



**Palm Beach County
Office of Inspector General**
"Enhancing Public Trust in Government"

**2014
ANNUAL REPORT**

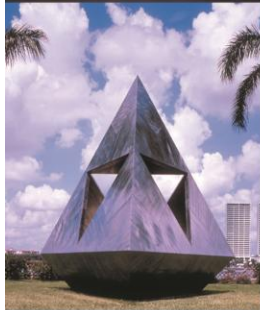


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Message from the Inspector General

Citizens of Palm Beach County:

I am pleased to present the Fiscal Year 2014 (FY2014) Annual Report covering the activities of the Office of Inspector General (OIG) for the period of October 1, 2013 through September 30, 2014. The information provided summarizes our activities and highlights our achievements in our efforts to promoting efficiency, effectiveness, and integrity while rooting out fraud, waste, and abuse.



In June of 2014, I had the privilege of assuming the role as the County's second Inspector General (IG) since the establishment of the Office in 2010. I want to thank the IG Selection Committee, comprised of the Commission on Ethics, the Public Defender, and the State Attorney, for choosing me for this position. Additionally, I would like to thank my predecessor, Sheryl Steckler, for her herculean efforts in standing the OIG up from scratch, making hundreds of recommendations for improvements, and saving the taxpayers millions of dollars during her four years as IG. With this solid foundation, the support I have received from the IG Committee, leaders in the organizations that the OIG provides oversight, and the citizens of Palm Beach County, I look forward to fulfilling my responsibilities in promoting transparency, accountability, and integrity in government.

I would like to commend the County and municipal governments, the Solid Waste Authority, and the Children's Service Council who we monitor, for working with our office as fellow stewards of the taxpayer's dollars. I want to thank the citizens of Palm Beach County for your vote of confidence and the warm welcome I have received as your new IG. Finally, I want to commend the OIG staff. This report reflects their professionalism, dedication, and hard work over the past year.

I promise that I will use my 38 years of government experience and expertise to lead this fine team and to guard taxpayers' dollars, make government better, and root out fraud, waste, and abuse.

Sincerely,

A handwritten signature in cursive script that reads "John A. Carey". The signature is written in dark ink and is positioned above the printed name.

John A. Carey
Inspector General

SUMMARY OF THE OIG's FY2014 SUCCESSES

\$2,883,929

Questioned Costs can include costs incurred pursuant to a potential violation of law, regulation, or policy; the expenditure of funds for the intended purpose is unnecessary; or unreasonable and/or lacks adequate documentation.

\$2,400,253

Cost Avoidance is the dollar value that will not be spent over three years (dollars saved) if the OIG's recommendations are implemented.

\$227,113

Identified Costs have the potential of being returned to offset the taxpayers' burden.

1,489

Responses to citizens' calls and written correspondence voicing concerns, complaints, or requests for assistance.

20 Reports Issued with 104 Recommendations

To improve government operation to save taxpayer dollars with 100 (**96% acceptance rate**) accepted by management.

1,000 (+)

People reached in Outreach/Education/Prevention engagements in public forums and through the media.

167

Procurement/contracting activities observed providing proactive oversight to ensure compliance and promote best practices.

At the End of the Day, the IG Provides:

A safe place for employees and citizens with suggestions to make government better.

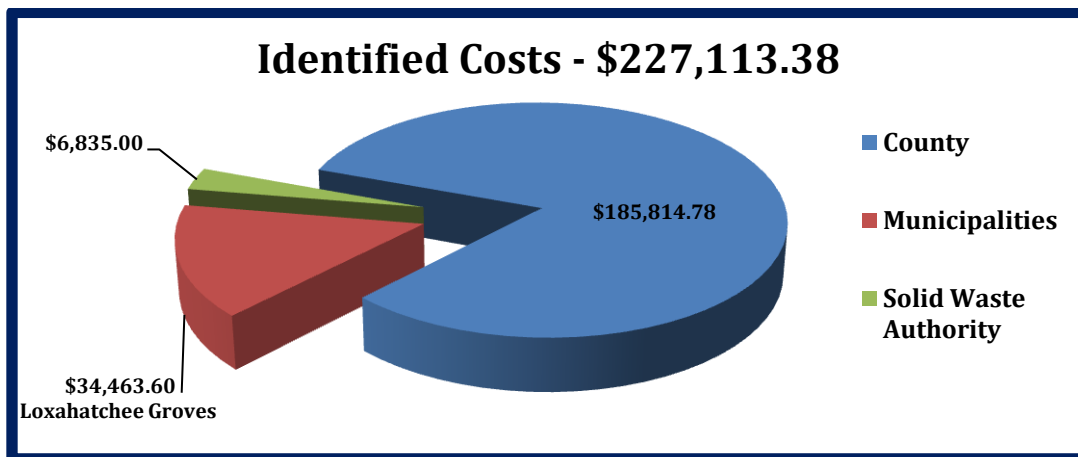
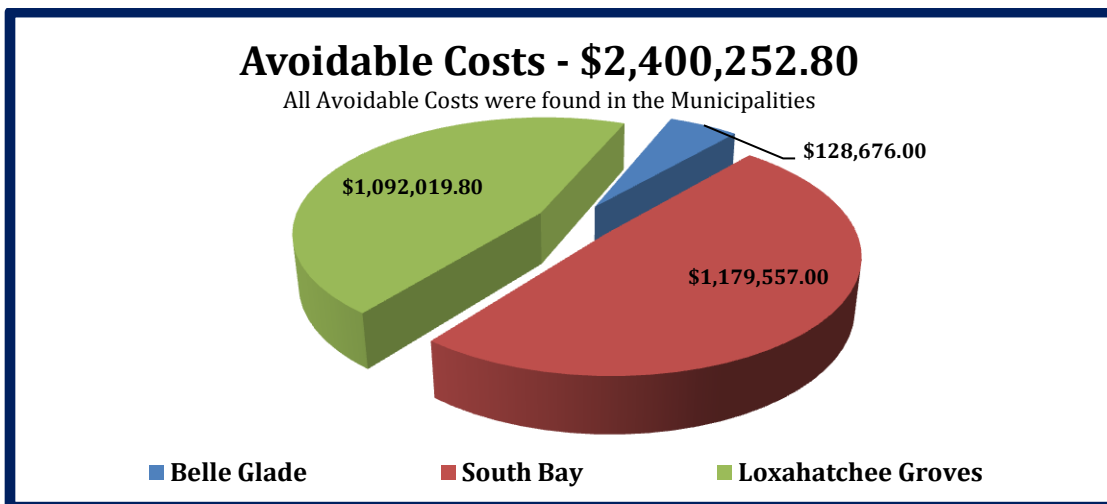
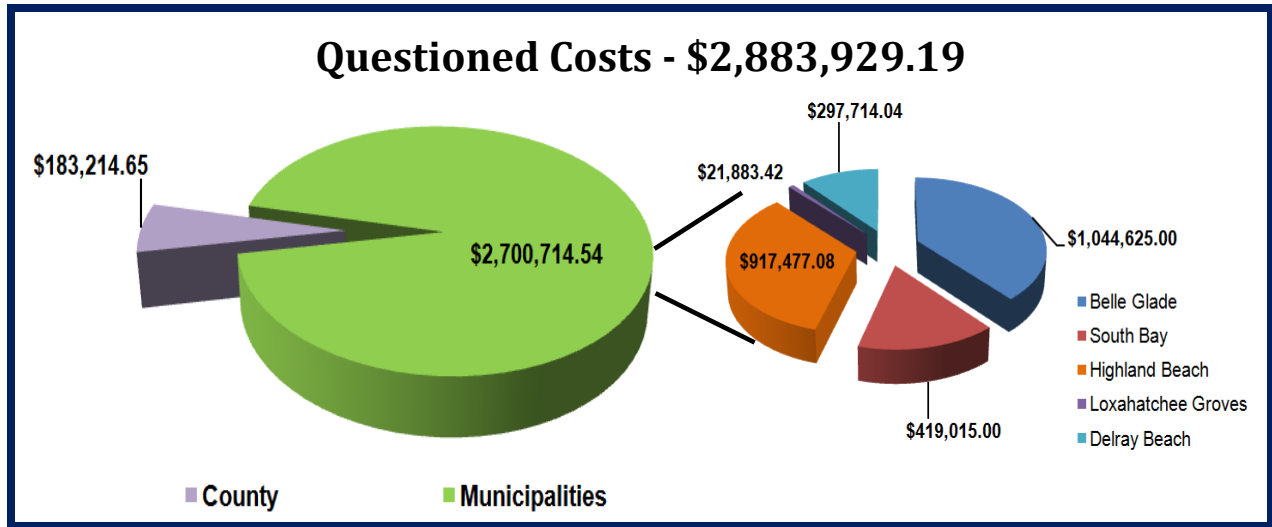
A safe place to report suspected fraud, waste, and abuse.

Enhanced transparency, accountability, and integrity in government.

Enhanced Trust in Government.

Section A Overview

**SUMMARY OF THE OIG's FY2014 SUCCESSES (Continued)
FINANCIAL DISCOVERY BREAKDOWN**



Section A Overview

MISSION, VISION, AND VALUES

Mission Statement (Why we exist and What we do)

Our purpose (why we exist) is to provide independent and objective, insight, oversight, and foresight in promoting efficiency, effectiveness, and integrity in government.

Our promise (what we do) is to accomplish this through audits, investigations, and contract oversight activities.

Vision Statement (Where we are going)

To lead as a catalyst for positive change throughout local governments and public organizations in Palm Beach County with an inspired and skilled team that strives for continuous improvement.

