

PALM BEACH COUNTY  
BOARD of COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY

3DD-1

Meeting Date: May 6, 2025 [ X ] Consent [ ] Regular  
[ ] Public Hearing

Department:  
Submitted By: County Internal Auditor's Office

I. EXECUTIVE BRIEF

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

- A. Audit Report #2025-03 Airport Department – Capital Projects management.
- B. Audit Report #2025-04 Public Safety/Consumer Affairs – Florida Department of Highway Safety and Motor Vehicles Memorandum of Understanding Contract #HSMV-059-24.

**Summary:** County Code requires the County Internal Auditor to submit copies of final audit reports to the Board of County Commissioners (BCC) and the Internal Audit Committee. At its meeting March 19, 2025, the Internal Audit Committee reviewed the Airports Department audit report. The review of the Public Safety audit is scheduled for the June 18, 2025 quarterly meeting. Countywide (DB)

**Background and Justification:** County Code Section 2-463(e)(3) requires the County Internal Auditor to submit copies of final audit reports to the BCC and the Internal Audit Committee. This item complies with the requirement to submit the attached reports to the BCC.

**Attachments:**

- 1. Final Report – Airports Capital Project Management 2025
- 2. Final Report – Public Safety – Consumer Affairs MOU 2025

Recommended by: D. Dzan 4-8-2025  
County Internal Auditor Date

Recommended by: N/A  
County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2025	2026	2027	2028	2029
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  X

Is this item using Federal Funds? Yes \_\_\_\_\_ No  X

Is this item using State Funds? Yes \_\_\_\_\_ No  X

Budget Account No.: Fund \_\_\_\_\_ Agency \_\_\_\_\_ Org. \_\_\_\_\_ Object \_\_\_\_\_

Program Number \_\_\_\_\_ Revenue Source \_\_\_\_\_

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

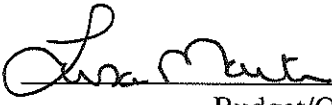
No fiscal impact

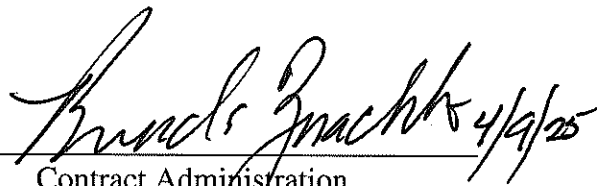
A. Department Fiscal Review:

\_\_\_\_\_

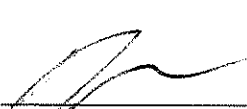
III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

 4/8/2025  
Budget/OFMB JH 4/8  
MD 4/8

 4/9/25  
Contract Administration  
BZ 4.9.25

B. Legal Sufficiency:

 4/10/25  
Assistant County Attorney

C. Other Department Review:

\_\_\_\_\_  
Department Director

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



Office of the County Internal Auditor  
Audit Report  
Report #2025-03  
Issued February 28, 2025

**INTERNAL AUDIT REPORT**  
**AIRPORTS DEPARTMENT**  
**CAPITAL PROJECT MANAGEMENT AUDIT**

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*Stewardship – Accountability – Transparency*

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**AIRPORTS DEPARTMENT**

**CAPITAL PROJECT MANAGEMENT AUDIT**

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## AUDIT OBJECTIVES AND CONCLUSIONS

We performed the audit to answer the following objectives:

1. Did the Department of Airports (DOA) Director ensure contractor and consultant pay applications, submitted during the period from June 1, 2022 through May 31, 2023, were processed in accordance with the associated contracts/agreements and the State of Florida's Local Government Prompt Payment Act and Countywide Policies and Procedures?
2. Did the Department of Airports (DOA) Director ensure that projects completed during the period from June 1, 2022 through May 31, 2023, were closed-out with final payment processed in accordance with the associated contracts/agreements and Countywide Policies and Procedures?

As to the audit objectives above, we concluded:

The Department of Airports (DOA) Director did not ensure contractor pay applications, submitted during the period from June 1, 2022 through May 31, 2023, were processed in accordance with the associated contracts/agreements, and the State of Florida's Local Government Prompt Payment Act.

The Department of Airports (DOA) Director did ensure that projects completed during the period from June 1, 2022 through May 31, 2023, were closed-out with final payment processed in accordance with the associated contracts/agreements and Countywide Policies and Procedures.

We also identified a minor issue that, while not rising to the level of an audit finding, warrants management's attention and possible action. Specifically, we observed the absence of a final completion form to confirm project completion. To address this, we provided two suggestions for improvement, which are detailed in our Management Comment Letter.

## AUDIT FINDINGS AND RECOMMENDATIONS

### Findings related to Objective 1 – Open Projects

Several pay application payments were issued later than the required statutory deadlines. In addition, payment applications to DOA for unit price construction projects were not signed by the authorized Agent.

## **Finding #1 Payment of Pay Application Invoices Not Fully Aligned with Florida Prompt Payment Act Requirements**

The DOA does not have a formal process to track the number of days outstanding for pay applications from receipt to submission to the Clerk's Finance Department (Clerk's Office).

Although the Clerk's Office operates as a separate constitutional office, independent of the PBC Board of County Commissioners and outside the DOA's administrative jurisdiction, it shares responsibility for ensuring payments are processed within the timeframes mandated by the Florida Prompt Payment Act for construction services.

Currently, no statutory requirement mandates a specific timeframe for the DOA to process consultant pay applications. Additionally, there is no established timeframe for departmental review and approval of non-construction services invoices before submission to the Clerk's Office.

