OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

John A. Carey
Inspector General

Inspector General
Accredited

"Enhancing Public Trust in Government"

Assessment Report

CA-2023-0034

County-wide Review of Compliance with the IG Ordinance and Risk Assessment

March 28, 2024

Insight – Oversight – Foresight

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PALM BEACH COUNTY

CONTRACT OVERSIGHT REPORT
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COUNTY-WIDE REVIEW OF COMPLIANCE WITH THE
IG ORDINANCE AND RISK ASSESSMENT

SUMMARY

WHAT WE DID

The Palm Beach County (County) Office of Inspector General (OIG) conducted a review of the County and municipal governments and Solid Waste Authority's (SWA) (collectively, "the Entities") compliance with the requirements of the Inspector General (IG) Ordinance **(Article XII, Palm Beach County Code)**[1] (IG Ordinance), and conducted a risk assessment of the Entities in accordance with the OIG's 2023-2028 Strategic Plan.[2]

The objectives of the review were to:

1. Generally, assess compliance with IG Ordinance sec. 2-423 (8) that the Entities notify the OIG **in writing** prior to any duly noticed public meeting of a procurement selection committee.

2. Assess whether Entities were aware of the requirements of IG Ordinance sec. 2-423 (4), that the county administrator and each municipal manager, or

administrator, or mayor where the mayor serves as chief executive officer, promptly notify the OIG when there is possible mismanagement of a contract (misuse or loss exceeding $5,000 in public funds), fraud, theft, bribery, or other violation of law within the OIG's jurisdiction.

3. Assess compliance with IG Ordinance sec. 2-423.1, and assess the Entities' use of strategies to inform government officials, employees, and the general public, of the authority and responsibilities of the OIG.

4. Conduct a risk assessment review of the Entities in order to help prioritize OIG auditing and review effort.

5. Conduct outreach to the Entities in accordance with the PBC OIG's 2023-2028 Strategic Plan.

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[1] Palm Beach County Code, Article XII., Section 2-423.
[2] https://pbcgov.com/oig/docs/reportsinternal/2023-2028_Strategic_Plan.pdf

WHAT WE FOUND

We found that:

1. The County, municipalities, and SWA were largely in compliance with the IG Ordinance.

2. Risk concerns expressed by the Entities were similar in scope and nature.

BACKGROUND

IG Ordinance (Article XII, Palm Beach County Code) Management Requirements

Mandated requirements of the County, municipalities, and other organizations under the OIG's jurisdiction include:

- Notifying the OIG of *"possible mismanagement of a contract (misuse or loss exceeding $5,000), fraud, theft, bribery, or other violation of law which appears to fall within the inspector general's jurisdiction;"*

- Creating and maintaining local procedures for promptly notifying the OIG of *"possible mismanagement of a contract (misuse or loss exceeding $5,000), fraud, theft, bribery, or other violation of law which appears to fall within the inspector general's jurisdiction;"*

- Providing written notice of Procurement Selection Meetings; and

- Developing Awareness Programs.

Compliance Assessment

The Contract Oversight & Evaluations Division (COED) conducted onsite reviews between August 22, 2023, and October 31, 2023, with the staff at all thirty-nine (39) municipalities within Palm Beach County, eleven (11) County[3] departments, and SWA.

The onsite reviews consisted of ten (10) discussion items for the municipalities and SWA. There were nine (9) similar discussion items for County departments. (See Attachments A & B)

During the onsite meetings, COED provided the review objectives, which were to verify that the public entity was in compliance with the IG Ordinance requirements to:

- Notify the OIG in writing of any public meeting of a procurement selection committee;
- Notify the OIG when there is the possible mismanagement of a contract (misuse or loss exceeding $5,000 in public funds), fraud, theft, bribery, or other violation of law within the IG's jurisdiction; and
- Develop public awareness strategies, to include, but not be limited to, including a link on their website with a link to the OIG website, publishing informational notices in government newsletters, and posting OIG information in employee break rooms and other common meeting areas.