Values (What we believe and How we behave)

Pride – We take pride in our purpose, profession, products, results, and conduct.

Respect – We are respectful of others and recognize their value.

Integrity – We do the right thing, the right way, for the right reason.

Dedication – We are dedicated to our purpose, our work, and our community.

Excellence – We strive for excellence in everything we do.

“Enhancing Public Trust in Government”



HISTORY

The OIG was established after a grand jury report issued in early 2009 cited repeated incidences of corruption among multiple members of the Palm Beach County Board of County Commissioners (BOCC) and the West Palm Beach City Commission. In response to that report, Palm Beach County began a comprehensive effort to develop an ethics initiative aimed at promoting public trust in government and establishing a more transparent operating model for its citizens. In December 2009, the BOCC adopted an Ordinance that established the OIG to oversee Palm Beach County government. In November 2010, 72% of the voters approved a countywide referendum to amend the County Charter and permanently establish the OIG. At the same time, a majority of voters approved an expansion of OIG jurisdiction to cover each of the 38 municipalities within the county.

Palm Beach County Ethics Movement



The IG Committee selected Sheryl G. Steckler as the County's first IG in June 2010. The OIG enabling legislation, known as the IG Ordinance, was drafted in 2011 by the IG Drafting Committee which was comprised of representatives from the municipalities, County, League of Cities, citizens appointed by the County, and the Inspector General. Once completed, the IG Ordinance was unanimously approved by the BOCC with an effective date of June 1, 2011. John A. Carey became the County's second IG in June 2014.

AUTHORITIES AND RESPONSIBILITIES

The duties and responsibilities of the IG are specified in the IG Ordinance (Article XII, Section 2-422, Palm Beach County Code). The IG Ordinance is available on our website at: <http://pbcgov.com/OIG/>. Some of the functions, authority, powers, and mandated requirements include:

- The Inspector General Jurisdiction

The IG jurisdiction covers the County government¹, the 38 municipalities of Palm Beach County, and other entities, which contract with the IG (currently the Solid Waste Authority and the Children’s Service Council). All elected and appointed officials and employees, instrumentalities, contractors, their subcontractors and lower tier subcontractors, and other parties doing business or receiving funds of covered entities are subject to the authority of the IG.



- The Inspector General Authorities

The IG has the authority to receive, review, and investigate any complaints regarding any municipal or county funded projects, programs, contracts, or transactions. The IG is “an appropriate local official” for purposes of whistleblower reporting and protection.

The IG can review and audit past, present, and proposed county or municipal programs, accounts, records, contracts, change orders, and transactions. The IG can require the production of documents and receive full and unrestricted

¹ Excluding County Constitutional Officers, Judiciary, and Independent Taxing Districts unless contracted for services with the IG.

Section A Overview

access to records. The IG has the power to subpoena witnesses and administer oaths.

- County and Municipal Officials and Employees, Contractors, and Others

All elected and appointed officials and employees, county and municipal agencies, contractors, their subcontractors and lower tier contractors, and other parties doing business with the county or municipalities and/or receiving county or municipal funds shall fully cooperate with the IG in the exercise of the IG's functions, authority, and powers.

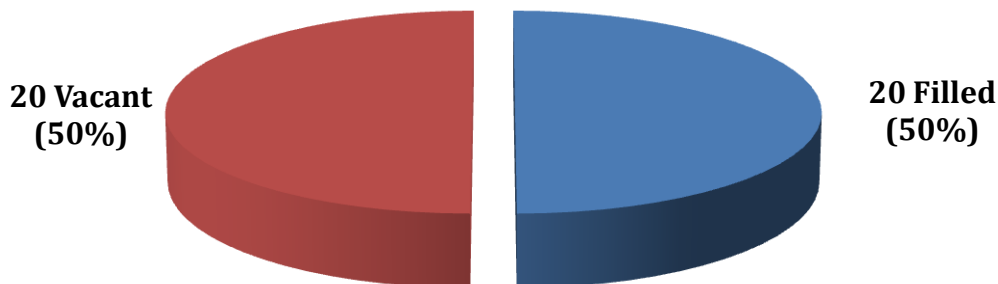
The county administrator and each municipal manager, or administrator, or mayor where the mayor serves as chief executive officer, shall: 1) promptly notify the IG of possible mismanagement of a contract, fraud, theft, bribery, or other violation of law which appears to fall within the jurisdiction of the IG; and, 2) coordinate with the IG to develop reporting procedures for notification to the IG.

STRUCTURE AND STAFFING OF THE OFFICE OF INSPECTOR GENERAL

The Inspector General Structure

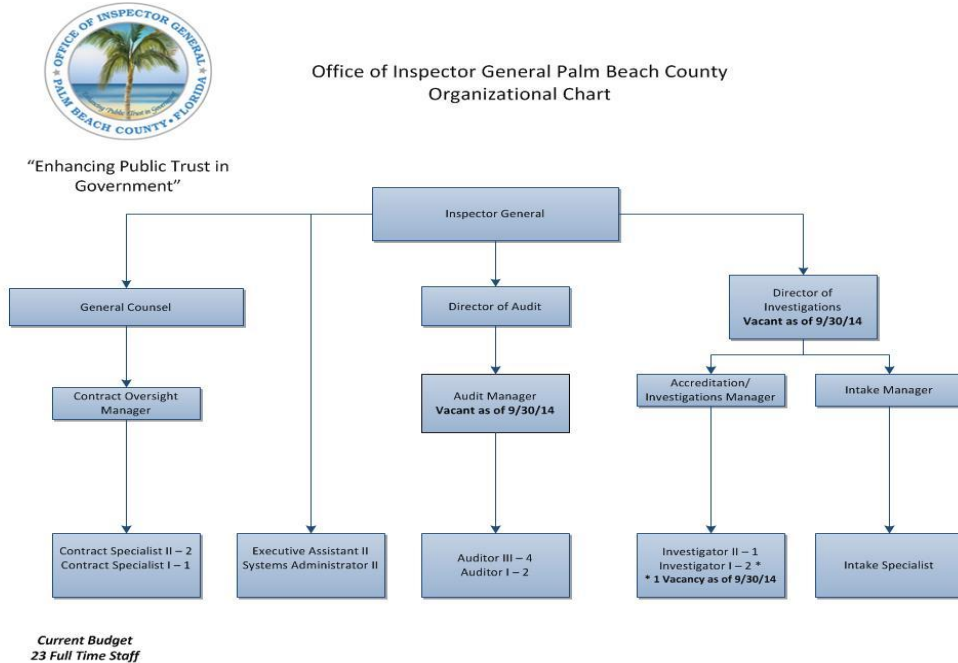
Due to the funding shortfall associated with the municipal lawsuit against the County over funding issues, the OIG has never been fully funded and currently has funding for only 23 (58%) of the 40 authorized positions. Currently, 3 of the 23 funded positions are unfilled.

OIG Personnel Complement 40 Approved Positions



Section A Overview

The OIG is comprised of a Mission Support Section and three operating divisions: Investigations, Audits, and Contract Oversight.



The Inspector General Staff Qualifications

To ensure success in accomplishing our mission, the OIG hires highly qualified individuals who not only reflect the diversity of the community, but also have the necessary level of skills, abilities, and experience for their respective positions on the OIG team. Staff members bring an array of experiences from Federal and State IG Communities, Internal Revenue Service, US Postal Inspection Service, not-for-profit community based organizations, state, county and municipal government, banking industry, public and private accounting firms, and the construction industry.

Staff members have backgrounds in and/or academic degrees in:

- Accounting
- Auditing
- Business Administration
- Engineering
- Financial Administration
- Financial Analysis
- Grant Administration
- Investigations
- Law
- Law Enforcement
- Public Administration
- Strategic Analysis

Section A Overview

The various certifications and licensures held by staff include:

- Certified Building Contractor
- Certified Fraud Examiner
- Certified General Contractor
- Certified Information Systems Auditor
- Certified Inspector General
- Certified Inspector General Auditor
- Certified Inspector General Investigator
- Certified Internal Auditor
- Certified Plans Examiner
- Certified Public Accountant
- Civil Engineer
- Member of the Florida Bar

STANDARDS FOR THE OIG AND ACCREDITATION

Who Watches the Inspector General?

A common question is “Who watches the Inspector General?” or “What standards does the OIG follow in its investigations, audits, and reviews?” The Association of Inspectors General (AIG) is a national professional organization comprised of IGs from the federal, state, and local levels of government. The AIG *Principles and Standards for Offices of Inspector General* (Green Book) is one of the main standards we use. It provides guidelines for the overall operations of OIGs, as well as specific standards for investigations, audits, and other IG related activities. The OIG will be preparing for the peer review, which will be conducted by the AIG in 2015. A peer review is a process performed by an independent body of one’s peers to ensure that the entity being reviewed meets specific criteria. The Audit Division’s peer review will evaluate whether OIG audits are performed in accordance with *Generally Accepted Government Audit Standards* (Yellow Book) and/or *International Standards for the Professional Practice of Internal Auditing* (Red Book). The Contract Oversight Division’s review will be based on the Green Book standards. The Investigations Division’s peer review will be based on Green Book standards. Additionally, the Investigations Division follows the Inspector General Accreditation Standards issued by the Commission for Florida Law Enforcement Accreditation (CFA).