### **Condition**

Processed payments requested by DOA and issued by Palm Beach County Clerk's office exceeded the State of Florida's 'Prompt Payment Act' required timeframes for contractor services (20 or 25 business days, whichever applies).

Of 19 open capital projects during the 12-month audit period, we randomly selected six for further review.

### **Contractor Services**

For the six projects selected, we identified 40 contractor services payment applications received by DOA during the 12-month audit period. Of the 40 payment applications, we randomly selected 18 contractor payment applications (both unit price and Construction Management at Risk (CMAR) for further evaluation.

To compute the payment processing timeframe for each pay application reviewed, we identified the date stamp on the application and email sent date (if received electronically). We compared the earliest date (date stamp or email sent date) to the date the Clerk's Finance Department issued the payment. The term "business days" typically means any day when normal business operations are conducted and excludes weekends and holidays.

Of 18 payment applications reviewed, eight (44%) were paid in excess of the required 20 days (or 25 days if reviewed by consultant), ranging from 1 to 16 business days. See *Table 1* below.

*Table 1 Contractor Services*

<b>Pay Application #</b>	<b>Contract Type</b>	<b>Consultant Required To Review Pay App</b>	<b>Method to Identify Date Received</b>	<b>Bus. Days to Process From Date Received</b>	<b>Bus. Days to Process By DOA</b>	<b>Bus Days to Process by Clerk's Office</b>	<b>Total No. of Bus. Days To Process Past Required Days</b>
1	Unit - Price	Yes	Email	35	24	11	10
2	Unit - Price	Yes	Email	26	15	11	1
3	CMAR	No	Email	33	6	27	13
4	CMAR	No	Email	21	9	12	1
5	CMAR	No	Email	36	23	13	16
6	CMAR	No	Email	36	34	2	16
7	Unit - Price (Internal)	No	Email	25	9	16	5
8	Unit - Price	Yes	Date Stamp	28	14	14	3

*Table 1* above also outlines processing timeframes for both DOA and the Clerk's Office.

Of the eight payments issued beyond 20 business days (or 25 business days when a consultant review was required), the DOA processing time for three payments was close to or exceeded the statutory timeframe. In total, three out of 18 (17%) contractor payment applications reviewed were affected.

Of the 18 contractor payment applications reviewed, 17 were submitted electronically. Among these, 12 applications (71%) had a date stamp later than the email sent date, with delays ranging from 1 to 5 days. Two applications (12%) were missing a date stamp, while another two (12%) showed an email sent date later than the date stamp, possibly due to resubmissions. Notably, resubmissions are not officially recognized as resetting the submission clock. Additionally, nine out of ten unit price contract payment applications reviewed were required to be examined by an

agent in accordance with the related agreement. However, none of the payment applications showed evidence they had been reviewed by an agent, as there were no signatures present (as noted in finding #2). Furthermore, the Florida State Prompt Payment Act permits 25 business days (instead of 20 business days) to process payments for invoices that must be approved by an agent of a local governmental entity, granting an additional five business days for payment processing.

### **Consultant Services**

For the six projects selected, we identified 43 consultant services payment applications received by DOA during the 12-month audit period. Of the 43 payment applications, we randomly selected 17 for further evaluation.

To compute the DOA processing timeframe for each pay application reviewed, we compared the date stamp on the application (or email sent date if earlier) to the date submitted to the Clerk's Finance Department. Of the 17 consultant services pay applications reviewed, six (35%) were submitted to the Clerk's Office more than 30 days from the date received, ranging from 31 to 36 days. See *Table 2* below.

*Table 2 Consultant Services*

<b>Pay Application #</b>	<b>No. of Days to Process by DOA</b>
1	31
2	32
3	36
4	32
5	36
6	31

In addition, 3 of the 17 consultant services payment applications reviewed were received at DOA by email. Of the three emailed applications, one (33%) was missing a date stamp and two (66%) had a date stamp dated later than the email sent date (1 and 2 days). The remaining 14 applications were hard-copies received at DOA by mail or by walk-in, which were date stamp by the front desk when received.

### **Effect or Risk**

Payments made outside of the required and/or judicious timeframes may result in an inability to attract top-tier contractors and consultants for projects, damage the County's reputation, lead to potential litigation due to delays, and/or result in non-compliance with a statutory deadline for construction services, such as those outlined in the Prompt Payment Act.

### Cause

The following may have attributed to additional time by DOA to process invoices:

- DOA High staff turnover and staff issues according to the Deputy Directors of Planning & Development and of Airport Finance & Administration.
- DOA's departmental PPM AF-F-003, entitled "*Project Accounting Procedures*," dated October 1, 1993, does not include procedures to address email delivery of pay applications,
- DOA does not track days from receipt of payment applications (invoices) to submission to the Clerk's Finance Department,
- DOA does not formally reject applications to reset the applicable processing timeframe,
- DOA utilizes a manual process (as opposed to an electronic system) to process (track, route, review) pay applications, and
- Currently no countywide PPM in effect to address the States' Prompt Payment requirement (construction services only), and
- No timeframe established (departmental or countywide) for review/approval of invoices for non-construction services from receipt to submission to the Clerk's Office.

### Criteria

Florida State statute, Chapter 218, entitled "*Prompt Payment Act*" for Construction:

- 218.735 entitled "*Timely payment for purchases of construction services*" indicates the payment for construction services is due 25 business days after the date on which the payment request or invoice is stamped as received. If an agent need not approve the payment request or invoice submitted by the contractor, payment is due 20 business days after the date on which the payment request or invoice is stamped as received as provided in s. 218.74(1).

