



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

Redacted

“Enhancing Public Trust in Government”

Audit Report

2016-A-0001

**Audit of the Village of Palm
Springs, Public Service
Department**

November 3, 2015

Insight – Oversight – Foresight



John A. Carey
Inspector General

REDACTED
OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

AUDIT REPORT: 2016-A-0001
VILLAGE OF PALM SPRINGS
PUBLIC SERVICE DEPARTMENT



Inspector General
Accredited

"Enhancing Public Trust in Government"

SUMMARY RESULTS AT A GLANCE

What We Did

In December 2014 the Village of Palm Springs (Village) contacted the Office of Inspector General (OIG), Investigation Division and the State Attorney's Office, Public Corruption Unit (PCU) regarding allegations that were made about the operations of the Public Service Department. These allegations included potentially inappropriate activities by department staff members, including the Director of Public Service. PCU then requested the OIG's assistance in conjunction with its investigation of these allegations. Subsequently, the Village Manager, who was hired in August 2013, requested that the OIG audit the Public Service Department.

We conducted an audit of the Public Service Department activities from October 1, 2013 to December 31, 2014, focusing on fuel purchasing/usage, credit card purchases, maintenance management, purchasing/ payment, general physical security, and scrapping. We conducted a review of internal controls, interviewed appropriate personnel, and performed detail testing of selected transactions.

What We Found

Our audit identified **\$1,145,202** in Questioned Costs¹ and **\$84,675** in Potential Avoidable Costs².

Fuel

We reviewed controls over the Village's fuel program. The Village has a 3,000 gallon diesel and a 6,000 gallon gasoline fuel tank connected to the Fuel Trak Fuel Management System. There were 7,034 transactions; and the Village used 6,600 gallons of diesel and 90,876 gallons of gasoline during the review period. Fuel purchases from the two fuel vendors, utilizing price per gallon quotes, totaled \$309,437. However, there was no written contract for the purchase of fuel. Our analysis of fuel transactions identified questionable fuel transactions costing **\$18,551**. The Village also purchased green diesel at retail service stations, resulting in **\$1,493** in unnecessary expense. Additionally, the Village was not monitoring fuel activity through exception reporting.

Credit Cards

The Village assigned 13 credit cards (out of a total of 39) to Public Service employees. We reviewed 100% of the credit card transactions for those

¹ For a definition of Questioned Costs see footnote 8 on page 22.

² For a definition of Avoidable Costs see footnote 9 on page 22.

employees. Although payments along with receipts were properly reconciled, recorded, and approved each month, we identified 115 (**\$18,445**) of 383 receipts lacked the Vehicle ID number or equipment description. A total of **\$346** was spent on “food and celebration” and did not include documentation of public purpose. Additionally, four “low profile” tires purchased at a cost of **\$504** could not be located.

Maintenance Work Order Management System

The Village did not have a maintenance work order system for the fleet, the water plants, and water/sewer system maintenance and repair. Tasks performed in each department area were reported in the “Public Service Department Monthly Report.” However, all the tasks performed and the cost associated with each task was not being captured. As an interim solution Management implemented a manual work order process during the audit. The Village approved the purchase of a new automated work order system in August 2015 and plans to implement it in October 2015.


Contracts/Purchasing/Payments

The Village provided the Vendor History File which listed all vendor payments made from October 1, 2013 through December 31, 2014. This list included 11,445 transactions, 2,109 vendors, and \$19,773,681 in payments Village-wide. We selected a sample of 96 payments totaling \$2,309,569 from 24 vendors used by the Public Service Department and reviewed controls related to those transactions.

We found that payments were made to 5 vendors totaling **\$1,105,863** for services for which there were no written contracts

with agreed upon terms and conditions in place. Management identified the lack of contracts prior to our audit and has already brought several to the Village Council.

Physical Security³

We reviewed the physical security at three Public Service facilities (the main water plant, secondary water plant, and utility maintenance building) 



Scrapping

Sale of recycled materials, scrap, is referred to as “scrapping.” The Village did not have policies and procedures in place for controlling and accounting for material to be scrapped or for the proceeds received from scrapping.

On April 14, 2015, the Village established a policy and procedure for disposal of the scrap metal and scrap materials.

What We Recommend

Our report contains 9 findings and 16 recommendations to help ensure that the assets of the Village of Palm Springs are adequately safeguarded and accounted for and to assist the Village in improving controls in the Public Service Department.

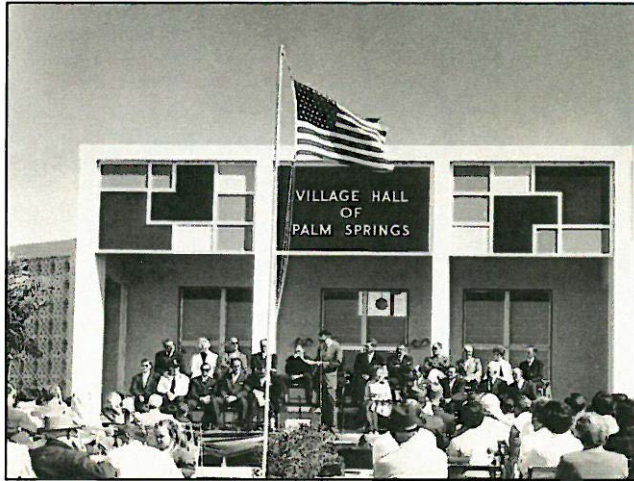
The Village concurred with all 16 of the audit recommendations, has already implemented 6 recommendations, and is

³ Pursuant to Section 119.071(3) Florida Statutes, the following, relating to Physical Security has been redacted.

taking steps to implement the remainder.
We have included the Village Manager's
response in its entirety as Attachment 1.

BACKGROUND

In the 1957 Florida Legislative Session, State Representative Ralph Blank, Jr. of Palm Beach County introduced a bill to charter the Village of Palm Springs in the middle of Florida's second land boom. The bill was passed unanimously with little questions asked. By August 1958, when the first section opened, some 800 homes had been constructed on high ground.



The boundaries of the Village include Congress Avenue going south currently to Lake Worth Road; west on Lake Worth Road to meet Military Trail; Military Trail on the east side to meet Forest Hill Boulevard; east on Forest Hill Boulevard to eventually meet Florida Mango Road; then south along the west side of Florida Mango to eventually meet 10th Avenue North. The Village's current population is approximately 19,769.

"The long range plans of the Village and its council are to preserve the quality of life and high level of services, which have been the cornerstones of the Village since its inception."⁴ The Village budget for FY2015 was \$32,046,800 with \$16,720,413 (52%) included for public services such as Sanitation, Water & Sewer Utility, and Road & Street Maintenance.

⁴ The Village of Palm Springs Official Web Site, <http://vpsfl.org>

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether:

1. Controls were in place and operating efficiently and effectively to ensure that the assets of the Village of Palm Springs were adequately safeguarded and accounted for.
2. Fleet fuel purchasing and operations, credit card purchases, and purchasing/contracting complied with such controls.

The scope of the audit included a review of selected activities from October 1, 2013 to December 31, 2014. Our audit procedures included but were not limited to:

- Evaluating internal controls;
- Interviewing appropriate personnel in order to gain an understanding of the controls and ascertain operational compliance;
- Evaluating compliance with applicable policies and procedures; and,
- Performing detail testing of selected transactions.

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

FINDINGS AND RECOMMENDATIONS

FUEL PROGRAM

We reviewed controls over the Village's fuel operation which is managed and operated by the Public Service Department and inventoried by the Finance Department. Fuel is delivered to the facility at 226 Cypress Lane and dispensed into the underground gas and diesel tanks by one of the two fuel contractors. The Village uses the Trak Engineering, Inc. computerized fuel management system to control and record the dispensing of gas and diesel. The Village uses a "key fob⁵" on the vehicle key ring to activate the pump and record the vehicle identification number, but requires manual entry of the employee ID and vehicles odometer mileage.