Accreditation by the Commission for Florida Law Enforcement Accreditation

The CFA was formed in 1993 and is the designated accrediting body for law enforcement and OIGs within the State of Florida. Not every State law enforcement agency or OIG obtains or maintains this high standard of accreditation status. The OIG Investigations Division, which includes both Investigative and Intake staff, received its initial accreditation from CFA in February 2012. The Investigations Division is re-accredited every three years and must



Section A Overview

comply with 42 standards in order to achieve re-accreditation. On November 5, 2014, CFA Assessors conducted an onsite assessment of the Investigations Division, which included file reviews and interviews, to determine our compliance with CFA standards. CFA Assessors found the Investigations Division to be in full compliance with the required standards and indicated their recommendation that the Investigations Division be re-accredited, which is scheduled to take place in February 2015 after a review by the full CFA Commission.

LAWSUIT REGARDING OIG FUNDING

In December 2009, the BOCC adopted its original IG Ordinance. Originally, the OIG was to have jurisdiction over the operations of the BOCC and any special district or municipality which voluntarily chose to enter into a contract with the IG.



In November, 2010, over 72% of the voters approved a county-wide ballot amendment, as did a majority of the voters in each of the county's 38 municipalities to extend the OIG authority and responsibility to oversee all 38 municipalities. The ballot question specified that the OIG would be, "funded by the County Commission and all other governmental entities subject to the authority of the Inspector General."

In November 2011, a month after the first payments were due from the municipalities for OIG services, 15 municipalities (one municipality has since dropped out of the suit) filed suit against the County, claiming that it was illegal for them to be charged for OIG oversight despite their voters approving the ballot issue. The suing municipalities also refused to pay their bills during the pendency of the lawsuit. Because of this suit and subsequent related decisions of the County Clerk and the BOCC, the OIG has not been fully funded and is only 50% staffed, while still providing oversight of all 38 municipalities.

After two and a half years, the case came to trial in August 2014. As of the date of this report, the trial judge has not made a ruling.

\$ OFFICE OF INSPECTOR GENERAL FY2014 BUDGET \$

The OIG strives to use taxpayer dollars frugally. In FY2014, the OIG expended only \$2.31 million (84%) of its approved of \$2.75 million. Based on the County's population of 1.35 million citizens, the cost to operate our office was **\$1.71** per citizen. This does not take into account the value added by our services, which for FY2014 includes identified costs for better use and potential future avoidable costs savings to the taxpayers totaling \$2.6 (+) million.

\$1.71

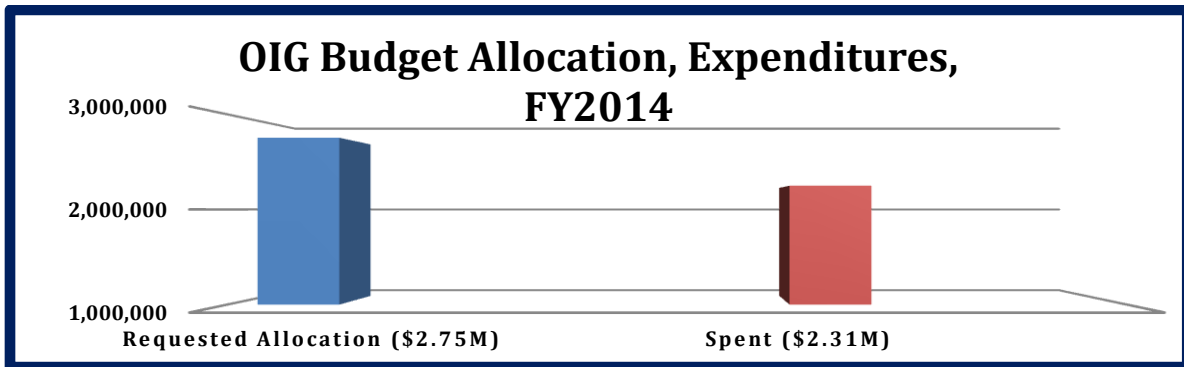
That's what the average person spends on 1 cup of coffee



Section A Overview

At a cost of **\$2.31 million** with **20** personnel, your OIG oversight responsibilities included:

- PBC, Municipalities, SWA, and CSC Annual Budgets of Approximately **\$7.5B**
- PBC and Municipalities Annual Contract Activities of Approximately **\$1.4B**
- PBC, Municipalities, SWA, and CSC Approximately employs **13,000** (excluding contract employees)
- PBC, Municipalities, SWA, and CSC Auditable Units **788**



OUTREACH, EDUCATION, AND PREVENTION

Outreach is an important component of OIG operations, and takes place both inside and outside of government. OIG Outreach includes education on what we do, common trends and best practices, red flags to assist in spotting fraud, waste, and abuse, and ways to contact our office. OIG Outreach plays an important role in the prevention of fraud, waste, and abuse, as well as promoting efficiency, effectiveness, and integrity in government. Our Outreach program emphasizes two-way sharing of information. Our success depends on listening as much as speaking.

The IG and staff take every opportunity to make public speaking appearances in an effort to increase public awareness of the activities of our office. Our staff attends meetings and makes presentations to the business and citizen communities, in addition to several government groups, throughout the year. We also present an OIG orientation session at the County's new employee orientation sessions and leadership/supervision classes. Additionally, OIG staff made similar presentations to several municipalities throughout the County. During FY2014, we delivered 25 speeches/presentations/trainings to the public, business community, and/or county and municipal governments, reaching a total of approximately 1,000 people. Various media outlets contact the OIG on a regular basis. A total of 86 media contacts or references were made to the OIG during FY2014.

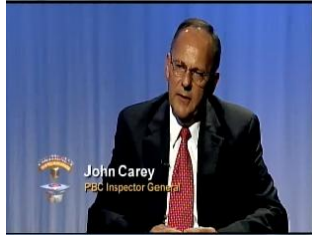
Of special note, in January the Federal Council of Inspectors General for Integrity and Efficiency (CIGIE) in Washington, DC, requested Sheryl Steckler to speak to 19 Iraqi

Section A Overview

Inspectors General visiting our country. The United Nations Development Program in Iraq, assisted by the CIGIE and the US Department of State, organized a Study Tour for the Iraqi IGs. The Study Tour was aimed at enhancing the capacity of the Iraqi IGs and exchanging experience and lessons learned with the US Inspectors General. IG Steckler was **the only non-Federal IG asked to speak to the Iraqi IGs.**



Sheryl Steckler and many of the Iraqi Inspectors General outside the Department of State Conference Auditorium in Washington, DC.



John Carey being interviewed on PBC Channel 20 Politically Speaking

Since becoming the IG in June, John Carey has spoken to hundreds of Palm Beach County citizens in a wide variety of forums from public, civic, and political meetings, workshops, small groups, television, radio, and newsprint. In July, he issued an open letter to the public introducing himself, his approach to IG work, and a call to those in and out of government to work together to make our local government better.

Stakeholder's groups are an important part of the OIG's outreach and information sharing initiative. The IG periodically meets with citizen, business, and government leaders in smaller stakeholders' meetings to discuss how to better inform the citizens in these communities of our role, function, and achievements as well as providing a mechanism for feedback on improving our operations. On every correspondence we issue, we have a link to encourage feedback on the quality and effectiveness of the services we provide. This link is also on our OIG website. Additionally, we have added a link on our website so that citizens can easily subscribe to receive emailed notices of OIG reports and newsworthy items.

Our website is continuously updated to include all recent OIG activity, including reports issued, corrective actions and recommendations, and the OIG statistical dashboard. An important feature on the website is a section labeled "Trends, Tips, and Training." Here we post briefings and information updates throughout the year along with other helpful information to the public and government employees. The website contains a wealth of information and provides an accountability of our work product. Please take the time to visit our website at: <http://www.pbcgov.com/OIG/>.

INVESTIGATIONS DIVISION

The Investigations Division is responsible for handling all incoming calls, including those from the OIG Hotline, and reviewing all other correspondences received by the OIG. We conduct our investigative work in accordance with the *Principles and Standards for Offices of Inspectors General* (Green Book) as developed by the Association of Inspectors General and the Inspector General Accreditation Standards issued by the Commission for Florida Law Enforcement Accreditation, Inc. (CFA). These principles are important as they guide the quality of our investigations.



While OIG investigations are administrative in nature, criminal violations are sometimes discovered during the investigative process. When a determination has been made that the subject of an investigation has potentially committed a criminal violation, those findings are coordinated with local law enforcement agencies or are referred directly to the State Attorney's Office or the US Attorney's Office for criminal investigation and prosecution.

