FY 2016.

The FY 2014 approved budget for OEO is \$1.3M and includes \$267K in funding support from HUD and EEOC (20% of the budget); with the remaining budget supported by other sources including \$719K from Ad Valorem taxes. Of the \$1.3M approved budget, \$326K (25% of the budget) is related to the Disability Accessibility Program.

The last OEO internal audit report, *Office of Equal Opportunity--Equal Employment/Fair Housing and Other Programs* (Report No. 09-26), was approved by the Audit Committee on September 9, 2009; and included three recommendations that addressed (1) accumulated reserves and (2) performance measurement adequacy and accuracy. A follow-up internal audit was subsequently conducted, confirming the three recommendations were satisfactorily implemented.

AUDIT SCOPE AND METHODOLOGY

This audit of the Office of Equal Opportunity (OEO) was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were as follows: grants, program operations, effectiveness and efficiency of this operation, and controls intended to minimize fraud risk. Through interviews with OEO management and staff concerning these risk factors with respect to the agency's operations, as well as reviewing applicable County Ordinances and Federal laws, reports from prior audits and monitoring reviews, and other pertinent documentation, we selected the audit objectives cited above for detailed review and reporting.

Through interviews with OEO management and staff we developed an understanding of the procedures used for processing and

investigating both Fair Housing and Equal Employment complaints. We also discussed with the OEO Director OEO's performance management system in order to gain an understanding of this process.

The scope of our audit was for the 12-month period from January 1, 2013 through December 31, 2013; with field work conducted at the OEO Office from March 2014 through May 2014. Our audit included a review of (1) related HUD and EEOC agreements, (2) applicable County Ordinances and Federal Laws, (3) actual procedures utilized to process and investigate both Fair Housing and Equal Employment complaints, and (4) individual Fair Housing and Equal Employment case files. In addition, our review included an evaluation of OEO's performance management process for establishing

objectives and performance measures, and capturing and reporting related outcome measures. Further, in order to present a more complete picture of OEO's productivity, we gathered reports and evaluated information from calendar years 2012 and 2014 year-to-date through July 7, 2014.

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 OEO management and staff to gain an understanding of the procedures for processing complaints from initial filing to final determination, as well as to ascertain the timeliness of case processing. We obtained and reviewed the OEO's Work Sharing Agreement and current contract with the U.S. Equal Employment Opportunity Commission (EEOC), and the Palm Beach County Equal Employment Ordinance. We obtained a listing of complaints filed during the audit period with both open and closed status from which we selected a sample of Equal Employment cases, both randomly and judgmentally. Further, we reviewed the related case file and support documentation to evaluate compliance with required standards.

To answer audit objective # 2, we met with OEO management and staff to gain an understanding of the procedures for processing complaints from initial filing to final determination, as well as to ascertain the timeliness of case processing. We obtained and reviewed the OEO's Memorandum of Understanding with the U.S Housing and Urban Development (HUD) and Assistance Award, and the Palm Beach County Fair Housing Ordinance. We obtained a listing of complaints filed during

the audit period with both open and closed status from which we selected a sample of Fair Housing cases, both randomly and judgmentally. Further, we reviewed the related case file and support documentation to evaluate compliance with required standards. In addition, we obtained from HUD (1) related Payment Determinations for selected closed cases, and (2) statewide and nationwide averages for processing fair housing cases within the 100 day timeframe.

To complete audit objective # 3, we identified the mission statement for OEO, as well as the mission statements, objectives, and related performance measures for each of the three Agency programs: Disability Accessibility, Equal Employment, Fair Housing. In order to determine if significant elements of the mission statements were addressed in the objectives, we compared OEO's mission statement to the individual mission statements and objectives of each of its three programs. Next, we evaluated each of the Program's objectives to determine if they (1) met the S.M.A.R.T. criteria, (2) addressed all elements of the mission statements, and (3) were supported by at least one performance measure. In addition, we met with the OEO Director to gain an understanding of the process for capturing and reporting performance measure outcomes, as well as how efficiency and effectiveness of their operations is determined and measured. Further, we selected actual FY 2012 reported outcome measures from each of the three programs to conclude on the accuracy and reliability of the data published in the County's 2014 Annual Budget document.