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[3] Although we spoke with the County Administration, some of the issues discussed in the risk assessment analysis did not apply.

Risk Assessment Review

For the risk assessment review, the OIG requested the following information from each entity:

- Organizational chart
- Purchasing policies and procedures
- Number of full-time equivalent employees
- Latest annual budget
- OIG Reporting Policy

A risk assessment is a process that identifies hazards and vulnerabilities within an organization. The assessment determines how likely the risks are to negatively affect the organizations' ability to achieve their objectives, and the potential impacts on operations. The risk assessment helps prioritize the OIG's auditing and review efforts by allowing the OIG to focus on high-risk areas, ensuring allocation of resources efficiently to address the most critical issues. Additionally, identifying risks helps management in making informed decisions to improve internal controls, streamline business processes, and allocate resources effectively.

During the onsite assessment, the OIG requested that the Entities identify and elaborate on areas of risk. Specifically, we asked the Entities to address the following risk categories:

- The top three critical contracts or agreements.
- The top three critical programs, functions, divisions, or departments.
- The top three major projects.
- The area with biggest risk for fraud (internally or externally).
- Was there an increased turnover of personnel in the last year?
- Was there a turnover of senior management in the last year?
- Has an organizational risk assessment and/or IT risk assessment been performed on behalf of the entity?

COMPLIANCE REVIEW OBSERVATIONS

During the onsite reviews, we observed that:

- Generally, the Entities notified the OIG in writing prior to duly noticed public meetings of procurement selection committees. The notices were sent electronically by email to the OIG Contracts inbox, individually to COED staff, or by an automatic email notification system, in accordance with IG Ordinance sec. 2-423 (8).

- The Entities were aware of the requirement to notify the OIG when there is the possible mismanagement of a contract (misuse or loss exceeding $5,000 in public funds), fraud, theft, bribery, or other violation of law within the OIG's jurisdiction in accordance with IG Ordinance sec. 2-423 (4).

- Thirty-eight (38) of the 41 public entities reviewed had an OIG reporting policy on file. As a result of the review, three (3) public entities are creating new reporting policies, and thirteen (13) of the 41 public entities are updating their policies for reposting on the OIG website.

- In accordance with IG Ordinance sec. 2-423.1, all of the Entities employed some form of outreach strategy to inform government officials, employees, and the general public of the authority and responsibilities of the OIG. Twenty-five (25) of the 41 Entities reviewed have a link on their website to the OIG website.