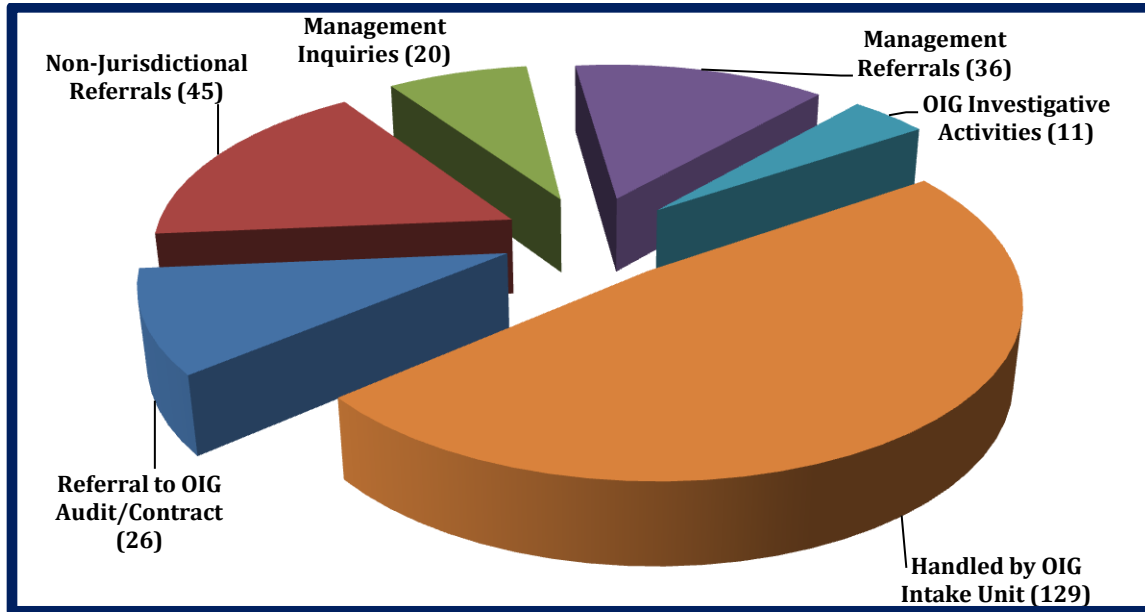
The OIG Investigations Division, which includes both Investigative and Intake staff, received its initial accreditation from CFA in February 2012. The Investigations Division is re-accredited every three years and must comply with 42 standards in order to achieve re-accreditation. On November 5, 2014, CFA Assessors conducted an onsite assessment of the Investigations Division, to determine our compliance with CFA standards. CFA Assessors found the Investigations Division to be in full compliance with the required standards and indicated their recommendation that the Investigations Division be re-accredited, which is scheduled to take place in February 2015 after a review by the full CFA Commission.

INVESTIGATIONS HIGHLIGHTS

In FY2014, the Investigations Division issued **six** reports, which include: four (4) Investigations and two (2) Management Reviews resulting in Identified Costs of **\$227,113.38**, Questioned Costs of **\$502,812.11**, and Avoidable Costs of **\$1,092,019.80** for a total of **\$1,821,945.29**. When there is reason to believe that a law, rule, policy, or procedure may have been violated, an Investigation or Management Review is initiated. Collectively these **six** reports contain **19** recommendations to strengthen processes and improve the efficiency and effectiveness of operations. Management has implemented **(18)**, or is in the process of implementing **(1)**, all of our recommendations. The reports and management responses can be found at <http://www.pbcgov.com/OIG/reports.htm>.

CORRESPONDENCES

The 267 correspondences received during FY2014 were processed as follows:



- **Handled by OIG Intake Division (48%):** Correspondences that are handled by the OIG, Information Only, and/or Closed with No Action.²
- **OIG Investigative Activities (5%):** Correspondences that are assigned to the Investigations Division.
- **Management Referrals (13%):** Correspondences forwarded to respective Management for handling. No response to the OIG is required.
- **Management Inquiries (7%):** Correspondences forwarded to respective Management for review. Response to the OIG is required.
- **Referral to OIG Audit or Contract Oversight (10%):** Correspondences forwarded to OIG Audit and/or Contract Oversight Divisions for further review.
- **Non-Jurisdictional Referrals (17%):** Correspondences that do not fall within the jurisdiction of the OIG.³

The OIG's initial jurisdiction when it opened its office doors on June 28, 2010 was limited to the County and its Departments. Subsequently, the OIG's jurisdiction was extended, to

² This number includes 6 correspondences whose dispositions are yet to be determined as of the date of this report.

³ During FY2014, the OIG received a total of 45 Correspondences related to entities not within the jurisdiction of the OIG (2-Municipal Police Agencies; 3-State Attorney's Office; 4-School Board; 5-Federal Agencies; 7-State Agencies; 9-Commission on Ethics; 15-Other [i.e., private organizations, homeowner's associations]).

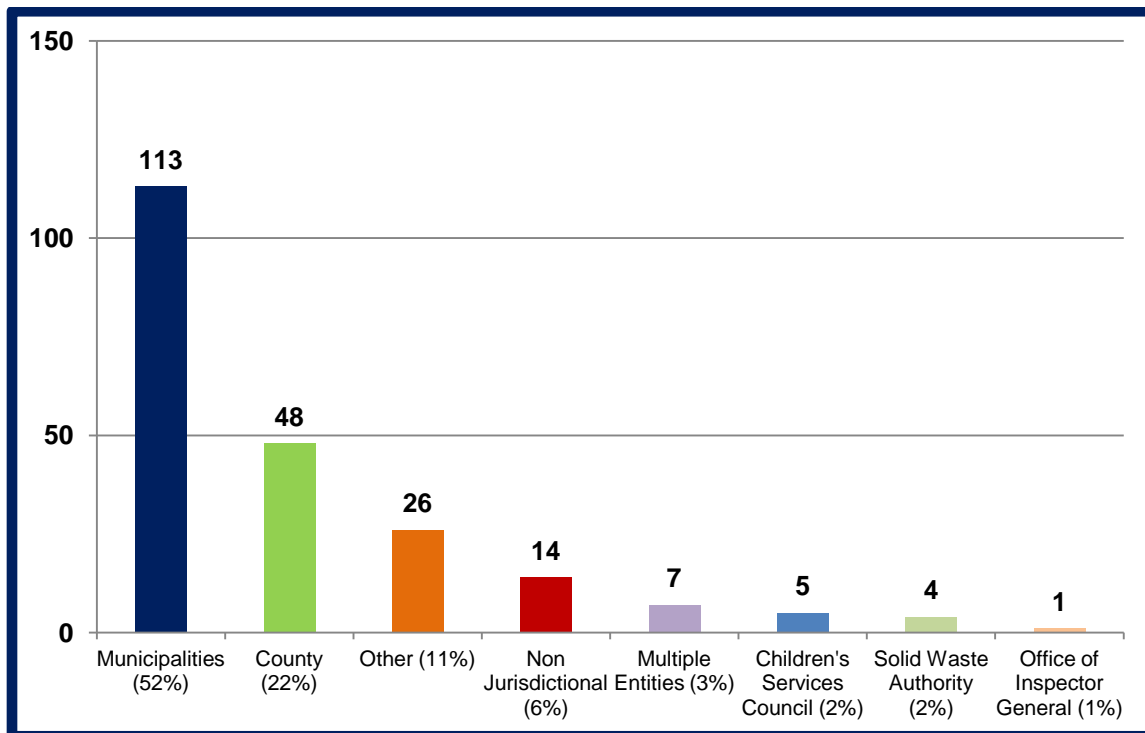
Section B – Office of Inspector General Activities

include all 38 municipalities within the County, as well as the Solid Waste Authority and the Children’s Services Council. Since that time, the OIG has released three Annual Reports (FY2011: June 28, 2010 – September 30, 2011, FY2012: October 1, 2011 – September 30, 2012, and FY2013: October 1, 2012 – September 30, 2013).

While each of these Annual Reports have included statistical data for their respective time periods, none have included comparative analyses because a baseline had not yet been established while the OIG’s jurisdiction was expanding. We expect that FY2014’s statistical data will establish our baseline going forward, which will assist in directing resources and staying mission focused.

Of the **1,222** telephone calls and **267** correspondences processed in FY2014, we received **218** complaints.

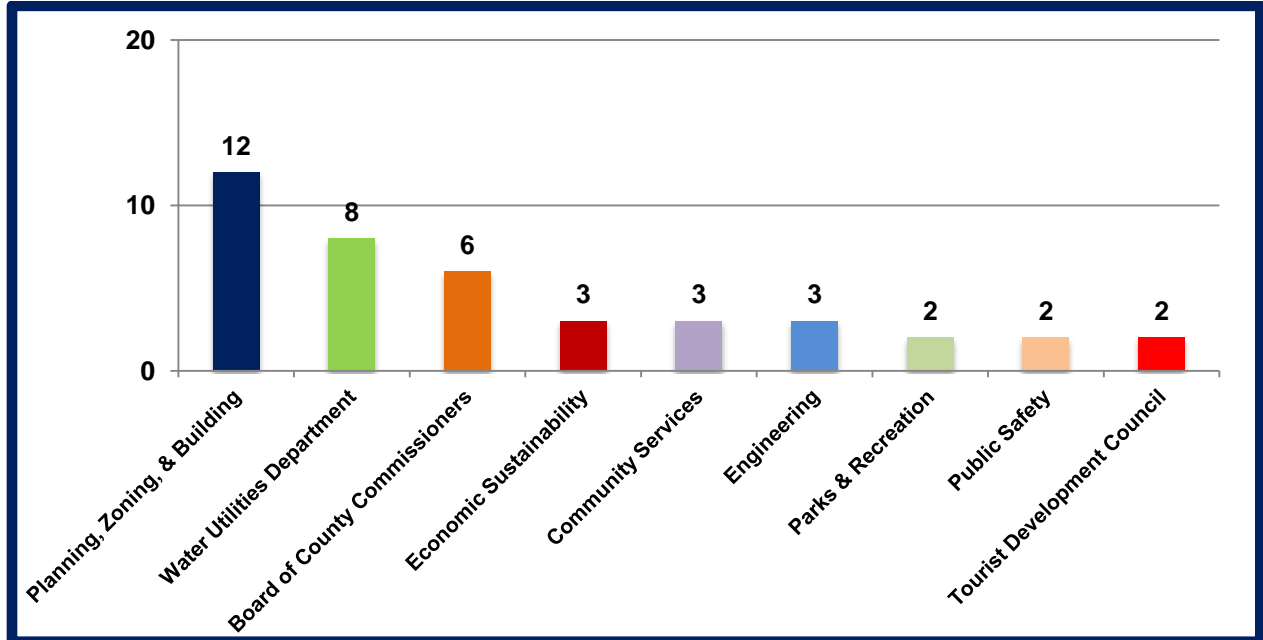
The **218** complaints processed related to the following entities⁴:



⁴ “Non-Jurisdictional” refers to correspondences concerning government entities not under the jurisdiction of the OIG. “Other” includes correspondences related to other entities such as private organizations, homeowner’s associations, etc.