Detailed fuel transaction data from the Fuel Trak Fuel Management System (Trak System) was provided for the period under review October 1, 2013 through December 31, 2014. The Village has a 3,000 gallon diesel and a 6,000 gallon gasoline fuel tank connected to the Trak System. There were 7,034 transactions and the Village used 6,600 gallons of diesel and 90,876 gallons of gasoline during the review period. (Figure 1) Fuel purchases from the two fuel vendors totaled \$309,437 for 93,378 gallons during the review period.

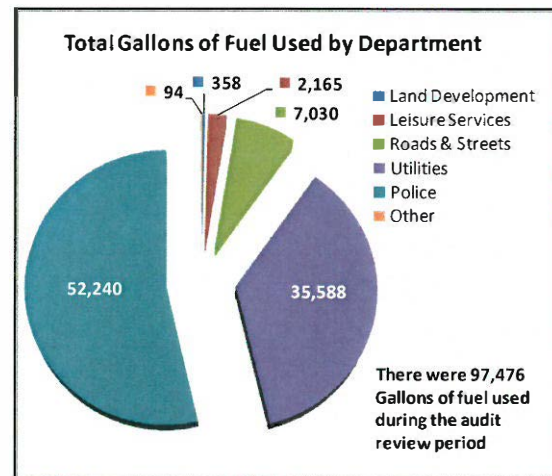


Figure 1

We identified several weaknesses related to the controls over and recording of individual transactions by Village employees as discussed in the following findings. These weaknesses can increase the risk that theft of fuel could occur and go undetected.

Finding (1): THE VILLAGE WAS NOT UTILIZING THE TRAK SYSTEM TO MONITOR FUEL TRANSACTIONS

Monitoring

Approximately 470 transactions are recorded in the Trak System each month. For each fuel transaction certain data is recorded and stored in the database such as:

- Vehicle ID
- Date/Time
- Transaction Number
- Gallons Dispensed
- Odometer Mileage

⁵ Key Fob definition. http://www.webopedia.com/TERM/K/key_fob.html

There were no fuel system utilization “exception” reports generated and reviewed by the Public Service or Finance Departments. The Village did not perform any monitoring of fuel transaction data nor utilize a standard set of management “exception” reports that could capture errors or unusual and/or unauthorized fueling activities. Such exception reports can include capturing high risk transactions such as fueling after hours or on weekends, fueling beyond a vehicle’s fuel tank capacity, unusually low miles per gallon (MPG) between fill ups, and obvious incorrect odometer entries.

Recommendation:

- 1) We recommend that Management utilize the features of the Trak System, including the production of various exception reports that identifies data entry errors or unusual fuel transaction activity. These exception reports should be reviewed on a regular basis. During the audit, Management produced an exception report for review and implemented exception reporting on a regular basis.**

Summary of Management Response:

- 1) The Village agrees with this recommendation and has prior to the IG’s final audit report, implemented the recommendation. The Interim Public Service Director and Finance Director were directed to fully utilize the features (various reports) of the Fuel Trak reporting system. To date, Public Service Department staff has met with the vendor, extensive training is planned (within the 1st Quarter of FY 2016), various reports are being utilized to identify issues/exceptions and appropriate controls (within the software) have begun to be implemented to ensure that fuel is properly tracked and reported (inventoried). Additionally, the Finance Department is reviewing and identifying red flags within the monthly fuel usage reports and will begin to review the various fuel reports to identify issues/exceptions from our recently implemented fuel policy. Finance will then distribute all identified issues/exceptions to each department director to be reviewed and written explanations will be required for all variances and/or corrective actions that will be taken.**

Finding (2): FUEL TRANSACTIONS HAD INCORRECT MILEAGE ENTRIES AND THERE WERE DISCREPANCIES BETWEEN THE SYSTEM AND THE VILLAGE VEHICLE LIST

Fueling

Each city vehicle has a Trak System key fob on the key ring and each authorized employee has an ID number. The System Administrator is the Superintendent of Public Service. To fuel a vehicle, the key fob is “swiped” at the pump. Then the employee ID and vehicle mileage is entered to start the pump transaction. Each transaction is recorded in the fuel system, including vehicle number, employee ID, type of fuel and quantity pumped, and date and time of the transaction. (Figure 2)

We reviewed and examined the fuel transactions for the audit period by:

- Department and Vehicle Number,
- Vehicle and Date,
- Multiple transactions on the "Same Date,"
- Vehicle and Mileage,
- Miles per gallon for reasonableness,
- Employee ID, Vehicle, and Date, and
- Day of Week.



Figure 2

Based on the results of our analysis, we identified a number of fueling transactions that we considered questionable. The majority of these questionable transactions involved employees entering incorrect vehicle odometer (mileage) readings into the system. Other questionable transactions involved fueling beyond the vehicle's fuel tank capacity or fueling that was inconsistent with the miles driven. The following summarizes what we found, which resulted in total questioned costs of \$ **18,551** in fuel charges.

- There were three occurrences of two fuelings of the same vehicle on a single day that may exceed the capacity of the vehicle fuel tank. Mileage recorded in the Trak System did not support the fueling. As a result we questioned **\$316** in fuel charges.
- There were 486 of the 6,585 vehicle fuel transactions (7%) where the miles per gallon (MPG) was not reasonable for the type of fleet vehicle. These transactions included 246 where the MPG was "0 or less" and 240 where the MPG was "greater than 25," and appear to have resulted from incorrect mileage entered at the time of fueling.
- There were 387 of the 6,585 vehicle fuel transactions where "the previous mileage minus the current mileage" was "zero or less" or there were "over 500 traveled" since the last transaction. These 387 transactions (5.9%) appear to have incorrect mileage entered at the time of fueling. As a result of mileage entry errors we questioned **\$18,235** in fuel charges.

Without the correct mileage (odometer) entry, it is difficult to determine if the transaction was reasonable for the vehicle being fueled. Correct mileage provides a crosscheck to ensure that the fuel dispensed is being pumped into the appropriate vehicle; provides a record of a vehicle's historical fuel utilization and can be used to analyze whether a vehicle's MPG is reasonable and whether scheduled maintenance should be performed.

Fueling transactions that are unusual, such as fueling beyond a vehicle's fuel tank capacity or fueling inconsistent with the miles driven can be indications of unauthorized or improper fueling.

Vehicle ID List

During the review of vehicle transactions we noticed some differences between the Trak System vehicle list and Village vehicle asset inventory list. We found the two lists had not been reconciled by the Village Staff. This was pointed out to the Superintendent of Public Service when we noted there were several vehicles/equipment that used no fuel during the review period.



Figure 3

The Superintendent was able to correct and/or explain any differences in the two lists. In most cases these were vehicles that were scheduled to be “disposed of” or vehicles fueled at retail service stations. (Figure 3)

Recommendations:

We recommend that:

- 2) Management ensures employees enter the correct mileage when performing fuel transactions.
- 3) The Village asset list is regularly reconciled to the vehicle/equipment list in the Trak System.

Summary of Management Response:

- 2) The Village agrees with this recommendation and has implemented the recommendation. Since installation (October 2010), the Public Service Department was not utilizing the Fuel Trak fuel management software to its full potential due to a lack of education and training. Further, employees were provided with informal instructions on how to use the fuel dispensing system; however, all staff members did not comply and were not held accountable.
- 3) The Village agrees with this recommendation and has begun to implement the recommendation. Annually, the Finance Department will coordinate reconciliation between the insurance records maintained by the Village Clerk, the vehicle list maintained by Public Service on Fuel Trak and the capital asset records maintained by the Finance Department to ensure an accurate asset list. Further, the Public Works Superintendent, within the Public Service Department, will ensure that only in-service vehicles and active authorized employees have access to the fuel system.

Finding (3): THE VILLAGE LACKS A CONTRACT FOR THE PURCHASE OF FUEL

Purchasing

Since fuel prices change daily the Superintendent of Public Service obtained quotes from two fuel vendors, Palmdale Oil Co. and Port Consolidated Inc. The Superintendent ordered the lowest priced fuel based on the quotes provided by the vendor. A receipt was signed upon delivery of the fuel. After the vendor issued an invoice, the Village issued a check request for approval based on the receipt and invoice and the invoice was paid by Village check.