An example of a municipality's website OIG notification link is as follows:
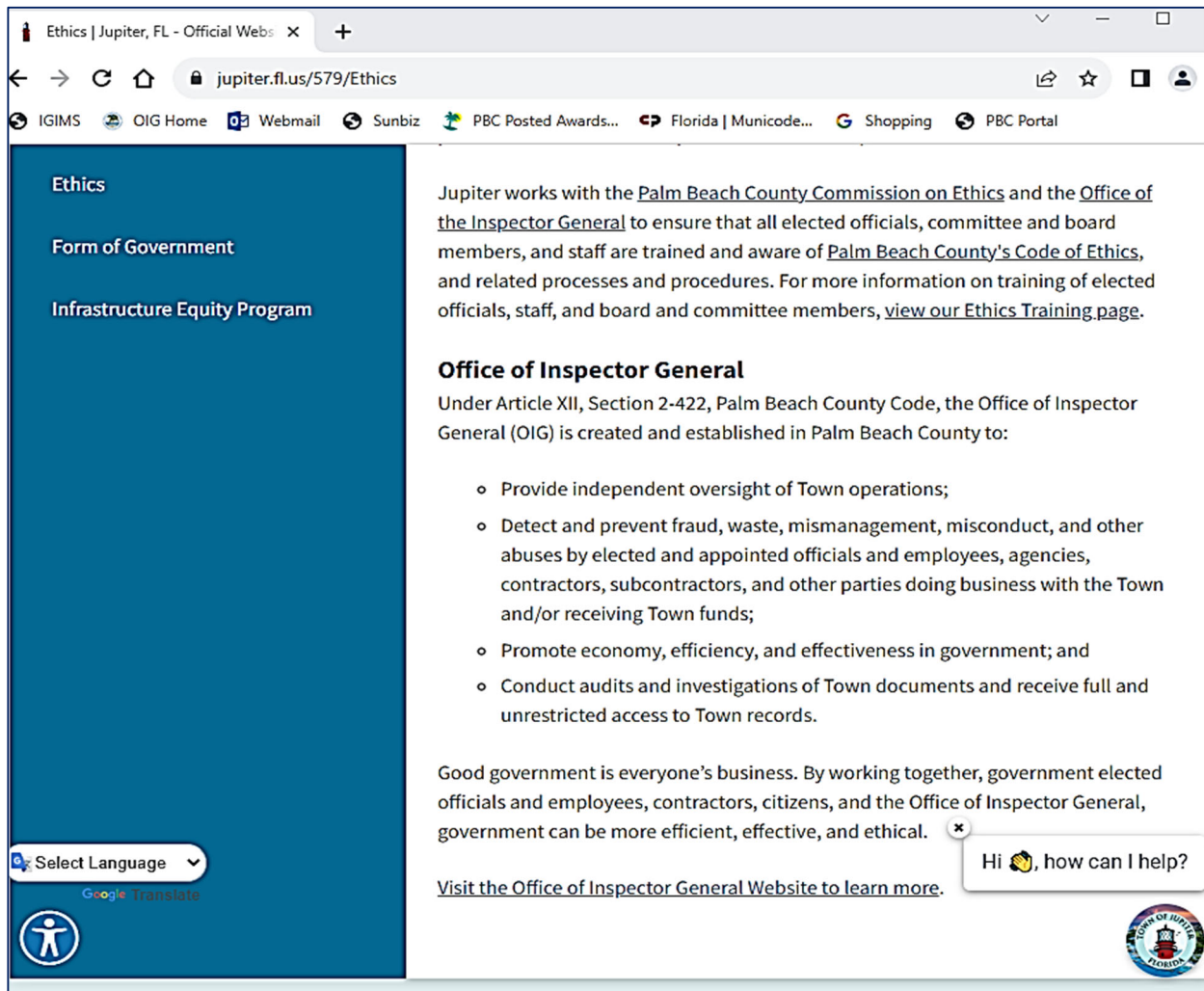
Town of Jupiter Website Link to OIG

Thirty-three (33) of 41 Entities posted information about the OIG in public areas, employee break rooms, and common meeting areas. Some examples of posted information are provided below:
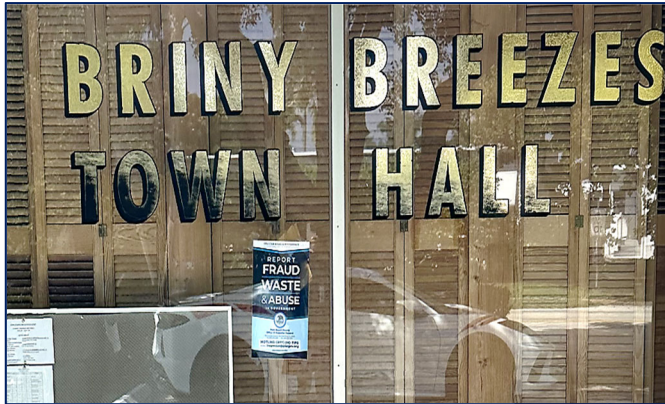
OIG Fraud Poster outside Briny Breezes Town Hall

