

**PALM BEACH COUNTY**

# BOARD of COUNTY COMMISSIONERS

## AGENDA ITEM SUMMARY

Meeting Date: **11/17/2015**

[ X ] Consent [ ] Regular  
[ ] Public Hearing

[ X ] Consent      [   ] Regular  
[   ] Public Hearing

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 September 16, 2015 meeting as follows:
1. 2015-14 Cooperative Extension Service - Procurement to Payment
  2. 2015-15 Cooperative Extension Service - Performance Management
  3. 2015-16 Environmental Resources Management - Environmental Enhancement and Restoration
  4. 2015-17 Office of Small Business Assistance - Revenue Management
  5. 2015-18 Office of Small Business Assistance - Performance Management
  6. 2015-19 Economic Sustainability - Procurement to Payment
  7. 2015-20 Metropolitan Planning Organization - Procurement to Payment
  8. 2015-21 Metropolitan Planning Organization - Performance Management

**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 September 16, 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. The Audit Committee also reviewed and approved the proposed annual audit work plan for FY 2016 with the provision that there be further discussions in subsequent Audit Committee meetings on the methodologies used in developing the audit plan.

**Background and Policy Issues:** The Internal Audit Committee reviewed and authorized distribution of audit reports 15-14 through 15-21 at its September 16, 2015 meeting. The Audit Committee also reviewed and approved the proposed annual audit work plan for FY 2016 with the provision that there be further discussions in subsequent Audit Committee meetings on the methodologies used in developing the audit plan.

**Attachments:**

Audit reports as identified above

Joseph F. Beynon  
County Internal Auditor

10.7.15  
Date

per   
County Administrator

10/9/15  
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				
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes \_\_\_ No \_\_\_  
Budget Account No.: Fund \_\_\_ Agency \_\_\_ Org. \_\_\_ Object \_\_\_  
Program Number \_\_\_ Revenue Source \_\_\_

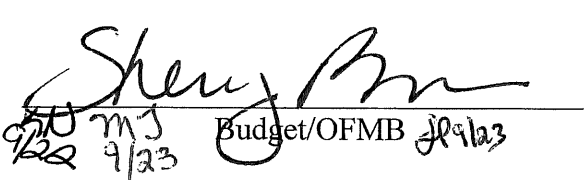
B. Recommended Sources of Funds/Summary of Fiscal Impact:

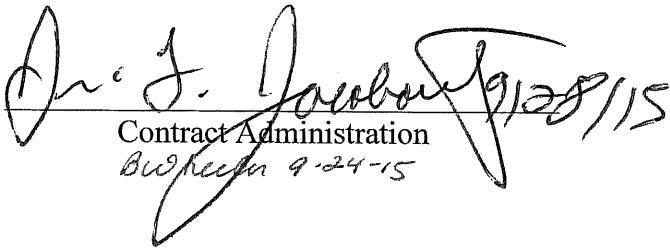
\* No fiscal impact

A. Department Fiscal Review:  
\_\_\_\_\_

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

  
9/22 m.j. 9/23 Budget/OFMB J.P. 9/23

  
Contract Administration  
Budget 9-24-15

B. Legal Sufficiency:

  
Assistant County Attorney 10/1/15

C. Other Department Review:  
  
\_\_\_\_\_  
Department Director



Office of the County Internal Auditor  
Audit Report #2015-14

**Cooperative Extension Service**

*Procurement to Payment*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED JUNE 18, 2105*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the County Extension Director ensure that internal controls designed and implemented for the procurement to payment process were adequate to ensure a

compliant and effective process for October 2014 to March 2015 in accordance with County and Departmental Purchasing Policies?

## WHAT WE FOUND

We found the County Extension Director did not ensure that internal controls designed and implemented for the procurement to payment process

were adequate to ensure a compliant and effective process for October 2014 to March 2015 in accordance with County and Departmental Purchasing Policies.

## WHAT WE RECOMMEND

The audit report makes seven recommendations to management to improve internal controls in the areas of segregation of duties, documentation for requests for payment, and petty cash.

Detailed findings and recommendations are presented in the next section.

## DETAILED FINDING AND RECOMMENDATIONS

### **Finding 1. Segregation of Duties (SOD) Controls Need Improvement**

United States General Accounting Office (GAO) Internal Control Standards, Internal Control Management and Evaluation Tool, August 2001, defines Segregation of Duties (SOD) - key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste, or fraud, and indicates the following:

- No one individual is allowed to control all key aspects of a transaction or event,
- Responsibilities and duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, review and auditing, and the custodial functions and handling of related assets," and
- Duties are assigned systematically to a number of individuals to ensure that effective checks and balances exist.

We reviewed the Procurement reports and backup documents. The population was 185 purchase orders valued at \$139,375. We judgmentally selected a sample of 18 purchase orders valued at \$30,168 for October 2014 to March 2015.

In our review of controls over the procurement to payment functions of the Department, we found that the person responsible for processing the purchase orders in the accounting system was the same person approving the procurement and entering the receiver in the accounting system. We also found, the person who physically received the goods purchased was the same person who processes orders and receivers. Based on the County's Financial Security system known as Advantage, no other CES employee has access to the financial system to review the Administrative Assistant's procurement activity. Also, there is no evidences that the Director was involved in the approval process of all 18 POs reviewed using the current County Financial System process.

There is no evidence of supervisory review of procurement purchases. With a budgeted operating expenses over \$500,000, inadequate segregation of duties can make fraud detection difficult in CES. Without adequate SOD, the risk increases for unauthorized or unnecessary purchases, excessive cost incurred, goods purchased for personal use, as well as theft, fraud or abuse. Smaller departments with resource constraints can compensate for the absence of SOD controls by implementing compensating controls

such as a periodic review by management of all completed purchases for accuracy and appropriateness. We conducted a sample inventory check of items purchased and were able to locate all sample items. Also, in our review of the segregation of duties' issue, we did not notice any instances of inappropriate purchases.

### **Recommendations:**

- 1. The County Extension Director should initiate actions to ensure:**
  - a. the person doing the physical receiving should be someone other than the person entering the receiver in the Advantage financial system.**
  - b. The person initiating the purchase orders in the Advantage financial system should be someone other than the person entering the receiver in the Advantage financial system.**
  - c. In lieu of the above action the Department Director must institute compensating controls such as periodic reviews of purchase orders for accuracy and appropriateness.**

### **Management Comments and Our Evaluation**

In replying to a draft of this audit report, the County Extension Director agreed with the finding and recommendation. The Director stated that SOD protocols had been implemented.

We agree with the actions taken by the Director and will confirm satisfactory corrective action during our routine follow-up work.

### **Finding 2. Request for Payments Submitted without Supporting Documentation**

The Government Accountability Office's (GAO) *'Policy and Procedures Manual for Guidance of Federal Agencies'* (Title 7), identifies three typical steps to ensure proper payment including 'the goods and services ordered have been delivered and accepted evidenced by a receiving and inspection report'. Title 7 identifies one of the areas where internal control should be given special attention as 'payment is initiated only after receipt and acceptance of goods and services and is authorized only after matching the type and quantities received with those on the purchase order or contract'. Backup receiving documents are to be retained to confirm the items and quantity were received.

Based on 18 POs reviewed, CES had back up receiving documents clearly indicating the items and quantity received for 11 out of 18 purchase orders (61%). There were no back up receiving documentation for seven (39%) of the purchases.

From October 2014 to March 2015, CES procured \$139,375.08 goods and services. Without the backup receiving documents (such as a packing slip) for procurements, it is difficult for CES to verify proof of delivery and justify payments for goods or services.

As of January 21, 2015, the Purchasing Department requires County Departments to maintain an internal policy and procedure for procurement of all exempt purchases. At the end of fieldwork, CES informed the Auditor that CES created a purchase procedure in 1989. The procedure is *Logistics - Ordering Supplies - PPM (CE-L-004)*. The procedure is not updated to reflect the current purchasing process using the County Financial System.

*CE-L-004* states, "request for other than normal operating supplies require Director's approval. Supplies will be received, signed for, and inspected by office Manager, Extension Director or Senior Secretary."

Without an updated documented policies and procedures, it is difficult to communicate management's expectations and processes, and to ensure consistency.

#### **Recommendations:**

- 2. The County Extension Director should require proper support to substantiate all payment requests prior to disbursement of funds.**
- 3. The County Extension Director should ensure the requestor signs the receiving document to confirm the receipt of goods and services. If there is no back-up receiving documents such as a packing slip, a confirmation notice (such as an email) should be obtained from the requestor.**

- 4. The County Extension Director should ensure that policies and procedures memoranda (PPM) relating to the procurement to payment process are up-to-date. The PPM should include procedures for reviewing, signing, and maintaining back-up receiving documents indicating the item and quantity received.**

#### **Management Comments and Our Evaluation**

In replying to a draft of this audit report the County Extension Director agreed with the finding and recommendations. The Director indicated that actions had been taken to ensure adequate documentation of receipt of goods is prepared and retained. The Director also stated that the Department's internal policy on procurement would be updated based on the recommendations in this audit.

We agree with the actions taken and planned by the Director and will confirm satisfactory implementation during our routine follow-up work.

#### **Finding 3. No Authorization and Controls Over Petty Cash Fund**

According to *Petty Cash, Change Funds, Imprest Checking Accounts & Cash Drawers (CW-F-041)*, the Department Head is authorized to act as the County Administrator's designee to establish and dissolve petty cash or change funds up to \$1,000. The County Administrator, or designee, may

approve higher limits for an individual department for a specific purpose.

Based on our review of the petty cash ledger, the petty cash balance was as high as \$1,354.00. However, there is no documentation or memo authorizing petty cash for the department according to the CES. There is no reference to an approved fund amount in CES reimbursement requests to Finance. In addition, the Clerk's office indicated that the Finance Section was unaware of CES's petty cash based on the inquiry of the Internal Auditor. The employee who inherited the petty cash in 1988 indicated she does not know the approved amount for the petty cash. Based on the Auditor's observed cash count on April 29, 2015, the balance for the petty cash was \$946.92. The establishment of petty cash without appropriate authorization can cause petty fund balance to be excessive and prevents those funds from being used for other authorized purposes.

According to *CW-F-041*, petty cash accounts in excess of \$500 should be reconciled on a monthly basis regardless of disbursement activity. Petty cash accounts of \$500 or less do not have to be reconciled monthly when there is no activity in the account. However, regardless of activity, these accounts should be reconciled quarterly. The reconciliations shall be signed by the custodian's supervisor and kept on file in the Department.

CES has not performed monthly petty cash reconciliations as required per *CW-F-041*. Since there appears to be no

authorized amount, reconciliations would not be possible since there is no amount to reconcile against. Also, there is no documentation that petty cash reconciliations have been signed by the custodian's supervisor and kept on file in the Department as required per *CW-F-041*. Without monthly reconciliation, cash shortages and overages are difficult to detect.

The Finance department reimbursed CES a total of \$3,424.53 for the months of October 2014 to March 2015. There were over 157 purchases over the same period of time. Some purchases were for small item such as a file cabinet key (\$1.97) and others for high purchases such as a honey baked ham (\$136.50). Purchases are spread throughout a given week.

During our review of the petty cash ledger we observed that the petty cash fund had deficits on two occasions (one of \$633.27 and one of \$388.50). These deficits were the result of irregular replenishments of the fund and staff members submitting reimbursement requests in excess of available cash. According to CES, it usually takes a week to 10 days to receive the reimbursement check after submitting the request. *CW-F-041* permits exception to be requested, in writing, to Finance under unusual circumstances when heavy volume in a month results in earlier depletion of the fund. Our review of the petty cash ledger also showed that, for the July 2014 to April 2015 period, one reimbursement received covered three months (total \$1,766.20), two reimbursements received



covered two months each (\$914.33 and \$1,304.25), and no reimbursements were received in four other months.

Petty Cash is easily misappropriated if business processes and internal controls are not established and enforced in accordance to the County requirement.

#### **Recommendations:**

- 5. The County Extension Director should obtain appropriate authorization for the establishment of petty cash with an approved fund amount. If the amount approved is higher than \$1000, the expenditures should be controlled through the use of an imprest checking account per CW-F-041.**
- 6. The County Extension Director should ensure that monthly petty cash reconciliations are being completed, documented, and signed by the custodian's supervisor.**

- 7. The County Extension Director should ensure that petty cash replenishment requests are submitted on a more regular and frequent basis to avoid petty cash deficits.**

#### **Management Comments and Our Evaluation**

In replying to a draft of this audit the County Extension Director agreed with the finding and recommendations. The Director will set the control limit to \$1,000. The Director also stated that he has been reconciling petty cash monthly.

We agree with the actions taken and planned by the Director and will confirm satisfactory implementation during our routine follow-up work.

