PALM BEACH COUNTY

BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

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Meeting Date: **8/20/19**   [X] Consent   [   ] Regular
                                             [   ] Public Hearing

Department:
    Submitted By: County Internal Auditor's Office

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I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to receive and file:
  A.   Audit reports reviewed by the Audit Committee at its June 12, 2019 meeting as follows:
       1.   19-04 Water Utilities – *Customer Service Operations*
       2.   19-05 Housing and Economic Sustainability – *Contract Management*
  B.   Audit recommendation status follow-up report as of May 15, 2019.

Summary: County Code Section 2-260.16 requires the Internal Audit Committee to review audit reports prior to issuance. County Code Section 2-463 requires the County Internal Auditor to send those reports to the Board of County Commissioners. At its meeting on June 12, 2019, the Committee reviewed and authorized distribution of the attached audit reports. The Committee also reviewed and authorized distribution of the Audit Recommendation Status Follow-up Report as of May 15, 2019. Countywide (DB)

Background and Justification: At its June 12, 2019, meeting the Internal Audit Committee reviewed and authorized distribution of audit reports 19-04 and 19-05 and the Audit Recommendation Status Follow-up Report as of May 15, 2019.

Attachments:
    1. Audit report 19-04 Water Utilities – *Customer Service Operations*
    2. Audit report 19-05 Housing and Economic Sustainability – *Contract Management*
    3. Audit recommendation status follow-up report as of May 15, 2019.

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Recommended by: _Joseph T Bergeron_____   _13 June 2019_
                        County Internal Auditor   Date

Recommended by: _____   _6/25/19_
                        County Administrator   Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2019	2020	2021	2022	2023
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 _____
Does this item include the use of federal funds? Yes _____   No _____
Budget Account No.:   Fund _____   Agency _____   Org. _____   Object _____
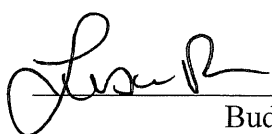   Program Number _____   Revenue Source   _____
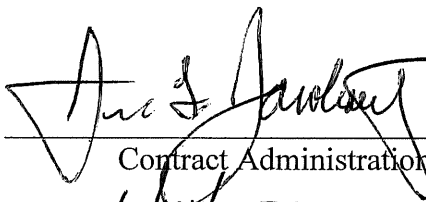
B. Recommended Sources of Funds/Summary of Fiscal Impact:

No fiscal impact

A.   Department Fiscal Review:

_____

III. REVIEW COMMENTS:

A.   OFMB Fiscal and/or Contract Administration Comments:

_____ 6/17/19   _____ 6/24/19
        Budget/OFMB   6/17 6/19   Contract Administration
                                                6/21/19

B.   Legal Sufficiency:

_____ 6/25/19
    Assistant County Attorney

C.   Other Department Review:

_____
        Department Director

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

Attachment #1

Office of the County Internal Auditor
Audit Report #2019-04

Water Utilities Department

Customer Service Operations

DATED MAY 2, 2019

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Water Utility Department Director establish effective and efficient systems to ensure meters were accurately read, adjusted, billed, and payments processed according to both the Department Policies & Procedures and the Palm Beach County Uniform Policies & Procedures Manual?

WHAT WE FOUND

The Water Utility Director established effective and efficient systems to ensure meters were accurately read, adjusted, billed, and payments processed according to both the Department Policies & Procedures and the Palm Beach County Uniform Policies & Procedures Manual.

During the course of our fieldwork, we noted certain other minor issues related to meter readings, meter estimations, service order due dates, handheld unit passwords, billing schedule, unit cost tracking, and security cameras. In our judgment, these issues did not rise to the level of findings. We issued a comment letter to management concerning these issues. While our management comment letter provides suggestions for improvement in those areas noted above, the letter is for informational purposes only. We do not conduct any follow-up review on suggestions for improvement made in our management comment letters.

WHAT WE RECOMMEND

The audit report makes no recommendations.

BACKGROUND

The Water Utilities Department (WUD) is an enterprise fund operation of the Palm Beach County Board of County Commissioners. WUD provides potable water, reclaimed water, and wastewater services to approximately 578,000 customers within 1,200 square miles primarily in the unincorporated area of Palm Beach County. In addition, WUD provides services to a variety of municipalities.

WUD has a Uniform Policies and Procedures Manual (UPAP) setting forth its regulations, policies, standards, and utility fees. The Palm Beach County Board of County Commissioners (BCC) approves the fees. Included within the UPAP are standards for accuracy and maintenance of water meters - both large and small. WUD is also a member of the American Waterworks Association (AWWA), an international non-profit and educational society aimed at improving the quality and supply of water. AWWA prescribes

standards and guidelines for all aspects of water utility operations, including water meter accuracy, and publishes various manuals providing guidance to utility managers and staff.

The Customer Service Division (CS) is responsible for initiation and connection of new accounts; accurate reading of customer meters and calculation of related billings; timely response to customer's inquiries (whether in person, by telephone, via the internet, or through correspondence); management of departmental contracts and agreements; and diligent enforcement and collection of fees owed. The Director of CS is responsible for overseeing the entire CS function. CS is divided into two regions – eastern and western. Each region has one CS Manager. WUD's CS Center is located in Boynton Beach. The Administration Building is located in Okeeheelee Park in West Palm Beach.

CS sets up accounts, reads meters, bills customers, and collects payments from customers. The following discussion provides a brief overview of these processes.

I. ACCOUNT SETUP

A CS customer must open an account prior to receiving service. There are several locations where a customer can open an account. The customer must complete the application for service, which includes information such as service address, mailing address, property owner name, property control number, social security or driver's license information, etc. CS does a credit check before the service is initiated. New customers must pay a deposit before CS initiates services. The deposit is credited after 12 months if the customer has not been past due after one year.

II. READINGS

CS reads meters about 20 times a month and bills a few days later based on its billing cycle schedule. There are 40 billing cycles (20 for each region). CS uses three types of meters:
- A manual meter requiring a meter reader to manually read meters,
- An automatic meter reading (AMR), also known as radio meter, requiring a meter reader to drive by the meter, and
- An advance metering infrastructure (AMI) meter that transmits readings electronically to a central station not requiring any physical meter reading.

Analog and radio meters are read in geographical groups called routes.

Table 1 - Type of Meters (as of April 24, 2019)		
Type	Count	Percentage
Manual	106,068	54 %
Radio	38,847	20 %
AMI	50,731	26 %
Total	195,646	100 %

Source – Information System Service (ISS)

Manual Meter Reading
CS personnel (meter readers) read meters by using a manual handheld device (called Neptune). Once readings for a route are complete, the handhelds are set on a docking station at Headquarters to transfer the information into the Customer Information System (CIS). The transfer into the billing system is processed the same night except for where such meters were unable to be read, out of range, and unread (known as exceptions). The Quality Assurance (QA) section then reviews these exceptions in the field at each meter.

Radio
AMR meters require meter readers to drive scheduled routes to obtain radio reads (through a device called Equinox) that are automatically uploaded into mobile data collectors in vehicle. For routes which may have a mix of manual reads and AMR meters, meter readers will use the mobile device to obtain radio reads. For AMR readings, the meter reader will walk or drive by the AMR enabled meter and will receive a beep indicating the wireless register reading has been obtained. After the

day's routes are completed, meter readings are downloaded into the Neptune system.

Advanced Metering Infrastructure
With the AMI system (a new remote reading structure added in 2016), towers capture the reads of meters. AMI includes all the functionality of AMR, but includes functions such as backflow detection, tamper detection, and more end-point capabilities. The purposes of the AMI system are to:

- Reduce meter reading, billing and CS operating expenses
- Improve the quality of CS
- Provide enhanced water conservation capabilities
- Improve read percentages and accuracy
- Increase revenue generation by replacing old under-registering meters.