OIG pamphlets on display in Lobby of Delray Beach City Hall
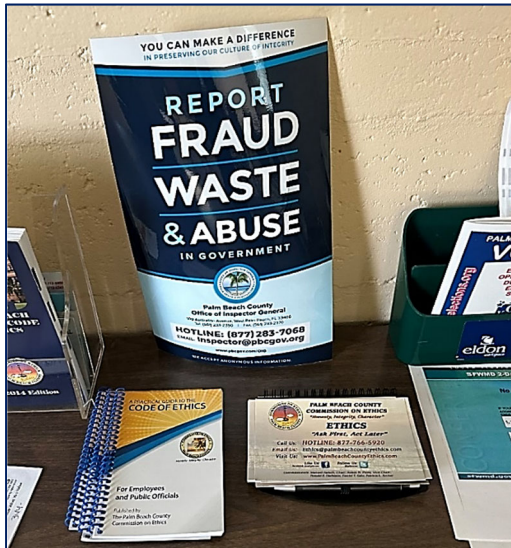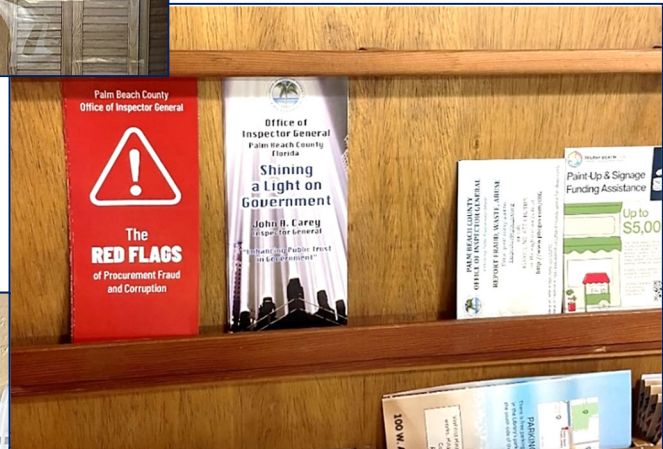
OIG Fraud Poster on display in Cloud Lake Town Hall

- At the conclusion of each onsite review, we provided a new media kit to each entity which contained updated OIG outreach information, including the new hotline number **(877) OIG-TIPS**, for public posting and staff information. The media kit included:

    o Reporting Fraud/Hotline posters
    o *The Red Flags of Procurement Fraud and Corruption* brochure
    o *Shining a Light on Government* brochure
    o Fraud/Hotline index cards
    o *Reference Guide For Managers* publication
    o List of PBC OIG Tips and Trends
    o Current Entity's IG Reporting Policy

PBC OIG Media Kit

RISK ASSESSMENT RESULTS

During the onsite reviews, we collected information regarding annual budgets, reportable units (RUs), the number of full-time equivalent (FTE) employees, organizational structure, and purchasing policies. The 39 municipalities, SWA, and County collectively reported over 22,000 employees and approximately $12 billion in budgets.

Public Entity	RUs[4]	FTEs	2023/24 Budget
Atlantis	11	28	$ 8,763,203
Belle Glade	17	88	$ 36,735,385
Boca Raton	22	1,810	$ 1,035,725,100
Boynton Beach	19	885	$ 299,200,000
Briny Breezes	7	2	$ 1,300,000
Cloud Lake	6	1	$ 409,895
Delray Beach	23	968	$ 418,552,750
Glen Ridge	5	1	$ 159,740
Golf	12	11	$ 7,800,000
Greenacres	14	156	$ 73,013,015
Gulf Stream	9	20	$ 13,631,145
Haverhill	13	4	$ 1,317,932
Highland Beach	12	63	$ 30,500,000
Hypoluxo	7	4	$ 3,223,324
Juno Beach	11	35	$ 11,514,000
Jupiter	20	389	$ 134,642,586
Jupiter Inlet Colony	9	11	$ 3,456,860
Lake Clarke Shores	13	28	$ 11,732,858
Lake Park	19	73	$ 25,773,214
Lake Worth Beach	19	363	$ 39,800,000
Lantana	13	100	$ 28,336,641
Loxahatchee Groves	10	18	$ 4,000,000
Manalapan	13	24	$ 14,499,339
Mangonia Park	11	10	$ 7,800,000
North Palm Beach	16	154	$ 41,546,758
Ocean Ridge	11	30	$ 11,003,132

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[4] For this review, an RU is considered a separately defined department, division, function, or unit of an organization.