## **BACKGROUND**

Palm Beach County Cooperative Extension Services (CES) serves residents of Palm Beach County by delivering research-based education, from the University of Florida/Institute of Food and Agricultural Sciences (UF/IFAS) and other research-based organizations, to individuals and organizations. The CES operates in

cooperation with IFAS. The CES offers five programs:

- Mounts Botanical Garden/ Environmental Horticulture
- Agriculture
- Agriculture Economic Development
- Family, Youth and Consumer Sciences
- 4-H

Purchases for the Mounts Botanical Garden program typically includes tropical and subtropical plants from around the world, including plants native to Florida. Services for the Agriculture includes crop management and production, regulatory and agricultural safety training to clientele, and conducting field trials to improve crop production. Agriculture Economic Development seeks to promote job creation and business growth. The Family, Youth, and Consumer Sciences provides accurate, relevant, evidence-based education in food safety and nutrition, financial sustainability, family stability, workplace wellness, and child care.

The Administrative Assistant of CES is responsible for the purchasing activities. These activities include authorization/approval, custody of assets, recording of transactions in the financial system, and reconciliations of purchases. On May 1, 2015, a new County Extension Director was appointed after the former County Extension Director retired. During Fiscal Year 2015, the total budget for CES amounted to \$2,373,290. For FY 2015, CES had a budgeted staff of 32.

CES purchases can be split into two categories: purchase orders and direct payment purchases. The charts below summarize the procurement and direct payment amounts for October 2014 to March 2015.

<b>2015</b>		
<b>Type</b>	<b>Amount</b>	<b>Transactions</b>
Purchase Orders	\$139,375.08	185
Direct Payments (GAX)	\$44,510.48	152

#### Petty Cash

The Department has a petty cash fund hand that is controlled by the CES Administrative Assistant. Petty cash is an amount on hand which is used for the emergency purchase of goods and

services, to reimburse employees for incidental expenses in the normal performance of their job. Receipts are submitted to the Administrative Assistant for reimbursement.

## **AUDIT SCOPE AND METHODOLOGY**

The audit scope for this engagement was for October 2014 to March 2015. This audit was part of the 2015 new

business process annual audit plan as approved by the Audit Committee. Audit field work was conducted in the

Department from March 2015 to May 2015.

In order to answer the audit objective, we used the Procurement to Payment matrix (Attachment 1) to evaluate effectiveness. The matrix is used to identify controls to address all activities of the procurement to payment process from original identification of the need for a good or service, the development of specifications, solicitation of providers, award to a provider, receipt of the good or service, evaluation of the provider, and payment for the good or service. A properly designed process will have control procedures to address each of the process objectives. A poorly or improperly designed process is one that fails to address one or more of the process objectives, or that has controls for an objective that would not meet the process objective working as designed. That process will be identified as having a deficiency in design. We evaluated compliance with the County and Departmental policies covering the procurement to payment process. These policies include Countywide PPM *Purchasing Policy and Procedure* (CW-L-008) and *Petty Cash, Change Funds, Imprest Checking Accounting & Cash Drawers* (CW-F-041).

We reviewed sample purchase orders, supporting documents requesting the need of the goods and services, receiving documents, invoices, and vouchers. Our methodology included a review and testing of all sample backup documentation related to the procurement transactions for both purchase orders as well as direct

payment procurements. We verified a sample inventory of items purchased.

We interviewed the CES Director, Administrative Assistant, and Program Managers regarding the submittal and approval of purchases orders. We determined if internal controls were in place to ensure compliance with all policies and procedures and reviewed segregation of duties. We reviewed internal control of the petty cash fund.

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  
June 18, 2015  
W/P # 2015-02

## ADMINISTRATIVE RESPONSE



**County Cooperative  
Extension Service**

559 North Military Trail  
West Palm Beach, FL 33415-1311  
(561) 233-1712  
Fax: (561) 233-1768  
www.pbcgov.com/coextension



**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**

Verdenia Baker

*"An Equal Opportunity  
Affirmative Action Employer"*

**DATE:** September 8, 2015  
  
**TO:** Joseph F. Bergeron  
County Internal Auditor  
  
**FROM:** Ronald Rice  
County Extension Director  
  
**RE:** Response to Audit - Procurement to Payment

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Attached are the 7 recommendations set forth by the Final Draft Audit Report – Cooperative Extension Service Procurement to Payment, and my response to each of the 7 recommendations.

Sincerely,

Ron Rice  
Director, Cooperative Extension Service  
559 N. Military Trail  
West Palm Beach, FL 33415

**Procurement to Payment Audit**  
Responses by Ronald W Rice  
Director, Cooperative Extension Service

**Finding 1. Segregation of Duties (SOD) Controls Need Improvement**

**Recommendations:**

**1. The County Extension Director should initiate actions to ensure:**

- a. The person doing the physical receiving should be someone other than the person entering the receiver in the Advantage financial system.**
- b. The person initiating the purchase orders in the Advantage financial system should be someone other than the person entering the receiver in the Advantage financial system.**
- c. In lieu of the above action the Department Director must institute compensating controls such as periodic reviews of purchase orders for accuracy and appropriateness.**

1a.

Established within several weeks of our final audit discussion, we are following SOD protocols to ensure that the person receiving the goods or services is different from the person entering the data into the Advantage financial system. Thus, goods ranging from garden plant deliveries to office supply deliveries are received by the initiator of the request, they sign the packing slip or purchase order, and this documentation is submitted to our Administrative Assistant who then enters the transaction into the Advantage financial system.

1b.

Due to our small staff size, we cannot always achieve this clear separation between the person who initiates a purchase order and the person that enters the receiver into the Advantage financial system. However, we are now ensuring that the person receiving the goods/services signs off on the appropriate documentation (purchase order or packing slip), and any supporting documentation (like an email from the initiator requesting the goods/services) is included in the final packet of documentation for that particular purchase request.

1c.

As per the protocol followed by the former Director of Cooperative Extension Service, I routinely review our purchase orders for goods/services, confer with my Administrative Assistant for any clarification I might need, and then I affix my signature and date to provide the final authorization.

## **Finding 2. Request for Payments Submitted without Supporting Documentation**

### **Recommendations:**

- 2. The County Extension Director should require proper support to substantiate all payment requests prior to disbursement of funds.**
- 3. The County Extension Director should ensure the requestor signs the receiving document to confirm the receipt of goods and services. If there is no back-up receiving documents such as a packing slip, a confirmation notice (such as an email) should be obtained from the requestor.**
- 4. The County Extension Director should ensure that policies and procedures memoranda (PPM) relating to the procurement to payment process are up-to-date. The PPM should include procedures for reviewing and maintaining back-up receiving documents indicating the item and quantity received.**

2.

Typically we receive packing slips or similar documentation that identifies the goods/services that have been requested. Unfortunately not every transaction comes with a packing slip, and in these instances, we have been requesting the vendor to provide similar documentation that identifies the details of the goods/services. Furthermore, the goods/services that are received are not officially released to the person requesting these goods/services until some kind of documentation is signed by them as having successfully received the items in full.

3.

As mentioned in #2 above, the receiver must sign for receipt of their requested goods/services. Within several weeks of our final audit discussion, we began making it a habit to also include any email documentation (from the requestor) related to the request of the goods/services in order to show the linkage between the original request, the final order that was initiated, and the receipt of the goods/services identified in that order.

4.

Frankly, I have not reviewed our internal PPM that is specific to our procurement to payment process. The results of this audit will help me craft any updates that are required of that PPM, so that our procurement to payment process is consistent with the PPM, and I will finalize that PPM by late-October 2015.



### **Finding 3. No Authorization and Controls Over Petty Cash Fund**

#### **Recommendations:**

- 5. The County Extension Director should obtain appropriate authorization for the establishment of petty cash with an approved fund amount. If the amount approved is higher than \$1000, the expenditures should be controlled through the use of an imprest checking account per *CW-F-041*.**
- 6. The County Extension Director should ensure that monthly petty cash reconciliations are being completed, documented, and signed by the custodian's supervisor.**
- 7. The County Extension Director should ensure that petty cash replenishment requests are submitted on a more regular and frequent basis to avoid petty cash deficits.**

5.

Our new internal policy is to not exceed a petty cash of \$1,000. We enacted this immediately following our final audit discussions. However, we do recognize the possibility of very brief periods of time when petty cash may exceed \$1,000 but only because of being slightly out-of-synch with reimbursements submitted to Finance when the reimbursement has not yet been made directly to the payee. These occurrences are rare, and were discussed at our final audit discussions.

6.

Immediately following our final audit discussions, I have been reconciling monthly petty cash. My Administrative Assistant has identified the first Monday of the month as the target date to make this monthly petty cash reconciliation. For these events, the Director counts all the petty cash until assured accuracy, then checks the official ledger that documents all petty cash transactions, confirms that the current day petty cash balance matches the actual petty cash count, and then the Director signs the ledger to indicate petty cash reconciliation for that month. This process is working well for us.

7.

Our intention is to make petty cash replenishment more frequent to avoid the petty cash deficits. We strive to do this monthly, but this has not yet been consistent.

End of response

Ron Rice



Office of the County Internal Auditor  
Audit Report #2015-15

**Cooperative Extension Service**

*Performance Management*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED JUNE 18, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Has the County Extension Director established a performance management system that adequately and effectively identifies, captures and reports the departmental mission statement,

objectives, and performance measures in accordance with the Budget Instruction Manual and procedures agreed to by Administration?

## WHAT WE FOUND

The County Extension Director established appropriate organizational objectives relevant to Cooperative Extension Service's mission and performance measures to achieve those objectives. However, our audit of the

Cooperative Extension Service's (CES) Performance Management Process identified areas for possible improvement as noted in the recommendations below.

## WHAT WE RECOMMEND

The audit report makes six recommendations to management to improve the Department's performance management systems and information.

Detailed observations and recommendations are presented in the next section.

## DETAILED OBSERVATIONS AND RECOMMENDATIONS

CES has established a mission statement, organizational objectives, and performance measures to achieve those objectives.

The CES's mission statement, as presented in the FY 2015 Annual Budget Document, is, *"To deliver research-based education from the University of Florida/Institute of Food and Agricultural Sciences (UF/IFAS) and the national land grant university system to the community*

*in the areas of agriculture, horticulture, human sciences, and youth development. Education initiatives are guided by local advisory committees to meet the greatest needs of the community."*

The table below summarizes the objectives and performance measures published in the County Fiscal Year 2015 budget book:

Objectives	Performance Measures	Type of Measure
<b>Administration and Information Technology</b>		
1. Increase website visits by 5% over the FY 2014 level.	1. Number of website hits	Demand
2. Maintain or increase the level of customer satisfaction reporting through the University of Florida/Institute of Food and Agricultural Sciences (UF/IFAS), comprehensive random survey measuring overall satisfaction, information accuracy, timeliness, relevance and ease of understanding.	2. Customer satisfaction percentage	Outcome
<b>Agriculture</b>		
3. Provide Continuing Education Units (CEUs) to 1,550 participants to improve food and water quality.	3. Participants earning CEU's	Outcome
4. Provide agricultural safety training to 4,000 participants to help protect farm laborers from injury.	4. Persons receiving safety training	Output

Objectives	Performance Measures	Type of Measure
<b>Mounts Botanical Garden/ Environmental Horticulture</b>		
5. Implement best management practices by 75% of the participants in the landscape, pest, garden, structural, or nursery management programs.	5. Best management practices program participants  6. Percent of participants implementing best management practices (2,312 surveyed in FY 2013)	Demand
6. Encourage contribution of 38,000 volunteer hours to the department and community by Master Gardeners and other garden volunteers.	7. Garden volunteer hours	Output
<b>Agriculture Economic Development</b>		
7. Implement business, marketing, and/or product development growth strategies by 50% of agricultural businesses receiving training.	8. Existing agri-businesses receiving development information  9. Percentage of existing agri-businesses implementing one or more business growth strategies	Demand  Demand
8. Implement 200 strategies toward establishing a business by potential ventures.	10. Strategies implemented by potential ventures toward establishing a business	Demand
<b>Family, Youth and Consumer Sciences</b>		
9. Improve participant nutrition and food buying practices through a series of classes as measured by a pre/post survey.	11. Percentage of participants with improved nutrition/food buying practices. (6,554 participants in 2013)	Outcome
10. Maintain youth participation in 4-H opportunities, including in-school and after-school enrichment; leadership; special events and camps; and service learning events.	12. Youth participating in 4-H activities	Demand

Objectives	Performance Measures	Type of Measure
11. Achieve loss of five percent of body weight by 70% of participants in the Diabetes Prevention Program (DPP).	13. Percent of DPP participants that have lost 5% of body weight.	Demand
12. Increase physical activity for at least 55% of participants in the DPP to 150 minutes per week.	14. Percent of DPP participants that have increased physical activity to 150 minutes per week.	Outcome

#### 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.

CES's mission statement expresses the "how" and "what" the Department seeks to accomplish, and who their client is, however, it does not clearly state their purpose in terms of their customer benefits. In the Annual Budget, the department's mission states, "to deliver research-based education from the University of Florida/Institute of Food and Agricultural Sciences (UF/IFAS) and the national land grant university system to the community in the areas of agriculture, horticulture, human sciences, and youth development." The mission statement is missing the purpose of the education.