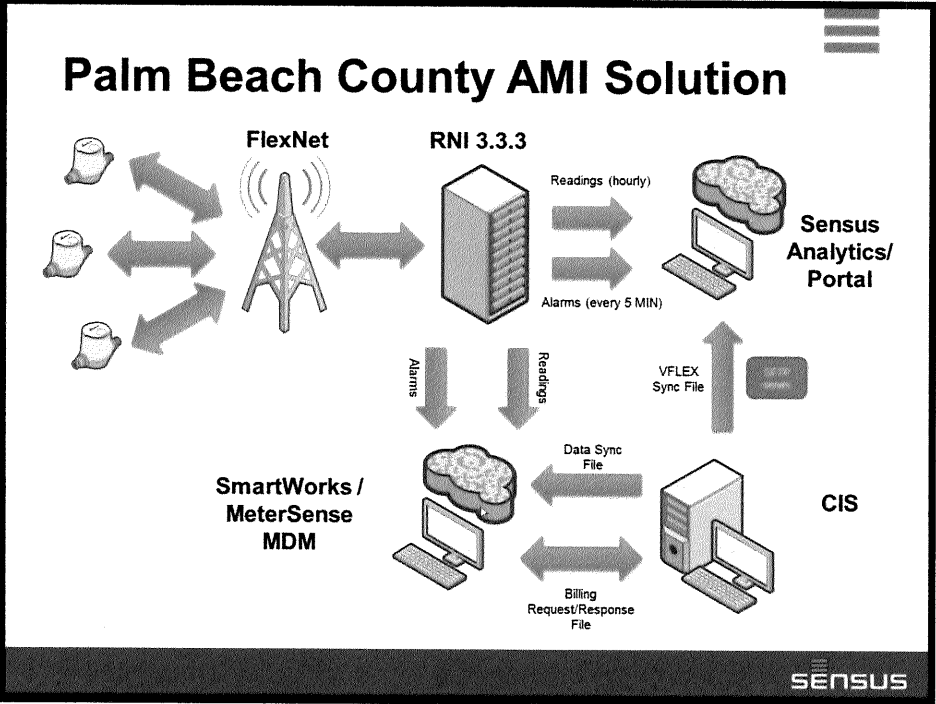The graph below displays the current AMI system within Palm Beach County.

Figure 1 - Source Water Utilities Department Information Technology

III. BILLING

The BCC authorizes the billing rate. CS bills twenty times a month — two each day (east and west regions). Bills contain a base facility fee plus an amount for usage. They are usually due within 20 days depending on holidays and the number of days in a month. Information Systems Services (ISS) generates the bills after 6:00 pm. The count of bills range from 7,000 to 15,000 bills generated per day based on the number of cycles.

Quality Assurance

QA is to safeguard revenues. This section ensures credits are issued properly according to policies and procedures. QA verifies out of range meter readings and other anomalies. QA reviews billing exceptions, processes all adjustments for proper checks and balances, ensures all policies and procedures are followed before issuing an adjustment, and attempts to collect all bad debt. They provide a second set of monitoring to the meter readings. If readings are not correct, QA will issue a service order to investigate and determine the correct reading.

After review and correction of any exceptions by QA, customers are billed according to the rates in the UPAP. Bills and invoices are printed and mailed by the Teller & Production section.

IV. COLLECTION

CS receives collection by mail at the Post Office or by in-person payments at department physical locations. CS also receives payments from customers by:
- Electronic Funds Transfer (EFT)
- Autopay
- Web Payments
- Automatic Phone Pay

CS processes all of the receipts at the Boynton Beach facility. At the end of the day, the tellers' supervisor generates a summary report of receipts processed in CIS along with all back up documents. CS forwards the documents to the Administrative Assistant for review and reconciliation.

AUDIT SCOPE AND METHODOLOGY

This audit was part of the 2018 Annual Audit Plan as approved by the Audit Committee. The audit scope includes a review of internal controls in place, relating to the WUD's CS function. The audit period was from January 1, 2018 to September 30, 2018. Audit fieldwork was conducted at WUD from September 2018 to November 2018.

On May 2, 2018, the Internal Audit staff met with the WUD Department Director and WUD CS Director. We discussed various services provided by CS. We met with staff from the Call Center, Teller & Production Center, QA, and the meter reading sections.

To become familiar with the:
- Meter reading process – we accompanied meter readers to observe and document the meter reading process, reviewed the CS's water meters records, and examined manual and system generated meter reading and work order related data.

- Billing process – we reviewed bill calculations; compared bill calculations to the WUD system, and determined reasonableness of bills with estimates.
- Payment process – verified receipt for cash sales recorded on cash register, reviewed bank deposit and daily closeout process, and verified reconciliation.
- Technology process – we reviewed the information technology application and general controls over water billing.

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

SAMPLING PLAN

Meter Reads
The universe of meters is 195,646. The Internal Audit's Office sampling methodology states when the population size is greater than 1,000, the sample size will be 60 items.
- 20 Manual Read
- 20 Radio Read
- 20 AMI

Based on the results of our walkthrough, we determined a sample size of 60 would be feasible to conduct and reasonably representative of the population.

Deposit
We determined 1 out of 35 weeks of deposit documentation would be an appropriate sample size based on our Internal Audit sampling methodology. The Internal Audit's Office sampling methodology states when populations is less than 500, the sample size will be 25 items. Based on the results of our walkthrough, we determined one sample week would be sufficient for our review because of the voluminous amount of documents to review.

MANAGEMENT AND AUDIT RESPONSIBILITIES

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.

Internal Audit is responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to

perform, 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
County Internal Auditor
May 2, 2019
W/P # 2018-01

Office of the County Internal Auditor
Audit Report #2019-05

Housing and Economic Sustainability Department

Contract Management

DATED MAY 13, 2019

Stewardship – Accountability – Transparency

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to address the following:

Did the Department of Housing and Economic Sustainability Director establish internal controls to ensure effective and efficient contract management of Section 108 Loan Agreements, Business Development Partnership Contracts, and Economic Incentive Agreements to ensure compliance with contract and agreement terms, and County and Department policies and procedures, and relevant guidelines?

WHAT WE FOUND

The Housing and Economic Sustainability Director established internal controls to ensure effective and efficient contract management of the items identified in the "Why We Conducted This Audit" section. However, we noted several areas for improvement relating to timeliness of filing contracts approved by the Department Director under delegated authority as required by County policy, and security of sensitive loan information being transmitted electronically from applicants to the Department.

During the course of our engagement, we noted certain other minor issues related to Section 108 Loan agreements. In our judgment, these issues did not rise to the level of findings. We issued a comment letter to management concerning these issues. While our management comment letter provides suggestions for improvement in those areas noted above, the letter is for informational purposes only. We do not conduct any follow-up review on suggestions for improvement made in our management comment letters.

WHAT WE RECOMMEND

The audit report makes five recommendations to address the issues noted in the "What We Found" section above. Specifically, we recommended the Director establish, document, and communicate the process staff should follow to ensure contracts approved under delegated authority are filed timely as required by County policy. We also recommended that the Department Director seek an exemption from the policy or a modification to the policy to reflect the limitations faced by the Department in gathering all the

necessary documents to complete the agenda package for delegated contract approvals.

We also recommended the Director work with the Information Systems Services Department to install and use an encryption tool support secure transmittal of applicant information electronically and to properly train staff in the use of the encryption tool.

DETAILED FINDING AND RECOMMENDATIONS

1. Receive and File Consent Items for Delegated Authority Agreements Not Timely Submitted

County Wide PPM CW-O-051, entitled *"Delegated Authority for Execution of County Contracts Agreements"* indicates its purpose is to establish procedures and policies for the authority to execute County contracts and agreements as delegated by the Board of County Commissioners (BCC) to authorized officials (delegatees). Further, it indicates that no less than quarterly, all delegated contracts and agreements

must be submitted by the initiating Department as a Receive and File consent agenda item; and no later than 90 days after execution, the initiating Department shall prepare a consent item agenda with the executed original(s) submitted with the agenda item.