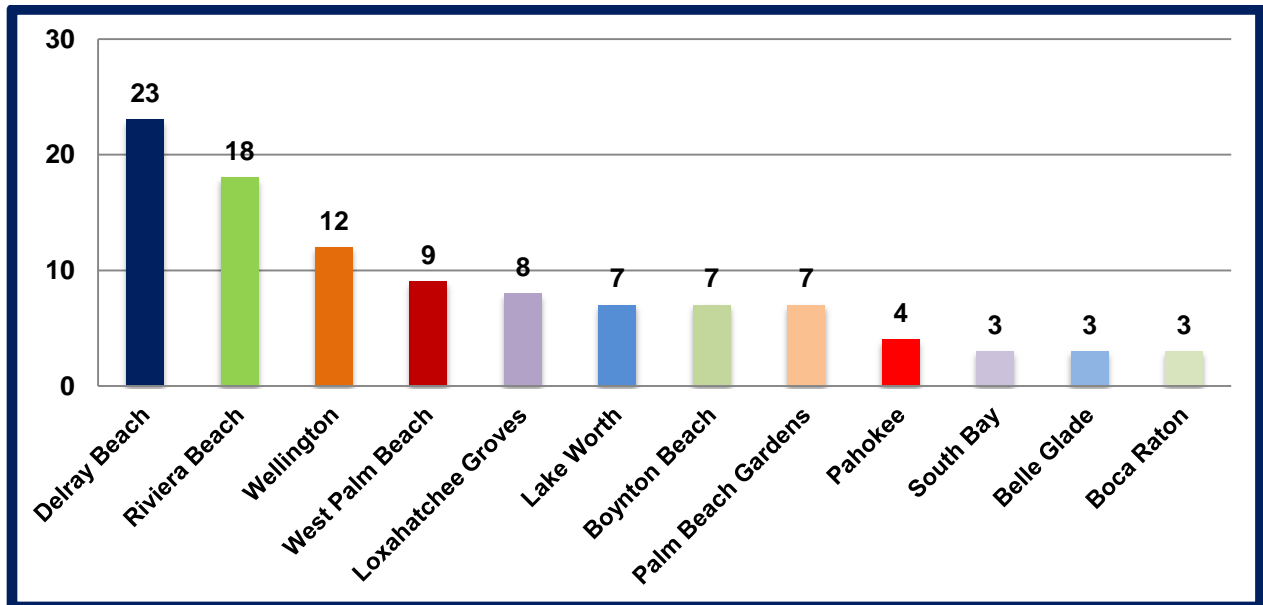
CORRESPONDENCES BY COUNTY DEPARTMENT (TOP 9)

Of the **218** complaints received, **48** involved County Departments. The following is a breakdown of correspondences by the **Top 9** County Departments.



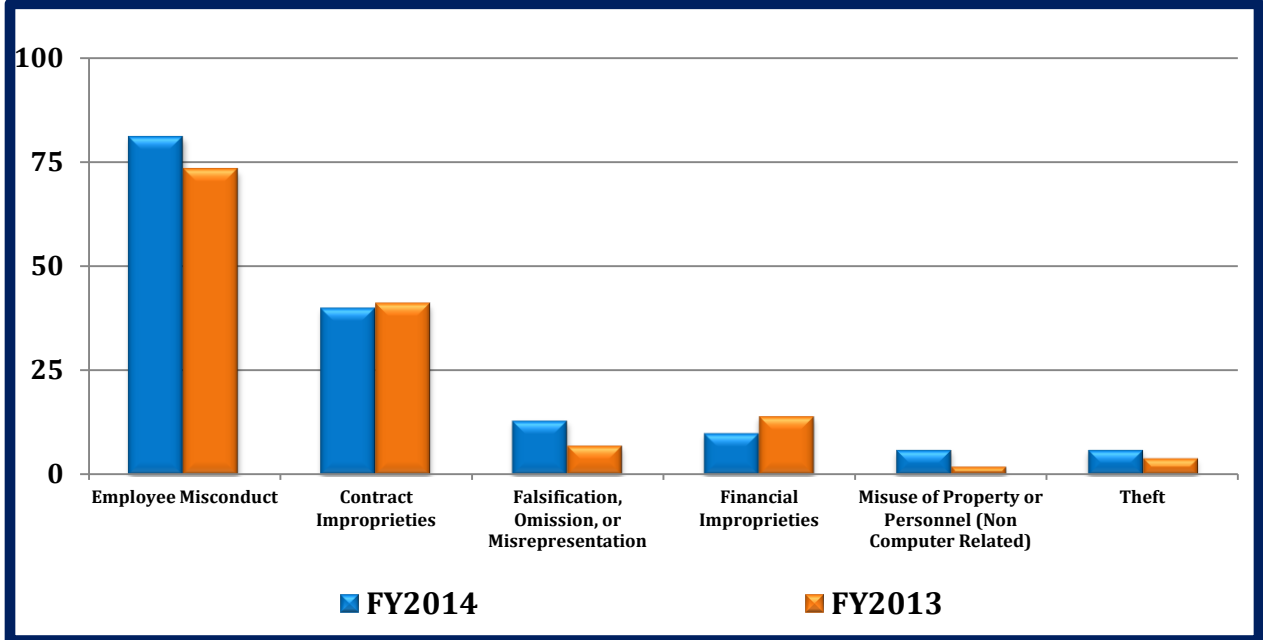
CORRESPONDENCES BY MUNICIPALITIES (TOP 12)

Of the **218** complaints received, **113** involved Municipalities. The following is a breakdown of correspondences by the **Top 12** Municipalities.



ALLEGATION TYPES

Of the **218** complaints, a total of **303** allegations of potential wrongdoing were made. Of those 303 allegations, 156 were identified in the following top five categories:



INVESTIGATIVE ACTIVITIES

During FY2014, the Investigations Division issued six reports containing six (6) allegations, four (4) of which were substantiated (67%). Where allegations were substantiated, we referred administrative or disciplinary actions to County, Municipal, and/or Contracted entities. The OIG conducts follow-up on management actions taken based on OIG reports. Additionally, we referred three (3) allegations for possible criminal investigation and/or prosecution; however, those three allegations were returned to the OIG for administrative handling.

The following are highlights of our cases in FY2014:

County Risk Management Department – Health Insurance Fraud

We received a complaint from the County Risk Management Department alleging that a County employee falsified County health insurance coverage documents in order to obtain health insurance coverage for an ineligible dependent. Our investigation supported this allegation. We recommended one Corrective Action, which was implemented. Identified Costs: **\$4,375.41**.

Solid Waste Authority – Fire Inspections



We conducted a Review to determine whether the Solid Waste Authority failed to take action after being notified that a vendor was not complying with its required fire alarm system inspections and whether or not payment was being made for services not rendered. We recommended four Corrective Actions, three have been implemented and the fourth is pending implementation. Identified Costs: **\$6,835.00**.

Town of Loxahatchee Groves – Debris Removal Contract

We received a complaint from the Town of Loxahatchee Groves alleging that a vendor and/or its employees submitted inflated invoices for work performed, specifically related to the volume of vegetative debris that had been removed, as well as its disposal through a third party. Our investigation did not support this allegation. Even though the allegation was not supported, we recommended three Corrective Actions, all three have been implemented. Identified Costs: **\$34,463.60**, Questioned Costs: **\$21,883.42**, Avoidable Costs: **\$1,092,019.80**.

County Parks and Recreation Department – Aqua Crest Pool Theft

We received a complaint from the County Parks and Recreation Department alleging that a Department employee was suspected of falsifying coupon transactions in order to divert funds for their own personal use. As the allegation contained potential criminal activity, pursuant to Section 2-423(4) of the IG Ordinance, the information was coordinated with the Palm Beach County State Attorney’s Office (SAO), Public Corruption Unit (PCU). Upon their review of the information, PCU advised that the allegation could be handled administratively. Our subsequent investigation did not support the allegation. However, during the course of our investigation an additional allegation was developed. This allegation was that the same Department employee presented false information to their supervisor in order to obtain the supervisor’s approval which was supported. We recommended three Corrective Actions and all were implemented.

City of Delray Beach – Trash Cart Purchases

We received a complaint from a citizen alleging that the City failed to competitively procure the purchase of trash carts from a vendor and that the City Manager and a Department Director misled the City Commission into approving funds for future purchases of 1,200



trash carts totaling \$57,010.00 even though the purchase had already been made without the City Commission’s approval. As the allegation contained potential criminal activity, pursuant to Section 2-423(4) of the IG Ordinance, the information was coordinated with the PCU. Upon their review of the information, PCU advised that the allegation could be handled administratively. Our subsequent

investigation supported both allegations. We recommended four Corrective Actions, all four have been implemented. Questioned Costs: **\$297,714.04**.

County Department of Economic Sustainability – Grant Funding

We conducted a Review to determine whether a contracted County vendor complied with the terms of its agreements with the County by submitting improper documents for reimbursement. The Review was also conducted to determine whether the County complied with the terms of its agreements with the State and whether it enforced the terms of its agreements with their vendor by approving improper documents for reimbursement. We recommended four Corrective Actions, all four have been implemented. Identified Costs: **\$181,439.37**, Questioned Costs: **\$183,214.65**.

In all, the Investigations Division recommended 19 Corrective Actions, 18 have been implemented and one is pending implementation.