Public Entity (cont)	RUs	FTEs	2023/24 Budget
Pahokee	19	29	$ 9,036,654
Palm Beach	16	371	$ 312,837,183
Palm Beach Gardens	23	606	$ 236,074,948
Palm Beach Shores	13	7	$ 6,568,200
Palm Springs	16	236	$ 89,000,000
Riviera Beach	23	549	$ 347,760,444
Royal Palm Beach	16	129	$ 87,000,000
South Bay	11	18	$ 8,400,000
South Palm Beach	8	1	$ 4,600,000
Tequesta	17	103	$ 38,047,264
Wellington	22	314	$ 138,000,000
West Palm Beach	25	1,817	$ 242,908,856
Westlake	14	0	$ 6,600,000
Municipal Total:	**565**	**9,456**	**$ 3,791,270,426**
Solid Waste Authority	24	430	$ 355,076,974
Palm Beach County	44	12,367	$ 7,873,039,892
Grand Total:	**633**	**22,253**	**$ 12,019,387,292**

Top Contracts

During our discussions with the municipalities regarding areas of risk, the municipalities identified the following:

Top Municipal Critical Risk Area Contracts	Count	Top Municipal Critical Risk Area Contracts	Count
Police	17	Finance	4
Solid Waste	16	Parks & Recreation	4
Fire Rescue & EMS	14	Public Works	4
Planning, Zoning & Building	11	Fuel	3
Facilities & Maintenance	10	Insurance	3
Utilities & Undergrounding	8	Marina	3
Stormwater & Drainage	7	Union Contracts	3
IT	7	Consultants	2
Water Utilities	6	Legal	2
Emergency Management	4	Advertising	1
Environmental	4		

More than 15% of the municipalities stated they recently outsourced or supplemented planning, zoning, and building services, citing local labor shortages of qualified personnel for code inspections and permit reviews, and a salary differential with private employers. Additionally, the municipalities cited supplementing staff with contractors for the timely completion of plan reviews and inspections.

At least seven (7) municipalities cited public works and municipal hall renovations as top three (3) contract concerns. Due to inflation, the cost of construction is increasing, which prompted municipalities to reexamine budgets, prioritize projects, find new funding sources (such as grants), and extend maintenance efforts on existing infrastructure.

Two major water utility risks identified by several municipalities were converting septic systems to sewer, and the EPA's proposed new rules to reduce PFAS (Per- and Polyfluoroalkyl Substances) levels and the lead levels in drinking water. The EPA rule and levels have not been finalized, but the municipalities[5] stated that the proposed levels have a potential to significantly increase water treatment costs to obtain the target values. Additionally, as part of a 2021 Lead Copper Rules Revision, the EPA requires all water suppliers to conduct a survey of lead pipes in their water distribution system by October 16, 2024. The survey poses a challenge for older established communities that may not have detailed plans and permits on file for their water distribution systems. The Entities are awaiting clarification from the EPA before resulting to visually inspecting underground pipes for lead.

During our discussions with SWA, staff members stated the top three (3) contracts were franchise haulers, Renewable Energy Facility #1 Operations & Maintenance contracts, and security.

During our discussions with select County Departments, they identified the top contracts within their areas of responsibility:

Department	Top County Critical Risk Area Contracts
PBC Airports	1. Airline agreements 2. Parking 3. Rental/lease agreements 4. Janitorial
PBC Engineering and Public Works (EPW)	1. Low bid contracts - contractor performance 2. Annual contracts - same vendor pools 3. Utilities - Design issues, locating lines, access to bridges and roads 4. PBC western communities road sink issues
PBC Facilities Development and Operations (FDO)	1. Internal services (building & fleet maintenance) 2. Roger Dean Stadium renovations 3. West Palm Beach workforce housing development

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[5] This was also a concern for the County and SWA, although it did not include this concern with their top three (3) critical risk areas.