Fuel purchase records were complete and included signed receipts, vendor invoices, signed check requests and copies of the checks. Request for refund of unnecessary fuel sales taxes are submitted by the Village with reimbursement from the State Department of Revenue (DOR). DOR refunded \$11,240 in taxes paid by the Village from October 2013 through December 2014.

Obtaining two quotes prior to making any fuel purchase gives the Village an opportunity to compete prices paid for fuel. However, considering the Village purchased 93,378 gallons of fuel during the 15 month audited period at a cost of \$309,437, a request for proposal (RFP) solicitation for a fuel purchase and delivery contract may produce a lower fuel price per gallon for the Village.

Green vs. Red Diesel

After our review of the credit card purchases made by Public Service employees, we noted that the Village was purchasing green (clear) diesel fuel for some vehicles at retail service stations. We researched the diesel fuel products known as green diesel and red diesel. Green diesel is sold retail for on-road vehicles and is taxed. Red diesel is sold without tax for off-road use such as farming, but may be used by municipalities for any diesel power vehicle. In the past, red diesel had higher sulfur content than green diesel. However, starting in 2011, all U.S. diesel fuel has the same sulfur content and only red dye is used to distinguish taxed diesel from untaxed diesel. We notified Village Management of our research and they concluded that, "We are going to use our red diesel fuel for all vehicles and will stop the procedure of fueling some vehicles with green diesel at Valero or other gas stations." These fuel purchases accounted for \$7,633 in retail fuel charges on Village credit cards. The cost of retail green diesel is approximately 20% higher than the red diesel purchased directly for the Village diesel fuel tank. This resulted in an unnecessary **\$1,493** expense to the Village.

Recommendations:

We recommend that:

- 4) The Village issue a Request for Proposal in order to obtain a contract for the purchase and delivery of fuel.**

- 5) The Village discontinues the purchase of fuel at retail service stations (except if the fuel system is down). Management corrected this during the audit.

Summary of Management Response:

- 4) The Village agrees with this recommendation and has begun to implement the recommendation. Staff has been researching local competitively approved fuel contracts within southeast Florida that the Village could “piggyback” on and ensure the lowest possible fuel pricing. As a result, staff is recommending that the Village piggyback onto a fuel contract that was previously bid out and approved by the City of Coral Springs during the October 22, 2015 Village Council meeting. This contract is expected to reduce the Village’s overall annual fuel purchase costs.
- 5) The Village agrees with this recommendation and has previously implemented the recommendation. A directive has been issued that all vehicles will be fueled from the Village’s fuel dispenser. Purchases from local retail stations have been discontinued unless authorized by a department supervisor and/or on a trip out of the area.

All diesel-fueled vehicles are utilizing the lower costing red-dyed diesel fuel, which possesses the same quality fuel as green-dyed diesel and does not present maintenance concerns for Village vehicles.

Finding (4): THE VILLAGE DID NOT HAVE POLICIES AND PROCEDURES FOR THE FUEL PROGRAM

Sound internal control principles include having adequate written policies and procedures that document how a program’s activities are carried out, monitored and controlled. The Village did not have any written policies and procedures to govern the operation of the Village’s fuel program. The findings we have previously discussed regarding the fuel program are attributable, in part, to a lack of policies and procedures that instruct those responsible for managing the fuel operation, as well as all employees who use the Village fuel, on how those activities and responsibilities are to be carried out.

Policies and procedures should be comprehensive enough to thoroughly describe how the Village’s Trak Systems works; the rules governing the fueling of various Village assets such as vehicles, equipment and containers; and the process for monitoring fuel transactions and reconciling monthly fuel usage by department. Duties and responsibilities for managing the program and using the Village’s fuel should be clearly defined. Once adequate policies and procedures are in place, they should be communicated to all employees that manage or have access to the Village’s fuel.

Recommendations:

- 6) We recommend that the Village establish policies and procedures to govern the fuel program and once established, they should be clearly communicated.

Summary of Management Response:

- 6) The Village agrees with this recommendation and has previously implemented the recommendation. The Village has developed a new “Fuel Policy” (September 2015) that outlines employee responsibilities in utilizing this fuel system and improves internal controls. Each employee has been required to sign and date a “Fuel Policy Employee Acknowledgement Form” confirming that they have read, understand and acknowledge this new policy before further use is permitted.

Finding (5): CREDIT CARD PURCHASES DID NOT ALWAYS PROVIDE SUFFICIENT JUSTIFICATION

There were 13 bank credit cards (out of the Village’s total of 39 cards) assigned to the employees in Public Service. We reviewed 1,065 (100%) credit card transactions for the 13 Public Service employees from October 1, 2013 through December 31, 2014. Total credit card charges during this period were \$204,408.

The Village has documented “Purchasing Card Procedures” and an “Employee Purchasing Card Agreement” (credit card). The credit cards are paid by an approved check request with the attached credit card invoice showing each transaction, including date, reference number, description, and amount. Actual purchase receipts are also required to be attached to the invoice.

For the period noted, we reviewed all the transactions by month for all 13 employees. We found no instances of sale tax being paid on credit card purchases (except where it was refunded). Receipts were signed and the totals “coded” to the appropriate expense accounts. The receipts usually identified the reason or the purpose of the purchase in hand written notes.

We found:

- Three employees’ credit card purchases (two mechanics and a Superintendent) accounted for 50% (\$102,854) of the total credit card charges. (Figure 4)
- Three vendors accounted for 28% (\$56,320) of the total purchase costs

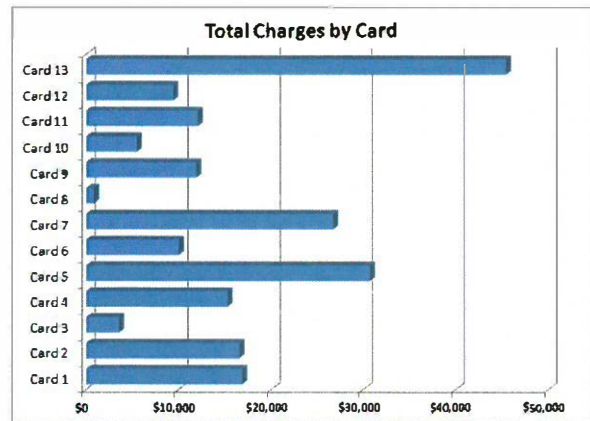


Figure 4

on credit cards. (Sunshine Tires \$21,362, Congress Auto Parts \$18,177 and Home Depot \$16,781).

The Village may be able to improve on the price paid for high volume goods such as tires, vehicle parts, and hardware supplies if it obtains written contracts with vendors for these types of goods. In addition to "credit card" purchases, vehicle parts were also purchased by open "purchase orders" from Congress Auto Parts for another \$18,127 resulting in a total of \$36,301 paid to this one vendor.

- Of the 383 mechanics receipts reviewed, there were 115 (30%) purchases made by the Village Mechanics at a cost of **\$18,445** that did not have a Vehicle ID number or Equipment Description noted on the receipts.
- The \$7,633, we previously identified, for retail diesel fuel (green diesel) was all purchased by Village credit card.
- There were several transactions that we questioned which included:
 - ✓ The Public Service Superintendent and Administrative Assistant made regular payments using credit cards for monthly services to Air Spectrum and Comcast for the Department totaling \$3,856 and \$743, respectively for the period under review. The staff explained that these types of payments are also made on credit cards in other Departments in order to pay on time and avoid late charges.
 - ✓ The "food and celebration" charges (**\$346**) did not include documentation of "public purpose." Prior to the start of this audit, the staff party was reimbursed by a check to the Village. Section #10, Article VII of the Florida Constitution has been interpreted to require that expenditures of public funds must be primarily for "public purpose". Best practices include policies and procedures formally adopted by elected council.
 - ✓ Four low profile tires purchased for a Village vehicle. The four "low profile" tires purchased at a cost of **\$504** could not be found in the Village inventory, nor was there any explanation for this purchase. The Village Police Department has been asked to investigate.