AUDIT DIVISION



The Audit Division conducts comprehensive, independent, and objective performance audits and activities and is committed to providing timely, useful, and reliable information. The Audit Division identifies opportunities to improve government operations of the County, municipalities, and other government entities within the OIG's jurisdiction. Our audits are intended to add value by helping management strengthen internal controls, prevent fraud, waste, and abuse and identify opportunities to operate more efficiently and effectively. All audits are performed in accordance with *Generally Accepted Government Audit Standards* (Yellow Book).

HIGHLIGHTS OF COMPLETED AUDITS

During FY2014, we issued **five** reports with total Identified and Questioned Costs of **\$1,463,640** and Avoidable Costs of **\$1,308,233**. Collectively, these five reports contain **69** recommendations to strengthen internal controls and improve the efficiency and effectiveness of operations. Management has implemented or is in the process of implementing 68 (99%) of our recommendations. The reports and management responses can be found at <http://www.pbcgov.com/OIG/archreports.htm>. A brief summary of the recommendations is also contained in Appendix 1 of this report.

Audit of City of South Bay Property, Human Resources, and Payroll

On February 13, 2014, we issued our second audit of the City of South Bay which included the results of our review of City property & equipment, human resources, and payroll operations.

We found a number of significant deficiencies and control weaknesses involving property & equipment, human resources, payroll, and cash disbursements. Our findings resulted in Questioned Costs of **\$419,015** which includes potential lost revenue of **\$69,337**.



In our review of City-owned property, we found that property was not properly accounted for, not adequately maintained, and not evaluated to maximize revenue. We highlighted several City facilities, including recreational facilities that are in a state of physical decay, are not usable, and present potential dangers to citizens as they have not been repaired, demolished, or otherwise secured from access.



In our review of human resources and payroll, we identified practices that were either not consistent with good human resources procedures, sound internal controls, or the City's own employee handbook. Among our findings were that the City hired the former Director of Code Enforcement as a

full time employee entitling him to full benefits even though he worked a part time schedule. We questioned \$21,934 in salary and benefits paid to him.

From our additional testing of cash disbursements, we found that the City maintains a cash balance in excess of \$1 million that is not invested in interest bearing instruments foregoing approximately \$9,337. We also found that the City Manager received a \$6,300 personal loan from the City which was repaid the next day. In addition, the City replaced their previous City credit card with credit cards on the personal account of the City Manager, a condition similar to what we reported in our prior audit.

We made 23 recommendations in this audit report. Under new leadership, the City Commission and City management have initiated action on a number of our recommendations. As of September 30, 2014, 20 recommendations have been implemented and three are pending implementation.

Update on First South Bay Audit

On September 15, 2014, Corey Lamont Alston, former City Manager for the City of South Bay, pled guilty to one count of Corrupt Misuse of Official Position (1st Degree Misdemeanor) and one count of Grand Theft over \$20,000 (2nd Degree Felony). The charges resulted from an investigation by the Palm Beach County State Attorney's Office, Public Corruption Unit (PCU), following the receipt of an allegation by both the PCU and the OIG, which involved the receipt of an improper payout of unused vacation leave by Mr. Alston totaling \$25,139.

Following this, the OIG Audit Division initiated the first audit of South Bay which covered cash disbursements. The resulting audit report (2013-A-0006) issued May 2, 2013, identified a number of potentially fraudulent transactions that were subsequently referred to PCU. The investigation of these transactions by PCU resulted in Mr. Alston being charged with six additional counts, including one count of Aggravated White Collar Crime. As part of Mr. Alston's plea agreement, he was required to pay restitution to the City of South Bay in the amount of \$47,825, which included amounts from several of the potentially fraudulent transactions identified during the OIG audit. Subsequently, the International City/County Management Association permanently banned Mr. Alston from its membership.

Audit of City of Belle Glade Cash Disbursements

We audited cash disbursement controls at the City of Belle Glade. We found that policies, procedures and controls governing cash disbursements were generally adequate. With noted exceptions, most payments that we tested were properly authorized, approved, and supported by adequate documentation.

We identified certain deficiencies related to contracting, use of City credit cards, authorizations for large dollar payments, and the need for additional segregation of duties in the accounts payable process. We also identified payments to retiring employees that may not comply with State Statutes.

These deficiencies resulted in identifying **\$47,268** in Questioned Costs from our sample (3% of the dollar value of our sample). Of that amount, \$9,218 represents sampled payments on two contracts that expired in 2008 and have not been competitively procured in accordance with City Ordinance. Our audit identified additional questioned costs for payments outside our sample. We included as Questioned Costs, all of the remaining payments (\$988,195) made on the two expired contracts since 2008. Our audit identified total Questioned Costs of **\$1,044,625**.

In our review of credit card transactions we found that the City needs to establish additional guidance that defines allowable and unallowable expenditures. We identified charges totaling \$10,070 that did not have a clear public purpose. In addition, the City could potentially earn as much as \$1,252 from pursuing a cash back rebate on its credit card spending.

We also identified payments of a benefit (bonus) to retiring employees made in fiscal years 2012 and 2013 totaling \$5,674. The payments were made pursuant to a City Ordinance, in effect since 1990 and amended in 1995, which may conflict with State law.

We made 14 recommendations to assist the City in improving controls and ensuring operational compliance with policies and procedures. As of September 30, 2014, four recommendations have been implemented, nine are pending implementation and one recommendation was not accepted by Management.

Audit of Village of North Palm Beach Public Works

We performed this audit of the Department Public Works at the request of Village management after an internal Police investigation identified potential theft of assets in Public Works.

Our report contained 11 findings where we identified the need to strengthen internal controls and improve operations within Public Works. We found a lack of written policy and procedures to prescribe how operations are to be carried out and controlled. As a result, a number of informal processes had evolved over time which resulted in assets not properly being accounted for. This created the opportunity for the potential theft identified by the Village's Police Department.



We identified several control weaknesses within Public Works that need to be addressed including: issuance of multiple purchase orders to the same vendor for recurring items that circumvented the Village's purchasing policy and created an inefficient purchasing process; lack of a contract tracking and monitoring system; lack of an adequate inventory control system; lack of a raw materials disposal (scrapping) policy and procedure; and, the need to improve physical security in several areas within the Public Works facility.

Our audit also included a review of controls over the Village fuel facility operated and managed by Public Works. The Village utilizes the Phoenix Fuel System to control and

record the dispensing of both gas and diesel fuel. We found that management is not fully utilizing the capabilities of the Phoenix Fuel System to adequately monitor fuel transactions. We identified several fueling practices, including entering incorrect vehicle mileage, which results in inaccurate data being recorded in the system. This increases the risk for theft of fuel to occur and go undetected.

We further identified a Village-wide issue involving the maintenance and storage of records. The locations and manner in which the records are stored significantly increases the risk that records could be stolen, lost, or damaged.



Management concurred with all 23 recommendations made to correct the conditions identified in our audit. As of the end of September, 2014, 21 recommendations have been implemented and two recommendations are pending implementation.

Palm Tran Connection Follow-up Audit

Our original audit was initiated following the criminal investigation of an alleged theft of office supplies by the Palm Tran Connection (PTC) Senior Secretary. We subsequently issued Audit Report 2012-A-0001 in December 2011 which contained 12 recommendations.

This follow-up audit found that while corrective actions were taken on all 12 recommendations, only seven recommendations were fully implemented. We made five recommendations that relate to: (1) Maintenance of appropriate segregation of duties in the Advantage system; (2) Surplus equipment and the documentation of a spare parts inventory; (3) Periodic review of Inventory and disposal of excess items in keeping with “best business practices”; (4) Establishment of a formal access control policy at PTC; and, (5) PTC management’s timely implementation of audit recommendations.

Management concurred with all five recommendations and corrective actions have been implemented.

Briny Breezes Expenditures

We conducted an audit of the Town of Briny Breezes that focused on controls over expenditures. We selected a sample of payments across all major spending categories to test compliance with Town policies and procedures.

Overall, we found controls over expenditures were adequate. However, we identified the findings with respect to procurement activities that can be improved, as well as the need to improve the completeness of documentation to support the validity of expenditures and transfers of funds.

Our audit report included four recommendations to assist the Town in addressing the findings. Management proposed corrective action to address each of our recommendations and all four recommendations have been implemented.

ANNUAL AUDIT PLAN

In addition to completing the audits in process, we will continue to focus our audit resources on areas of high risk for fraud, waste, and abuse, as well as areas where costs can be reduced or revenue increased. Our goal is to make the most effective use of our resources. The audit universe is comprised of Palm Beach County, 38 municipalities, Solid Waste Authority, and Children's Services Council with 788 identified auditable units. The FY2015 Annual Audit Plan (Appendix 3) includes eight new audits, three in process audits and one follow up audit.

AUDIT RISK ASSESSMENT

We are currently conducting an audit risk assessment of all 38 municipalities, the Solid Waste Authority, and Children's Services Council. As part of that process, we issued a Risk Assessment Questionnaire to each entity. The Questionnaire is designed to gather information on a set of Impact Risk Factors that will enable us to establish a risk profile for each entity. During the next year, we will expand our risk profile for each of these entities as well as establish a risk profile for the County. We have updated and refined the Impact Risk Factors as a result of our increased knowledge and experience with the operations under our jurisdiction.

AUDIT FOLLOW-UP

During the year, we have continued to perform quarterly follow-up on the status of all pending audit recommendations. We utilize an Audit Recommendation Tracking Report, which lists all audit recommendations by audit report number and the current status of each recommendation. The report assists us in planning future audit work as well as monitoring management's progress in taking corrective action on our audit findings. Our follow up process has helped ensure timely corrective action on our audit recommendations. As of the end of FY2014, of the 189 recommendations made, 171 (90%) have been implemented.