The Executive Summary to the COSO report *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"* contains a very succinct summary and explanation of the usefulness of control documentation to an organization. *Documentation of*

business processes and procedures and other elements of internal control systems is developed and maintained by companies for a number of reasons:

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

Documentation also provides evidence to support reporting on internal control effectiveness.

We verified 37 Section 108 Loan agreements were active during the 12-month audit period; and of which, we randomly selected 25 for further review. The execution dates for the 25 selected agreements ranged from May 2004 through October 2018, with four executed during the 12-month audit period. Of the 25 selected agreements, we determined 24 were signed by an authority delegated by the BCC. Of the 24 signed by delegated authority, receive and file consent items for 21(or 88 percent) were not submitted within 90 days of execution. The number of days a consent item was submitted for agreements signed by delegated authority ranged from 76 days to 1,847 days (5 years) after execution. Further, five of the delegated authorized agreements were signed by the current Department Director; and 3 of the 5 (or 60 percent) were submitted more than 90 days after execution. The number of

days a consent item was submitted for the five agreements ranged from 76 to 431 days after execution.

The HES Deputy Director acknowledged a prior instance in April 2018 when several Section 108 Loan agreements signed by delegated authority, were discovered to not have been submitted as a receive and file consent item to the BCC. She explained the agreements were discovered during an evaluation by the current Business & Economic Development Manager, and have all since been submitted as a receive and file consent item to the BCC. She also indicated that staff is currently aware of the 90-day requirement. However, our review of delegated authority agreements showed receive and file consent items were submitted more than 90 days after execution during calendar year 2018, with the most recent occurrence December 4, 2018. The number of days was measured between the date of the agreement and the date of the BCC meeting. Of the 24 agreements evaluated, two were submitted within 90 days of execution on January 15, 2019, which was subsequent to the 12-month audit period.

The HES Contract Development and Quality Control Director indicated a new process has since been implemented in which a delegated authority agreement is to be immediately forwarded, after signature by the Department Director, to the Technical Services Coordinator to process a receive and file consent agenda item.

However, the HES Deputy Director indicated there may be delays in forwarding a signed agreement package to the Technical Services Coordinator for agenda item preparation if property was pledged as collateral to secure the loan. She further explained that collateral documents are required to go through a legal process after the closing of a loan (agreement execution date) to record a lien with the Clerk; and the recorded documents are part of the loan agreement package submitted with the consent item.

According to the HES Assistant County Attorney, a loan agreement, outlining party obligations, has to be fully executed with a transfer of funds prior to the execution of certain instruments (i.e. promissory note, mortgage and security document used as collateral). More specific, a loan must first close in order to record a lien on a borrower. He further indicated the loan agreement date is the date signed by the delegated authority; and that post-closing requirements include recording documents with the Clerk and the State (UCC filing) to perfect a lien on a borrower.

According to the County's Contract Development Control Director, all agreements signed by delegated authority, regardless if currently expired, should be submitted as a receive and file consent item to provide for an official public record.

The Department's current process, as indicated by management, to make certain a receive and file consent agenda item for agreements signed by delegated authority are submitted timely, is not in writing.

Also, post-closing requirements to record certain loan documents may preclude the prompt submission of a receive and file consent agenda item for agreements signed by delegated authority.

Without the prompt filing of loan agreements, the County does not have an official record of the agreement and a public record with the Clerk's Office.

Recommendations:

The Department Director should:

1. **Establish and document the desired process for ensuring agreements signed by delegated authority are promptly identified, and a receive and file consent item is submitted within the required timeframe.**

2. **Communicate to staff the established and documented process for identifying agreements signed by delegated authority and ensuring an associated receive and file consent item is timely prepared and submitted.**

3. **Address with the County Administrator the PPM required timeframe for submitting receive and file consent items if the nature of these types of agreements precludes submission within 90 days of execution.**

Management Comments and Our Evaluation

At the exit conference on 13 May 2019, the Department Director agreed with the finding and the recommendations. HES staff presented information that, subject to our due diligence review, could result in the elimination of recommendation #3 and the related text within the finding. Our review of the information supported deletion of the associated recommendation and text within the finding. Accordingly, we deleted those items from the audit report and renumbered the remaining recommendations.

In replying to a draft of this audit report the Department Director stated that a process and checklist had been established to ensure submission of the receive and file information in as timely a manner as possible (Recommendation #1). The Department Director stated that the new process and checklist had been communicated to staff (Recommendation #2). The Department Director stated that a request for an exemption from the filing deadlines for loan documents created by the economic development sections along with associated parameters would be sent to County Administration. (Recommendation #3)

We believe the actions the Department Director planned are responsive to the audit finding and the recommendations.

2. Sensitive Loan Applicant Information Collected Not Secured When Transmitted Electronically

2018 Florida Statutes, entitled *"Chapter 501 Consumer Protection"*, 501.171 entitled *"Security of confidential personal information"* (1) DEFINITIONS (g).1.a. indicates Personal information means an individual's first name or first initial and last name in combination with one of the following data elements: (1) a social security number, and (g). 2. does not include information made publicly available by a federal, state, or local governmental entity. Further, 501.171 (2) REQUIREMENTS FOR DATA SECURITY states, "Each covered entity, governmental entity, or third-party agent shall take reasonable measures to protect and secure data in electronic form containing personal information."

The Business Investment Division collects information from Section 108 Loan applicants for underwriting purposes via email (with attachments) or in-person. The Small Business Administration (SBA) requires these loans to be personally guaranteed, which requires obtaining personal financial information and the applicant's individual social security number. Personal financial information collected includes individual income tax returns and a completed U.S. Small Business Administration Personal Financial Statement, both of which show a social security number. In addition to collecting these documents with sensitive information, the Division is currently planning to implement a process to request a credit report for loan applicants, which will require applicants to complete an additional form with their social security number.

According to the Business & Economic Development Manager, a tool to secure loan information transmitted electronically by an applicant to HES is not being utilized. In fact, she indicated that applicants have provided documents in-person, or have set up their own electronic encryption due to concerns with transmitting sensitive information to the County.

According to the Senior Server Manager at the County's Information Systems Services (ISS) Department, there are systems in place at the County for securing sensitive information transmitted electronically from external users. He further recommended a tool, 'Proofpoint Encryption' solution that would require HES to email an applicant a link to register and upload documents to a secured shared link. He explained that ISS installs the encryption tool onto Microsoft Outlook that is set up on an individual user's desktop.

Management was unaware that an encryption tool was available to secure data from external users transmitted electronically, and ISS was unaware that HES was collecting sensitive information electronically without utilizing an encryption tool. Not properly securing sensitive documents or information when transmitted via email could result in the breach of data and/or allow for unauthorized access to data that could lead to its misuse.

Recommendations:

The Department Director should ensure:

4. **An encryption tool (i.e. Proofpoint) is installed and utilized when collecting sensitive information from loan applicants via email.**

5. **Staff collecting sensitive loan information from loan applicants via email are properly trained on the use of the encryption tool (i.e. Proofpoint).**

Management Comments and Our Evaluation

In responding to a draft of this audit report, the Department Director agreed with the finding and the recommendations. The Director stated that the Department was already using some tools to ensure security of sensitive data. The Director also stated that staff had already contacted ISS to set up the encryption tool and that a disclosure statement will be created providing direction to applicants on use of the tool.

We believe the actions planned by the Department Director are responsive to the audit finding and the recommendations.

BACKGROUND

The mission of the Department of Housing and Economic Sustainability (HES or the Department) is to advance community sustainability by increasing economic competiveness and improving the elements that create a high quality of life for Palm Beach County's residents. The two primary functions of HES are business and economic opportunity, and housing and community development activities.