The United States Government Accountability Office (GAO)'s Internal Control Standards entitled "*Internal Control Management and Evaluation Tool*" August 2001, indicates the recording of transactions and events are to be promptly recorded to maintain relevance and usefulness to management, and all transactions and significant events are to be clearly documented (readily available for examination).

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.

**Recommendations:**

1. The Department Director should ensure that pay applications are processed in a timely manner at the DOA to allow the Clerk's Office to issue payments within the timeframes required by the State of Florida's Prompt Payment Act. Additionally, the actual date of pay application receipt at DOA should be accurately captured and recorded to enhance tracking and compliance.
2. The Department Director should ensure procedures are updated to assist in making sure invoice payments are promptly issued as required. This would include:
  - Establishing DOA timeframes to provide sufficient time for the Clerk's Finance Department to process payments for construction services,
  - Establishing DOA timeframes for review/approval of non-construction services,
  - Establishing a centralized system to timely capture/record receipt of payment applications,
  - Promptly record pay application receipt at DOA (i.e. date-stamp, email sent date),
  - Tracking days from receipt by DOA to submission to Clerk's Finance Department, and
  - Steps to officially reject invoices to remedy deficiency and reset clock (timeframe).

3. The Department Director should help to facilitate discussions with the Clerk's Finance Department regarding timeframes necessary to process payment applications for construction services within statutory deadlines (State of Florida's Prompt Payment Act).

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

*Management has provided a comprehensive response detailing procedural enhancements to address the conditions identified in Finding #1. The proposed measures, including defined timeframes for processing pay applications, centralized tracking of receipt dates, and improved documentation protocols, demonstrate a commitment to strengthening internal controls and ensuring compliance with the State of Florida's Prompt Payment Act.*

*For Recommendations #1 and #2, if effectively implemented, these measures should improve the timeliness and accuracy of payment processing. However, continuous monitoring remains essential to ensure adherence to updated procedures. We also recommend periodic assessments to evaluate the effectiveness of these changes and make necessary adjustments to address any remaining inefficiencies. We agree with management's proposed actions and will follow up to confirm adequate resolution.*

*Regarding Recommendation #3, management has taken appropriate corrective action by facilitating discussion with the Clerk's Finance Department to establish clear timeframes for processing construction service payment applications. Procedural enhancements have been implemented to improve interdepartmental communication and ensure timely payment processing. Based on the corrective actions taken and supporting documentation provided, **Recommendation #3 is considered closed with the issuance of this final report.***

### **Finding #2 Review Process for Unit Price Contract Pay Applications Needs Improvement**

#### **Missing documentation of Approval from Authorized Agent on Pay Application Payments for Unit Price Construction Projects**

##### **Condition**

Of 18 contractor services payment applications reviewed, 10 were unit price contracts. Of these 10 contracts, 9 required a review by the DOA consultant (AECOM) according to the related agreement under construction administration. However, none of the 9 payment applications subject to

review were signed by the consultant as evidence a review was performed. Furthermore, email communications from the consultant to DOA representatives, providing feedback on reviewed invoices, did not clearly specify which payment applications had been reviewed.

The Airports Deputy Director of Planning remarked, 'If the agents are certifying the pay application, they should sign off on it.'

#### Effect or Risk

Without an agent signing the pay application, it is unclear whether a review was completed or if the required timeline for payment issuance was met. Additionally, the lack of confirmation of an agent review increases the risk of errors going undetected in the invoice.

#### Cause

To expedite the approval process, DOA management has allowed consultants to bypass signing pay applications (invoices). According to the DOA Deputy Director of Planning & Development, consultants review the pay applications and provide recommendations to DOA representatives but have not been forced to sign them.

In addition, the consultant review and approval process for payment applications is not addressed in the departmental PPM.

#### Criteria

The United States Government Accountability Office's (GAO) "*Internal Control Management and Evaluation Tool – August 2001*," part of the GAO's series on Internal Control Standards, under Control Activities indicates internal control activities are the policies, procedures, techniques, and mechanisms that help ensure management's directives are carried out. In addition, it indicates managers at all activity levels review performance reports and analyze trends. It further, indicates:

All transactions and significant events are to be clearly documented (readily available for examination), key source documents require authorizing signatures, and for accountability of resources and records, periodic comparison of resources with recorded accountability is done to determine if they agree and differences are examined.

#### Daily Inspection Reports for Unit Price Pay Applications Not Obtained

DOA relies on the Consultants who are on site to verify the quantities of product provided. According to an approved contract agreement between AECOM Technical Service and the County, the consultant task includes

reviewing the applications for payment with quantities observed and to forward recommendations to the DOA.

Pay applications (unit price) for selected samples did not include supporting documentation for quantities invoiced, nor a signature from the consultant.

Most projects at PBIA are located at the main airport close to offices of Project Managers who are generally aware of project progress without looking at a report from the consultant and/or contractor.

#### Condition

This finding highlights the need to improve the review process for unit price contract pay applications to ensure compliance with contractual requirements and enhance verification procedures.

Of six capital projects selected for review, three were unit price contracts. From three unit price contracts, we randomly selected two for further review. For the two selected, we identified seven pay applications received by DOA during the audit period. From the seven invoices, we randomly selected three in which we obtained the daily (inspection) reports prepared by the contractor and by the consultant (if on site).