OTHER ACTIVITIES & OUTREACH

The Audit Division continues to coordinate their audit activity with the Palm Beach County Internal Auditor and attends the quarterly Audit Committee meetings. In FY2014, the Audit Division made three presentations to groups of City Managers from the municipalities as well as Palm Beach County managers. The presentations focused on control failures related to Cash Disbursements and Fuel Programs. Additionally, the Audit Director made presentations on municipal controls and audit techniques to the Florida Audit Forum and the Florida Government Finance Officers Association.

CONTRACT OVERSIGHT DIVISION

The Contract Oversight Division is responsible for reviewing procurement and contracting activities of the County, all 38 municipalities, and other government entities within the OIG's jurisdiction. The goal of the Contract Oversight Division is to promote competition, transparency, accountability, integrity, and efficiency throughout the procurement and contracting processes. To that end, we:



- Initiate, conduct, supervise, and coordinate oversight activities to detect, deter, prevent and eliminate fraud, waste, and abuse in County and municipal government procurement;
- Periodically attend contract selection meetings and provide feedback, where appropriate;
- Conduct contract oversight reviews of an entity's procurement process which may result in recommendations to address shortcomings, irregularities and/or opportunities for improvement;
- Provide County and municipal entities with relevant data that supports effective procurement practices;
- Conduct procurement and fraud awareness training for County and municipal employees and vendors/contractors; and,
- Promote full and open competition and arm's-length negotiations with vendors and contractors so that public funds are used in the most efficient and effective manner.

The County Code, Article XII, Section 2-423(8) requires the IG to be “notified in writing prior to any duly noticed public meeting of a procurement selection committee [sealed bids, proposals, or negotiations] where any matter relating to the procurement of goods or services by the county or any municipality is to be discussed.” Notifications are sent to igcontracts@pbcgov.org.

In addition to being notified of procurement selection committee meetings that have been publicly noticed, the Contract Oversight Division also reviews meeting agendas and minutes to identify areas or situations where the integrity of the procurement process may be at risk. When an indication of such risk occurs, staff reviews the situation to determine the significance and probability of the risk. The Division also responds to requests for assistance from entities under our jurisdiction and to citizen and vendor complaints.

CONTRACT OVERSIGHT HIGHLIGHTS

During FY2014, we issued **nine** reports with total Questioned Costs of **\$917,477**. Collectively, these **nine** reports included **16** recommendations for improvements, of which, **9** (69%) have been completed. The most frequent recommendation, occurring five out of 16 times, was for establishing or amending policy and procedures pertaining to procurement of goods and/or services. The detailed reports and management's responses

can be found at <http://www.pbcgov.com/OIG/archreports.htm>. The following is a brief summary of the findings and recommendations.

Palm Beach County – Consultants’ Competitive Negotiation Act Selection

We determined that the established procedure, as set forth in Policy and Procedure Memorandum #CW-O-048 and used by the “Short List Committee”, is inconsistent with Florida law in that the elimination of qualified bidders occurs without evaluation based on uniform criteria and weightings. The preliminary selection process essentially eliminated eight (8) of the fifteen (15) proposals, or 53%, without scoring and ranking them, which is fundamental to the Consultants’ Competitive Negotiation Act selection process outlined in Florida Statutes. We made one recommendation, which management did not accept.

Palm Beach County Water Utilities Department – Contract Review Committee

We identified that the Water Utilities Department’s lack of preparedness diminished the efficiency of the meeting and resulted in a delayed vendor payment of \$21,019.96 and Palm Beach County’s acceptance of work performed. We determined that Policy and Procedure Memorandum #CW-F-050 lacks language requiring Palm Beach County department staff, who attend the meeting, to have sufficient knowledge about the project/contract paperwork submitted for approval in order to discuss project details and respond to the Contract Review Committee’s questions. We made two recommendations: the Water Utilities Department completed our recommendation; however, the Office of Financial Management & Budget’s management did not accept our recommendation.

City of Delray Beach – Beach Equipment Concessions

We determined that the City’s decision to procure the Beach Concession contract increased its annual revenue by approximately \$136,242, or 53%, for the eighteen-month period between December 20, 2013 and June 14, 2015. However, we identified the following findings with the Beach Concession solicitation: (1) the ITB solicitation document lacked sufficient “Background” and “Objectives and Purpose of the Solicitation” information; and, (2) the City lacked a documented procedure for preparing



selection committee members to fulfill their responsibilities. We made two recommendations, one has been completed and the other is pending implementation.

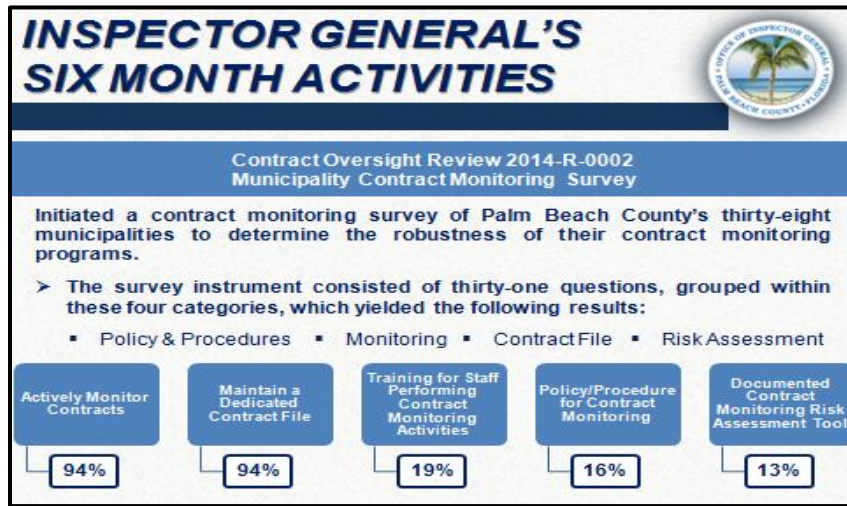
City of Delray Beach – Beach Equipment Concessions – Pieces and Groupings

After issuing the above report, the OIG received a complaint concerning a material change to the City’s Invitation for the Beach Concession solicitation document and resulting contract. The material change increased the number of beach equipment rentals from 250 **pieces** to 250 **groupings**. We determined that the City did not clearly identify its critical needs in the solicitation document. The lack of clarity caused confusion and raises questions about the fundamental fairness of the procurement process and whether it served the best interest of the City. We made one recommendation, which is pending implementation.

All Municipalities – Survey of Municipality Contract Monitoring

We initiated a contract monitoring survey of Palm Beach County’s 38 municipalities to identify the robustness of their contract monitoring program. We requested that each municipality complete a survey concerning their current contract monitoring program.

We collected and analyzed the responses and then, as a judgmental sample, randomly selected five municipalities for an on-site visit to review (test) their contract monitoring program. In total, we reviewed the contract monitoring activities for 16 active contracts covering an array of projects/services. We provided municipalities with observations on general weak areas and ways to improve the procurement process that should be considered with implementing a contract monitoring policy/procedure and/or process.



City of Boynton Beach – Ion Exchange Resin Plant and East Water Treatment Plan Improvements

The City published a Request for Proposals for a design/build firm to provide services and expertise in the delivery of water/sewer utility design and construction. Qualified firms were to be selected pursuant to Section 287.055, Florida Statutes – the Consultants’ Competitive Negotiations Act. We identified that the selection process was fundamentally flawed in that the City: (1) did not follow the requirements of its own policy manual or the evaluation process in its RFP; and, (2) failed to follow the requirements of Section 287.055, Florida Statutes – Consultants’ Competitive Negotiation Act – when evaluating proposals from qualified design/build firms. We made three recommendations, which have been implemented.

Town of Highland Beach – Charter Amendment

We determined that the Town Commission’s October 2012 Charter amendment increasing the dollar threshold for commencing municipal projects without voter approval was not valid because it was never approved by a public referendum, as required by State law. As a result, the requirement for voter approval in advance of any project exceeding \$350,000 remains the governing Charter provision. Additionally, we found that in February 2014, the Town Commission approved the “Police Department and Town Chamber Renovation”

project contract estimated to cost \$850,000. However, because the increased “Funding Limitation” provision was never legally enacted, initiating this project without voter approval violated the Town’s Charter. This resulted in Questioned Costs totaling **\$917,477.08**. We made two recommendations, which have been implemented.

Palm Beach County Property & Real Estate Management – Track “K” Land Sale

We reviewed the County’s sale of real property. We determined that the Division of Property & Real Estate Management did not disclose all relevant information to all potential bidders, and that proposals were evaluated and scored inconsistent with the solicitation document. We made two recommendations to the Division of Property & Real Estate Management: one was implemented; however, the other was not accepted by management. We made one recommendation to the Department of Facilities Development & Operations, which is pending implementation. *(Note: the recommendation was implemented after September 30, 2014.)*



Palm Beach Renewable Energy Facility #2 – Maintenance/Warehouse Building Change Order Number 10

The Solid Waste Authority executed a change order that was required because the Maintenance/Warehouse Building was built using thinner wall panels (26-gauge) than specified in the design criteria package (24-gauge). We reviewed change order number 10 for the Maintenance/Warehouse Building associated with the Solid Waste Authority’s Palm Beach Renewable Energy Facility No. 2 construction project and the change in construction materials to determine compliance with wind load specifications. We provided two recommendations: the Solid Waste Authority has implemented its recommendation; however, management for the contractor did not accept our recommendation.