The Department is currently comprised of eight divisions (sections): 1.) Business Investments, 2.) Business Compliance and Services, 3.) Contract Development and Quality Control, 4.) Special Projects Management, 5.) Mortgage and Housing Investments, 6.) Strategic Planning and Operations, 7.) Capital Improvements, Real Estate and Inspection Services, and 8.) Financial Administration and Loan Servicing. The first four divisions (sections) listed work with the Department's Business and Economic function.

The Department's Business Investment (BI) Division, which is supported by the Department's Business Compliance and Services (BC&S) Division, assist in the financing for commercial development projects through federally funded loan programs such as: Section 108 Loan, USDA Intermediary Relending Program (IRP), Energy Loan Program and the Brownfield Revolving Loan Fund

Program. Additionally, the Division works closely with the Florida State Qualified Targeted Industry (QTI) program to leverage local Economic Development Incentive programs to assist in large corporate relocation, expansion, or preservation; as well as with the Department's Economic Development Partners.

Also, the Contract Development and Quality Control Division, which provides support to the BI Division, prepares and monitors contracts and agreements, manages the authoring of RFPs, coordinates and administers contract provisions, and reviews developer loan closing and contract documentation.

The BI Division is comprised of four staff (including a manager), and the BC&S Division is comprised of four staff (including a manager). For Fiscal Year 2018, the Department had 54 positions and an adopted annual operating budget of $66M, and for Fiscal Year 2019 the number of positions increased to 55, and the adopted annual operating budget increased to $74M.

Our most recent audits of the Department were:
1.) Audit Report 2015-19, dated September 16, 2015, Department of

Economic Sustainability Procurement to Payment, which resulted in no findings and recommendations.

2.) Audit Report 2014-08, dated June 18, 2014, Department of Economic Sustainability Capital Improvements, Real Estate, and Inspection Services (CIREIS), which resulted in two findings and four recommendations. One finding was related to sub-recipient monitoring and one finding was related to documentation of sub-recipient completion of key requirements. Our follow-up review concluded all recommendations were satisfactorily implemented.

Neither of these audits addressed the Department's business and economic sustainability function.

AUDIT SCOPE AND METHODOLOGY

This audit was included in the approved annual audit work plan for FY 2018. The scope of the audit covered the Department's Business Economic Development contract management function, which included a review of active contracts and agreements during the 12-month period from January 1, 2018, through December 31, 2018. More specific, our review included an evaluation of the Department's management of contracts and agreements associated with: 1.) Section 108 Loan Program, 2.) Business Development Partnerships and 3.) Economic Incentive Program. Audit fieldwork was conducted at HES' office located at the Airport Centre from January 2019 through March 2019.

For our initial planning, we met with the management and staff of HES' four Divisions, identified to be part of the Business and Economic function, to discuss their processes and risks associated with managing business and economic contracts and agreements. From our initial evaluation, we narrowed our scope to the management of contracts and agreements related to: 1.) Section 108 Loan Program, 2.) Business Development Partnerships and 3.) Economic Incentive Program.

Our audit included meetings with both department and division management and staff to discuss their processes, as well as an evaluation of contracts and agreements from each of the three programs. We obtained a listing of active contracts and agreements during the 12-month audit period, and validated its completeness by reviewing prior Board Agenda items. From the listing, we randomly selected contracts and agreements to further evaluate the Department's management effectiveness in ensuring compliance with associated

terms and requirements. In addition, we reviewed sensitive data security, utilization of available HUD funds, pre and post loan closing processes and monitoring, loan servicing, and payment issuance approval. Also, we reviewed applicable Departmental and Countywide policies and procedures (PPMs), associated Florida State Statutes, practices recommended by the United States Government Accountability Office, and the HUD Exchange for its Section 108 Loan Program. Lastly, we referred to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for information on internal control documentation.

MANAGEMENT AND AUDIT RESPONSIBILITIES

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.

Internal Audit is responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to perform, 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
County Internal Auditor
May 13, 2019
W/P # 2018-01

ADMINISTRATIVE RESPONSE

DATE   May 29, 2019

TO: Joseph F. Bergeron, County Internal Auditor

FROM: Jonathan B. Brown, Director
Department of Housing and Economic Sustainability

RE: Internal Audit Report
Housing and Economic Sustainability Department
Business Contract Management

Enclosed for your review you will find the response to the Countywide Draft Vehicle Management Audit. As noted in your cover memo, the audit contains six findings and eight recommendations. As requested, our response contains our concurrence with the findings, corrective measures and a timeframe for implementation.

Finding 1: <u>**Receive and File Consent Items for Delegated Authority Agreements Not Timely Submitted**</u>

Recommendations:

The Department Director should:

1. Establish and document the desired process for ensuring agreements signed by delegated authority are promptly identified, and a receive and file consent item is submitted within the required timeframe.

The Department has established a process and checklist for ensuring business loan documents signed by a delegated authority are submitted for receive and file in as timely a manner as is possible. As part of the loan process, prior to submission of a receive and file consent item, the signed documents are sent back to the borrower's counsel to be recorded along with other associated loan documents. Upon completion of the recording by the borrower, recorded loan documents are sent back to the County, at which time a receive and file consent item is processed. The process of sending the signed documents back to the borrower for recording directly impacts the Department's ability to submit the documents within the required ninety-day timeframe established by the County's PPM. This Audit identified three agreements where the receive and file agenda item approvals under the current Department Director

occurred outside of the required timeframe. The first agreement was returned with a scrivener's error in the borrower's loan documents and had to be reprocessed, the second delay was due to the borrowers other lender introducing a new document into the process that had to be resigned by the borrower and included in the package, and the third was caused by the borrower's legal counsel not processing the recording in a timely manner. These factors that are external to the County impact the Department's ability to meet the required timeframe. A solution for addressing this constraint will be discussed in the Department's response to Recommendation No. 3 below.

2. Communicate to staff the established and documented process for identifying agreements signed by delegated authority and ensuring an associated receive and file consent item is timely prepared and submitted.

The Department has communicated the process for submission of items signed by delegated authority to all staff. The Department has created a checklist that will be utilized by the staff member responsible for the loan closing. Each task will be dated and given a certain time frame to complete.

3. Address with the County Administrator the PPM required timeframe for submitting receive and file consent items if the nature of these types of agreements precludes submission within 90 days of execution.

The Department will be processing a memo to County Administration requesting an exemption from the County's PPM requirement that documents signed by a delegated authority be submitted for receive and file within a ninety-day period. This exemption will only apply to loan documents created by the Department's economic development sections. The request with associated parameters will be submitted for approval within the next 90 days. The parameters will be memorialized in a Departmental PPM to ensure compliance and communication within the Department.

Finding 2: **Sensitive Loan Applicant Information Collected Not Secured When Transmitted Electronically**

Recommendations:

The Department Director should ensure:

4. An encryption tool (i.e. Proofpoint) is installed and utilized when collecting sensitive information from loan applicants via email.

5. Staff collecting sensitive loan information from loan applicants via email are properly trained on the use of the encryption tool (i.e. Proofpoint).

DHES agrees that any supplemental tools available to secure sensitive data should be utilized. The economic development staff did have certain measures already in place to ensure that access to sensitive documents is limited only to staff who require access. These measures included a shared electronic filing system only available to the Department's business staff and any hard copy documents have been maintained in a locked file room not accessible to other staff. Staff has contacted ISS to set up the Proofpoint Encryption plug in for Outlook. However, in order for the process to be effective, the outside entity must reply to the Proofpoint email. A disclosure statement will be created to be included in the Proofpoint emails stating that they must reply to the email in order to send the requested documentation securely.