According to CES's website, the purposes of delivering education are:

1. To improve the quality of human life.

2. To protect and sustain natural resources and environmental systems.
3. To help our food, fiber, and agricultural industries of Florida stay competitive

These purposes are missing in the mission statement.

A mission statement without express terms of benefit to program users does not fully communicate the benefits of the program. In addition, such a mission statement is not fully compliant with the requirements of the Budget Instruction Manual.

An example of a mission statement addressing benefit to the users is that of the Broward County Cooperative Extension which is "*to provide educational programs and access to current research data to Broward County residents, businesses and 4-H members in the areas of horticulture, leadership, and youth programs to improve the quality of home and community environments.*" The explicit benefit to the intended customer is to improve the quality of home and community environment.

### Relationship of Objectives to Mission Statement:

According to procedures agreed to by Administration, each element of the mission statement would have a related objective. Part of CES's mission statement states, "*Education initiatives are guided by local advisory committees to meet the greatest needs of the community.*"

According to CES Director, "faculty are to actively hold at least two meeting per year." CES did not establish objectives or performance measures supporting the mission statement that pertain to the local advisory committees. The advisory committee function is a key operational responsibility of the department. A missing objective for an element of the mission statement decreases the chances the organization will achieve the purposes of the organization.

### Evaluation of Objectives using the SMART criteria:

In our evaluation against the SMART criteria, we found that the overall department's objectives generally did not meet the elements of the SMART's criteria. Below is a summary of our evaluation:

- Specific: We found 2 of the 12 objectives (#s 11 and 12) were not specific. Both objectives did not specify how CES is involved in meeting the objectives. The objectives only described what the participants of the DPP program will be doing.
- Measurable: We found 2 of the 12 objectives (#'s 2 and 10) did not have

a measurable component to help the department know if it was making progress toward successful completion.

- Attainable: We found 4 out of the 12 (#s 2, 10, 11, 12) were not attainable. For objectives #2 and #10, they were not attainable because they did not have a defined measure or a defined measure component such as how much for increase. For objectives #11 and #12, we found that the department had no control or influence over the participant's dedication to meeting the goal of the DPP program.
- Realistic: Since four of the measures (#s 2, 10, 11, 12) were neither specific (clearly stated) nor measureable (quantified), we were unable to determine if the objectives were realistic.
- Time-Oriented: With the exception of objective #1, the objectives do not have a time component to them. It can be argued that since they are reported as FY 2015 objectives, they have an annual time frame.

According to CES Director, "management may have tried to be too concise when developing the objectives, but then left out some important SMART criteria during the process.

Without SMART objectives, CES will not be able to manage performance effectively. If an objective cannot be measured, then the objective cannot be reached. Specific measure indicates exactly what result is expected so that performance can be judged accurately.

Specific and measurable performance provide clear picture of performance.

### Defining Effectiveness and Efficiency

According to the Government Accountability Office (GAO) document, *Standards for Internal Control in the Federal Government*, effective operations produce the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources.

In discussing the performance measures with CES, they indicated that measures in the Annual Budget document represented measures of effectiveness for their processes. However, CES could not provide any efficiency measures used. Also, there are no efficiency performance measures in the Annual Budget Document. According to CES Director, CES never considered measuring efficiency.

Without efficiency measures, CES is unable to determine if the organization is getting the maximum quantity of output from related inputs. CES will not be able to consider whether the agencies uses the optimum amount of resources (staff, equipment, and facilities) in producing or delivering the appropriate quantity and quality of goods or services in a timely manner. Subsequent to our discussion on efficiency, CES conducted a staff meeting with faculty to develop efficiency measures. An efficiency measure that was developed indicates the average number of teaching hours per agent.

### Data Gathering and Reporting of Performance Measures

According to Government Accountability Office (GAO) document, *Government Auditing Standards*, internal control provides reasonable assurance about whether management information, such as performance measures, and public reports are complete, accurate, and consistent to support performance and decision making.

Except for the number of website hits, the data gathered for reporting of performance measures is a manual collection process. The performance measures are reported to the Budget office, and are mainly kept on spreadsheets stored in the common network drive. We verified the accuracy of the performance measures in the 2015 Annual Budget. We analyzed the agency's procedures for collecting, calculating, and reporting performance-related data to ensure these processes sufficiently support. The following descriptions illustrate how source documentation for performance measures do not support the reported data:

- #1 contained duplicate website numbers.
- #2 was conducted every three years and not on an annual basis as reported in the budget document.
- #8 and #9 were based on the Agricultural Economic Development Coordinator's estimation. The Coordinator would estimate and record the information on paper and



then enter the estimation into a spreadsheet on a monthly basis. Also, we discovered inconsistencies between measure's definitions and tracked activities. According to the Coordinator, he was tracking the number of business instead of management intended goal of the number of communications that lead to strategies implemented.

- #13 and 14 were inactive and had no supporting documentation.
- #5 and 7 contain reported numbers that did not reconcile to supporting documentation.

Performance data inaccuracies could diminish transparency and accountability and affect the quality of management decisions. Each objective has one or more associated performance measures. Based on our review, we discovered CES incorrectly categorized the following three measures as "Demand" instead of properly listing them as "Outcome":

- Percentage of existing agri-businesses implementing one or more business growth strategies.
- Strategies implemented by potential ventures toward establishing a business.
- Percent of DPP participants that have lost 5% of body weight.

Demand is operational statistics, item counts, and customers. Outcome is the end result of services, projects, and objectives.

#### Management Tools:

Management uses performance measures as tools in their decision efforts. According to the CES Director, some of their performance measures are tied to their UF/IFAS report requirements. In the reports, program managers and faculties report on their program's accomplishments of objectives. CES monitored the measures frequently on spreadsheets and also used them in their planning efforts.

#### Recommendations:

**The County Extension Director should**

- 1. restate the Department's mission statement to add the element of customer benefit to fully comply with the requirement of the Budget Instruction Manual.**
- 2. ensure that each element of the mission statement is supported by one or more objectives.**
- 3. restate each objective so as to meet all the elements of the SMART criteria.**
- 4. establish efficiency measures for programs as a monitoring function.**
- 5. ensure all measures are calculated correctly (according to objective definitions), and represented accurately in budget document.**
- 6. ensure documentation of performance measure are accurately communicated, maintained, and periodically reviewed.**

#### **Management Comments and Our Evaluation**

In replying to a draft of this audit report, the Cooperative Extension Service Director agreed with the

recommendations and observations. The Director proposed a plan for implementing the recommendations over the next few months with some actions to be implemented.

We agree with the Director's planned actions and will confirm satisfactory implementation during our routine follow-up work.

## BACKGROUND

The Office of Financial Management and Budget requires County agencies to establish objectives that set forth specific outcomes to be achieved and to identify key quantitative and qualitative performance measures. For FY 2015, the Cooperative Extension Service (CES) developed 12 objectives, 14 performance measures, and a mission statement.

Performance measures may include workload, efficiency and effectiveness (or outcome) indicators thereby providing both quantitative and qualitative information about a particular program or operational unit. The CES Director is responsible for the establishment of organizational objectives, the relevance of those objectives to the organization's mission, and the measurements used to determine achievement of those objectives.

CES monitors the measures frequently on spreadsheets stored in CES's common network drive. The Administrative Secretary to the Director gathers all the performance measures.

Program managers and faculties assist with the measurement of objectives. According to the CES Director, some of their performance measures are tied to their University of Florida's Institute of Food and Agricultural Sciences (IFAS) report requirements. CES is part of the IFAS and Palm Beach County Government. The CES offers five programs: Mounts Botanical Garden/ Environmental Horticulture; Agriculture; Agriculture Economic Development; Family, Youth and Consumer Sciences; and 4-H.

On May 24-26, 2011, the Chair of the Environmental Horticulture along with other program representatives of the CES conducted an on-site review of CES. The review offers a forum in which faculty, staff, and key stakeholders could share their views about the CES. The review team's preliminary findings were presented to the faculty, staff, CES Director, and district extension director. One of the overall strengths is Palm Beach County Extension has embraced the mission of CES to be the link between the

University and the community. Some of overall challenges were:

- Recruiting and retaining appropriate junior staff
- CES and IFAS/UF do not market themselves adequately to the constituents.

One of the prior year's accomplishment of CES was Agronomic and management information was provided to over 550 students at 22 school vegetable gardens.

## AUDIT SCOPE AND METHODOLOGY

The audit scope for this engagement was for FY October 2015 to April 2015. This audit was part of the 2015 new business process annual audit plan as approved by the Audit Committee. Audit field work was conducted in the Department from February 2015 to April 2015.

To answer the audit objective, we obtained the mission statements, objectives, and performance measures for the CES for FY 2015. 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. We evaluated the data gathering and reporting methodology to determine accuracy and reliability. We verified if performance measures were used as management tools.

### **Evaluative criteria used:**

#### From the Budget Instruction Manual (BIM):

*"The mission statement should be a concise expression of the Department's purpose and expressed in terms of benefit to the intended customer. There should be a link between the mission statement, objectives, and performance measures. For most departments, the mission should not change from year to year."* The BIM also requires department objectives. The BIM states *"Department objectives are established to set forth specific outcomes to be achieved during the upcoming fiscal year."*

From procedures agreed to by Administration:

- Mission statements would be provided at both the department level and the division level.
- Objectives would be established at both the department and division levels that support their particular mission statements. The department and division level objectives would focus on the core responsibilities of the organization.
- Objectives would meet the SMART criteria. That is, each objective would be:
  - Specific with a singular focus;
  - Measurable;
  - Attainable as part of routine operations,
  - Realistic; and
  - Time oriented with the basic assumption that the performance target established in the objective would be for the fiscal year.
- Each element of the mission statement would have a related objective.
- Each objective would have at least one performance measure.
- The performance measures would be useful or necessary tools for managing the business operations. These measures should be integral components of each unit's management information system, and not collected solely for budget reporting purposes.
- Each performance measure would focus on one of the following: effectiveness (outcome), efficiency or workload (output/demand/input/cost).
- Data gathering and reporting methodology used are reliable and accurate.
- The auditee's definitions and measures of effectiveness and efficiency are reasonable and useful.

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  
June 18, 2015  
W/P # 2015-18

## ADMINISTRATIVE RESPONSE



**County Cooperative  
Extension Service**

559 North Military Trail  
West Palm Beach, FL 33415-1311  
(561) 233-1712  
Fax: (561) 233-1768  
[www.pbcgov.com/coextension](http://www.pbcgov.com/coextension)



**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**

Verdenia Baker

*"An Equal Opportunity  
Affirmative Action Employer"*

**DATE:** September 10, 2015  
**TO:** Joseph F. Bergeron  
County Internal Auditor  
**FROM:** Ronald Rice  
County Extension Director  
**RE:** Response to Audit – Performance Management

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Attached are the 6 recommendations set forth by the Final Draft Audit Report – Cooperative Extension Service Performance Management, and my response to each of the 6 recommendations.

Sincerely,

Ron Rice  
Director, Cooperative Extension Service  
559 N. Military Trail  
West Palm Beach, FL 33415

**Performance Management Audit**  
Responses by Ronald W Rice  
Director, Cooperative Extension Service

**Recommendations:**

**The County Extension Director should**

- 1. restate the Department's mission statement to add the element of customer's benefit to fully comply with the requirement of the Budget Instruction Manual.**
- 2. ensure that each element of mission statement is supported by one or more objectives.**
- 3. restate each objective so as to meet all the elements of the SMART criteria.**
- 4. establish efficiency measures for program as a monitoring function.**
- 5. ensure all measures are calculated correctly (according to objective definitions), and represented accurately in budget document.**
- 6. ensure documentation of performance measure are accurately communicated, maintained, and periodically reviewed.**

**Introduction/Background**

As the new County Extension Director, I am in agreement with the audit findings, and recognize that we can, and should, make some improvements in our Performance Management. Although I reported on this particular Final Draft Audit Report – Performance Management at a Program Leader Meeting (I believe on June 22), I was not fully prepared to make a plan of action at that time. Thereafter, conflicting schedules with summer vacations and professional society meetings (by all staff) have limited the ability to discuss this comprehensively with Program Leaders and extension faculty.

This coming Monday September 14, we have a Program Leader meeting and we will review the audit findings and begin making progress on the auditor's recommendations.