For each selected pay application, the completed work and quantities recorded in the consultant's daily onsite reports were compared to the pay item quantities listed in the "current period" invoiced charges.

Although the DOA Project Manager indicated he refers to daily reports when reviewing invoiced quantities; daily reports, according to DOA Officials, are used as a preliminary estimate of those amounts and not as the final basis to determine accuracy.

A sample of pay applications was reviewed, with randomly selected pay items compared to the corresponding quantities in related daily reports. This review found that not all pay item quantities could be independently verified without assistance from the consultant. Additionally, pay applications did not include supporting documentation demonstrating that quantities had been verified prior to payment approval.

Furthermore, for one pay application, there was no available documentation to support the reported quantities, aside from the consultant's observation that additional quantities had been installed but had not been previously invoiced.

The three pay applications did not have a consultant’s signature as evidence of invoice review and quantities verified as required in the related agreement.

Moreover, daily (inspection) reports from the consultant (AECOM) were missing for two of the three (66%) selected invoices reviewed. See *Table 3* below.

*Table 3*

Daily Report #	Project Name	Project Type	Invoice #	Invoice Period	No. of Days Reports Missing
1	GL 21-8 PHK Runway 17-35 Rehab-Jacobs	Unit Price	1	April 1-30, 2022	7 days
2	GL 21-8 PHK Runway 17-35 Rehab-Jacobs	Unit Price	5	Aug 1-31, 2022	None
3	Fence and Security	Unit Price	8	Nov 1-30, 2022	16 days

Effect or Risk

Without obtaining daily reports and/ or support to verify pay application quantities, invoices may be incorrectly approved for payment.

Cause

According to the Deputy Director of Planning & Development, DOA does not have written policies and procedures that address inspection reports and/or pay application reviews. In addition, daily reports are not always obtained from the consultant, and pay applications do not always include documentation to support the unit price quantities.

Criteria

The contract between AECOM Technical Service and Palm Beach County entitled, “*General Consulting Service at Palm Beach Airports, Task II - Full Time RPR Services:*” indicates that AECOM will provide periodic weekly inspections (weekly inspection reports composed of daily inspections).

**Recommendations:**

4. The Department Director should ensure pay applications are signed by the consultant (authorized agent) as evidence of review.

5. The Department Director should ensure procedures are developed or updated to address payment application reviews, and are communicated to pertinent staff. Procedures shall include, but not be limited to:
- Requiring agents signoff on pay applications reviewed,
  - Obtaining all daily inspection reports from consultants,
  - Ensuring supporting documentation for invoiced quantities is collected, and
  - Documenting resolution of any discrepancies identified.

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

*Management has implemented corrective actions to address the deficiencies related to Finding #2. The development of a policies and procedures manual (DOA-AF-050) strengthens invoice processing, payment application reviews, and documentation requirements. These enhancements establish guidelines for agent sign-offs, reconciliation summaries, collection of supporting documentation, and resolution of discrepancies, promoting improved accountability and compliance.*

*For Recommendation #4, the requirement for Project Managers to verify invoice approval by the Agent before submission for final payment, along with proper reconciliation and supporting documentation for unit price contracts, should enhance audit readiness and internal controls.*

*For Recommendation #5, we have verified that the newly developed policies and procedures manual (DOA-AF-050) includes the necessary requirements for thorough payment application reviews. The manual outlines procedures for agent sign-offs, obtaining daily inspection reports, ensuring supporting documentation for invoiced quantities, and documenting the resolution of discrepancies.*

*We acknowledge management's efforts in implementing these corrective actions and we agree with management's proposed actions. While these measures appear to address the audit findings, Internal Audit will conduct follow-up reviews to confirm consistent application and long-term effectiveness.*

### **Positive Observation related to Objective 1**

During the audit, DOA officials introduced new procedures for managing capital projects, including prompt payment compliance. Additionally, they decided to assign a staff member to oversee adherence to prompt payment requirements.

### Findings related to Objective 2 – Closed Projects

Based on our testing and audit procedures, no exceptions were noted with respect to Objective #2.

#### Positive Observation related to Objective 2

Closeout documents were prepared, provided, reviewed, and approved by multiple DOA project management officials and the County's Contract Review Committee. Additionally, all selected projects reviewed were completed by the substantial completion due date without exception.

### BACKGROUND

The Palm Beach County Department of Airports (DOA) owns and operates Palm Beach International Airport (PBI) and three general aviation airports located in Palm Beach Gardens, Lantana, and Pahokee. The PBI McCampbell Terminal serves more than 8.4 million passengers a year with 14 airlines. More than 174,000 annual operations occur at PBI, along with approximately 30,000 tons of cargo moving through the airport each year. PBI is also home to three fixed base operators: Jet Aviation, Signature Aviation, and Atlantic Aviation along with several subtenants, serving general aviation customers and making PBI one of the busiest general aviation airports in the country.

Total estimated annual economic activity for PBI is \$4.8 billion with over 31,000 aviation and support activity jobs. The County's three general aviation airports generate an estimated annual economic activity of \$227 million while providing for nearly 1,300 jobs.

There are four divisions under the Department of Airports (DOA) which are: Finance and Administration, Real Estate & Concessions, Operations & Maintenance Planning & Community Affairs and Marketing.

The Internal Audit Office conducted prior audits of the Airports Department: Janitorial Services Contract (2020), Capital Project Management Process (2018) and Revenue Management (2016).