Recommendations:

We recommend that:

- 7) **Management establish policies to identify allowable and unallowable purchases, especially for credit cards, food and celebration expenses. The policy should include the requirement to sufficiently justify the public purpose of the purchase(s).**

- 8) Public Service management consider competitive contracting purchase agreements for its high volume and/or high cost vendors including tires, vehicle parts, and hardware supplies.
- 9) Management work with the vendors on the timing of routine monthly invoices so that they can be processed through accounts payable.

Summary of Management Response:

- 7) The Village agrees with this recommendation and has begun to implement the recommendation. The Village is in the process of drafting an amendment to the procurement code to address appropriate purchasing procedures for food and/or celebratory events. This amendment is expected to be presented to the Village Council for consideration/approval by the end of the 1st Quarter of FY 2016 or the beginning of the 2nd Quarter of FY 2016.
- 8) The Village agrees with this recommendation and has previously begun to implement the recommendation. The Village's Public Service Department has begun the process of evaluating high volume purchases from single vendors (i.e., tires and vehicle parts/equipment, construction and maintenance supplies, office supplies, etc.). To date, the Village has piggybacked onto state approved contracts and has established corporate accounts to ensure competitive/lowest available pricing (e.g., supplies, equipment, parts, etc.) from high volume vendors. This process has provided:
 - Quality products/equipment/materials/goods to maintain our high levels of service
 - Reduced overall expenditures/costs within the Public Service Department
 - Transparency and assurance that we have met the Village's procurement code
- 9) The Village agrees with this recommendation and has previously begun to implement the recommendation. Vendor invoices (i.e., Comcast, etc.) do not provide sufficient time to make payments through the Village's accounts payable process. In an effort to ensure that late fees are not assessed (and protect public funds), it is in the best interest of the Village to make payments by credit card. These purchases will require proper documentation and must meet all requirements of the Village's purchasing policy.

Finding (6): THE VILLAGE LACKS A MAINTENANCE MANAGEMENT WORK ORDER SYSTEM

The Village did not have a work order system for the fleet, the water plants, and water/sewer system maintenance and repair. Tasks performed in each Department area are reported in the “Public Service Department Monthly Report.”

The monthly report captured valuable information about the necessary repair and maintenance tasks performed in association with the operations of the Public Service Department. However, the report lacked the cost information for labor hours and parts/materials used in performing these tasks. (Figure 5)

The Village mechanics used a pre-number multipart carbonless work order form to record maintenance and repair activities on vehicles and other supported equipment. These forms were kept on file in the maintenance shop office.

Public Service Department Monthly Report	
April 2014	
<u>Utility Office Report:</u>	
Amount billed to customers:	\$1,291,566.60
Amount collected from customers:	\$1,464,562.03
Number of delinquent notices mailed:	1,611
Total number of meters turned off due to non-payment:	303
<u>Utility Water and Waste Water Report:</u>	
Responded to 6 water breaks	Pulled 15 pumps at various lift stations
Repaired 2 fire hydrant	Responded to 9 sewer back-ups
Replaced 4 curb stops	Ran camera down 2 sewer laterals
Repaired 5 water service lines	Ran camera down 0 main sewer line
Performed 67 line locations	Responded to 4 lift station calls
Made 1 tap	Repaired 2 sewer lines
Replaced 5 meters	Responded to 4 alerts from Vac-Stations
Set 2 new meters	Replaced 115 meter registers
Set 4 construction meters	Installed 0 new backflows to lift stations
Repaired 4 water main	
In addition to performing the above tasks the utility water and waste water personnel perform routine maintenance on all Lift Stations and Vac Stations throughout the Village and check water meters with no usage. Water meters are replaced when needed.	
<u>Main Water Treatment Plant & R.L. Pratt Water Treatment Plant Reports:</u>	
The water treatment operators perform ongoing monthly duties such as pressure cleaning and well maintenance in addition to the following projects:	
Painted floors in ammonia room (Pratt Plant)	Painted high service pump #1 (Main Plant)
Filter project has continued (Pratt Plant)	Painted wells #12, #13, and #14 (Main Plant)
Moved asphalt millings (Pratt Plant)	Phase monitor for Well #6 replaced (Pratt Plant)
Repair ed virgin resin system (Main Plant)	Vendor repaired sand machine level sensors (Pratt Plant)
Pressure washed pad at Well #18 (Main Plant)	Pressure washed high service pump #1 (Main Plant)
Installed new water coolant lines for slurry pumps (Pratt Plant)	Prepared drying pit for pond dip (Pratt Plant)
The Palm Springs Plant pumped raw water of 65,609,000 gallons and produced finished water of 65,145,000 gallons and the Robert L. Pratt Plant pumped raw water of 52,612,000 gallons and produced finished water of 50,901,000 gallons for total gallons raw water pumped of 118,221,000 and total gallons of finished water of 116,046,000.	
<u>Maintenance Department:</u>	
The maintenance department performs various routine tasks for all departments on a monthly basis in addition to the tasks listed below:	
Installed new windows and doors at City Hall and PD.	Mechanic completed 50 work orders.
Trimmed trees throughout the Village.	Mowed various ditches throughout the Village.
Removed fence and trees at lab building.	Remove and replace 6 yards of concrete.
Maintained trees at various parks.	Finished counter tops and cabinets at PD.
Completed Davis Road Park and held Arbor Day Ceremony.	Installed new gutter on north side of Library.

Figure 5

In our review of the fleet work order forms, it was noted that the hours worked and parts/materials used were not recorded in the “total costs” box on the form. Parts and materials purchased were not reconciled to the work orders. Thirty percent of the parts purchased by the mechanics with credit cards did not have a vehicle number or equipment description noted on the receipt as noted in Finding 5.

A manual work order process was implemented by the Village Manager during the audit. However, there should be an automated system in place that captures work order information for all the Public Service maintenance and repair functions. Parts, materials, and labor cost (including contracted work) should be collected with each “work order” to capture true costs associated with these reported tasks. Additionally,

the system needs to generate scheduled work order requests for preventative maintenance as specified by equipment manufacturers.

It is our understanding that the Village Manager plans to purchase a Village-wide maintenance work order system for implementation in FY16.

Recommendations:

- 10) We recommend that Management continue with plans to select, purchase and implement a public Service maintenance management work order software system.

Summary of Management Response:

- 10) The Village agrees with this recommendation and has previously begun to implement the recommendation. In February of 2015, a written work order system was implemented by the interim Public Service Director. In an effort to operate more effectively and efficiently (while ensuring safety and reduced expenditures), the Village purchased a fleet maintenance, work order and fixed asset computer software (automated) system in August 2015. Implementation and training is expected to commence within the 1st Quarter of Fiscal Year 2016 for all personnel that will be using this new system (i.e., Public Service Department, Finance, Leisure Services Department, etc.). Full implementation is expected within the 2nd Quarter of FY 2016.

Finding (7): PUBLIC SERVICE DEPARTMENT LACKS A PROCESS FOR MONITORING CONTRACTS AND PAYMENTS FOR SERVICES

Initially we requested a list of all Public Service Department service contracts. The Village was not able to produce a "list of contracts" or the actual associated contracts. The Village Manager indicated that in many cases there were no contracts or they had expired and had not been re-bid. Subsequently, we requested a listing of all payments made by the Public Service Department. The Village provided the Vendor History File which lists all vendor payments made from October 1, 2013 through December 31, 2014. The Vendor History File included 11,445 transactions, 2,109 vendors, and \$19,773,681 in total payments Village-wide. (Figure 6)

The vendor history file contains the following information per transaction:

- Vendor Number
- Vendor Name
- Account Number
- Account Description
- Purchase Order Number
- Fiscal Year
- Payment Amount
- Payment Date
- Check/EFT Number
- Invoice Number
- Invoice Date, and
- Description

We selected a sample of 24 vendors from the Vendor History File that provided services to the Public Service Department during the audit period. The payments made to these vendors were \$8,680,937, representing 44% of the total payments made Village-wide during the audit period.