**Recommendation #1**

**On page 3 of the Final Draft Audit Report, this statement appears:**

The CES's mission statement, as presented in the FY 2015 Annual Budget Document, is:

*"To deliver research-based education from the University of Florida/Institute of Food and Agricultural Sciences (UF/IFAS) and the national land grant university system to the community in the areas of agriculture, horticulture, human sciences, and youth development. Education initiatives are guided by local advisory committees to meet the greatest needs of the community."*



On page 5 of the Final Draft Audit Report:

The auditor indicates that the CES Mission Statement expresses the “how” and “what” CES seeks to accomplish (and also identifies the target clientele), but the Mission Statement does not clearly state the purpose in terms of the customer benefits (it is missing the purpose of the education). This conclusion appears to be related to a re-quote of the Mission Statement, but in this case, the second underlined sentence (“*Education initiatives are guided by local advisory committees to meet the greatest needs of the community*”) is missing from the re-quoted Mission Statement.

In my opinion, that second underlined sentence does strive to capture the purpose of the education mission, namely to “*address the greatest needs of the community*”. However, I agree it is a fairly generic statement, and the auditor is helpful in identifying more specific concepts that would make the Mission Statement more robust.

Based on the above discussion, the following is my initial draft revision of our CES Mission Statement, which seeks to more specifically identify our targeted clientele and overall benefits (underlined) of our extension efforts:

*To deliver research-based education from the University of Florida/IFAS and the national land grant university system to Palm Beach County citizens, organizations, and businesses engaged in agriculture, horticulture, human sciences, and youth development. Local advisory committees identify areas of greatest community need, which guides our educational programs to identify practical and impactful solutions for Palm Beach County that improves home life quality for our citizens, protects our water resources and the environment, and enhances the competitiveness of our agricultural industries.*

### **Monday September 14, 2015**

I will introduce this draft revision of our CES Mission Statement to our CES Program Leaders (Agriculture, Environmental Hort, Ag Economics, 4-H Youth Development, and Family & Consumer Sciences) for their review and input.

### **Monday September 28, 2015**

Based on Program Leader input, we will submit our final draft Mission Statement for review by the auditor on September 28.

### **Recommendation #2**

Once our Mission Statement is finalized on September 28, CES can then methodically review our Performance Objectives to ensure that each addresses some key aspect of the Mission Statement. I suggest we (Director with Program Leaders) be allowed 1 month to re-evaluate our Performance Objectives and, where appropriate, re-write specific Performance Objectives to be more consistent with SMART criteria and/or develop new Performance Objectives that are consistent with our current educational priorities. Thus, we hope to have this finalized circa October 28, 2015.

### **Request (Performance Management Training):**

Although short notice, I am requesting that the Auditor offer our staff an in-service Performance Management Training program that will help us better understand the different “flavors” of Performance Measures, which include concepts like effectiveness (outcome) vs efficiency vs workload (which apparently includes “sub-flavors” like output, demand, input, and cost). An explanation of the logic model linkage between Mission Statement and Objectives and Performance Measures is also important. Without a full understanding of these nuances, we will find it difficult to effectively evaluate and, if necessary, re-tool our Performance Objectives. If this training can occur, we hope the timing of this training is consistent with our intention to finalize Performance Objectives circa October 28, 2015.

### **Recommendation #3**

The FY 2015 Annual Budget Document lists 12 Objectives for CES (which capture 14 Performance Measures). The auditor’s evaluation of our 12 Objectives indicates that some CES Objectives are lacking elements of SMART criteria.

#### **Objectives 11 and 12 (Performance Objectives 13 and 14)**

These will likely be deleted since they relate to the Diabetes Prevention Program (DPP) which was a grant-driven project and that grant is now terminated.

#### **Objective 2 (Performance Measure 2)**

This Objective does indeed reflect a University of Florida/IFAS survey event that they conduct on our behalf every 3 years. Although I recognize that inclusion of these survey data suggests this is an annual event, to not include these survey results would be a significant loss of information related to CES performance with our target clientele. We ask that we continue to report these survey results under Objective 2 since the information is within the spirit of documenting CES performance.

#### **Remaining Objectives**

These will be reviewed at the Program Leader meeting on Monday September 14, options for revisions will be discussed, and the Final Draft Audit Report – Performance Management will be reviewed as well. To the best of my ability, my intention is to emphasize the importance of using SMART criteria. There is a possibility that several new Objectives and/or Performance Measures will need to be considered, ones that better reflect current educational efforts by CES faculty.

To finalize these efforts by October 28, the aforementioned request for an in-service Performance Management Training program would be very helpful to us. One of my greatest concerns is to initiate an effort that leads to new Objectives or Performance Measures that might satisfy SMART criteria but are in fact very burdensome to document, thus this entire effort needs to be strategically approached so that we develop evaluation criteria that are helpful to us and not burdensome to us.

**Recommendation #4**

Comments from Recommendation #3 apply here as well. Since the Final Draft Audit Report – Performance Management indicates that CES has never considered measuring “efficiency”, it would be helpful for us to receive a thorough explanation of this concept so that we can figure out how to incorporate “efficiency” in a realistic and practical manner in our Performance Measures.

**Recommendation #5**

We will strive to calculate our Performance Measure data correctly/accurately. Any inconsistencies that may have occurred in the past should be reconciled once we finalize our Performance Measures with SMART criteria, with the caveat that whatever data collection is required to document these Performance Measures are data that can be collected in a practical and helpful manner and are not burdensome or confusing to collate.

**Recommendation #6**

The Director will institute a monthly review of all Performance Measure data reporting (typically on Excel spreadsheets organized by the Executive Secretary). This monthly time schedule feels a bit burdensome at present, but with our intentions to re-visit and/or re-articulate our Objectives, Performance Measures, and enforce SMART criteria, the best approach is for frequent review in order to ensure that the “system” is working for us.

End of response

Ron Rice  
Director, Cooperative Extension Service



Office of the County Internal Auditor  
Audit Report #2015-16

**Environmental Resources Management**  
*Environmental Enhancement and Restoration*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED JULY 29, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

- |   |  |
|---|--|
| 1. Did the Environmental Enhancement & Restoration Division Director ensure management controls were implemented to effectively monitor contractual compliance activities pursuant to County and Departmental PPMs? | Division Director ensure management controls were implemented to effectively monitor and report contractual, permitting, and grant compliance activities pursuant to County agreements, permitting conditions, and grantor requirements? |
| 2. Did the Environmental Enhancement & Restoration  |  |

## WHAT WE FOUND

The Environmental Enhancement & Restoration Division Director ensured management controls were implemented to effectively monitor contractual compliance activities pursuant to County and Departmental PPMs; as well as to monitor and report contractual, permitting, and grant compliance activities pursuant to County agreements, permitting

conditions, and grantor requirements. In addition, during the course of our fieldwork we noted certain matters that did not rise to the level of a finding, but that we felt should be communicated to management. A management letter has been issued to the Department Director identifying these matters for informational purposes only.

## WHAT WE RECOMMEND

The audit report contains no findings or recommendations.

## DETAILED FINDING AND RECOMMENDATIONS

None

## BACKGROUND

The Environmental Resources Management (ERM) Department's (Department) mission is to establish, maintain, and implement programs for the protection, preservation, and enhancement of the land and water resources of Palm Beach County. The Department is organized into five operating divisions. The Finance & Support Services Division provides finance and support services to the Department's four program divisions: Environmental Enhancement and Restoration, Natural Resources Stewardship, Mosquito Control, and

Resources Protection.

The Department operates with 114 staff positions and 32 student/ on-call positions, and an approved operating budget of \$39 million for Fiscal Year 2015.

The Environmental Enhancement & Restoration (EER) Division (Division) enhances and restores the natural resources, and restores and maintains the coastline of Palm Beach County. EER is comprised of two program sections: Shoreline Management and

Marine/Estuarine, which are responsible for the construction and monitoring of major shoreline restoration, estuarine habitat, and artificial reef projects. In addition, the Division manages the Lake Worth Lagoon Initiative and the Sea Turtle Protection Program. In order for the Division to implement the Coastal and Conservation elements of the County's Comprehensive Plan, the following Management Plans were developed: Shoreline Protection, Chain of Lakes, and Lake Worth Lagoon. These plans provide guidance on the scope and objectives of the projects constructed in these areas. The Division receives funding support for its projects in the form of grants from the State and the Federal government, and from tourist

development taxes and vessel registration fees.

The EER operates with a staff of 16 staff positions and 14 student/ on-call positions; and according to the Finance & Support Services Division, as of March 2015, a current modified operating budget of \$13 million and a capital budget of \$21 million for Fiscal Year 2015.

The last internal audit report (Report No. 2010-02) resulted in a written audit recommendation related to the Sea Turtle Protection Program, and a follow-up review was conducted during 2011 that concluded corrective action was implemented by the Division.

## **AUDIT SCOPE AND METHODOLOGY**

This audit of the Department's EER Division was selected as a result of our annual risk assessment of County department operations. The risk factors identified in the assessment were as follows: contracts, size of operations, operating revenues, effectiveness and efficiency of this operation, and controls intended to minimize fraud risk. Through interviews with both Department and Division management and staff concerning these risk factors with respect to the Division's operations, as well as our review of related Countywide and Departmental

PPMs and other pertinent documents, we selected the audit objectives cited above for detailed review and reporting.

The scope of our audit was for the period from October 1, 2013 through March 1, 2015; with field work conducted at ERM's Administrative Offices from March 2015 through May 2015. Our audit included an evaluation of management controls in place to adequately monitor and report on project related contractual, permitting, and grant activities for the Division's environmental construction projects, as

well as to ensure compliance with applicable County and Departmental PPMs.

Through tours of project construction sites and interviews with EER management and staff, we developed an understanding of the procedures and management controls in place for ensuring the Division's construction projects are monitored and completed in accordance with related contractual, permitting, and grantor agreements, as well as Countywide and Departmental policies and procedures.

In order to ascertain the effectiveness of existing management controls for monitoring and reporting contractual, permitting, and grant compliance activities, we randomly selected three environmental construction projects with activity during the audit period. More specifically, we selected two out of a total of seven projects under the Marine/ Estuarine section and one out of a total of seven projects under the Shoreline Management section to evaluate both audit objectives.

For each project selection, we obtained related construction contracts, work orders, grant agreements, and permits to identify significant reporting requirements and conditions; as well as reviewed County and Departmental PPMs related to construction contracts and grants administration. In addition, we obtained and reviewed related pertinent documentation for monitoring and reporting project activities.

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 reviewed Countywide and Departmental PPMs pertaining to construction contracts and identified significant requirements for contractual activities. We met with EER management and staff, as well as management and staff outside the Division that provide support, to gain an understanding of established procedures for ensuring projects are completed in accordance with these PPMs. We obtained a listing of environmental construction projects under both sections of the Division, and made random selections for our review. In addition, we requested related annual construction contracts, work orders and supplements, and payment applications associated with each of the project selections to evaluate contractual activities, and confirm applicable approvals and issuance in accordance with PPM requirements.

To answer audit objective # 2, we reviewed associated contractual agreements, grant agreements and regulatory agency permits to identify significant monitoring and reporting requirements; as well as met with EER management and staff, as well as management and staff outside the Division that provide support, to gain an understanding of existing procedures for monitoring and reporting contractual, permit and grant



compliance activities. We requested related project documentation to evaluate the effectiveness of the Division's procedures for ensuring project compliance with related agreements and permitting conditions.

In addition, we reviewed related (1) grant agreements and documents to evaluate the timeliness of EER's grant reporting and reimbursement request submissions and (2) payment applications to ascertain the adequacy of departmental reviews and approvals prior to payment issuance. Also, we further reviewed contractual agreements to identify contractor requirements for complying with permitting conditions, submission of reports, project completion deadlines, as well as obtained and reviewed related project documents (i.e. contractor submitted reports and documents, ERM Field reports) in order to evaluate the effectiveness of the Division's procedures for monitoring and tracking contractor compliance for reporting and performance.



Joseph F. Bergeron, CPA, CIA, CGAP  
Internal Auditor  
July 29, 2015  
W/P # 2014-06

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.



Office of the County Internal Auditor  
Audit Report #2015-17

**Office of Small Business Assistance**

*Revenue Management*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED AUGUST 11, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Has the Office of Small Business Assistance Director implemented internal controls that ensure that:

- fees for services are appropriately established and assessed;
- revenues collected are appropriately secured, deposited and recorded; and
- periodic reconciliations between internal records and the accounting system are made, for Fiscal Year 2015 in accordance with County and Office policies?

## WHAT WE FOUND

Except for the finding and recommendations described below, the Office of Small Business Assistance Director implemented internal controls that ensure that:

- fees for services are appropriately established and assessed;
  - revenues collected are appropriately secured, deposited and recorded; and
  - periodic reconciliations between internal records and the accounting system are made, for Fiscal Year 2015 in accordance to County and Departmental policies.
- We noticed a condition that, while not rising to the level of a finding, we believed should be communicated to management. A memorandum communicating this item has been provided to the Director.

## WHAT WE RECOMMEND

The audit report two recommendations for improving internal controls over revenue management primarily addressing determination of appropriate fees including establishing

an appropriate fee base and calculation methodology.

Detailed findings and recommendations are presented in the next section.