For procuring and delivering capital projects, the DOA primarily utilizes two contract types/approaches, which are: 1) Guaranteed Maximum Price (GMP)/Construction Management at Risk (CMAR) for vertical projects, such as constructing a building, and 2) Unit Price/lowest bid for horizontal projects, such as paving a runway.

For a capital project, both the consultant and the contractor on the project submit pay applications, which are progress payments (i.e. monthly) and a single final payment to invoice the DOA for services.

Prior to forwarding a pay application to the Clerk's Finance Department for payment issuance, the DOA requires multiple levels of review and approval, across both the DOA's Planning & Development and Finance & Administration divisions. As part of a pay application review and approval, DOA Project Management officials confirm associated deliverables provided and work completed in accordance with the contract/agreement.

Prior to a contractor making an application for final payment, a project closeout is completed. After all required closeout documents are provided, a final pay package is prepared, and reviewed and approved by multiple DOA project management officials, and by the County's Contract Review Committee (CRC). Once approved by the CRC, final payment can be released.

Prior to release of final payment, the final pay application goes through the department's Finance and Administration Division for multiple reviews and approvals before going to the Clerk's Office for payment.

#### AUDIT SCOPE AND METHODOLOGY - GENERAL

For our initial planning, we obtained and evaluated related documents and Airport Department policies and procedures, and interviewed management and staff regarding their business process objectives to identify controls. From this, we evaluated DOA activities to identify areas of the highest risk.

With the risks identified, we determined that payment applications and final closeout objectives had the largest number of high risks; and thus, we included these process objectives in our scope for further evaluation.

This audit scope for both objectives encompassed the timeframe for when report data was submitted to DOA: June 1, 2022 through May 31, 2023.

Our methodology for this objective included interviewing management and staff to discuss the pay application review and final project closeout processes to evaluate internal control effectiveness and to better understand how the department manages these processes.

In addition, we identified capital project populations, and from these populations, selected pay application samples for further review.

## **Objective 1**

We identified all open capital projects during the 12-month audit period. From these open projects, we randomly selected a sample of six projects to test for the review and approval of progress pay applications submitted during the audit period. Our project sample included a minimum of two Unit Price contracted projects and two GMP contracted projects.

Next, we grouped the pay applications tested by those submitted by a consultant and those submitted by a contractor. From each group, we randomly selected pay applications for further review. This evaluation allowed us to confirm payment review and approval, the timeliness of payments, and verification of payment in accordance with the associated agreement/contract, Countywide PPMs and statutory requirements.

For each pay application selected for further testing, we reviewed the associated contract/agreement (i.e. GMP, CMAR, etc.) to identify the agreed upon costs, that included: schedule of values, line items costs, fees, contingencies, bonds & insurance costs, staffing rates (labor costs), subcontractor costs, general conditions, and construction manager payments. From this information, we made inquiries of staff, examined supporting cost documents, and recalculated the pay application amounts.

## **Objective 2**

Our methodology included identifying all capital projects completed during the 12-month audit period. From these completed projects, we randomly selected a sample of both unit price and GMP procured projects to review.

We identified the documents associated with the significant milestones of the final project closeout, and for each, we verified documented reviews and approvals prior to final project closeout and release of final payment.

We reviewed the associated contracts/agreements to identify the agreed upon costs and terms. In addition, we made staff inquiries, examined supporting documents, and identified progress payments. From this information, we recalculated the final payments to ascertain if they were processed in accordance with the associated agreement/contract and Countywide PPMs.

## AUDIT METHODOLOGY – DETAIL BY AUDIT FINDING

### Objective 1 Open Projects

#### **Finding #1:**

We obtained selected pay applications submitted by consultants and contractors. We identified the earliest date received (i.e. date stamp, email, other), the date submitted to Clerk's Office, and the date paid (i.e. Advantage). We computed the number of days between these dates for both consultant and construction invoices. From this we ascertained if construction payments were compliant with FL Statute 218, and determined the invoice approval timeframes at DOA. The email received date was also compared to the date-stamp date to verify dates matched.

#### **Finding #2:**

Of 19 open capital projects during the 12-month audit period, nine were unit price contracts and 10 were CMAR. From these open projects, we randomly selected six, of which three were unit price and three were CMAR contracts.

We randomly selected two of the three unit price contracts for further review, in which we obtained selected pay applications and related daily inspection reports submitted by the site representative (consultant). Daily inspection reports were compared to project work days to confirm all reports were obtained (and not missing). Lastly, consultant (agent) agreements were reviewed to ascertain if the agent was required to review the pay applications. For those deemed required, pay applications were examined to confirm if agent reviewed (signed off).

### Objective 2 Closed Projects

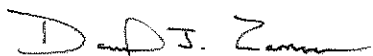
There are no findings.

## 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.

A handwritten signature in black ink, appearing to read "D. J. Zamora". The signature is fluid and cursive, with the first name "David" and last name "Zamora" clearly distinguishable.