Staff is currently coordinating with ISS on the proper use of Proofpoint and the process will be implemented within 60 days.

cc: Sherry Howard, Deputy Director, Department of Housing and Economic Sustainability
Faye Johnson, Assistant County Administrator, County Administration

Attachment #3

Office of the County Internal Auditor

AUDIT RECOMMENDATION STATUS

FOLLOW-UP REPORT

AS OF MAY 15, 2019

Stewardship – Accountability – Transparency

Internal Auditor's Office

2300 North Jog Road

West Palm Beach, FL 33411

(561) 681-4480

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■

**Palm Beach County
Board of County
Commissioners**

Mack Bernard, Mayor

Dave Kerner, Vice Mayor

Hal R. Valeche

Gregg K. Weiss

Robert S. Weinroth

Mary Lou Berger

Melissa McKinlay

County Administrator

Verdenia C. Baker

*"An Equal Opportunity
Affirmative Action Employer"*

Official Electronic Letterhead

DATE: June 12, 2019

TO: The Audit Committee

FROM: Joseph F. Bergeron, Internal Auditor

SUBJECT: Audit Recommendation Status Follow-Up Report
Dated May 15, 2019

The Audit Recommendation Status Follow-Up Report providing the status of audit recommendations as of May 15, 2019 is attached. These status reports are prepared semiannually for periods ending on the 15th of May and November. The reports are submitted to the Audit Committee at its meeting following the report "as of" dates. We will submit the reports to the BCC (generally January and July) following Audit Committee review.

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

- Exhibit 1   Audit Recommendations Open at the Beginning of the November 16, 2018 through May 15, 2019 Reporting Period
- Exhibit 2   Audit Recommendations Issued During the November 16, 2018 through May 15, 2019 Reporting Period
- Exhibit 3   Open Audit Recommendations by County Department at May 15, 2019
- Exhibit 4   Summary Aging of Open Audit Recommendations at May 15, 2019
- Exhibit 5   Recommendation Implementation Dates
- Exhibit 6   Audit Recommendations Submitted for Audit Committee Consideration
- Exhibit 7   Recommendation Status at May 15, 2019

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

Exhibit 6 includes recommendations which have had final management action without correcting the underlying condition where we believe additional action is necessary (Part A) or that have been open for at least two years (Part B). Audit recommendation follow-up is conducted to determine if management has implemented the corrective action agreed to during the audit and to ensure the underlying condition has been corrected.

Audit recommendations are proposed by the Internal Auditor's Office and either accepted by management as proposed or management proposes alternate solutions, which are acceptable to Internal Audit. An audit recommendation is "Open" from the time the audit report containing the recommendation has been reviewed by the Audit Committee until management has either implemented the recommendation or decided to take no further action. Audit recommendations remain in this report as long as the recommendation is open. If management chooses to take no further action, Internal Audit reports that in Exhibit 6 and recommends appropriate action to the Audit Committee.

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

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

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

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

Recommendation status is listed in Exhibits 6 and 7 as either:

➢ **Completed**   The recommendation has been fully implemented or management has implemented alternative actions that achieved the same purpose as the original recommendation, and the actions taken by management have corrected the underlying conditions. Internal Audit review confirms management's actions.

➢ **In process**   Internal Audit has conducted a follow-up review and found that management has not fully implemented the recommendation and that additional work is necessary to fully implement the recommendation. Management provides a new projected implementation date for the corrective action. Additional follow-up will be required. In some cases, management tells Internal Audit that implementation is underway but not yet complete. In that case Internal Audit will perform limited procedures to verify management's assertion.

➢ **Future implementation**   The implementation date established by management occurs after the date of this report and Internal Audit has done no review work on the recommendation.

➢ **Follow-up pending** The department has reported implementation of the audit recommendation. However, Internal Audit has not yet done the follow-up review work to confirm management's actions.

SUMMARY STATUS OF AUDIT RECOMMENDATIONS

May 15, 2019

As of May 15, 2019, the Internal Auditor's Database of Audit Recommendations showed that management actions had not been completed on 49 recommendations. These recommendations are considered "Open". Of those 49 open recommendations, follow-up has been conducted on 5 showing that management action has started but was not yet complete. The other 44 open recommendations are scheduled for follow-up in the future and no audit evaluation has been conducted at this time.

Changes in the inventory of Audit Recommendations during the period November 16, 2018 through May 15, 2019 are shown below:

Open Audit Recommendations as of November 16, 2018	36
Additional Audit Recommendations from Audit Reports Issued November 16, 2018 through May 15, 2019	35
Audit Recommendations Completed November 16, 2018 through May 15, 2019	22
Open Audit Recommendations as of May 15, 2019	49

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

- Was the recommendation implemented as agreed to by management? Or, if not, did alternative management action correct the identified deficiency or deficiencies?

- Was the underlying cause (condition) corrected?

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

If management action is not complete on any audit recommendation, the recommendation is included in this report as 'In Process." Another audit follow-up will be scheduled. If final management action has been taken and the underlying cause (condition) has not been corrected, we show this recommendation as "Completed - Not Implemented." These recommendations are included in Exhibit 6 for Audit Committee consideration.

Exhibit 1: Audit Recommendations Open at Beginning of the November 16, 2018 through May 15, 2019 Reporting Period

	Report	Issue Date	Number of Open Audit Recommendations Beginning of Reporting Period	Final Management Action Taken During Reporting Period	Number of Open Audit Recommendations End of Reporting Period
15-17	**Office of Small Business Assistance** Revenue Management	Sep-15	1	1	0
17-04	**Human Resources** Customer Service Processes	Mar-17	1	0	1
17-05	**Planning, Zoning, & Building** Code Enforcement	Apr-17	3	3	0
18-01	**Facilities Development & Operations** Capital Project Management Process	Dec-17	6	5	1
18-03	**Library Department** Information Technology Management	Jan-18	10	7	3
18-04	**Public Safety** Animal Care and Control	Mar-18	7	0	7
18-05	**Multiple Departments / OFMB** Infrastructure Sales Surtax Program	May-18	2	0	2
18-06	**Youth Services Department** Internal Controls Review	Jul-18	6	6	0
	Totals		**36**	**22**	**14**

Exhibit 2: Audit Recommendations Issued During the November 16, 2018 through May 15, 2019 Reporting Period

Report		Issue Date	Number of Audit Recommendations Issued this Reporting Period	Final Management Action Taken During Reporting Period	Number of Open Audit Recommendations End of Reporting Period
19-01	**Planning, Zoning & Building** Contractors Certification Division	Mar-19	27	0	27
19-02	**Risk Management** Countywide Vehicle Management	Jan-19	8	0	8
	Totals		35	0	35

Exhibit 3: Open Audit Recommendations
by County Department
as of May 15, 2019

Department	In Process	Future Implementation
Facilities Development & Operations	1	0
Human Resources	1	0
Library	3	0
Multiple Departments / OFMB	0	2
Public Safety	0	7
Planning Zoning & Building	0	27
Risk Management	0	8
Total Open Recommendations	**5**	**44**

Future implementation
The implementation date established by management occurs after the date of this report and Internal Audit has done no review work on the recommendation(s).

Exhibit 4: Summary Aging of Open Audit Recommendations by Report Issued Date
As of May 15, 2019

Timeframe	Inventory at Beginning of Period (Exhibit 1)	Issued During this Period (Exhibit 2)	Closed During this Period (Exhibits 1 and 2)	Open at the End of this Period	In Process	Future Implementation
0 - 6 Months	0	35	0	35	0	35
7 - 12 Months	15	0	6	9	0	9
13 - 18 Months	16	0	12	4	4	0
19 - 24 Months	3	0	3	0	0	0
Greater Than 24 Months	2	0	1	1	1	0
Total	**36**	**35**	**22**	**49**	**5**	**44**

Audit Report Issuance Dates by Audit Committee Meeting Date

0 - 6 Months	December 2018 and March 2019
7 - 12 Months	June and September 2018
13 - 18 Months	December 2017 and March 2018
19 - 24 Months	June and September 2017
Over 24 Months	March 2017 or earlier

Future implementation: The implementation date established by management occurs after the date of this report and Internal Audit has done no review work on the recommendation(s).