From these 24 vendors we selected and reviewed, a sample of 96 payments that had a total value of \$2,309,569 and found that there was sufficient documentation to support these purchasing payments (including invoices, check requests, purchase orders and in some cases Council resolutions). However, we also found some of the vendors sampled did not have Village Council approved written contracts. Without contracts, payments over the authorized Village purchasing policy amount were submitted for approval by the former Public Service Director.

From our sample of payments, we found payments were made to Eckler Engineering, LHoist North America, Allied Universal, Morton Salt, and Hydro-Designs Inc. without evidence of an existing written contract with the Village. Total paid to these five vendors during the audit period was **\$1,105,863**.

During this audit the Village Manager had already begun to address this issue. To date, several contracts have been established and approved by Village Council.

Selected Public Services Vendors (24)	
Vendor	Total
AKA SERVICES, INC.	5,233,717.29
REPUBLIC SERVICES	1,018,683.18
ECKLER ENGINEERING	583,619.20
WHARTON-SMITH, INC	470,273.10
LHOIST NORTH AMERICA	224,916.64
PALMDALE OIL CO.,INC	219,870.61
XYLEM WATER SOLUTION	202,900.00
ALLIED UNIVERSAL	142,424.04
MORTON SALT	139,710.80
RANGER CONSTRUCTION	118,205.57
PORT CONSOLIDATED	88,649.06
ATLANTIC PAINTING AN	30,980.00
MKI SERVICES, INC.	29,986.00
SPEEDY ROOTER, INC.	25,960.75
HACH COMPANY	25,550.72
BOWER AMM	24,121.12
VINCENT AND SONS	24,072.63
RAYSIDE TRUCK & TRAI	20,292.00
CONGRESS AUTO	18,126.83
HYDRO-DESIGNS INC	15,192.00
STATEWIDE GRADING	9,800.00
MUNICIPAL WATER WORK	8,433.32
ENGINEER SERVICE	3,312.00
PALM BCH AGGREGATES	2,140.02
Selected Sample Total	\$8,680,936.88
Vendor History Total	\$19,773,680.90
Percent of Total \$	43.9%

Figure 6

Recommendations:

We recommend that:

- 11) Management review all existing Public Service Department purchases to ensure all contracts are current and any payments have the necessary Village Council approval.
- 12) Management ensures that Public Service Department utilizes the competitive procurement process in compliance with the Village procurement policy. Without competitive procurement, there is no assurance that lowest and best prices have been obtained for goods and services.
- 13) Management establishes a process in the Public Service Department to ensure contracts are properly monitored and contract payments have the necessary Village Council approval.

- 14) The Finance Department ensure that all Public Service Department payments are approved and are in compliance with the Village purchasing policy.

Summary of Management Response:

- 11) The Village agrees with this recommendation and has previously begun to implement the recommendation. According to the Finance Department, the Village did not follow the procurement code and seek contracts for water treatment chemicals as previous Public Service Department Directors and Village Managers believed that such contracts would not preserve/protect our equipment and/or provide/guarantee the required product quality to ensure the highest quality drinking water.

In an effort to change this long-standing practice and follow the requirements of the Village's purchasing policy, the Public Service Department has recommended fifteen (15) contracts/agreements for purchase of chemicals, services, goods, etc. to the Village Council (all have been approved) over the past seven (7) months.

- 12) The Village agrees with this recommendation and has previously begun to implement the recommendation. Each of these agreements (except the Cross-Connection/Backflow Prevention Agreement, which was competitively bid out by the Village) were piggybacked from other local communities that followed a competitive selection process and have provided the Village with the following:

- Quality products/equipment/materials/goods to maintain our high water quality standards and comply with state and federal regulatory requirements.
- Reduced overall expenditures/costs within the Public Service Department.
- Transparency and assurance that we have met the Village's procurement code.
- A list of requisite contracts/agreements within the Public Service Department.

- 13) The Village agrees with this recommendation and has previously implemented the recommendation. The Public Service Department, following a directive by Management (February 2015), has established a process to ensure contracts are properly monitored and contract payments include the necessary Village Council approval information.

- 14) The Village agrees with this recommendation and has previously begun to implement the recommendation. The Finance Department has begun to collect and maintain contract information from all Village departments

to establish a Contract Log and develop a tracking system (i.e., contract number, bid number, bid award date, Council approval date, resolution number, vendor name, purpose of the contract, effective begin and end dates and the department responsible for approval/replacement/renewal). The Finance Department has also begun to review vendor payment histories to determine if the Village's competitive selection threshold is (has been) met and if the competitive bid process is required (total annual purchases equal or exceed \$25,000) and/or if contracts/agreements are needed.

Finding (8): PHYSICAL SECURITY⁶

The Village of Palm Springs has three Public Service facilities: the main water plant located on Davis Road; secondary water plant located on Basil Drive; and a Utility Maintenance building located on Kirk Road. These facilities provide support and maintenance of the drinking water system and wastewater disposal services as needed within the Village service area. The physical security of the facilities is important to the safety of the customers in preventing intentional contamination, tampering of equipment, and unauthorized use of the facilities or resources.

. The fuel is dispensed using a Key fob, ID number, and vehicle mileage. The fuel tanks are protected from vehicles with barriers. Behind the building there is a pipe storage area, a scrapping dumpster, utility vehicle garages, a parts inventory storage area, and offices.

⁶ Pursuant to Section 119.071(3) Florida Statutes, the following, relating to Physical Security has been redacted.

Recommendations:

15) We recommend that Management implement current plans

Summary of Management Response:

15) The Village agrees with this recommendation and has previously begun to implement the recommendation.

Finding (9): THE VILLAGE LACKED A SCRAPPING POLICY

In May of 2014, following a complaint of theft by a Village employee, the Village of Palm Springs Police Department conducted an investigation into the recycling sale of materials removed as part of the replacement of the old lighting fixtures at the Village ball field in August of 2013. Sale of recycled materials is referred to as “scrapping.” The report found that the recycled materials were sold by authorized Village employees and the proceeds were received by the Village finance department.

Excess materials from repairs, replacements, demolition, or new construction may have value as scrap to recyclers. These materials could be treated as trash and collected and sold by trash collectors or the general public, including Village employees. Treating these materials as trash could result in a loss of potential revenue to the Village

As a result of the investigation, the Village recognized a need for a formal “scrapping” policy. In January, the Village drafted a Scrapping policy in the form of a memorandum. On April 14,



Figure 7

2015, the Village established by memorandum a policy and procedure for disposal of the scrap metal and scrap materials.

This memorandum provides specific guidance on scrapped materials as follows:

- Materials are to be collected and placed in a secure dumpster located at the warehouse building on Kirk Road (Figure 7),
- A receipt of scrap materials is logged by the warehouse clerk; and,
- Management is responsible for proper disposal and the delivery of any proceeds to the Finance Department for deposit.

Recommendations:

- 16) We recommend that Management formalize the “scrapping” policy and associated procedures by Village Council approval/adoption.**

Summary of Management Response:

- 16) The Village agrees with this recommendation and has implemented the recommendation administratively. In April 2015, the Interim Public Service Director prepared an interim scrap metal collection and disposal memorandum/policy to address concerns with potential scrapping issues. It was staff’s intention for the interim policy to provide immediate written guidance on this issue while a new, more defined permanent policy was being developed. As a result, a new “Scrap Metal/Materials Policy” has been drafted with the assistance of the OIG⁷, the Public Service Department and the Finance Department outlining employee responsibilities, refining scrapping procedures and improving internal controls. In October 2015, each Public Service Department employee has been required to sign and date a “Scrap Metal/Materials Policy Employee Acknowledgement Form” confirming that they have read, understand and acknowledge this new policy.**

⁷ OIG assisted the Village by providing sample scrapping policies from other municipalities and definitions of scrapping terminology.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs⁸

Finding	Description	Questioned Costs
1	Fuel mileage discrepancies	\$18,551
3	Purchase green diesel	\$1,493
5	Credit Card parts purchases	\$18,445
5	Lacked public purpose	\$346
5	Missing inventory tires	\$504
7	Payments without approved written contracts	\$1,105,863
	Total	\$1,145,202

Potential Avoidable Cost⁹

Description	Avoidable Costs
Fuel mileage discrepancies	\$40,449
Purchase green diesel	\$3,255
Credit Card parts purchases	\$40,217
Lacked public purpose	\$754
Total	\$84,675

⁸ Questioned costs can include costs incurred pursuant to a potential violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, and/or a finding that such costs are not supported by adequate documentation, and/or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable in amount. As such, not all questioned costs are indicative of potential fraud or waste.