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. These 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
October 8, 2014
W/P # 2014-14

ADMINISTRATIVE RESPONSE



INTEROFFICE MEMORANDUM

Office of Equal Opportunity

301 N. Olive Avenue, 10th Floor

West Palm Beach, FL 33401

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Fax: (561) 355-4932

www.pbcgov.com/equalopportunity

DATE: 2 March 2015

TO: Joseph F. Bergeron, Internal Auditor

FROM: Pamela Guerrier, Director
Office of Equal Opportunity

RE: Draft Audit Report

Palm Beach County Board of County Commissioners

Shelley Vana, Mayor

Mary Lou Berger, Vice Mayor

Hal R. Vaieche

Paulette Burdick

Steven L. Abrams

Melissa McKinlay

Priscilla A. Taylor

County Administrator

Robert Weisman

The final draft audit report regarding the *Fair Housing and Equal Employment*, has been reviewed by the Director, Office of Equal Opportunity. Based on this review, as Director, I concur with the ten (10) recommendations contained in the audit report. We plan to begin developing and or implementing the recommendations for the next fiscal year, October 1, 2015.

The recommendations as set forth in the Draft Audit Report and the Director's responses are as follows:

1. The OEO Director should strengthen management controls (i.e. implementation of tracking tools and reports) to ensure investigations for complaints are completed timely in an effort to obtain HUD maximum payment allowed, and well as to meet EEOC contractual numbers.

The Director concurs with this recommendation and will implement this tracking procedure with the reporting period beginning October 1, 2015.

2. The OEO Director should seek assistance from Human Resources to identify reasons for investigative staff turnover; and if necessary, implement corrective actions to retain staff needed to ensure complaints are processed timely in accordance with Federal laws, agreements and contracts, as well as local ordinances.

The Director concurs with this recommendation and previously requested an audit of the Compliance Investigator I and II positions from Human Resources in January 2014. However, the

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pay analysis conducted by Human Resources revealed that "when compared to the industry, Palm Beach County's pay range is highest." The Director will continue working with Human Resources.

3. The OEO Director should develop written standard operating procedures for the prompt and appropriate handling of complaints in accordance with Federal and local requirements.

The Director concurs with this recommendation and will develop written procedures beginning October 1, 2015.

4. The OEO Director should request an enhanced software system application from Information Systems Services that facilitates accurate data input, capturing and reporting of information, and provides for meaningful reports to better assist OEO management in the monitoring, handling, and processing of complaints and charges of discrimination.

The Director concurs with this recommendation and will request enhanced software system application to facilitate this recommendation with the reporting period beginning October 1, 2015.

5. Consideration should be given to revising the County's Equal Employment Ordinance to increase the number of days, allowing for a respondent to provide requested information, to be congruent with industry practice.

The Director concurs with this recommendation and will revise the Ordinance to facilitate this recommendation beginning October 1, 2015.

6. The OEO Director should implement management controls to ensure respondents of Equal Employment complaints are not automatically granted more than the one extension allowed by the EEOC to provide requested information, which can unnecessarily add to further delays in the resolution of an Equal Employment complaint.

The Director concurs with this recommendation and will implement this recommendation beginning October 1, 2015.



7. The OEO Director should revise the certified letter sent to respondents of Fair Housing complaints to reflect the number of days specified in the County's Fair Housing Ordinance.

The Director concurs with this recommendation and will implement this recommendation beginning October 1, 2015.

8. The OEO Director should ensure the parties to an Equal Employment complaint are promptly notified, in writing, when OEO is unable to complete an investigation within 100 days of filing a complaint. In addition, the written notification should include the reason for not completing the investigation within the 100 day timeframe.

The Director concurs with this recommendation and will implement this recommendation beginning October 1, 2015.

9. The OEO Director should ensure the parties of a Fair Housing complaint are notified within the federal required timeframe when unable to complete an investigation within 100 days after the filing of a complaint.

The Director concurs with this recommendation and will implement this recommendation beginning October 1, 2015.

10. Consideration should be given to revising the County's Fair Housing Ordinance to mirror the federal requirement to provide written notification of a delay of an investigation no later than 110 days of filing the complaint.

The Director concurs with this recommendation and will implement this recommendation beginning October 1, 2015.

I believe that the foregoing comments accurately address each of the recommendations as set forth in the Draft Audit Report. Please let me know if additional information is required.