David Zamora, CIA, CRMA, CFE, CGAP, CFI  
County Internal Auditor  
February 28, 2025

**INTEROFFICE MEMORANDUM  
DEPARTMENT OF AIRPORTS**

**To:** David Zamora  
County Internal Auditor

**From:** Laura Beebe, Director  
Department of Airports

**Date:** February 14, 2025

**Re:** Internal Audit Report – Capital Project Management  
Report #2025-03

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**Finding #1 Payment of Pay Application Invoices Not Fully Aligned with Florida Prompt Payment Act Requirements**

1. The Department Director should ensure that pay applications are processed in a timely manner at the DOA to allow the Clerk's Office to issue payments within the timeframes required by the State of Florida's Prompt Payment Act. Additionally, the actual date of pay application receipt at DOA should be accurately captured and recorded to enhance tracking and compliance.
2. The Department Director should ensure procedures are updated to assist in making sure invoice payments are promptly issued as required. This would include:
  - Establishing DOA timeframes to provide sufficient time for the Clerk's Finance Department to process payments for construction services,
  - Establishing DOA timeframes for review/approval of non-construction services,
  - Establishing a centralized system to timely capture/record receipt of payment applications,
  - Promptly record pay application receipt at DOA (i.e. date-stamp, email sent date),
  - Tracking days from receipt by DOA to submission to Clerk's Finance Department, and
  - Steps to officially reject invoices to remedy deficiency and reset clock (timeframe).
3. The Department Director should help to facilitate discussions with the Clerk's Finance Department regarding timeframes necessary to process payment applications for construction services within statutory deadlines (State of Florida's Prompt Payment Act).

**DOA Response to Finding #1:**

The Department of Airports (Department) concurs with Recommendation #1 and #2 and, as noted in the audit report, has established formal procedures related to processing of invoices for construction services on October 15, 2024 consistent with the recommendations outlined

in the recommendations. DOA PPM # AF-F-050 was subsequently updated on November 13, 2024, and again on February 12, 2025 (See Attachment 1 – DOA PPM #AF-F-050). The effective date of the most recent update is March 1, 2025, to provide staff sufficient time to update internal procedures to ensure compliance with the updated PPM.

As to Recommendation #3, the Department does not concur with this recommendation. Prompt payment requirements for construction services apply to all County construction departments; therefore, this should be addressed with the Clerk's Office at a countywide level, not by an individual department to ensure consistency among the construction departments.

### **Construction Services**

Section 218.735, Florida Statutes, provides that payment for construction services is due twenty-five (25) business days after the date the payment request or invoice is received if an agent must approve the payment request or invoice or twenty (20) business days if an agent is not required to review the payment request or invoice.

Upon receipt of payment application, the Department reviews each payment application to ensure it is complete and satisfies all contractual requirements (i.e., it is a "proper invoice") prior to submission to the Clerk's Office for payment. Section 218.735, Florida Statutes, provides that, if a payment application does not meet contractual requirements, additional time is provided for the review of the corrected invoice.

The audit report indicated that eighteen (18) payment applications were reviewed, and it was determined that eight (8) payment applications were processed past the statutory deadline, which included a total of three (3) payment applications that were delayed as a result of Departmental review.

After consulting with Department staff regarding the review process, it was determined that Department staff would request additional or corrected documentation to address discrepancies or missing information in a payment application without formally rejecting the payment application in writing, which have would have extended the time for review if properly documented. As noted in the audit report, volume of work and staff turnover may have also contributed to longer review times.

As noted above, the Department has established procedures to ensure timely processing of construction payment applications consistent with the recommendations set forth in the audit report. Although the Department believes the timeframes established in DOA PPM # AF-F-050 will provide sufficient time for review of payment applications by the Clerk's Office following Departmental review, it should be noted that neither the Department, nor the Department Director, has the ability to enforce prompt payment requirements once a payment application has been submitted to the Clerk's Office for payment. The Clerk's Office is a separate constitutional office that does not fall under the administrative jurisdiction of the Department.

Although no statutory requirement mandates a specific timeframe for the Department to complete its review of consultant payment applications and the observations provided in the audit report appear to have been provided for informational purposes only, DOA PPM # AF-F-050 also establishes standard review times for consultant payment applications as a best practice to ensure timely processing.

**Finding #2: Review Process for Unit Price Contract Pay Applications needs improvement.**

1. The Department Director should ensure pay applications are signed by the consultant (authorized agent) as evidence of review.
2. The Department Director should ensure procedures are developed or updated to address payment application reviews, and are communicated to pertinent staff. Procedures shall include, but not be limited to:
  - Requiring agents signoff on pay applications reviewed,
  - Obtaining all daily inspection reports from consultants,
  - Ensuring supporting documentation for invoiced quantities is collected, and
  - Documenting resolution of any discrepancies identified.

**DOA Response to Finding #2:**

The Department concurs that Recommendation #1 should be implemented as a best practice and has adopted a policy to require the signature of the agent/consultant of payment applications submitted by contractors to formally document review of a payment application (See DOA PPM #AF-F-050).

With regard to Recommendation #2, the County engages the agent/consultant to perform an independent third party review of the quantities claimed by the contractor. Requiring Department staff to audit quantities reconciled by the agent/consultant would further delay invoice processing timeframes and is not feasible taking into consideration the prompt payment timeframes established for construction services. The Department does, however, agree that obtaining a summary of the reconciliation performed by the agent/consultant as well as requesting supporting documentation would be a best practice. Accordingly, DOA PPM #AF-F-050 was updated on February 12, 2025, to require Department staff to request the submission of a written summary by the agent/consultant of the reconciliation of quantities and for staff to verify receipt of copies of supporting documentation maintained by the consultant related to quantities. The effective date of the most recent update is March 1, 2025, to provide staff sufficient time to notify agents/consultants of requested procedural changes.

**Unit Price Contracts - Quantities**

Under a unit price contract, payment is earned when the construction contractor completes a unit, and it is accepted as complete by the owner. Daily inspection reports completed by field inspectors reflect preliminary estimated quantities. Adjustments to quantities are made for a variety of reasons, including, but not limited to: contractual specifications related to measurement of quantities; failed quality acceptance tests and waste, resulting in a reduction of quantities; incomplete information, requiring reconciliation with contractor daily reports, as built surveys and/or re-measurement to verify final quantities; discrepancies in daily reporting, including disputes regarding measurement; and other similar factors.