⁹ Avoidable costs is a value that represents the dollars an entity will not have to spend, and/or the increase in revenue over the next three years if the OIG's recommendations are implemented.

ATTACHMENT

Attachment 1 – Complete Management Response

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Village employees for their assistance in the completion of this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Bob Bliss, Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1 - Management Response



Village of Palm Springs

"a great place to call home"

226 Cypress Lane • Palm Springs, Florida 33461-1699
561.965.4010 • Fax 561.965.0899

October 20, 2015

Mr. John A. Carey
Office of Inspector General
Airport Centre
100 Australian Avenue
West Palm Beach, FL 33401

Dear Mr. Carey:

The Village of Palm Springs has received the Office of the Inspector General's (OIG) draft Audit Report (2016-A-0001) and values and appreciates the OIG's findings and recommendations regarding the purchasing, operations and safety within the Village's Public Service Department. This report was conducted following a letter by the Village of Palm Springs to the OIG (December 9, 2014) outlining a number of allegations that were reported to me where public trust may have been violated.

Please note that prior to the OIG's audit, the Village had begun to comprehensively review operations and procurement practices within this department. As a result, and with the assistance of the OIG staff, in particular Ms. Eleanor Lisansky and Mr. John Lynch, the Village has implemented and/or is in the process of implementing resolutions to each of the findings and implementing the proposed recommendations that are outlined in the Audit Report.

Once this process is completed, we believe that a culture change will have taken place and best practices will be implemented and followed within the Public Service Department as well as throughout all departments within the Village. The Village of Palm Springs strives to promote and ensure fairness and transparency to make certain that public trust is upheld. These changes are a responsibility that the Village of Palm Springs has taken very seriously.

Thank you again for all of your assistance, cooperation and efforts. Should you have any questions, please do not hesitate to contact me.

Sincerely,


Richard J. Reade
Village Manager

c: Mayor and Village Council
Glen J. Torchia, Village Attorney
John Rouse, Interim Public Services Director
Rebecca L. Morse, Finance Director
Jane Worth, Interim Village Clerk

www.villageofpalm Springs.org

ATTACHMENT 1 - Management Response continued

**Village of Palm Springs Management Responses
Office of Inspector General
Palm Beach County
Audit Report 2016-A-0001**

Please find attached the Village of Palm Springs' Management Responses to the various Findings and Recommendations that have been outlined within the Office of the Inspector General – Palm Beach County (IG) Audit Report (Audit #2016-A-0001):

Finding (1): THE VILLAGE WAS NOT UTILIZING THE TRAK SYSTEM TO MONITOR FUEL TRANSACTIONS

Response to Finding #1 – Since installation (October 2010), the Public Service Department was not utilizing the Fuel Trak fuel management software to its full potential due to a lack of education and training. Further, employees were provided with informal instructions on how to use the fuel dispensing system; however, all staff members did not comply and were not held accountable.

Prior to the IG's Final Audit Report being issued, the Interim Public Service Director and Finance Director were directed to fully utilize the features (various reports) of the Fuel Trak reporting system. To date, Public Service Department staff has met with the vendor, extensive training is planned (within the 1st Quarter of FY 2016), various reports are being utilized to identify issues/exceptions and appropriate controls (within the software) have begun to be implemented to ensure that fuel is properly tracked and reported (inventoried). Additionally, the Finance Department is reviewing and identifying red flags within the monthly fuel usage reports and will begin to review the various fuel reports to identify issues/exceptions from our recently implemented fuel policy. Finance will then distribute all identified issues/exceptions to each department director to be reviewed and written explanations will be required for all variances and/or corrective actions that will be taken.

Finally, the Village has developed a new "Fuel Policy" (September 2015) that outlines employee responsibilities in utilizing this fuel system and improves internal controls. Each employee has been required to sign and date a "Fuel Policy Employee Acknowledgement Form" confirming that they have read, understand and acknowledge this new policy before further use is permitted (See attached).

Recommendations:

1) We recommend that Management utilize the features of the Trak System including the production of various exception reports that identifies data entry errors or unusual fuel transaction activity. These exception reports should be reviewed on a regular basis. During the audit, Management produced an exception report for review and implemented it on a regular basis.

Response to Recommendation #1 – The Village agrees with this recommendation and has previously implemented the recommendation throughout the organization (See above - Response to Finding #1).

ATTACHMENT 1 - Management Response continued**Finding (2): FUEL TRANSACTIONS HAD INCORRECT MILEAGE ENTRIES AND THERE WERE DESCREANCIES BETWEEN THE SYSTEM AND THE VILLAGE VEHICLE LIST**

Response to Finding #2 – Since installation (October 2010), the Public Service Department was not utilizing the Fuel Trak fuel management software to its full potential due to a lack of education and training. Further, employees were provided with informal instructions on how to use the fuel dispensing system; however, all staff members did not comply and were not held accountable.

Prior to the IG's Final Audit Report being issued, the Interim Public Service Director and Finance Director were directed to fully utilize the features (various reports) of the Fuel Trak reporting system. To date, Public Service Department staff has met with the vendor, extensive training is planned (within the 1st Quarter of FY 2016), various reports are being utilized to identify issues/exceptions and appropriate controls (within the software) have begun to be implemented to ensure that fuel is properly tracked and reported (inventoried). Additionally, the Finance Department is reviewing and identifying red flags within the monthly fuel usage reports and will begin to review the various fuel reports to identify issues/exceptions from our recently implemented fuel policy. Finance will then distribute all identified issues/exceptions to each department director to be reviewed and written explanations will be required for all variances and/or corrective actions that will be taken.

Finally, the Village has developed a new "Fuel Policy" (September 2015) that outlines employee responsibilities in utilizing this fuel system and improves internal controls. Each employee has been required to sign and date a "Fuel Policy Employee Acknowledgement Form" confirming that they have read, understand and acknowledge this new policy before further use is permitted (See attached).

Recommendations:

We recommend that:

2) Management ensures that employees enter the correct mileage when performing fuel transactions.

Response to Recommendation #2 – The Village agrees with this recommendation and has implemented the recommendation throughout the organization (See above - Response to Finding #2).

3) The Village asset list is regularly reconciled to the vehicle/equipment list in the Trak System.

Response to Recommendation #3 – The Village agrees with this recommendation and has begun to implement the recommendation (See above - Response to Finding #2).

Annually, the Finance Department will coordinate reconciliation between the insurance records maintained by the Village Clerk, the vehicle list maintained by Public Services on Fuel Trak and the capital asset records maintained by the Finance Department to ensure an accurate asset list. Further, the Public Works Superintendent, within the Public Service Department, will ensure that only in-service vehicles and active authorized employees have access to the fuel system.

ATTACHMENT 1 - Management Response continued**Finding (3): THE VILLAGE LACKS A CONTRACT FOR THE PURCHASE OF FUEL**

Response to Finding #3 – Previously, the Village had not considered a contract for fuel (i.e., regular and diesel) as there was a belief by the Public Service Department and the Finance Department that due to daily pricing fluctuation, a long-term fuel contract was not feasible. Further, staff believed that by establishing a relationship with a single, local vendor, it would ensure that the Village would receive fuel during an emergency event (i.e., hurricane, etc.), which did occur with the 2004 and 2005 hurricanes.