## DETAILED FINDING AND RECOMMENDATIONS

### **Finding - The OSBA Fee Structure Needs to be Updated**

Based on the County Annual budget, only 4% of OSBA's total budget is recovered from service fees, while the remaining differences (96%) is funded from Ad Valorem. OSBA's total budget has increased from \$786,636 in 2013 to \$868,185 in 2015 (10% increase) while the certification fee schedule has remained the same. The fee schedule was last updated in 2009. According to *Agenda Item #6A-1* (November 18, 2008), the Board approved the processing of certification, modification of certification, and re-certification application in the amount of \$150 effective January 1, 2009.

We requested OSBA provide a cost analysis to detail what makes up the

\$150 fee. OSBA was unable to provide documentation. Internal Audit estimated the costs for these services to determine if the current fee covers the current cost of providing the service. We estimated the cost for the certification services by calculating an hourly rate for the staff assigned to perform the service and using an estimate of the total time to conduct the necessary staff review provided by the Manager. (See Attachment 2 for details).

We calculated the cost as \$721.88. The current fees are \$150 for regular processing time and \$300 for expedited time. Differences between our calculated costs and the current fees are \$571.88 for a regular processing and \$421.88 for expedited processing.

The Board authorized OSBA to adjust the certification fee schedule annually based upon the Consumer Price Index (CPI). If the fee schedule had been adjusted based on changes to the CPI, the current fee for regular processing would be \$166.85. (Calculation derived from CPI Inflation Calculator on Bureau of Labor Statistics web site.)

Failure to set an appropriate fee schedule cuts into OSBA potential revenue stream. A periodic review of OSBA's costs and fee schedule would allow OSBA to maintain an appropriate balance between costs passed on to program participants and costs absorbed by the general government.

#### **Recommendations:**

**The Director should**

- 1. Work with the Office of Financial Management and Budget to determine the appropriate fees for providing certification,**

**modification, and recertification services; and**

- 2. Ensure the calculations supporting the fee schedule are maintained and reviewed on an annual basis to determine if fee schedule should be adjusted based on either changes in the Consumer Price Index or changes in the OSBA cost structure.**

#### **Management Comments and Our Evaluation**

In responding to a draft of this audit report, the OSBA Director agreed with the finding and recommendations. The OSBA Director agreed to work with OFMB on updating the fee structure but felt that no major fee increases were likely pointing out that small businesses are sometimes faced with challenges to pay the current \$150 fee. We agree with OSBA's intention to update the fee structure to the extent feasible in the industry.

## **BACKGROUND**

The Office of Small Business Assistance (OSBA) is responsible for monitoring conditions affecting small businesses within the marketplace that can provide goods and services to Palm Beach County, thus creating an environment that encourages the growth and

development of small businesses in Palm Beach County. OSBA is a division of County Administration. Vendors must complete an application for consideration for certification as a Small Business Enterprise (SBE) with Palm Beach County's OSBA.

The advantage of being a certified vendor is a minimum of 15% of every Palm Beach County bid must be awarded to a certified Palm Beach County small business. Additionally, certified vendors are listed in the OSBA on-line directory, which can be a useful marketing tool. A non-refundable processing fee of \$150.00 must accompany the application. If approved, certification will be granted for a term of three years. A business must apply for recertification every three years. On July 1, 2013, the Board of County Commissioners approved a \$300 fee schedule for the expedited processing of certification, modification of certification, and re-certification.

For FY 2015, the budgeted revenue for OSBA amounted to \$35,000. OSBA had a total FY budgeted of \$868,185 and a staff of seven. As of July 9, 2015, OSBA collected \$25,457.43 of revenues. The Administrative Secretary is the custodian of all revenue received by the OSBA. The Administrative Secretary will date stamp, review and process all requests that generate revenue for the OSBA with 48 hours of receipt. Upon receipt of payment (for certification, re-certification, modification, or records requests), the Administrative Secretary will forward the payment to the Clerk & Comptroller Finance Department and will note the budget account associated with the transmittal with 48 hours of receipt.

## **AUDIT SCOPE AND METHODOLOGY**

The audit scope for this engagement was for October 2014 to May 2015. This audit was part of the 2015 new business process annual audit plan as approved by the Audit Committee. Audit field work was conducted in the Division in June 2015.

In order to answer the audit objective, we used the Revenue Management matrix (Attachment 1) to evaluate effectiveness. The matrix is used to identify controls to address identification of the items that will be sold or charged to our customers, the

individual pricing points for those items, the collection of payment for those items, depositing the receipts, recording the revenue activity in the accounting system, safeguarding the receipts from the time of receipt through time of deposit, and reconciling internal records of receipts to the accounting system. A properly designed process will have control procedures to address each of the process objectives. A poorly or improperly designed process is one that fails to address one or more of the process objectives, or that has controls for an objective that would not meet the

process objective working as designed. That process will be identified as having a deficiency in design. We evaluated compliance with the County and Office policies covering the revenue management process. These policies include Countywide PPM *Reconciliation of Departmental Accounting Records to the County's Financial System Records* (CW-F-017) and Division's PPM *Revenue Collection* (OSBA-F-005).

We obtained and reviewed the OSBA's fee schedule. We interviewed the Director, Manager, and Small Business Development Specialist to become familiar with the revenue functions performed by the Division. We reviewed controls and processes used to manage them. Our methodology included the review and testing of revenue documentation, related transactions for to the certification, modification, re-certification, and expedited applications. Our review and testing included using analytical procedures applied to the audit period.



Joseph F. Bergeron, CPA, CIA, CGAP  
Internal Auditor  
August 11, 2015  
W/P # 2015-38

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.

## Attachment 1

### Business Process Objectives and Controls Worksheet Revenue Management Process

This process covers identification of the items that will be sold or charged to our customers, the individual pricing points for those items, the collection of payment for those items, depositing the receipts, recording the revenue activity in the accounting system, and safeguarding the receipts from the time of receipt through time of deposit.

<b>Objectives</b>	<b>Business Process Controls Addressing the Objective</b>
1. Identify goods and services that will be provided for a fee.	
2. Determine appropriate bases for fees or charges.	
3. Establish fees in conformance with above policies.	
4. Impose fees in accordance with established fee schedules.	
5. Determine appropriate solicitation method	
6. Reconcile internal records of receipts to the accounting system.	



Attachment 2

<b>Total Annual Hours per person</b>	2,080
<b>Holidays (12 per year)</b>	100
<b>Vacation (20 days per year)</b>	160
<b>Sick Time</b>	100
<b>Training</b>	16
<b>Administrative</b>	200
<b>Compliance (Bid) Site Visit</b>	60
<b>Billable hours (rounded)</b>	1,760
<b>Billable hours</b>	1,760
<b>Times: # of FTE 4 staff &amp; 1 manager</b>	5
<b>Hours (FTE * Billable Hours)</b>	8800
<b>Less (Manager's Indirect Time) (90%)</b>	1584
<b>Adjusted Hours</b>	7216
<b>FY 2015 OSBA Budget (Cost Center)</b>	\$868,185
<b>Adjusted Hours</b>	7,216
<b>Calculated Rate (Cost Center Budget/ Adjusted Hours)</b>	\$120.31

<b>Calculated Rate</b>	\$120.31
<b>Estimated hours to process certification application (including site visit if necessary)</b>	6
<b>Calculated Fee</b>	\$721.88

<b>Board Approved Regular Fee (2009)</b>	\$150.00	
<b>Board Approved Expedite Fee (2013)</b>		\$300.00
<b>Calculated Fee</b>	\$721.88	\$721.88
<b>Excess of Cost over Fee</b>	\$571.88	\$421.88

## ADMINISTRATIVE RESPONSE



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Steven L. Abrams

Melissa McKinlay

Priscilla A. Taylor

**County Administrator**

Verdenia C. Baker

*An Equal Opportunity  
Affirmative Action Employer*

## INTER-OFFICE MEMORANDUM

**Date:** August 31, 2015

**To:** Joseph Bergeron  
County Internal Auditor

**From:** Tonya Davis Johnson, Director  
Office of Small Business Assistance

A handwritten signature in blue ink, appearing to read "Tonya Davis Johnson".

**Re:** Response to Final Draft Audit Report

**Recommendations:**

1. **The Director should work with the Office of Financial Management and Budget to determine the appropriate fees for providing certification, modification, and recertification services; and**

**Response:** I concur however; industry standards do not support a fee of \$721.88. Small businesses are sometimes faced with challenges to pay \$150 and setting a higher processing fee may result in decreased certifications.

2. **Ensure the calculations supporting the fee schedule are maintained and reviewed on an annual basis to determine if fee schedule should be adjusted based on either changes in the Consumer Price Index or changes in the OSBA cost structure.**

**Response:** I concur and will ensure the calculations supporting the fee schedule are maintained and reviewed on an annual basis to determine if fee schedule should be adjusted based on either changes in the Consumer Price Index or changes in the OSBA cost structure.

Should you require anything further, please contact me at your first opportunity.

TDJ/sle



Office of the County Internal Auditor  
Audit Report #2015-18

**Office of Small Business Assistance**

*Performance Management*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED AUGUST 11, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Office of Small Business Assistance Director establish a performance management system that adequately and effectively identifies, captures and reports the Division's

mission statement, objectives, and performance measures in accordance with the Budget Instruction Manual and procedures agreed to by Administration?

## WHAT WE FOUND

The Director established a performance management system that, in general, adequately and effectively identifies, captures and reports the Division's mission statement, objectives, and performance measures in accordance with the Budget Instruction Manual and procedures agreed to by Administration. However, as noted in

our observations and recommendations below, there are improvements that are necessary to bring the Division's performance management system into full compliance with the Budget Instruction Manual and procedures agreed to by Administration.

## WHAT WE RECOMMEND

The audit report six recommendations for improving the Department's performance management systems focusing on:

- developing objectives that support all elements of the mission statement and address the key operational responsibilities of the Department;

- Restating objectives to comply with the SMART criteria; and
- Improving performance measures being used.

Detailed observations and recommendations are presented in the next section.

## DETAILED OBSERVATIONS AND RECOMMENDATIONS

OSBA has established a mission statement, organizational objectives, and performance measures.

The OSBA's mission statement, as presented in the FY 2015 Annual Budget Document, is, *"to provide County departments and small businesses with excellent customer service, professional assistance, and technical responsiveness to promote the economic growth, expansion,*

*and increased productivity of small business enterprises in Palm Beach County in accordance with established compliance policies and guidelines."*

The table below summarizes the objectives, performance measures, and type of measures published in the County Fiscal Year 2015 budget book:

Objectives	Performance Measures	Type of Measure
1. Enhance and improve the reporting of S/M/WBE utilization.	1. Number of certified SBE	Outcome
	2. Number of new SBE businesses certified	Outcome
	3. Number of existing SBE businesses recertified	Outcome

	4. Number of total SBE applications received 5. Percentage of eligible recertification processed	Outcome  Outcome
<b>Objectives</b>	<b>Performance Measures</b>	<b>Type of Measure</b>
2. Identify and provide professional development training for all staff	<b>None</b>	
3. Sponsor and/ or participate in 36 outreach events in FY 2015	6. Number of outreach events	Outcome
4. Provide access to small business development training to start-up and existing businesses.	<b>None</b>	
5. Develop and implement 2nd Annual Small Business Week activities to be held in May in PBC to include workshops and seminars for local small businesses.	<b>None</b>	
6. Renew interest and participation in the PBC Banking Consortium, which was developed to provide unique financial services to local businesses certified as Small Business Enterprise (SBE)	<b>None</b>	
<b>None</b>	7. Number of compliance reviews completed	Demand
<b>None</b>	8. Revenue generated	Outcome
<b>None</b>	9. Percentage of compliance reviews completed within 15 days	Efficiency
<b>None</b>	10. Number of site visits conducted	Input

## I. 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. OSBA'S mission statement clearly states the benefit to the intended customer. The intended customers are businesses. The benefits are economic growth, expansion, and increase productivity.

## II. RELATIONSHIP OF OBJECTIVES TO MISSION STATEMENT:

Key or significant elements of the Division's mission statement are as follows:

1. To provide County departments and small businesses a variety of services.
2. To promote economic growth of small businesses.
3. To comply with established policies and guidelines.

Mission statement element 1 above includes "*excellent customer service, professional assistance, and technical responsiveness,*" as the specific services identified. OSBA did not establish objectives pertaining to the mission statement that addresses the "excellent customer service" and "technical responsiveness." Customer service and technical responsiveness are key operational responsibilities of the division. Technical responsiveness includes OSBA's compliance reviews

and monitoring to ensure that the County fulfills its annual goal of 15% SBE participation on county procurement of construction, professional services and commodities.

Failure to comply with the SBE requirements of an awarded contract may result in suspension or debarment of the firms or individuals involved. A missing objective for an element of the mission statement decreases the chances the organization will achieve the purposes of the organization.