Department	Top County Critical Risk Area Contracts (cont)
PBC Human Resources (HR)	1. 457(b) (deferred compensation) 2. 401(a) (new plan) 3. Drug testing 4. Training contracts 5. Union contracts
PBC Information Systems Services (ISS)	1. Professional services for staff augmentation 2. National computer cooperative purchasing agreement 3. Telecom/data: internet, land lines, alarms 4. Florida's computer contract
PBC Office of Financial Management & Budget (OFMB)	1. External auditor 2. Financial advisors
PBC Palm Tran	1. Paratransit services 2. General Planning Consultant services 3. Bus cleaning
PBC Purchasing	1. Office paper contract 2. Shipping and mailing services 3. Photocopiers
PBC Planning, Zoning and Building (PZ&B)	1. Mortgage foreclosure registry 2. Inspections and plan review 3. Economic impact and housing programs 4. Workforce housing
PBC Water Utilities Department (WUD)	1. Pipeline contracts 2. Water treatment chemicals

Critical Programs, Functions, Divisions, or Departments

The municipalities identified the following as their critical departments and functions:

Critical Municipal Departments & Functions	Count
Finance & Administration	21
Police	20
Building, Zoning, & Permits	18
Fire Rescue	17
Utilities	16
Public Works	14
Engineering	7
IT	7
Public Safety	5
Parks and Recreation	3
Community & Business Development	2
Emergency Services/Emergency Management	2

We observed some overlap between the critical departments and functions and the top critical risk contracts identified by the municipalities. Finance & Administration was the most listed critical function, and includes departments such as: Human Resources, Accounting, Clerk, Insurance/Risk, and Legal.

SWA identified its critical departments and functions as Transport Services, Waste to Energy Operations, and Landfill Operations.

The PBC Departments identified the following as their critical functions:

Department	Functions
PBC Airports	1. Finance 2. Planning 3. Operations 4. Real estate 5. Concessions
PBC EPW	1. Infrastructure funding 2. Stormwater projects 3. Bridge repairs 4. Transportation infrastructure
PBC HR	1. Recruitment 2. Fair employment 3. Compensation (wages & records) 4. Unions
PBC OFMB	1. Budgeting 2. Contract development & control 3. Financial management
PBC Palm Tran	1. Fixed bus routes 2. Paratransit 3. Administrative, Planning, Finance, and HR 4. Changes in routes to eliminate redundancy 5. Increase grant funds (Federal Transit Authority) and generate $5M in budget savings
PBC Purchasing	1. Warehouse/logistics stores 2. Mail route services 3. Buyer staff
PBC PZ&B	1. Zoning (Applications, processing, & approvals) 2. Buildings 3. Workforce housing

Major Projects & Programs

The municipalities identified 117 major projects and programs across 24 areas:

Municipal Major Projects & Programs			
Project Area	**Count**	**Project Area**	**Count**
Beach Restoration	2	Municipal Hall	5
Capital Improvements	5	Parks & Recreation	9
Community Centers	2	Planning, Zoning, & Building	8
Emergency Operations Center	2	Police	4
Finance & Administration	6	Public Works	6
Fire Rescue	4	Roads	12
Grants	2	Solid Waste	1
Homes Rehabilitation	1	Stormwater	5
HR Training	4	Sustainability	1
IT	16	Undergrounding	2
Library	1	Utilities	2
Marina	3	Water Utilities	14

Parks, street resurfacing, and stormwater projects were listed as the top municipal projects. Approximately one-third of all municipalities identified as a major project or program, the upgrade or implementation of new software for finance and accounting systems, online permitting, and bill paying portals for permits and utilities.