Over the past year, various directives have been issued to the Public Service Department to discontinue long-term past practices for fuel purchasing and utilization (that did not meet the Village's procurement code) in an effort to fully account for all fuel as well as to ensure reduced spending, including:

- Multiple vendors are now being considered prior to purchase to ensure lower pricing. As a result, the Village began to purchase fuel from a local co-op that has provided competitive pricing in comparison with the long-time fuel vendor
- A directive has been issued that all vehicles will be fueled from the Village's fuel dispenser. Purchases from local retail stations has been discontinued unless authorized by a department supervisor and/or on a trip out of the area
- All diesel-fueled vehicles are utilizing the lower costing red-dyed diesel fuel, which possesses the same quality fuel as green-dyed diesel and does not present maintenance concerns for Village vehicles

Further, staff has been researching local competitively approved fuel contracts within southeast Florida that the Village could "piggyback" on and ensure the lowest possible fuel pricing. As a result, staff is recommending that the Village piggyback onto a fuel contract that was previously bid out and approved by the City of Coral Springs during the October 22, 2015 Village Council meeting. This contract is expected to reduce the Village's overall annual fuel purchase costs.

Recommendations:**We recommend that:**

4) The Village issue a Request for Proposal in order to obtain a contract for the purchase and delivery of fuel.

Response to Recommendation #4 – The Village agrees with this recommendation and has begun to implement the recommendation (See above - Response to Finding #3).

5) The Village discontinues the purchase of fuel at retail service stations (except if the fuel system is down). Management corrected this during the audit.

Response to Recommendation #5 – The Village agrees with this recommendation and has previously implemented the recommendation (See above - Response to Finding #3).

ATTACHMENT 1 - Management Response continued**Finding (4): THE VILLAGE DID NOT HAVE POLICIES AND PROCEDURES FOR THE FUEL PROGRAM**

Response to Finding #4 – Since installation (October 2010), the Public Service Department was not utilizing the Fuel Trak fuel management software to its full potential due to a lack of education and training. Further, employees were provided with informal instructions on how to use the fuel dispensing system; however, all staff members did not comply and were not held accountable.

Prior to the IG's Final Audit Report being issued, the Interim Public Service Director and Finance Director were directed to fully utilize the features (various reports) of the Fuel Trak reporting system. To date, Public Service Department staff has met with the vendor, extensive training is planned (within the 1st Quarter of FY 2016), various reports are being utilized to identify issues/exceptions and appropriate controls (within the software) have begun to be implemented to ensure that fuel is properly tracked and reported (inventoried). Additionally, the Finance Department is reviewing and identifying red flags within the monthly fuel usage reports and will begin to review the various fuel reports to identify issues/exceptions from our recently implemented fuel policy. Finance will then distribute all identified issues/exceptions to each department director to be reviewed and written explanations will be required for all variances and/or corrective actions that will be taken.

Finally, the Village has developed a new "Fuel Policy" (September 2015) that outlines employee responsibilities in utilizing this fuel system and improves internal controls. Each employee has been required to sign and date a "Fuel Policy Employee Acknowledgement Form" confirming that they have read, understand and acknowledge this new policy before further use is permitted (See attached).

Recommendations:

6) We recommend that the Village establish policies and procedures to govern the fuel program and once established, they should be clearly communicated.

Response to Recommendation #6 – The Village agrees with this recommendation and has previously implemented the recommendation (See above - Response to Finding #4).

Finding (5): CREDIT CARD PURCHASES DID NOT ALWAYS PROVIDE SUFFICIENT JUSTIFICATION

Response to Finding #5 – Credit cards have been utilized within the Village since the year 2000. The intent of this payment method was to promote efficiency, reduce accounts payable processing expenditures and increase customer service throughout the Village. To ensure proper use, each employee that is issued a credit card is required to confirm that they are required to read, understand and acknowledge this policy before use is permitted (See attached).

Historically, according to the Finance Department, documentation was thought to be sufficient on each credit card purchase receipt. However, over the years, documentation has not been consistent and as specific/detailed for all purchases. In an effort to change this long-standing practice/concern, the Village Manager has given direction to the Public Service Department (as well as all Village staff with credit card access) that proper documentation is required for all credit card purchases and that all requirements

ATTACHMENT 1 - Management Response continued

of the Village's purchasing policy must be met.

The Finance Department, as provided in the Code, is accountable as the "purchasing gateway" and has/will provide assistance and technical expertise to Public Service Department in ensuring that the Village's purchasing procedures are properly met. Further, the Public Service Department will review their credit card purchases, ensure appropriate documentation is provided and actively seek competitive pricing, including quotes and competitive bids in accordance with the Village's purchasing policy.

Further, the Village's Public Service Department has begun the process of evaluating high volume purchases from single vendors (i.e., tires and vehicle parts/equipment, construction and maintenance supplies, office supplies, etc.). To date, the Village has piggybacked onto state approved contracts and has established corporate accounts to ensure competitive/lowest available pricing (e.g., supplies, equipment, parts, etc.) from high volume vendors. This process has provided:

- . Quality products/equipment/materials/goods to maintain our high levels of service
- . Reduced overall expenditures/costs within the Public Service Department
- . Transparency and assurance that we have met the Village's procurement code

Additionally, the Public Service Department, following a directive by Management (February 2015), has established a process to ensure contracts are properly monitored and contract payments include the necessary Village Council approval information. Further, the Finance Department has begun to collect and maintain contract information from all Village departments to establish a Contract Log and develop a tracking system (i.e., contract number, bid number, bid award date, Council approval date, resolution number, vendor name, purpose of the contract, effective begin and end dates and the department responsible for approval/replacement/renewal). The Finance Department has also begun to review vendor payment histories to determine if the Village's competitive selection threshold is (has been) met and if the competitive bid process is required (total annual purchases equal or exceed \$25,000) and/or if contracts/agreements are needed. Finally, to ensure that the highest level of transparency and oversight is met, all requested purchase orders now include all approval information (in strict accordance with the Village's purchasing code) prior to payment being made [Public Service Department staff has been including all approval information on all purchase orders for the past six (6) months].

Note: The Village's Administration is recommending a change to the procurement code to reduce the threshold before quotes are received prior to a purchase occurring. This amendment, which will require three (3) quotes for all purchases above \$3,000, will be considered by the Village Council during the October 22, 2015 Council Meeting on 1st reading and, if approved, on November 12, 2015 for 2nd and final reading. This will ensure that the Village is receiving the best pricing available prior to purchasing.

Further, the Finance Department has developed a Purchasing Reminders information sheet (See attached) to provide an understanding about the purchasing related changes that are being/have been implemented within the Village. This document has been distributed to all departments (October 2015). Additionally, Finance is in the process of preparing specific purchasing guidance information that is expected to assist staff with understanding the procurement requirements for various purchases within each expenditure line of the Village's approved budget.

ATTACHMENT 1 - Management Response continued**Recommendations:****We recommend that:**

7) Management establish policies to identify allowable and unallowable purchases, especially for credit cards, food and celebration expenses. The policy should include the requirements to sufficiently justify the public purpose of the purchase(s).

Response to Recommendation #7 – The Village agrees with this recommendation and has begun to implement the recommendation (See above - Response to Finding #5).

Additionally, the Village is in the process of drafting an amendment to the procurement code to address appropriate purchasing procedures for food and/or celebratory events. This amendment is expected to be presented to the Village Council for consideration/approval by the end of the 1st Quarter of FY 2016 or the beginning of the 2nd Quarter of FY 2016.

8) Public Service management consider competitive contracting purchase agreements for its high volume and/or high cost vendors including tires, vehicle parts, and hardware supplies.

Response to Recommendation #8 – The Village agrees with this recommendation and has previously begun to implement the recommendation (See above - Response to Finding #5).

9) Management work with the vendors on the timing of routine monthly invoices in order that they can be processed through accounts payable.

Response to Recommendation #9 – The Village agrees with this recommendation and has previously begun to implement the recommendation (See above - Response to Finding #5).

Many times, vendor invoices (i.e., Comcast, etc.) do not provide sufficient time to make payments through the Village's accounts payable process. In an effort to ensure that late fees are not assessed (and protect public funds), it is in the best interest of the Village to make payments by credit card. These purchases will require proper documentation and must meet all requirements of the Village's purchasing policy.