### Recommendation:

1. **The Director should establish objectives that support each element of the mission statement focusing on key operational responsibilities of the Department.**

## III. EVALUATION OF OBJECTIVES USING THE SMART CRITERIA:

According to procedures agreed to by Administration, objectives would meet the SMART evaluation criteria. In our evaluation, we found that the overall division's objectives generally did not meet the elements of the SMART's criteria.

### Objectives did not meet SMART criteria

Below is a summary of our evaluation:

- Specific: We found 4 of the 6 objectives (#s 1, 2, 3, and 6) were not specific. They were either not singularly stated or lacked a target performance element. For example, objective 1 is to both "enhance" and "improve" reporting, which are two



different activities and therefore are not singularly stated. Objective 2 is to increase the number of certified SBEs. There is no target performance element for this objective. Arguably, an increase of one certified SBE would satisfy the objective. The objective should set an expected level of performance such as a 5% increase or an increase of 100 vendors.

- Measurable: We found 3 of the 6 objectives (#'s 1, 4, and 6) did not have a measurable component to help the division know if it was making progress toward successful completion. For example, what is the target amount OSBA wants to enhance the reporting of S/M/WBE utilization (objective 1), or how much access is to be provided (objective 4)? Further, we believe that objective 4 could be a "yes/no" situation rather than a numeric measure.
- Attainable: We believe that all of the objectives are theoretically attainable. However, we believe that those objectives without either sufficient specificity or measurable elements will be problematic in measuring achievement. Accordingly, we found 4 out of the 6 objectives (#s 1, 2, 4, and 6) were not attainable. For the objectives, they were not attainable because they did not have a defined measure or a defined measure component such as how many professional training class.
- Realistic: Since four of the measures (#s 1, 2, 4, and 6) were neither specific (clearly stated) nor

measurable (quantified), we were unable to determine if the objectives were realistic.

- Time-Oriented: With the exception of objective #3, the objectives do not have a time component to them. It can be argued that since they are reported as FY 2015 objectives, they have an annual time frame.

However, we noted that the table of performance measures in the annual budget document included projected activity or result levels for each measure. Some of the deficiencies in the presentation of the objectives can be resolved by revising them to include the performance statistic projected for the budget year. For example, the lack of specificity for objective 2 could be addressed by restating the objective as follows: "Increase the number of certified SBEs by 25 during FY 2015."

Without SMART objectives, OSBA will not be able to manage performance effectively. If an objective cannot be measured, then the objective cannot be reached. Specific measures indicate exactly what result is expected so that performance can be judged accurately. Having specific and measurable objectives provide a clear picture of performance.

### **Recommendation:**

- 2. The Director should restate each objective so as to meet all the elements of the SMART criteria.**

#### IV. DEFINING EFFECTIVENESS AND EFFICIENCY

According to the Government Accountability Office (GAO) document, *Standards for Internal Control in the Federal Government*, effective operations produce the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources.

In discussing the performance measures with OSBA, the Director considers some of their existing objectives and performance measures as good measures of effectiveness and efficiency. OSBA defines effectiveness as an ability to accomplish stated goals (i.e. increasing number of certified/recertified vendors; number of completed compliance reviews, number of outreach events sponsored or participated). Effectiveness is also measured by the increased utilization and participation of SBE in the Palm Beach County procurement process. OSBA defined efficiency as performing duties to the best of their abilities utilizing acquired skills, knowledge and industry experience. Efficiency in OSBA is measured by the number of applications, evaluations, site visits and compliance reviews processed per specialist.

#### V. DATA GATHERING AND REPORTING OF PERFORMANCE MEASURES

According to Government Accountability Office (GAO) document,

*Government Auditing Standards*, internal control provides reasonable assurance about whether management information, such as performance measures, and public reports are complete, accurate, and consistent to support performance and decision making.

##### Performance Measure Irrelevant to Objective

Objective one is to *enhance and improve the reporting of S/M/WBE utilization*. OSBA lists five performance measures for objective one. However, the performance measures do not address enhancing or improving reporting, they are measures of activity. For example, one of the performance measures for objective 1 is the *number of certified SBE*. The listing of statistics for certified SBE does not enhance or improve utilization. The number of certified SBE does not provide the reader with an understanding of how it is used to assess the reporting of S/M/WBE. Performance measures that are not designed to be relevant to the objective will not assess whether the objective is achieving the desired result or benefit.

##### Missing Supporting Documentation

Every calendar year, OSBA issues an annual certification report. Performance measures are reported to the Budget office, and most of OSBA's performance measures are tracked in the OSBA's Vendor Certification Database. Some are kept in the manual compliance review folders. We discovered that performance measures for:

- #5 had no supporting documentation,
- #9 was not being captured periodically as a management tool. OSBA does not calculate the number of day it takes compliance reviews to be completed.
- #10 needs to distinguish between the two site visits. There are site visits for monitoring contracts and there are site visits for SBE certification. Performance measure #10 showed number for just SBE certification.

These performance measure issues could diminish transparency and accountability and affect the quality of management decisions.

#### Missing Performance Measures

According to procedures agreed to by Administration, each objective would have at least one performance measure. Objectives 2, 4, 5 and 6 do not have performance measures. An objective without a performance measure will be difficult for OSBA to monitor the progress of the objective.

#### Inaccurate Measurement Type

Based on our review, we discovered OSBA incorrectly categorized the following two measures as “Outcome” instead of properly listing them with the correct measure type:

- Number of total SBE applications received (Demand)
- Percentage of eligible recertification processed (Output)

Demand is operational statistics, item counts, and customers. Outcome is the end result of services, projects, and objectives. Output is units produced, services delivered. An inaccurate measure makes the result susceptible to misunderstanding.

#### **Recommendations:**

**The Director should ensure:**

- 3. Performance measures are relevant to their respective objectives.**
- 4. Documentation of performance measures are properly maintained and periodically reviewed as management tools.**
- 5. Each objective has at least one performance measure.**
- 6. Performance measures are represented accurately in budget document and are relevant to their respective objectives.**

#### **Management Comments and Our Evaluation**

In replying to a draft of this audit report, the OSBA Director agreed with our observations and recommendations indicating that these changes would be implemented during the FY 2017 budget development cycle and that they would begin reviewing their current objectives and measures in advance of the required budget development dates. We agree with the actions planned by the OSBA Director.

## BACKGROUND

The Office of Financial Management and Budget requires County agencies to establish objectives that set forth specific outcomes to be achieved and to identify key quantitative and qualitative performance measures. For FY 2015, Office of Small Business Assistance (OSBA) developed 6 objectives, 10 performance measures, and a mission statement. OSBA is a division of County Administration.

Performance measures may include workload, efficiency and effectiveness (or outcome) indicators thereby providing both quantitative and qualitative information about a particular program or operational unit. The OSBA Director and Manager are responsible for the establishment of organizational objectives, the relevance of those objectives to the organization's mission, and the measurements used to determine achievement of those objectives.

OSBA offers two programs:

- Compliance

- Certification

Compliance deals with the OSBA and departments monitoring all contracts with Small Business Enterprise (SBE) commitments. Certification deals with the process and requirements for vendors to become a certified small business. A majority of OSBA performance measures relate to SBE certification. These certifications are stored in the SBE Database.

Under Palm Beach County Ordinance No. 2002-064, the Office of Small Business Assistance (SBA) Advisory Committee was created. It is made up of 15 members comprising a variety of business people, entities and organizations. Members are appointed by the Board of County Commissioners and serve for a total of three years. One of the purposes of the SBA Advisory Committee members is to review and evaluate the effectiveness of the small business program within County government.

## AUDIT SCOPE AND METHODOLOGY

The audit scope for this engagement was October 2014 to June 2015. This audit was part of the 2015 new business process annual audit plan as approved by the Audit Committee. Audit field work was conducted in the Division from May 2015 to June 2015.

To answer the audit objective, we obtained the mission statement, objectives, and performance measures for OSBA for FY 2015. We compared the mission statement to the objectives to determine if all aspects of the mission **Evaluative criteria used:**

statement were covered by objectives and tested the objectives to determine whether they were specific, measurable, attainable, realistic, and time oriented (SMART). We also determined whether each objective had a specific performance measure. We evaluated the data gathering and reporting methodology to determine accuracy and reliability. We verified if performance measures were used as management tools.

### From the Budget Instruction Manual (BIM):

*"The mission statement should be a concise expression of the Department's purpose and expressed in terms of benefit to the intended customer. There should be a link between the mission statement, objectives, and performance measures. For most departments, the mission should not change from year to year."* The BIM also requires department objectives. The BIM states *"Department objectives are established to set forth specific outcomes to be achieved during the upcoming fiscal year."*

### From procedures agreed to by Administration:

- Mission statements would be provided at both the department level and the division level.
- Objectives would be established at both the department and division levels that support their particular mission statements. The department and division level objectives would focus on the core responsibilities of the organization.
- Objectives would meet the SMART criteria. That is, each objective would be:
  - Specific with a singular focus;
  - Measurable;
  - Attainable as part of routine operations,
  - Realistic; and

- Time oriented with the basic assumption that the performance target established in the objective would be for the fiscal year.
- Each element of the mission statement would have a related objective.
- Each objective would have at least one performance measure.
- The performance measures would be useful or necessary tools for managing the business operations. These measures should be integral components of each unit's management information system, and not collected solely for budget reporting purposes.
- Each performance measure would focus on one of the following: effectiveness (outcome), efficiency or workload (output/demand/input/cost).
- Data gathering and reporting methodology used are reliable and accurate.
- The auditee's definitions and measures of effectiveness and efficiency are reasonable and useful.

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  
August 11, 2015  
W/P # 2015-38

## ADMINISTRATIVE RESPONSE



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Affirmative Action Employer*

## INTER-OFFICE MEMORANDUM

**Date:** August 31, 2015

**To:** Joseph Bergeron  
County Internal Auditor

**From:** Tonya Davis Johnson, Director  
Office of Small Business Assistance

A handwritten signature in blue ink, appearing to read "Tonya Davis Johnson", is written over the printed name of the sender.

**Re:** Response to Final Draft Audit Report (Performance Measures)

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---

**Recommendation:**

1. **The Director should establish objectives that support each element of the mission statement focusing on key operational responsibilities of the Department.**

**Response:** I concur and will establish objectives that support each element of the mission statement focusing on key operational responsibilities of the Department.

2. **The Director should restate each objective so as to meet all the elements of the SMART criteria.**

**Response:** I concur and will restate each objective so as to meet all the elements of the SMART criteria.

3. **Performance measures are relevant to their respective objectives.**

**Response** I concur that performance measures are relevant to their respective objectives.





4. **Documentation of performance measures are properly maintained and periodically reviewed as management tools.**

**Response:** I concur. Documentation of performance measures should be properly maintained and periodically reviewed as management tool.

5. **Each objective has at least one performance measure.**

**Response:** I concur that each objective should have at least one performance measure.

6. **Performance measures are represented accurately in budget document and are relevant to their respective objectives.**

**Response:** I concur.

**Corrective Actions:**

All corrective actions will be implemented in the next budget cycle.

Should you require anything further, please contact me at your first opportunity.

TDJ/sle



Office of the County Internal Auditor  
Audit Report #2015-19

**Department of Economic Sustainability**

*Procurement to Payment*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED AUGUST 13, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Department of Economic Sustainability (DES) Director ensure that internal controls implemented for the procurement to payment processes are

adequate to ensure a compliance with the County's procurement requirements for Fiscal Year 2015 (October 1, 2014 through April 15, 2015)?

## WHAT WE FOUND

The DES Director ensured that internal controls implemented for the procurement to payment processes were adequate to ensure compliance with the County's procurement requirements for Fiscal Year 2015 (October 1, 2014 through April 15, 2015).

In addition, 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 Director identifying these situations for informational purposes only.

## WHAT WE RECOMMEND

There are no findings and recommendations.

## DETAILED FINDING AND RECOMMENDATIONS

None

## BACKGROUND

The Department of Economic Sustainability (DES) administers programs for business development, housing, and community initiatives and serves residents of Palm Beach County by increasing economic competitiveness and improving the elements that create a high quality of life. DES is responsible for five programs:

- Business and Housing Investments
- Capital Improvements, Real Estate and Inspection Services
- Contract Development and Quality Control
- Special Project Management
- Strategic Planning and Operations

The adopted budget for DES was \$48.9 million for Fiscal Year 2015. Major budget categories are as follows:

Personal Services	\$4.5 million
Operating Expenses	\$2.4 million
Debt Service	\$3.3 million
Grants and Aids	\$36.5 million
Transfers	\$1.8 million
Reserves	\$0.4 million
Total	\$48.9 million

DES has a staff of 51 employees. The fiscal staff, includes a Fiscal Manager 1, Fiscal Manager II, Fiscal Analyst II, and two Fiscal Specialists II, who are responsible for the purchasing activities. DES purchases can be split into two categories: purchase orders and direct payment purchases. Purchase orders

relate to purchases types such as Delivery Order (DO), and Decentralize Purchase Order (DPO).