Exhibit 5
Recommendation Status Report as of May 15, 2019
By Report Number and Implementation Date

A/C Mtg Date	Report #	Rec #	OID	AFD	RID	AFD	RID	AFD	RID	AFD	RID	AFD	RID
Office of Small Business Assistance - Revenue Management													
Sep-15	15-17	1	Mar-16	-	Aug-16	Nov-16	complete						
Sep-15	15-17	2	Mar-16	-	Aug-16	Nov-16	complete						
Sep-15	15-17	2	Mar-16	-	Aug-16	Nov-16	May-19	complete					
Human Resources - Customer Service Processes													
Mar-17	17-04	1	Aug-17	Oct-17	complete								
Mar-17	17-04	2	Aug-17	Oct-17	complete								
Mar-17	17-04	3	Apr-17	Oct-17	complete								
Mar-17	17-04	4	Jul-17	Oct-17	complete								
Mar-17	17-04	5	Feb-18	Oct-17	Jan-19	Aug-18	Jun-20						
Planning, Zoning, & Building - Code Enforcement													
Apr-17	17-05	3	Nov-17	complete									
Apr-17	17-05	4	Nov-17	complete									
Apr-17	17-05	5	Nov-17	complete									
Apr-17	17-05	7	Nov-17	complete									
Apr-17	17-05	8	Nov-17	complete									
Apr-17	17-05	9	Nov-17	complete									
Apr-17	17-05	15	Nov-17	complete									
Apr-17	17-05	1	Nov-17	Jun-18	complete								
Apr-17	17-05	2	Nov-17	Jun-18	complete								
Apr-17	17-05	11	Nov-17	Jun-18	complete								
Apr-17	17-05	12	Nov-17	Jun-18	complete								
Apr-17	17-05	13	Nov-17	Jun-18	complete								
Apr-17	17-05	6	Nov-17	Jun-18	Dec-18	complete							
Apr-17	17-05	10	Nov-17	Jun-18	Dec-18	complete							
Apr-17	17-05	14	Nov-17	Jun-18	Dec-18	complete							
Facilities Development & Operations - Capital Project Management Process													
Dec-17	18-01	9	closed at report issuance										
Dec-17	18-01	2	Feb-18	May-18	complete								
Dec-17	18-01	3	Dec-17	May-18	complete								
Dec-17	18-01	1	Dec-17	May-18	Oct-18	complete							
Dec-17	18-01	5	-	May-18	Oct-18	complete							
Dec-17	18-01	6	-	May-18	Oct-18	complete							
Dec-17	18-01	7	-	May-18	Oct-18	complete							
Dec-17	18-01	8	-	May-18	Oct-18	complete							
Dec-17	18-01	4	Feb-18	May-18	Oct-18	May-19	Nov-19						
Library Department - Information Technology Management													
Mar-18	18-03	11	closed at report issuance										
Mar-18	18-03	3	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	4	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	6	Jun-18	Jul-18	Oct-18	complete							
Mar-18	18-03	7	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	8	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	9	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	10	Oct-18	Jul-18	Oct-18	complete							
Mar-18	18-03	1	Jan-19	Jul-18	Oct-18	May-19	Nov-19						
Mar-18	18-03	2	Jan-19	Jul-18	Oct-18	May-19	Nov-19						
Mar-18	18-03	5	Oct-18	Jul-18	Oct-18	May-19	Nov-19						

Symbol Legend: OID = Original Implementation Date: AFD = Audit Follow-up Date; RID = Revised Implementation Date

Exhibit 5
Recommendation Status Report as of May 15, 2019
By Report Number and Implementation Date

A/C Mtg Date	Report #	Rec #	OID	AFD	RID	AFD	RID	AFD	RID	AFD	RID	AFD	RID
Public Safety - Animal Care and Control													
Jun-18	18-04	1	Jan-19	Feb-19									
Jun-18	18-04	2	Jan-19	Feb-19									
Jun-18	18-04	3	Jan-19	Feb-19									
Jun-18	18-04	4	Jan-19	Feb-19									
Jun-18	18-04	5	Jan-19	Feb-19									
Jun-18	18-04	6	Jan-19	Feb-19									
Jun-18	18-04	7	Jan-19	Feb-19									
Multiple Department / OFMB - Infrastructure Sales Surtax Program													
Jun-18	18-05	3	closed										
Jun-18	18-05	1	Dec-18										
Jun-18	18-05	2	Dec-18										
Youth Services Department - Internal Controls Review													
Sep-18	18-06	1	Dec-18	closed									
Sep-18	18-06	2	Dec-18	closed									
Sep-18	18-06	3	Dec-18	closed									
Sep-18	18-06	4	Dec-18	closed									
Sep-18	18-06	5	Dec-18	closed									
Sep-18	18-06	6	Dec-18	closed									
Risk Management - Countywide Vehicle Management													
Mar-19	19-02	1	Dec-19										
Mar-19	19-02	2	Dec-19										
Mar-19	19-02	3	Dec-19										
Mar-19	19-02	4	Dec-19										
Mar-19	19-02	5	Dec-19										
Mar-19	19-02	6	Dec-19										
Mar-19	19-02	7	Dec-19										
Mar-19	19-02	8	Dec-19										

Symbol Legend: OID = Original Implementation Date; AFD = Audit Follow-up Date; RID = Revised Implementation Date

Exhibit 6: Audit Recommendations Submitted for Audit Committee Consideration as of May 15, 2019

Recommendations for which Final Management Action Has Been Taken Without Resolving the Underlying Condition (Part A)	
None	

Recommendations Open Longer Than Two Years (Part B)	

17-04 Human Resources Customer Service Processes	
Report issued March 2017 containing 5 recommendations. *Follow-up #1 – August 6, 2018, 1 recommendation remains open.*	
#5. The Human Resources Director should have all active and terminated employee personnel files housed in the storage shelves scanned and maintained electronically.	**Status – May 2019** **In process.** Implementation scheduled for June 2020; progress check scheduled for October 2019. **Status – November 2018** **In process.** More time needed due to the voluminous and sensitive nature of scanning and storing electronically employee personnel files. Follow-up scheduled for January 2019. **Status – May 2018** **In process.** Fieldwork complete, project in review for memo distribution. **Status – September 2017** **Future implementation.** Follow-up scheduled for October 2017. **Status at March 31, 2017** **Future implementation** Implementation scheduled for March 2017

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
15-17 Office of Small Business Assistance Revenue Management	
Report issued September 2015 containing 2 recommendations. *Follow-up #1 November 2016 1 remains open. March 4, 2019, closed.*	
#2 The OSBA Director should 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.	**Status – May 2019** **Completed.** Ordinance changed, recommendation #2 no longer applies. **Status – November 2018** **In process.** **Status – May 2018** **In process.** **Status – September 2017** **In process.** Internal Auditor to discuss with Department Director. **Status – March 2017** **In process.** Internal Auditor to discuss with County Administrator. **Status – September 2016** **Follow-up pending.** New implementation scheduled for August 2016. **Status - March 2016** **Follow-up pending.** **Status - September 2015** **Future implementation.** Implementation scheduled for March 2016; follow-up scheduled for April 2016.
17-04 Human Resources Customer Service Processes	
Report issued March 2017 containing 5 recommendations. *Follow-up #1 – August 6, 2018, 1 recommendation remains open.* *Follow-up #2 scheduled October 2019.*	