Finding (6): THE VILLAGE LACKS A MAINTENANCE MANAGEMENT WORK ORDER SYSTEM

Response to Finding #6 – The Village's Public Service Department implemented a written work order system in February 2015 under the directive of the Village Manager and the Interim Public Service Director, prior to the commencement of the IG's Audit Report. Previously, all work (except occasional vehicle repair related activities) was requested verbally, which did not provide adequate tracking of projects/jobs, inventory (i.e., parts, materials, equipment, etc.) that was purchased and utilized and/or the number of staff resources required. Thus, the Village's Public Service Department responded in a reactive manner rather than proactively (for the most part), which did not provide for the highest and most productive work environment.

ATTACHMENT 1 - Management Response continued

In an effort to operate more effectively and efficiently (while ensuring safety and reduced expenditures), the Village purchased a fleet maintenance, work order and fixed asset computer software (automated) system in August 2015. Implementation and training is expected to commence within the 1st Quarter of Fiscal Year 2016 for all personnel that will be using this new system (i.e., Public Service Department, Finance, Leisure Services Department, etc.). Full implementation is expected within the 2nd Quarter of FY 2016.

Recommendations:

10) We recommend that Management continue with plans to select, purchase and implement a public services maintenance management work order software system.

Response to Recommendation #10 – The Village agrees with this recommendation and has previously begun to implement the recommendation (See above - Response to Finding #6).

Finding (7): PUBLIC SERVICES DEPARTMENT LACKS A PROCESS FOR MONITORING CONTRACTS AND PAYMENTS FOR SERVICES

Response to Finding #7 – Historically, according to the Finance Department, the Village did not follow the procurement code and seek contracts for water treatment chemicals as previous Public Service Department Directors and Village Managers believed that such contracts would not preserve/protect our equipment and/or provide/guarantee the required product quality to ensure the highest quality drinking water.

In an effort to change this long-standing practice and follow the requirements of the Village's purchasing policy, the Public Service Department has recommended fifteen (15) contracts/agreements for purchase of chemicals, services, goods, etc. to the Village Council (all have been approved) over the past seven (7) months (See attached). An additional contract is being recommended to the Village Council for all fuel purchases on October 22, 2015 (as outlined in Finding #3). Each of these agreements (except the Cross-Connection/Backflow Prevention Agreement, which was competitively bid out by the Village) were piggybacked from other local communities that followed a competitive selection process and have provided the Village with the following:

- Quality products/equipment/materials/goods to maintain our high water quality standards and comply with state and federal regulatory requirements.
- Reduced overall expenditures/costs within the Public Service Department
- Transparency and assurance that we have met the Village's procurement code
- A list of requisite contracts/agreements within the Public Service Department

Additionally, the Public Service Department, following a directive by Management (February 2015), has established a process to ensure contracts are properly monitored and contract payments include the necessary Village Council approval information. Further, the Finance Department has begun to collect and maintain contract information from all Village departments to establish a Contract Log and develop a tracking system (i.e., contract number, bid number, bid award date, Council approval date, resolution number, vendor name, purpose of the contract, effective begin and end dates and the

ATTACHMENT 1 - Management Response continued

department responsible for approval/replacement/renewal). The Finance Department has also begun to review vendor payment histories to determine if the Village's competitive selection threshold is (has been) met and if the competitive bid process is required (total annual purchases equal or exceed \$25,000) and/or if contracts/agreements are needed. Finally, to ensure that the highest level of transparency and oversight is met, all requested purchase orders now include all approval information (in strict accordance with the Village's purchasing code) prior to payment being made [Public Service Department staff has been including all approval information on all purchase orders for the past six (6) months].

Note: The Village's Administration is recommending a change to the procurement code to reduce the threshold before quotes are received prior to a purchase occurring. This amendment, which will require three (3) quotes for all purchases above \$3,000, will be considered by the Village Council during the October 22, 2015 Council Meeting on 1st reading and, if approved, on November 12, 2015 for 2nd and final reading. This will ensure that the Village is receiving the best pricing available prior to purchasing.

Further, the Finance Department has developed a Purchasing Reminders information sheet (See attached) to provide an understanding about the purchasing related changes that are being/have been implemented within the Village. This document has been distributed to all departments (October 2015). Additionally, Finance is in the process of preparing specific purchasing guidance information that is expected to assist staff with understanding the procurement requirements for various purchases within each expenditure line of the Village's approved budget.

Recommendations:**We recommend that:**

11) Management review all existing Public Services Department purchases to ensure all contracts are current and any payments have the necessary Village Council approval.

Response to Recommendation #11 – The Village agrees with this recommendation and has previously begun to implement the recommendation (See above - Response to Finding #7).

12) Management ensures that Public Services Department utilizes the competitive procurement process in compliance with the Village procurement policy. Without competitive procurement, there is no assurance that lowest and best prices have been obtained for goods and services.

Response to Recommendation #12 – The Village agrees with this recommendation and has previously implemented the recommendation (See above - Response to Finding #7).

13) Management establishes a process in the Public Services Department to ensure contracts are properly monitored and contract payments have the necessary Village Council approval.

Response to Recommendation #13 – The Village agrees with this recommendation and has previously implemented the recommendation (See above - Response to Finding #7).

ATTACHMENT 1 - Management Response continued

14) Finance Department ensures that all Public Services Department payments are approved and are in compliance with the Village purchasing policy.

Response to Recommendation #14 – The Village agrees with this recommendation and has begun to implement the recommendation (See above - Response to Finding #7).

Finding (8): PHYSICAL SECURITY OF SUPPORT BUILDINGS IS ADEQUATE AND WILL BE ENHANCED WITH VIDEO SURVEILLANCE

Response to Finding #8 – The Village's Public Service water treatment facilities have maintained security measures (i.e., chain-link fences, electric gates, on-site staffing at both plants - 24 hours a day, 7 days a week). To enhance our on-site security, staff has been instructed (approximately 8 months ago) to ensure that all security gates are to be closed after hours. Additionally, thirty (30) new security cameras have been funded and approved for purchase by the Village Council. To date, seven (7) have been funded (FY 2015 budget) and installed at the Village's 2400 Kirk Road Warehouse Facility and twenty-three (23) cameras (approved within the FY 2016 budget) are now being installed (permits pulled October 16, 2015) at various Public Service Department facility locations, including both water treatment plants, the Maintenance Yard and the Utility Billing Office in Village Hall. This project is expected to be completed within the 1st Quarter of FY 2016. Each camera will be monitored by Public Service Department staff as well as the Village's Police Department (Dispatch will have real-time visual access) to significantly improve the security at the Village's water production/distribution and payment facilities. Further, video recordings will be maintained by the Village's Police Department in accordance with state public retention law.

Recommendations:

15) We recommend that Management implement current plans to purchase and install the security cameras at the water plants and maintenance facilities, and comply with record retention required by State Public Records Statute.

Response to Recommendation #15 – The Village agrees with this recommendation and has previously begun to implement the recommendation (See above - Response to Finding #8).

Finding (9): THE VILLAGE LACKED A SCRAPPING POLICY

Response to Finding #9 – In April 2015, the Interim Public Service Director prepared an interim scrap metal collection and disposal memorandum/policy to address concerns with potential scrapping issues. It was staff's intention for the Interim policy to provide immediate written guidance on this issue while a new, more defined permanent policy was being developed. As a result, a new "Scrap Metal/Materials Policy" has been drafted with the assistance of the OIG, the Public Service Department and the Finance Department outlining employee responsibilities, refining scrapping procedures and improving internal controls. In October 2015, each Public Service Department employee has been required to sign and date a "Scrap Metal/Materials Policy Employee Acknowledgement Form" confirming that they have read, understand and acknowledge this new policy (See attached).

Note: The new Village "Scrap Metal/Materials Policy" formally establishes a procedure for disposal and inventorying scrap items, identifying and selecting an authorized

ATTACHMENT 1 - Management Response continued

vendor, transporting materials and immediately recording payment received. Further, multiple members of staff from the Public Service Department and the Finance Department will be accountable for ensuring that identified scrap is securely preserved and disposed in accordance with the policy.

Recommendations:

16) We recommend that Management formalize the “scrapping” policy and associated procedures by Village Council approval/adoption.

Response to Recommendation #16 – The Village agrees with this recommendation and has implemented the recommendation administratively (See above - Response to Finding #7).