The chart below summarizes the procurement and direct payment amounts for Fiscal Year 2015 (October 1, 2015 through April 15, 2015).

FY 2015 - 10/1/14 through 4/15/15		
Type	Amount	Transactions
Direct Payment Report	\$107,785	120
Purchase Orders Report	\$ 84,393	107

## AUDIT SCOPE AND METHODOLOGY

This audit was selected as part of the 2015 business process annual audit plan approved by the Audit Committee. The audit scope included a review of internal controls in place to ensure that the Department's Procurement to Payment activities were carried out in accordance with Countywide and Departmental policies and procedures for Fiscal Years 2015 (October 1, 2014 through April 15, 2015). The audit scope was limited to procurement activities within the Operating Expense category. Another audit scheduled for FY 2016 is intended to focus on Grants Management. Audit field work was conducted at DES office from April 2015 to June 2015.

For our audit objective, our initial planning included interviews with Department management and staff concerning the risk factors, review of Departmental policies and procedures, the County Budget Book for fiscal year 2015, and other pertinent documentation. Our detail review methodology included the review and

testing of the requisitioning, purchasing, receiving 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) data related to the procurement to payment transactions. We also reviewed County and Departmental PPMs related to procurement.

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 functions. They informed us that they were very much aware of the risks when it comes to the procurement functions 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 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. 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  
August 13, 2015  
W/P # 2015-04



Office of the County Internal Auditor  
Audit Report #2015-20

**Metropolitan Planning Organization**

*Procurement to Payment*



*Reviewed by Audit Committee  
September 16, 2015*

*DATED AUGUST 12, 2015*

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Metropolitan Planning Organization (MPO) Executive Director ensure that the internal controls implemented for the procurement to payment processes are adequate to

ensure compliance with the County's procurement requirements for Fiscal Years 2014 and 2015 (through March 31, 2015)?

## WHAT WE FOUND

Except for the finding and recommendations described below which focuses on segregation of duties issues, the MPO Executive Director ensured that the Department's procurement to payment processes were managed adequately, to ensure compliance with the County's procurement requirements for Fiscal Year 2014.

In addition, 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 Executive Director identifying these situations for informational purposes only.

## WHAT WE RECOMMEND

The audit report makes two recommendations to improve segregation of duties concerns.



## DETAILED FINDING AND RECOMMENDATIONS

### **Segregation of Duties (SOD) Controls Need Improvement**

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

The Government Accountability Office's (GAO) "*Standards for Internal Controls in the Federal Government*," defines 'Segregation of Duties (SOD) - key duties and responsibilities are divided or segregated among different people to reduce the risk of error, misuse, or fraud'. It identifies guidelines to be followed including:

- No one individual is allowed to control all key aspects of a transaction or event, and
- Responsibilities and duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, review and auditing, and

the custodial functions and handling of related assets.

In our review of controls over the procurement to payment functions of the Department, we found that the person responsible for processing the purchase orders in the accounting system was the same person entering the receiver in the accounting system. In speaking to the Executive Director, and Financial Analyst II, we were informed that because they were a small department with few staff it was difficult to assign responsibilities to different staff. Without adequate SOD, the risk increases for unauthorized or unnecessary purchases, as well as theft, fraud or abuse. Smaller departments with resource constraints can compensate for the absence of SOD controls by implementing compensating controls such as a periodic review by management of all completed purchases for accuracy and appropriateness.

### **Recommendations:**

**The Metropolitan Planning Organization Executive Director should initiate actions to ensure:**

- 1. The person initiating the Purchase orders in the Advantage financial**

system, be someone other than the person entering the receiver in the Advantage financial system.

2. In lieu of the above action the department director can institute a compensating control such as; the director or designee can conduct a documented periodic (monthly) review of all closed purchase orders for accuracy and appropriateness.

### **Management Comments and Our Evaluation**

In replying to a draft of this audit report, the MPO Director agreed with

the finding and recommendations and indicated that action had already been taken to enhance segregation of duties controls by assigning receipt and processing of the receipt of goods in the accounting system to an individual other than the staff member placing the orders. The Director also stated that they were in the process of hiring another fiscal position to further support the overall MPO financial responsibilities. We agree with the actions taken by MPO management.

## **BACKGROUND**

The Palm Beach County Metropolitan Planning Organization (MPO) is a federally mandated organization providing a cooperative, comprehensive and continuing planning and decision making process. The MPO was created in 1978 and its Board is comprised of 19 locally elected officials, including five Palm Beach County Commissioners, 13 elected officials from the larger municipalities, and one elected official from the Port of Palm Beach. The MPO is supported by a technical and administrative staff, under the leadership of the executive director. The MPO has a staff of 12 and a budget of \$4.9 million for Fiscal Year 2015.

The MPO is responsible for transportation planning and programming in Palm Beach County. It acts as a liaison between the local communities, their citizens and the state department of transportation. The MPO's efforts cover all modes of land, air and sea transportation. In its long-range and short-term planning efforts the MPO projects, plans and proposes transportation programs and projects to be included in the Federal and State transportation agency budgets. The MPO board prioritizes short range (5-year) transportation investments totaling over a\$1 billion for an urbanized area comprised of 1.3 million people within 38 municipalities and the unincorporated county. The board also

adopts the Long Range Transportation Plan (LRTP - 25 year) based on regional needs identified through the process, and selecting those options which best meet the mobility needs of the county considering financial, environmental and social constraints.

The Palm Beach County Purchasing Code establishes the guidelines for County departments and agencies. The MPO has adopted these guidelines for

their use. MPO procurements can be characterized as being contract related, routine purchases, or direct payments. During Fiscal Year 2014, the MPO had procurements totaling \$563,447. These included \$379,365 in consultant contracts and \$125,953 in interagency charges and \$58,199 in other purchases. The Financial Analyst II is responsible for the purchasing activities.

## **AUDIT SCOPE AND METHODOLOGY**

This audit was selected as part of the 2015 business process annual audit plan approved by the Audit Committee. The audit scope included a review of internal controls in place to ensure that the Department's Procurement to Payment activities were carried out in accordance with Countywide and Departmental policies and procedures for Fiscal Years 2014 and 2015 (through March 31, 2015).

For our audit objective, our initial planning included 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. Our detail review methodology included the review and testing of the requisitioning, purchasing, receiving 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) data related to the procurement to payment transactions. 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.

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 functions. They informed us that they were very much aware of the risks when it comes to the procurement functions 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 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. 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  
August 12, 2015  
W/P # 2015-11

## ADMINISTRATIVE RESPONSE



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## PALM BEACH METROPOLITAN PLANNING ORGANIZATION

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2300 North Jog Road, 4th Floor, West Palm Beach, Florida 33411-2749

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### MEMORANDUM

TO: Joseph F. Bergeron, County Internal Auditor

FROM: *NJ* Nick Uhren, P.E., Executive Director

DATE: September 1, 2015

RE: **Response to Procurement to Payment Audit**

---

Thank you for the opportunity to review and respond to the two (2) recommendations identified in your audit of Procurement to Payment for the Palm Beach Metropolitan Planning Organization (MPO). Your recommendations and my responses are noted below.

1. The person initiating the Purchase orders in the Advantage financial system, be someone other than the person entering the receiver in the Advantage financial system.

Response: I concur. The MPO financial analyst now initiates the purchase orders in the Advantage financial system and the MPO secretary has received Advantage training and is now entering the receiver.

2. In lieu of the above action the department director can institute a compensating control such as; the director or designee can conduct a documented periodic (monthly) review of all closed purchase orders for accuracy and appropriateness.

Response: I concur. While we have already established an improved paper trail for procurement requests and segregation of duties for purchase orders, we are in the process of hiring a fiscal specialist to further support the MPO's overall financial management responsibilities and implement the recommended compensating control. This position should be filled by January 2016.

If you have any questions please feel free to contact me.



Office of the County Internal Auditor  
Audit Report #2015-21

**Metropolitan Planning Organization**  
*Performance Management*



*Reviewed by Audit Committee  
September 16, 2015*

**DATED AUGUST 12, 2015**

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*Stewardship – Accountability – Transparency*

## WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Metropolitan Planning Organization (MPO) Executive Director establish a performance management system that adequately and effectively identifies, captures and reports the

departmental mission statement, objectives, and performance measures in accordance with the Budget Instruction Manual and procedures agreed to by Administration?

## WHAT WE FOUND

The MPO Executive Director established a performance management system that includes a mission statement, objectives, and performance measures as required by the Budget Instruction Manual. However, the existing performance

management system does not conform to significant elements of the procedures agreed to by Administration as described in the following observations and recommendations.

## WHAT WE RECOMMEND

The audit report makes three recommendations to improve the MPO performance management system in the

areas of mission statement, objectives and performance measures..



## DETAILED OBSERVATIONS AND RECOMMENDATIONS

The MPO has established a mission statement, organizational objectives, and performance measures to achieve those objectives.

The Department's Mission Statement is  
*"To plan for and fund the best*

*transportation projects that our communities love and our economies need."*

The table below summarizes the objectives and performance measures published in the County Fiscal Year 2015 budget book:

Objective	Performance Measure	Type
1. Establish a competitive process to prioritize, fund, and implement community-endorsed local initiative projects as approved by the MPO Board in the Transportation Improvement Program (TIP).	NONE	
2. Complete and implement the 2040 regional and Palm Beach LRTP.	NONE	
3. Expand the MPO's investment into transit and non-motorized transportation modes by actively planning for new projects and including them in the TIP.	NONE	
4. Participate in the Regional Freight Study with Florida Department of Transportation (FDOT) and the southeast Florida MPOs.	NONE	
5. Assist the County and FDOT in preparing updates to a regional Human Services Coordinated Transportation Plan.	NONE.	
6. Administer the Transportation Disadvantaged Local Coordinating Board.	NONE.	

Objective	Performance Measure	Type
7. Improve community awareness of the type of projects that can be funded by improving the website, engaging the public actively via social media, attending events and aggressively partnering with local governments to conduct innovative planning studies and educational events.	NONE.	
NONE	1. Number of Required reports.	Output
NONE	2. Number of meeting.	Output

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.

### **Observations:**

#### **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." There are two

significant elements to the Department's mission statement:

- Plan for transportation projects.
- Fund transportation projects.

The Department's mission statement expresses the how and what the Department seeks to accomplish, however, it does not clearly state the customer and what benefit the customer derives (community/economy??). In our opinion, the Department's mission statement would need to clarify who derives the element of customer benefit to fully comply with the requirements of the *Budget Instruction Manual*.

#### **Relationship of Objectives to Mission Statement:**

The *Budget Instruction Manual* also states that there should be a linkage between the mission statement, objectives and performance measures. We believe that 6 of the Department's 7 objectives support one or more element of the mission statement. We found that one objective (# 6) while related to a function conducted by the department, was not stated in a manner linking it to

the elements of the Mission statement. In our discussions with the Executive Director, he informed us that the goals, objectives, & measures established by the department to meet the 'Moving Ahead for Progress in the 21st Century Act (MAP21)' requirements result in a more robust and defined performance management system than what his department reports in the County budget book. We discuss this in a later section of the report.

#### Evaluation of Objectives using the SMART criteria:

We used the SMART framework to evaluate the Department's objectives. The Department has 7 objectives reported for 2015. In our evaluation against the SMART criteria we found that overall the Department's objectives generally did not meet the elements of the SMART criteria. Below is a summary of our evaluation:

Specific: We found four of the seven objectives non-specific. They were not clearly or singularly stated (#s 2, 3, 6, & 7). Objective #2 includes two components of achievement which should each be stated as a separate objective (so not singular), objectives #3 and 7 are not specific in that no target for the expansion or improvement is stated, and objective #6 states an activity rather than a result as an objective and does not define how it would be measurable.

Measurable: We found five of the seven objectives to be measurable. Objective #2, as noted above, includes two

components only one of which is measurable. Also objective #7 did not have a measurable component.

Attainable: We were unable to determine if objectives 2, 3, 6, and 7 were attainable since they were either not specifically stated or did not include a measurable component such as quantity or time. The other three objectives (#1, 4, & 5) appear to be attainable.

Realistic: We were unable to determine if objectives 2, 3, 6, and 7 were realistic since they were either not specific and/or measurable. The other three objectives (#s 1, 4, & 5) appear to be realistic.

Timely: None of the objectives have a time component to them. It can be argued that since they are reported as FY 2015 objectives they have an annual time frame.

#### Relationship of Performance Measures to Objectives:

We also compared the objectives to the performance measures tracked and reported by the Department. The guidelines require a minimum 1:1 correlation between the two. We found that the Department did not have performance measures for any of the seven objectives.

#### Defining Effectiveness and Efficiency

According to the Government Accountability Office (GAO) document, *Standards for Internal Control in the*

*Federal Government*, effective operations produce the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources. In our discussions with the Executive Director he informed us that the performance measures reported in the County budget book were just output measures of two functions of the department. He also informed us that the Objectives and Measures prepared under their Long Range Transportation Plan represented some good measures of effectiveness and efficiency for their processes.