SWA's top critical projects were:
- Class 1, Phase 2 Cell Closure (Landfill)
- Compost Building Demolition
- Administration Building, First Floor Expansion

PBC Departments identified the following major critical projects and programs in their areas:

Department	Major Projects & Programs
PBC Airports	1. Concourse B expansion 2. Central airfield Improvements 3. North County expansion runway and air traffic control
PBC EPW	1. Update strategic plan 2. Update Graphic Information System & work order system 3. State & federal grants
PBC FDO	1. Capital Improvement Plan 2. Contract administration 3. Personnel training & succession planning
PBC HR	1. Human Resource Information System conversion 2. Family and Medical Leave Act conversion 3. Countywide supervisory training 4. New Florida bargaining unit laws
PBC ISS	1. Network upgrades 2. Infrastructure updates 3. Artificial Intelligence
PBC OFMB	1. Capital Improvement Program workshop 2. Impact fees 3. CGI Advantage® (finance software) upgrade
PBC Palm Tran	1. Paratransit pilot partnership with Lyft, Uber, and taxis 2. Pilot: Long distance express bus routes 3. Paradise Pass 4. Electric buses 5. Bus shelter replacement
PBC Purchasing	1. Advantage upgrade 2. Vendor self-service portal upgrade 3. Purchasing policy update
PBC PZ&B	1. ePZB (electronic permitting) system improvements 2. Online permitting 3. CRS - Community Rating System (flood rates & insurance)
PBC WUD	1. Lift Station Rehabilitation 2. EPA Standards change on lead/copper pipes, and PFAS (forever chemicals)

PBC senior administration identified the following major critical programs and functions:

- Office of Equal Opportunity Goal Setting Committee
- Workforce Housing
- Cybersecurity
- Construction price escalation/budget
- Code Inspectors Enforcement
- Palm Tran Connections

Fraud Risk Areas

The municipalities identified the following areas as potential risk for fraud:

Municipal Fraud Risks			
Risk Area	Count	Risk Area	Count
Check Fraud	17	Hurricane/Emergency	1
Cybersecurity	15	Interlocal Agreement	1
Vendor Payments	8	Inventory	1
Vendor Fraud	6	Mail Theft	1
Cash Collection Accounting	5	Misappropriation of Assets	1
Bank Fraud	4	Money Transfers	1
Cash, Check, Credit Card Payment Processing	2	Payroll	1
Construction Fraud	2	Public Works	1
Procurement Cards	2	Security Surveillance	1
Business Zoning	1	Small Purchases	1
Credit Card Fraud	1	Staff Transition	1
		Workers' Compensation	1

Check fraud risk areas included check duplication, processing, "washing," and mailing. Twelve (12) municipalities mentioned check "washing" as a concern, but only a few actually experienced check washing attempts or had citizens impacted by check washing.[6]

Overall, financial processes were identified 40 times by municipalities, and include:

- Bank fraud
- Cash collections
- Credit card processing

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[6] On September 12, 2023 the OIG issues a *Tips and Trends* to on *Preventing Check Washing*, https://www.pbcgov.org/oig/docs/advisories/Tips_and_Trends-2023-0004-Check_Washing_Prevention.pdf

- Check fraud
- Money transfers
- Payroll
- Procurement credit cards
- Vendor payments

The municipalities identified cybersecurity as a high risk area and included phishing, email scams, hacking, and financial systems security as specific areas of concern. Only six (6) of the 41 entities have not conducted a recent IT, network, or cybersecurity assessment.

Another identified major area of concern is vendor relations, including payments, performance oversight, contract compliance, insurance, invoicing, and receipt of goods and services. Many of the concerns for these fraud risks were expressed about construction projects.

SWA identified cybersecurity and Automated Clearing House (ACH) payments as their highest risks for fraud. SWA staff stated they reviewed and revised organizational internal controls to prevent ACH fraud.