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#5. The Human Resources Director should have all active and terminated employee personnel files housed in the storage shelves scanned and maintained electronically.	**Status – May 2019** **In process.** Implementation scheduled for June 2020; Progress check scheduled for October 2019. **Status – November 2018** **In process.** More time needed due to the voluminous and sensitive nature of scanning and storing electronically employee personnel files. Follow-up scheduled for January 2019. **Status – May 2018** **In process.** Fieldwork complete, project in review for memo distribution. **Status – September 2017** **Future implementation.** Follow-up scheduled for October 2017. **Status at March 31, 2017** **Future implementation** Implementation scheduled for March 2017.
17-05 Planning, Zoning, & Building - Code Enforcement Division **Customer Service Processes**	
Report issued June 2017 containing 15 recommendations. *Follow-up #1 February 2018, 7 remain open.* *Follow-up #2 August 31, 2018, 3 remain open.* *Follow-up #3 December 20, 2018, closed.*	
#6 Communicate and review written PPMs with appropriate Staff.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **In process.** PPMs still in process of being updated. Follow up scheduled for June 2018.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	Status – September 2017 **Future implementation.** Follow-up scheduled for November 2017.
#10 ePZB system security user access is reviewed, at least annually, to ensure user access is congruent with job responsibilities and functions; including both security roles and other added access (i.e. Supervisor Authority).	**Status – May 2018** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **In process.** Actions have not been taken to resolve recommendation. Follow up scheduled for June 2018. **Status – September 2017** **Future implementation.** Follow-up scheduled for November 2017.
#14 The Code Enforcement Division Director should ensure all division PPMs are up-to-date, contain clear expectations of established timeframes for responding to complaints, and staff is made aware of all PPM requirements.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **In process.** PPMs still in process of being updated. Follow up scheduled for June 2018. **Status – September 2017** **Future implementation.** Follow-up scheduled for November 2017.
18-01 Facilities Development & Operations Capital Project Management Process	
Report issued December 2017 containing 9 recommendations. Recommendation #9 closed with issuance of report. *Follow-up #1 August 6, 2018, 6 remain open.* *Follow-up #2 March 5, 2019, 1 remains open*	
#1 The Department Director should ensure that there are adequate and consistently applied procedures to establish and record completion	**Status – May 2019** **Completed.**

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
dates as determined by Department personnel.	**Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018.
#4 The Department Director should ensure the CID Director documents the allowance and other GMP line reconciliation process in the Project Manual and that appropriate documentation to support the allowance reconciliation process is retained in the project files.	**Status – May 2019** **In process.** Implementation scheduled for November 2019; follow-up scheduled for November 2019. **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018
#5 The Department Director should revise their contracts to comply with current management processes.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018
#6 The Department Director should determine whether the Gordian Group's JOC system supports tracking and recording key project milestones.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018
#7 If the determination in recommendation #6 is negative, the Department Director should ensure CID tracks key project milestone dates in the project management system being provided by the project management	**Status – May 2019** **Completed.** **Status – November 2018** **In process.**

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
consultant.	Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018
#8 The Department Director should ensure that CID updates the CID Project Manual to include reference to the Gordian Group manual and supplements that manual as necessary.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** Follow-up scheduled December 2018. **Status – May 2018** **Follow-up pending.** Follow-up scheduled for May 2018
18-03 Library Department **Information Technology Management**	
Report issued January 2018 containing 11 recommendations. Recommendation #11 closed with issuance of report. *Follow-up #1 Initially scheduled for July 2018, rescheduled to October 2018 as implementation not complete.* *Follow-up #1 January 24, 2019, 6 remain open.* *Follow-up #2 April 30, 2019, 3 remain open.*	
#1 The Department Director and the IT Division Director should ensure access at each MDF room location is restricted to those individuals with a job responsibility [not rank and title] that requires access to the room. More specifically, access should be controlled with a separate key to the MDF room, badge access restrictions, key distribution records, and periodic re-keying.	**Status – May 2019** **In process.** Implementation scheduled for November 2019. **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#2 The Department Director and the IT Division Director should ensure access to MDF room locations (i.e. badge, key) is reviewed semi-annually for appropriateness and those identified without a need for entry discontinued. This would include an evaluation of badge access records from ESS and a review of current key distribution records.	**Status – May 2019** **In process.** Follow-up #3 scheduled for November 2019. **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.**

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	Follow-up #1 scheduled for July 2018
#3 The Department Director and the IT Division Director should ensure policies and procedures (PPMs) for key areas of the operations are in writing and clearly communicated to staff, and are reviewed periodically and updated when necessary. Written PPMs should include, but not limited to, such areas as the PNR function, recovery plan testing, business interruption maintenance, desktop application and update installation protocols, and practices for scheduling and conducting application maintenance.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#4 The Department Director and the IT Division Director should ensure IT staff performance is periodically monitored against key expectations outlined and communicated in written PPMs.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#5 The Department Director and the IT Division Director should assign individual user IDs and passwords where appropriate to senior staff and Library IT staff, and implement a requirement for Library customer service staff working in public service areas to use the Windows lock feature whenever an active computer terminal is left unattended.	**Status – May 2019** **In process.** Follow-up #3 scheduled for November 2019. **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#6 The Department Director and the IT Division Director should develop a formal process that specifies the system and data access required for a new user, and provides for management authorization.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#7 The Department Director and the IT Division Director should implement a process to promptly identify and disable and/or delete	**Status – May 2019** **Completed.**

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
terminated and transferred employee access from the system.	**Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#8 The Department Director and the IT Division Director should establish a schedule to change passwords periodically, at a maximum of 180 calendar days.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#9 The Department Director and the IT Division Director should conduct an annual review of current user access rights (both business and technical) to verify access is appropriate and consistent with present job functions and authorized access. Inappropriate access should be identified and disabled promptly.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
#10 The Department Director and the IT Division Director should document user access roles and associated functionality for the ILS to promote role-based security and to ensure users are granted access that is consistent and appropriate with their job functions.	**Status – May 2019** **Completed.** **Status – November 2018** **In process.** **Status – May 2018** **Future Implementation.** Follow-up #1 scheduled for July 2018
18-04 Public Safety **Animal Care and Control**	
Report issued March 2018 containing 7 recommendations. *Follow up assigned February 2019.*	
#1 The ACC Director should ensure that all PPMs and SOPs older than five years are reviewed for appropriateness and revised as needed.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.**

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
	Follow up scheduled January 2019.
#2 The ACC Director should establish a process that ensures this review is conducted as needed, with a maximum period between reviews being five years.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
#3 The ACC Director should develop a Divisional inventory management PPM for medicines, drugs and medical supplies as required by County Policy. The Divisional PPM should include the relevant elements identified in the County Policy.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
#4 The ACC Director should acquire and implement an automated inventory management system for the management of their inventory of Medical drugs and supplies.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
#5 The FAS Director should continue the initiated actions to update and revise the Cash Management PPM and to implement the planned controls to address all the control issues identified.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
#6 The ACC Director should ensure that access to all Chameleon functions, especially restricted ones, be restricted to authorized users only based on the job requirements of each employee. Exception reporting and monitoring should be used in cases where access to restricted functions is not automated.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
#7 The ACC Director should also institute an annual process to review the system access to the Chameleon system as required by County PPM.	**Status – May 2019** **Future Implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled January 2019.
18-05 Multiple Department / OFMB Infrastructure Sales Surtax Program Report issued May 2018 containing 3 recommendations. Recommendation #3 closed.	