#### Data Gathering and Reporting

In our discussions with the Executive Director and the Public Information Specialist we discussed how they recorded, tracked and reported their performance measures information. The tracking, recording and reporting of the information relating to the performance measures was done by the individual managers assigned responsibility of the performance measure(s). Much of the data is tracked and recorded manually by the Administrative staff and the Public Information Specialist, with it also being maintained on the department's web site. We reviewed the backup information on the department's web site relating to the two performance measures and traced them to the reported information on the budget report. We were able to validate the accuracy of the reported information for all of the data reviewed.

#### Performance measures & Quality Assurance:

The Department reported on two performance measures. These incorporated two output types of measures, and outcome. Neither of the two measures were tied to any of the Department's seven objectives.

#### MPO's Goals, Objectives & Values (GOV) and Measurements as adopted in the Long Range Transportation Plan.

In contrast to the performance objectives and measures reported in the County Budget book, the MPO has adopted some very robust and well defined Goals, Objectives and Values (GOV) and related measurement targets in their Long Range Transportation Plan. These form a basis for establishing guidelines and managing their processes to best serve their community. The initial efforts of developing these started in spring of 2013 when a preliminary set of Goals, Objectives and Measures were established after input received from the MPO Board, the Technical Advisory Committee, the Citizens Advisory Committee, local transportation agencies and the Bicycles, Greenways and Pedestrian Advisory Committee. In the summer of 2014 a revised approach was take to ensure that the MAP 21 guidelines for developing mobility performance measures were more closely adhered too. The new focus set targets for performance measures that meet the SMART criteria.

A draft set of Goals, Objectives, and Values (GOV) with established measurement targets was prepared by MPO staff. These GOVs were reviewed and refined at the Joint MPO Advisory Committee workshop conducted on August 14, 2014. Members of the Technical Advisory Committee, the Citizens Advisory Committee, and the Bicycles, Greenways and Pedestrian Advisory Committee along with MPO staff attended the workshop. A final set of GOVs was prepared based on the revisions agreed to at the workshop and presented to and endorsed by the MPO board at its September 2014 meeting. The GOVs and the related target performance measures were formally adopted as part of the 'Direction 2040 Plan' on October 16, 2014.

The adopted performance management document established ten values that defined the MPO's overall transportation values. Based on these values a set of five goals were established. For each of these goals a set of objectives were established with performance target values (measures) being established for years 2025 and 2040.

Our review of the GOV found them to meet all our evaluation criteria used for our reviews. Our review also found that the Executive Director and staff utilized the information in this document frequently to manage their processes. They will consider revising that information to be similar to the GOVs in the 'Direction 2040 Plan.'

### **Recommendations:**

Overall, our review found that the Department's performance management system needed improvement. The Department Director should take the following actions:

#### **1. Mission Statement:**

- Restate the Department mission statement to more clearly state their customer who derives the benefit. .

#### **2. Objectives:**

- Ensure that each element of the mission statement is supported by at least one objective. Additional objectives may be established as deemed necessary by management;
- Restate each objective so as to meet all the elements of the SMART criteria;
- Ensure that each objective has at least one performance measure;
- Ensure that each objective includes a performance target.

#### **3. Performance Measures:**

- Ensure that performance measures that are tied to performance objectives are focused specifically on the measurable component of the objective.
- Additional performance measures should be established as deemed necessary by management.

Overall the approach and methodology used for the development of the GOVs can be utilized on a smaller scale in order to accomplish the above changes.

**These actions should be implemented during the budget development process for the FY 2017 budget cycle.**

### **Management Comments and Our Evaluation**

In replying to a draft of this audit report, the MPO Executive Director agreed with our observations and recommendations and indicated that the material in the report would be useful in developing a new strategic plan as

directed by the MPO Board. The Executive Director also stated that the recommendations would be incorporated into the FY 2017 budget. We agree with the actions the MPO Executive Director indicated would be taken with these audit recommendations.

## **BACKGROUND**

The Palm Beach County Metropolitan Planning Organization (MPO) is a federally mandated organization providing a cooperative, comprehensive and continuing planning and decision making process. The MPO was created in 1978 and its Board is comprised of 19 locally elected officials, including five Palm Beach County Commissioners, 13 elected officials from the larger municipalities, and one elected official from the Port of Palm Beach. The MPO is supported by a technical and administrative staff, under the leadership of the executive director. The MPO has a staff of 12 and a budget of \$4.9 million for Fiscal Year 2015.

The MPO is responsible for transportation planning and programming in Palm Beach County. It

acts as a liaison between the local communities, their citizens and the state department of transportation. The MPO's efforts cover all modes of land, air and sea transportation. In its long-range and short-term planning efforts, the MPO projects, plans, and proposes transportation programs and projects to be included in the Federal and State transportation agency budgets. The MPO board prioritizes short range (5-year) transportation investments totaling over \$1 billion for an urbanized area comprised of 1.3 million people within 38 municipalities and the unincorporated county. The board also adopts the Long Range Transportation Plan (LRTP - 25 year) based on regional needs identified through the process, and selecting those options which best meet the mobility needs of the county

considering financial, environmental and social constraints.

The Office of Financial Management and Budget requires County agencies to establish objectives that set forth specific outcomes to be achieved and to identify key quantitative and qualitative performance measures. Performance measures may include workload, efficiency and effectiveness (or outcome) indicators thereby providing both quantitative and qualitative information about a particular program or operational unit. Department Directors

are responsible for the establishment of organizational objectives, the relevance of those objectives to the organization's mission, and the performance measurements used to determine achievement of those objectives.

For FY 2015, the MPO has a mission statement, seven objectives, and two performances measures. The mission of the MPO is to *"To plan for and fund the best transportation projects that our communities love and our economies need."*

## AUDIT SCOPE AND METHODOLOGY

This audit was selected as part of the 2015 business process annual audit plan approved by the Audit Committee. The audit scope included an evaluation of MPO's performance management process for establishing objectives and performance measures, and capturing and reporting the related measures for Fiscal Year 2015. Audit field work was conducted in the Department headquarters, March 2015 through May 2015.

To complete our audit objective, 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. We also evaluated the Department's mission statement, objectives and performance measures against the guidelines established in the County Budget Instruction Manual. 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.

**Evaluative criteria used:**

From the Budget Instruction Manual (BIM):

*"The mission statement should be a concise expression of the Department's purpose and expressed in terms of benefit to the intended customer. There should be a link between the mission statement, objectives, and performance measures. For most departments, the mission should not change from year to year."* The BIM also requires department objectives. The BIM states *"Department objectives are established to set forth specific outcomes to be achieved during the upcoming fiscal year."*

From procedures agreed to by Administration:

- Mission statements would be provided at both the department level and the division level.
- Objectives would be established at both the department and division levels that support their particular mission statements. The department and division level objectives would focus on the core responsibilities of the organization.
- Objectives would meet the SMART criteria. That is, each objective would be:
  - Specific with a singular focus;
  - Measurable;
  - Attainable as part of routine operations,
  - Realistic; and
  - Time oriented with the basic assumption that the performance target established in the objective would be for the fiscal year.
- Each element of the mission statement would have a related objective.
- Each objective would have at least one performance measure.
- The performance measures would be useful or necessary tools for managing the business operations. These measures should be integral components of each unit's management information system, and not collected solely for budget reporting purposes.
- Each performance measure would focus on one of the following: effectiveness (outcome), efficiency, or workload (output/demand/input/cost).
- Data gathering and reporting methodology used are reliable and accurate.
- The auditee's definitions and measures of effectiveness and efficiency are reasonable and useful.

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  
August 12, 2015  
W/P # 2015-27

## ADMINISTRATIVE RESPONSE



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## PALM BEACH METROPOLITAN PLANNING ORGANIZATION

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2300 North Jog Road, 4th Floor, West Palm Beach, Florida 33411-2749

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### MEMORANDUM

TO: Joseph F. Bergeron, County Internal Auditor

FROM: *NU* Nick Uhren, P.E., Executive Director

DATE: September 1, 2015

RE: **Response to Performance Management Audit**

---

Thank you for the opportunity to review and respond to the three (3) recommendations identified in your audit of Performance Management for the Palm Beach Metropolitan Planning Organization (MPO). Your recommendations and my responses are noted below.

1. Mission Statement:

- Restate the Department mission statement to more clearly state their customer who derives the benefit.

Response: I concur. The MPO Board has initiated the process to establish a strategic plan which will include an update to the mission statement that clearly identifies the customer. The strategic plan should be complete in early 2016.

2. Objectives:

- Ensure that each element of the mission statement is supported by at least one objective. Additional objectives may be established as deemed necessary by management;
- Restate each objective so as to meet all the elements of the SMART criteria;
- Ensure that each objective has at least one performance measure;
- Ensure that each objective includes a performance target.

Response: I concur. The MPO Board has initiated the process to establish a strategic plan which will include creation of measurable objectives to support the mission statement. The performance targets in each objective will comply with SMART criteria. The strategic plan should be complete in early 2016.

3. Performance Measures:

- Ensure that performance measures that are tied to performance objectives are focused specifically on the measurable component of the objective.
- Additional performance measures should be established as deemed necessary by management.

Response: I concur. The MPO Board has initiated the process to establish a strategic plan which will include creation of performance measures tied to performance objectives. The strategic plan should be complete in early 2016.

If you have any questions please feel free to contact me.

## FY 2016 Proposed Audit Work Program

### Availability of Resources

Total annual hours per person	2,080
Holidays (12 per year)	100
Vacation (20 days per year)	160
Sick time	100
Training	50
Administrative	200
Follow-up work	130
Available hours per auditor (rounded)	1,340
Number of auditors (FTEs)	5.0
Total available auditor hours	6,700
Hours assigned to report and project support	250
Hours to complete 2015 program	400
Hours available for 2016 program	6,050
Average hours per audit	250
Potential new audit projects for 2016	24

<b>Carry over projects from 2015 program</b>	<b>Estimated Hours to Complete</b>
Parks & Recreation Procurement to Payment	100
Purchasing Department Procurement to Payment	100
ISS Procurement to Payment	200
Total estimated hours to complete	400

## DEVELOPMENT OF THE RISK ASSESSMENT AND PLAN

During FY 2013 we conducted surveys and structured interviews with department managers to identify the significance of 14 business process. Based on the feedback received we were able to categorize the significance of each business process to each department. Some business processes were not applicable to certain departments. The department managers were asked identify the business processes that were applicable to their department and to rank the business processes on a one to five scale with five representing the most significant and one representing the least significant. As we work through the departmental interviews there will be some adjustment of the preliminary rankings. The tables below summarizes the results of the surveys and interviews.

In developing the annual plan we focused on the business processes that were ranked a five or a four. We used an average of 250 hours to conduct each audit of a business process. This average is based on our experience with the procurement to payment audits during FY 2015.

Our approach for planning the FY 2016 audit work plan is to address a number of the more significant business processes. Accordingly, we have identified audits in seven different business process areas. Based on the determination of the number of audits potentially available shown in the Availability of Resources section above we have tentatively identified 22 specific audits and 2 special request audits for the FY 2016 audit work plan. We also believe that, for scheduling purposes, we can only plan on 20 audits which is four audits per auditor. Again, this scheduling is based on our experience with the 2015 audit work plan.

Based on the potential for conducting 24 new audits in FY 2016 as shown above, we will be conducting audits as follows:

- In the Procurement to Payment cycle 3 audits
- In the Revenue Management cycle 4 audits
- In the Capital Project Management cycle 5 audits
- In the Customer Service cycle 3 audits
- In the Grants Management cycle 2 audits
- In the Human Resources Management cycle 2 audits
- In the Information Technology cycle 3 audits
- Special Request allowance 2 audits

## Proposed FY 2016 Project List

	<b>Audit Category and Department</b>	<b>Risk Rating</b>
	<b>Procurement to Payment Audits</b>	
1	Community Services	4
2	Engineering & Public Works	5
3	Facilities Development & Operations	5
	<b>Revenue Management Audits</b>	
4	Airports	4
5	Fire Rescue	5
6	Palm Tran	4
7	Parks and Recreation	5
	<b>Capital Project Management Audits</b>	
8	Airports	5
9	Engineering & Public Works	5
10	Environmental Resources Management	5
11	Facilities Development & Operations	5
12	Water Utilities	5
	<b>Customer Service</b>	
13	Human Resources	5
14	Library	5
15	Planning, Zoning & Building	5
	<b>Grants Management</b>	
16	Community Services	5
17	Palm Tran	5
	<b>Human Resources Management</b>	
18	Community Services	5
19	Fire Rescue	5
	<b>Information Technology</b>	
20	Library	5
21	Planning, Zoning & Building	4
22	Water Utilities	3
	<b>Special Requests</b>	
23	To be determined	NA
24	To be determined	NA