Unit price contracts establish the specific method of measurement and payment for each pay item. In accordance with contract requirements, the agent/consultant is required to review the estimated monthly quantities for each pay item with the construction contractor for the payment period and reach agreement as to monthly estimated quantities prior to submission of a payment application by the construction contractor.<sup>1</sup> Partial monthly payments do not bind the County to the acceptance of any materials or work in place as to quality or quantity.<sup>2</sup> All partial payments are subject to correction at the time of final payment as provided in the construction contract as a part of the final acceptance process.<sup>3</sup>

As explained during the audit review, the agent/consultant is engaged by the County to provide independent third party verification of the accuracy of the estimated quantities listed in each payment application submitted by the construction contractor prior to payment as the County's representative/agent and is required to maintain records of services performed. In other words, the construction contractor is not self-certifying quantities; quantities are reviewed by the an independent third party paid by the County to perform this service and the agent/consultant is required to maintain documentation related to the services performed on the County's behalf.

The Department believes the payment applications reviewed as a part of the audit accurately reflected estimated monthly quantities and that all payment applications were reviewed by the agent/consultant prior to submission of the invoice to the Department as required. As indicated by Department staff during the audit review, the consulting contract did not include a specific provision for written approval or certification by the agent/consultant and confirmation of invoice review was generally provided verbally during required construction progress meetings attended by the agent/consultant, contractor and Department staff or by consultation with the agent/consultant by phone prior to submission of the invoice to the Department. Although the consulting contract for agent/consultant review did not include a specific requirement for written approval or certification, the Department agrees having a representative of the agent/consultant sign each invoice prior to payment would be a best practice; however, the requirement may delay review processing time if the agent/consultant is not readily available when an payment application is received.

Although the agent/consultant is required to maintain documentation of the services performed for the County, the Department agrees that daily inspection reports should be maintained in the Department's records; however, daily inspection reports alone should not be relied upon to determine the accuracy of estimated quantities since daily reports may overstate or understate quantities. Although the DOA Project Manager indicated he reviews

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<sup>1</sup> General Provision: 90-06 Partial payments provides, in part: "Partial payments will be made to the Contractor at least once each month as the work progresses. Said payments will be based upon estimates, prepared by the RPR, of the value of the work performed and materials complete and in place, in accordance with the contract, plans, and specifications. **The Contractor shall review estimated quantities completed during the performance period of each monthly pay application with the RPR and subcontractors. Agreement between all parties shall be made prior to submitting the pay application to the Owner.**"

<sup>2</sup>General Provision: 90-06 Partial payments, provides in part: "No partial payment shall bind the Owner to the acceptance of any materials or work in place as to quality or quantity. All partial payments are subject to correction at the time of final payment as provided in paragraph 90-09, Acceptance and Final Payment."

<sup>3</sup>General Provision: 90-09 Acceptance and Final Payment, provides in part: "All prior partial estimates and payments shall be subject to correction in the final estimate and payment."

the daily reports, it is inappropriate to infer from his statement that daily reports should be used as the sole basis of determining quantities.

The audit report indicates that the “review found that not all pay items could be independently verified without assistance from the consultant.” As noted above, the agent/consultant is hired by the County to reconcile estimated monthly quantities as the County’s representative prior to the submission of an invoice by the construction contractor and to maintain associated records; therefore, it was appropriate for the Department to request clarification from the agent/consultant that performed the service. Supporting documentation provided to the auditor included relevant information to support the estimated monthly quantities with the exception of a single pay item; however, further clarification was required to identify the location where the information could be found in the reports.<sup>4</sup> In other words, the information was not in the location where the auditor had initially anticipated finding it, but the information was available in the reports provided. It is also important to note that the quantities provided in monthly payment applications are estimated amounts used for partial monthly progress payments and remain subject to further review and modification upon final acceptance in accordance with contract requirements.

As noted above, prompt payment requirements for construction services provide a limited timeframe to complete payment application review. Requiring Department staff to perform a secondary audit of each of the estimated quantities against daily reporting would be redundant to the services performed by the agent/consultant as the County’s representative, may result in inaccurate results, and will inevitably result in further processing delays; however, the Department does agree that it would be a best practice to request the agent/consultant to provide a summary of the estimated quantities reconciled with copies of supporting documentation for auditing purposes, which may include, but are not limited to, daily reports, material testing reports, and field observations/measurements performed by the agent/consultant. It should be noted that requiring the agent/consultant to prepare additional documentation to support estimated quantities in connection with progress payments may result in additional cost to the County.

In order to formally document review of payment applications by the agent/consultant for auditing purposes, a policy was adopted to require Department staff to ensure the agent/consultant sign each payment application prior to submission for payment. In addition, the policy requires Department staff to request a summary of the estimated monthly quantities reconciled by the agent/consultant and maintenance of documentation supporting the estimated quantities in the Department’s records for auditing purposes; however, the processing of the payment application will not be held pending receipt of the summary and associated documentation if the agent/consultant has signed the payment application in writing.<sup>5</sup>

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<sup>4</sup>The one pay item related to the remeasurement of a fence for erosion control in the amount of \$1,760. Due to the fact the invoice was from November 2022, the agent/consultant indicated the physical records were not readily accessible; however, the agent/consultant confirmed the variance from the daily report was based on a remeasurement in the field.