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
Follow up scheduled for December 2018.	
#1 The "Notes" section of the Monthly Infrastructure Sales Tax Project Report should include a comment indicating how much of the total project budget is currently funded. Information on prior year and future year funding should also be provided.	**Status – May 2019** **Future implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
#2 The project to implement an automated interface between Prolog and the accounting system should be given the highest priority for development as this capability should eliminate the duplication of effort in entering the same data in both systems as well as eliminate the timing and reconciliation issues thus resulting in improved efficiency for program administration.	**Status – May 2019** **Future implementation.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
18-06 Youth Services Department **Internal Controls Review** Report issued July 2018 containing 6 recommendations. *Follow up #1 April 12, 2019, all recommendations closed.*	
#1 The YSD Director should establish standards for monitoring Summer Camp Providers addressing both returning providers and new providers, as well as the number and frequency of monitoring visits of both types of providers to ensure compliance with program requirements.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
#2 The YSD Director should revise the current Sumer Camp Program PPM to include the standards included in recommendation #1.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
#3 The YSD Director should revise the current Youth Empowerment Center PPM to include guidelines and directions to ensure that Youth Empowerment Center are being monitored as per contract/agreements.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#4 The YSD Director should ensure that all client services are reviewed by supervisors and documented in the case management system in a timely manner.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
#5 The YSD Director should ensure that all client services that are extended are reviewed and approved by supervisors and timely documented in the case management system.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018
#6 The YSD Director should revise PPM YSD-RTFC-HRFC-O-002 to include documentary requirements to establish residency.	**Status – May 2019** **Complete.** **Status – November 2018** **Future Implementation.** Follow up scheduled December 2018.
19-01 Planning, Zoning & Building Contractors Certification	
Report issued December 2018 containing 27 recommendations. *Follow-up #1 scheduled for June 2019.*	
#1 Evaluate the adequacy of available resources to achieve the Division's mission [contractor certification regulation and enforcement], as compared to those available to handle the State Registration function.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#2 Develop solutions to streamline the use of staff resources in meeting customer demands; especially during peak periods. This would include the implementation of additional system enhancements, as well as tools to identify reasons for renewal/ re-enrollment returns.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#3 Implement controls, such as dashboards and/or reports that capture key information (i.e. complaints received and not assigned, applications received and not processed) to monitor workloads and quickly identify any issues.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#4 Incoming applications and complaints are date-stamped and logged into the system when received by the Division within management's expected timeframe of 0 to 2 days (48 hours).	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#5 Intake procedures (i.e. date-stamp) are documented, and communicated to staff.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#6 A mechanism is implemented to track incoming calls and ensure calls received are promptly returned.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#7 Reason for calls are captured and evaluated; and if necessary, pro-active solutions are developed to address future call volume.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#8 A kiosk is set-up, similar to other PZB Divisions, for walk-in visitors to sign in, to be used to efficiently gather information, such as reasons for walk-in visits, to assist management in proactively responding to future customer demands. Also, could be utilized to monitor visitor volume during the day.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#9 Cross-train staff for all aspects of the new Contractor licensing process (i.e. system data entry) to ensure continual productivity of licensing contractors.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#10 Evaluate current certification procedures and practices to identify areas where enhancements can be implemented to streamline processes and improve productivity.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#11 Develop written procedures to address the Certification Coordination Section [i.e. County certification and State enrollment processes], which will also aid in the training and cross-training of employees, and communicate them to staff.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#12 Ensure late fees for County Certification renewals are imposed and collected upfront, and that the data used to compute these fees reflects the actual date received and not the date the renewal was entered into the system (i.e. 'date submitted' field defaults to current date).	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#13 Develop reports to capture key indicators of the Certification Coordination Section for management to (1) monitor compliance with expectations, (2) manage workloads, (3) track pertinent milestones, and (4) measure performance outcomes. This may require ISS to set-up additional fields in the system to capture key information.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#14 Re-evaluate with the Building Official and the County Attorney's office the necessity to require the collection of certain documents and information (i.e. insurance certificates, BTR, DOB) to register State Contractors with the County. If determined the cost to collect certain documents and information exceeds any associated benefits and risks, than appropriate adjustments should be made.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#15 Develop written procedures for investigations, and communicate to staff.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#16 Strengthen quality control of investigated cases; which includes requiring cases to be promptly closed by the investigator, and timely reviewed and closed by the supervisor.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#17 Develop reports with ISS to capture key performance indicators (specific data fields) to monitor investigation workload activity, compliance with expectations, and to measure performance.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#18 Implement procedures and controls to ensure pre-numbered citation forms are secured and tracked. This also ensures all issued citations are followed-up with to collect fines and impose liens, if required.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#19 The Division Director should implement controls to ensure data fields for investigations are accurately populated on a consistent basis. This includes developing written procedures to address appropriate data entry, as well as the implementation of field edits, drop-down menus, and data prompts to ensure accurate data collection.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#20 Ensure sensitive applicant information collected and maintained in hard copy form is secured (i.e. locked cabinet) and access limited based on need.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#21 Ensure user access to applicant sensitive information maintained in the system is controlled based on job function and need. In addition, user access rights in the system should be reviewed at least annually for appropriateness.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#22 Ensure staff is aware sensitive data should always be secured and not left unattended.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#23 Provide guidance on the collection of necessary documents and information that is sensitive in nature (i.e. copies of social security cards and drivers' licenses) for processing County contractor licensing and enrolling State contractors. If necessary, consult with the County Attorney's Office.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#24 Ensure appropriate record retention requirements for collected documents, which include types of documents (hardcopy, electronic), security of documents, and length of time documents must be retained. If necessary, consult with OFMB and the County Attorney's office on the retention requirements for hard copy documentation that is also electronically scanned and retained in the ePZB system.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#25 Establish policies and procedures for payments to be made directly to the PZB Cashier, and for the Division to no longer accept payments directly at their offices. In addition, these PPMs should be in writing and communicated to staff.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#26 Adopt a process to issue invoices for the amount of fees due and require payment of the invoice to be made at the PZB Cashier.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.
#27 Revise the Citation form to instruct payments be remitted directly to the PZB Cashier or paid on-line. In addition, forms that instruct payments be remitted to the Division offices should no longer be used.	**Status – May 2019** **Future Implementation.** Follow up scheduled June 2019.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
19-02 Risk Management Countywide Vehicle	
Report issued January 2019 containing 8 recommendations. *Follow-up #1 scheduled December 2019, 8 remain open.*	
#1 The Risk Management Director develop and implement standard operating procedures relating to the overall monitoring of eligibility of County drivers. These should include guidelines for the: ➢ Review, communication and tracking of the Weekly Critical Report issues; ➢ RIM system updates; ➢ Notifications to departments; ➢ Communication protocols between the department and the field departments relating to actions taken and final resolution of issues.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.
#2 The Risk Management Director develop and implement standard operating procedures related to eligibility issues (including future-dated items) identified in the weekly critical report. The guidelines should include communication to the departments in a timely manner and tracking and retention of required documents.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.
#3 The Risk Management Director develop and implement procedures to track and monitor operator training to ensure that the three (3) year training requirement, as well as the remedial and supervisory training is met.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.
#4 The Risk Management Director develop and implement procedures to: ➢ Monitor the complete and timely reporting of accidents; and; ➢ Reconcile accidents reported to EOC to the accidents reported to Risk Management in order to identify and address unreported accidents.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.

Exhibit 7 - Recommendation Status at May 15, 2019

Audit Report Number, Title and Recommendation(s)	Recommendation Status
#5 The Risk Management Director develop and implement procedures to ensure segregation of duties over the New Hire Authorization and the Continuous Driver Eligibility Monitoring Processes. A detailed supervisory review should be implemented in cases where related tasks cannot be segregated due to resource constraint.	**Status – May 2019** **Follow-up pending.** Follow up scheduled December 2019.
#6 The Risk Management Director develop and implement standard operating procedures to establishing guidelines and requirements relating to the overall monitoring of the "How's My Driving" Procedures. These should include guidelines for the review, communication, tracking and retention of the HMD form and related documents, and notifications to departments; and communication protocols between the department and the field departments related to actions taken and final resolution of issues.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.
#7 The Risk Management Director amend the PPM to make 24-Hour Vehicle Assignment requirements consistent across the County. Guidelines should include how all "on-call/off shift rotational vehicles will be administered.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.
#8 The Risk Management Director work with ISS to update and enhance the RIMS system to include the following: ➢ Add a field to include when records are changed/updated by DMV upload process; ➢ Create an audit trail to capture changes in the records and store historical data to "County Status" and other key fields; ➢ Add a "pending" designation to be used for eligibility issues under resolution.	**Status – May 2019** **Future Implementation.** Follow up scheduled December 2019.