County departments consistently identified vendors, cybersecurity, and financial transactions as notable risk areas:

Department	Risk Area
PBC EPW	Contractors: vetting, specification compliance, & payments
PBC FDO	1. Capital improvements 2. Contracts (warehouse) 3. Storerooms
PBC HR	1. IT: protecting and securing personnel information
PBC ISS	1. Purchasing methods 2. Human nature 3. Cybersecurity & hacking
PBC Palm Tran	1. Parts inventory
PBC PZ&B	1. Code changes and charge codes 2. Cash & check processing 3. Credit Cards
PBC WUD	1. Concrete availability (resolved post COVID) 2. Vendor compliance with contract specifications

CONCLUSION

We found that the County, municipalities, and the SWA were largely in compliance with the IG Ordinance. The OIG will follow up with those public entities still requiring an OIG Reporting Policy or missing a link on their website to the OIG website.

We found that the risk concerns expressed by the public entities were similar in scope and nature. During the risk assessment process the County, municipalities, and SWA management staff identified risk areas and will make more informed decisions to take proactive measures to mitigate them. The OIG will use the findings of this risk assessment in determining future audits and reviews.

Finally, by meeting with and discussing our mutual goals as stewards of Palm Beach County taxpayer dollars, we are able to implement an OIG 2023-2028 Strategic Plan goal of *strengthening relationships and building trust with external stakeholders*. It has brought us closer to achieving our vision of becoming *a high-performance team partnering with informed stakeholders making positive impact in government and increasing public trust*.

ACKNOWLEDGEMENT

The Inspector General's Contract Oversight & Evaluations Division would like to extend our appreciation to Palm Beach County, the SWA, and all thirty-nine (39) municipalities for the cooperation and courtesies extended to us during the review process.

This report is available on the OIG website at: http://www.pbcgov.com/OIG.Please address inquiries regarding this report to the Director of Contract Oversight & Evaluations by email at inspector@pbc.gov or by telephone at (561) 233-2350.

ATTACHMENT A – DISCUSSION ITEMS FOR MUNICIPALITIES & SWA

Attachment A:

CA-2023-0034: OIG Risk Compliance Review

Onsite Risk Assessment Review

1. Updated Organizational Chart and Purchasing Policy?

2. Number of FTE's and Annual Budget.

3. What are your top 3 critical contracts or agreements?

4. What are your top 3 critical programs, functions, divisions, or departments?

5. What are your top 3 major projects (e.g. infrastructure, construction, IT system/ application/hardware transition or update, business process reengineering, personnel training initiatives, outsourcing, etc.)?

6. What is the area with biggest risk for fraud (from internally or externally)?

7. Was there an increased turnover of personnel in the last year? If so, in what programs, functions, divisions, or departments?

8. Was there a turnover of senior management in the last year? If so, what programs, functions, divisions, or departments did they manage?

9. Has an organizational risk assessment and/or IT risk assessment been performed? If so, when was the last time? Performed internally or outsourced?

10. Who does the IG contact for a list of employee emails?

ATTACHMENT B – DISCUSSION ITEMS FOR PBC DEPARTMENTS

Palm Beach County Department/Division Onsite Risk Assessment

Discussion Items

1. Organizational Chart for the department/division. (We do not names, titles, or details below the functional unit level.)

2. Do you have any internal purchasing policies or procedures?

3. What do you consider to be your top 3 critical contracts or agreements?

4. What do you consider to be your top 3 critical programs, functions, divisions, or departments?

5. What are your top 3 major projects (e.g. infrastructure, construction, IT system/ application/hardware transition or update, business process reengineering, personnel training initiatives, outsourcing, etc.)?

6. What is the area with biggest risk for fraud (from internally or externally)?

7. Was there an increased turnover of personnel in the last year? If so, in what programs, functions, or divisions?

8. Was there a turnover of senior management in the last year? If so, what programs, functions, or divisions did they manage?

9. Has any type of departmental risk assessments and/or IT risk assessments been performed? If so, when was the last time? Performed internally or outsourced?