<sup>5</sup> Current consulting contracts do not mandate a provision of summary documentation. The provision of summary documentation is not guaranteed if additional costs are required outside the approved contract amount. In the event the Agent approves/signs the invoice, processing will not be delayed to avoid conflict with prompt payment requirements. As noted, quantities in monthly payment applications are subject to review and modification upon final acceptance.



Office of the County Internal Auditor  
Final Audit Report  
Report #2025-04  
Issued March 26, 2025

PUBLIC SAFETY DEPARTMENT  
CONSUMER AFFAIRS DIVISION

FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND  
MOTOR VEHICLES  
MEMORANDUM OF UNDERSTANDING  
CONTRACT #HSMV-0595-24 AUDIT

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**PUBLIC SAFETY DEPARTMENT  
CONSUMER AFFAIRS DIVISION  
MOU CONTRACT # HSMV-0595-24 AUDIT  
REPORT # 2025-04**

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## AUDIT OBJECTIVES AND CONCLUSIONS

We performed this audit to answer the following objective:

1. Did the Public Safety Department Director ensure that the controls governing the use and dissemination of personal data obtained from the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) were adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure as required by Contract #HSMV-0595-24 for the period of July 1, 2024 through December 31, 2024?

Our conclusion on the objective:

The Public Safety Department Director did ensure that the controls governing the use and dissemination of personal data obtained from the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) were adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure as required by Contract #HSMV-0595-24 for the period of July 1, 2024 through December 31, 2024.

## AUDIT FINDINGS

This audit was performed before the first anniversary of the Memorandum of Understanding (MOU) #HSMV-0595-24 by request of the Public Safety Department to evaluate and attest that internal controls are in place as required.

There are no audit findings or recommendations for this engagement.

### **Positive Observations**

We observed the public area, where customers/visitors to the Public Safety Department's Division of Consumer Affairs (DCA) are seated is separate from the staff area of the division's offices. The DCA staff offices are accessible only with an authorized access card. The staff area of the office is where staff download and utilize MOU-derived driver transcript data obtained from the FLDHSMV.

We confirmed through testing that user access to FLDHSMV MOU-derived data is granted only to employees whose job responsibilities require it, and each

authorized user has signed the required acknowledgment statement. Further, access to MOU-derived data is timely removed when employees leave DCA.

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.

BACKGROUND

Consumer Affairs (DCA) is a division within the Public Safety Department. Their mission is to help consumers make informed decisions about businesses by investigating, negotiating and mediating consumer complaints against businesses with a goal of avoiding any future conflicts and misunderstandings. They protect consumers and businesses from unlawful, deceptive and unfair trade practices by the enforcement of existing Ordinance laws and regulations.

The DCA has a total of 16 positions: a Division Director, an Administrative Assistant I, a Licensing Section comprised of 7 employees (2 Customer Service Specialist Is, 4 Customer Service Specialist IIs, and a Fiscal Specialist II), and an Investigation/Compliance Section comprised of 7 employees (a Manager and 6 investigators).

The DCA entered into this Memorandum of Understanding (MOU), Contract number HSMV-0595-24, dated April 25, 2024, with the Florida Department of Highway Safety & Motor Vehicles (FLHSMV) in order to access driver

transcripts needed to process "Vehicle for Hire" and "Towing" permit applications in Palm Beach County, Florida.

The DCA accesses FLHSMV data through the Driving Record Transcript (DRT) application, and store this data in the Consumer Affairs Tracking System (CATS) application.

The terms of the MOU are contingent upon the division having appropriate internal controls in place at all times to ensure that data being accessed pursuant to this MOU is protected from unauthorized access, distribution, use, modification, and disclosure. This audit is being performed before the MOU's first anniversary, as required by the MOU.

The last internal audit report issued for the Consumer Affairs Division for this MOU (Report No. 2022-05) resulted in no findings and concluded appropriate internal controls were in place.

**AUDIT SCOPE AND METHODOLOGY – GENERAL**

The scope of our audit covered the period of July 1, 2024 through December 31, 2024. Fieldwork was conducted in February 2025.

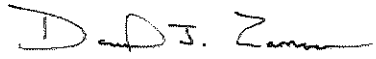
In order to answer the audit objective, we visited the DCA's offices and met with related staff to identify the division's activities, responsibilities, access management, and controls related to securing MOU-derived data; and examined requirements specified in the MOU agreement in order to evaluate DCA compliance.

Our methodology included identifying DRT and CATS application users to compare to the division's organizational chart and Palm Beach County HR Personnel Action Reports to confirm only current employees have access to MOU-derived data, and that they completed the acknowledgement forms. We requested system access reports from Information Systems Services (ISS) to verify user access removal for terminated employees as required.

In addition, we obtained Daily Driver Record Reports to confirm Driver Transcript search charges are reconciled to Vehicle for Hire and/or Towing license applications, and that the Division Director (or designee) signed off on them, as well as only authorized staff can access driver transcripts.

We utilized an IT Systems Professional from the County's ISS department with the CISSP credential to approve current data security policies and procedures.

Lastly, from our observations, we verified the availability of destruction tools for printed MOU-derived information.

A handwritten signature in black ink, appearing to read "D. J. Zamora". The signature is fluid and cursive, with the first name "David" and last name "Zamora" clearly distinguishable.

David Zamora, CIA, CRMA, CFE, CGAP, CFI  
County Internal Auditor