OTHER CONTRACT OVERSIGHT ACTIVITIES & OUTREACH

Procurement personnel working for the entities within OIG jurisdiction have articulated that OIG presence helps to ensure the integrity of the selection process and assists them in facilitating more efficient and equitable selections. During FY2014, we proactively observed **167** procurement/contracting related activities. These activities included such things as: selection committee meetings, contract review committee meetings, pre-construction meetings, and construction site visits.

Section B – Office of Inspector General Activities

• County Selection Committees	39
• County Contract Review Committees	24
• County Meetings	12
• Municipal Selection Committees	21
• Municipal Meetings	26
• Other Covered Entities – Selection Committees	12
• Other Covered Entities – Meetings	23
• Other ⁵	<u>10</u>
TOTAL	167

The Contract Oversight Division continues to coordinate its activities with the other OIG divisions and where applicable, with internal audit staff of the entities under OIG jurisdiction. One important element of the Contract Oversight risk assessment process is determining whether or not other oversight/investigation/audit activity is currently underway regarding a contract, procurement, or monitoring process. In addition to the aforementioned meeting attendance, the Contract Oversight staff made multiple presentations to County Departments and Municipal Managers.

AREAS WHERE CONTRACT OVERSIGHT ACTIVITIES ADD VALUE

The Contract Oversight Division engages in an array of oversight activities that promote an open and competitive business environment and enhance public confidence that contracts are being awarded equitably and economically. The following examples highlight situations where the Contract Oversight Division has had a positive impact on a member of the public, a business entity, and/or an entity under OIG jurisdiction:



Elected Governing Board – We discussed the benefits of having an open and transparent process with administrative staff of the entity under OIG jurisdiction. **Value Added** – The governing body decided to follow the standard certification process, which allowed open competition among potential providers of this service.

Design Build Project – We determined that the design criteria package included in the solicitation document did not meet the requirements of State law. **Value Added** – Future design build projects will include design criteria packages that satisfy the requirements of State law.

Purchasing Department – Staff requested that we attend a selection meeting because they felt a non-voting member was trying to influence the outcome through a selection committee member (subordinate). **Value Added** – City staff stated that OIG presence made for an equitable, economic, and transparent procurement process.

⁵ Meetings we had with complainants and/or non-covered entities.

Section B – Office of Inspector General Activities

Pre-proposal Meeting – A City Manager requested that we attend a pre-proposal meeting that was being conducted by the City Commission. **Value Added** – City Manager believed that our presence would promote a fair and transparent procurement.

Procurement Training Materials – A City Manager and a County Division Director requested that we provide “good guidance” materials to assist them in improving their procurement processes. **Value Added** – We provided them with “good guidance” materials and subsequently, the County purchased a book that could assist it in preparing clearly written solicitation documents.

Short List Meeting – We attended a Short List selection meeting where meeting minutes were not being recorded. We reminded the entity that failing to record meeting minutes (written or recording) it might violate Florida’s Sunshine Law. **Value Added** – In an abundance of caution, the entity is recording the minutes of Short List selection meetings.

Section C – Outlook and the Way Ahead

As a relatively new office, the OIG continues to grow, develop, and improve in order to perform our unique mission in serving the citizens of Palm Beach County. While the office has accomplished significant achievements in the first four years of existence, building on our solid base we can and will do much more in making our public institutions better while saving the taxpayers dollars. We will continue to examine ways to improve our own processes and to best focus our limited resources in areas with the highest risk/greatest opportunity for improvement.

The following lists our major areas of focus in FY2015 and the coming years. We will:

- Continue to center audit and contract oversight activities on risk/opportunity assessment models to ensure we are “majoring on the majors and minoring on the minors.”
- Focus our outreach and training programs on proactively sharing lessons learned, best practices, activities to avoid, and red flags that may indicate fraud, waste, or mismanagement with those to whom we provide our OIG services.
- Leverage the use of technology in detecting and preventing fraud and waste.
- Continue improving communications, coordination, and information sharing with those we audit, review, and investigate; with our stakeholders; the IG Committee; and, with the citizens of Palm Beach County.
- Continue to build and develop the professionalism and proficiency of our office through staff development, peer reviews, and seeking best practices from other OIGs and oversight organizations.

UPCOMING PLANS AND OBJECTIVES



NEW INITIATIVES & OUTREACH

- **Insight** – More targeted audits on higher risks/best opportunities for improvement
- **Oversight** – More targeted investigations through red flag analysis and available tools
- **Foresight**
 - More targeted contract oversight from a risk assessment
 - Increase IG Awareness Program
 - Trend Analysis Reporting
 - IG Advisories

Section D – Appendices

Appendix 1 – FY2014 Recommendations

**INVESTIGATIVE ACTIVITIES COMPLETED
(October 1, 2013 – September 30, 2014)**

Date

10/22/2013

County Risk Management Department – Health Insurance Fraud

Report Number

2013-0015

Recommendation:

1. Take corrective personnel action.

Implemented

11/21/2013

Solid Waste Authority – Fire Inspections

2013-0009 WB

Recommendations:

1. Ensure that all SWA contracts and/or agreements contain language regarding record retention schedules.

Implemented

2. Recoup costs associated with payments made for services not performed.

Pending implementation

3. Ensure that an upcoming fire alarm system inspection is conducted by November 30, 2013.

Implemented

4. Due to potential life/safety issues, ensure that 100% of the required fire alarm system inspections are conducted in compliance with the contract.

Implemented

12/11/2013

Loxahatchee Groves – Debris Removal Contract

2014-0001

Recommendations:

1. Review standard language in all service agreements and determine whether additional strengthening is needed.

Implemented

Section D – Appendices

2. Determine whether outstanding invoices should be paid to the vendor.

Implemented

3. Consider amending the vendor agreement for future services.

Implemented

**2/27/2014
2014-0003**

County Parks and Recreation Department – Aqua Crest Pool Theft

Recommendations:

1. Take corrective personnel action deemed appropriate

Implemented

2. Review internal controls to current coupon system.

Implemented

3. Establish proper protocols related to cash register reconciliations.

Implemented

**5/5/2014
2014-0005**

Delray Beach – Trash Cart Purchases

Recommendations:

1. Implement measures to ensure that all staff are knowledgeable regarding the City's policies and procedures.

Implemented

2. Consider implementing additional control methods to ensure that City staff adhere to all policy and procedures.

Implemented

3. Ensure any new purchases are in accordance with the City's own policies and procedures.

Implemented

4. Take corrective personnel action deemed appropriate.

Implemented

5/15/2014
2013-0010 WB

County Department of Economic Sustainability – Grant Funding

Recommendations:

1. Determine whether additional measures can be implemented to ensure that all invoicing documentation contains an identifiable methodology.

Implemented

2. Review identified payment applications to determine whether or not additional supporting documentation can be obtained or seek recoupment.

Implemented

3. For future agreements, develop standards outlining acceptable documentation for reimbursement and include in all future contracts/agreements.

Implemented

4. Determine whether additional contract monitoring is necessary to ensure that all contractual requirements are enforced.

Implemented

**AUDIT REPORTS COMPLETED
(October 1, 2013 – September 30, 2014)**

Date

11/11/2013

North Palm Beach – Public Works Department

Report Number

2014-A-0001

Recommendations:

1. The Village should develop, implement, and enforce comprehensive written policies and procedures for accounting, monitoring, and general oversight within Public Works. The manual should clearly outline the specific duties, authorities, and responsibilities for all employees, thus providing the essential foundation needed to establish employee accountability, management oversight, and effective internal controls. The approved manual should be distributed and clearly communicated to all employees within Public Works.

Pending implementation

2. Village management should assess the need for more comprehensive cross-training in order to perform key job functions for the Village.

Implemented

3. The Village should evaluate the process of issuing multiple small dollar purchase orders within Public Works. Where appropriate, purchase orders should be issued in amounts that are based on the budgeted or estimated amount of the expenditure.

Implemented

4. The Village should review the purchasing process in Public Works to ensure that it complies with Village Purchasing Policy guidelines designed to ensure that purchases are approved at the appropriate level and the most cost effective prices are obtained.

Implemented

5. The Village should review the current purchasing guidelines and make appropriate recommendations to Village Council for revisions. Revisions should include consideration for the use of Purchase Cards (P-Cards). P-Cards have been widely recognized as a more efficient way of purchasing, especially for small dollar items.

Implemented

Section D – Appendices

6. The Village should adhere to the appropriate procurement process and obtain a contract for fuel.

Implemented

7. The Village should develop a contract management information system, which documents at minimum: a list and status of Village contracts; contract pricing; a list of contract liaisons and contract(s) monitored by those liaisons; proof of insurance documents; dates of expiration; terms of the contract for termination.

Implemented

8. Public Works should implement an inventory control system. Public Works management should ensure that employees perform a complete physical inventory prior to implementing the inventory control system. In order to have an accurate beginning inventory for the new inventory system.

Implemented

9. Additional monitoring tools and reports should be established to ensure that inventory transactions are processed accurately and in compliance with the policy.

Implemented

10. The Village should evaluate its current process for purchasing and maintaining inventory supplies to determine if operational efficiencies could be gained by a “just in time” approach for purchasing parts, tools, and supplies resulting in a reduction of inventory.

Implemented

11. The Village should consider utilizing the features of the Phoenix Fuel System to its full capability. If the system cannot provide appropriate functionality then management should evaluate the cost/benefit of upgrading or replacing the system.

Implemented

12. The Village should provide for the development and regular review and follow up of fuel transaction “exception” reports.

Implemented

13. The Phoenix Fuel System should be configured to test, at the time of fueling, the reasonableness of mileage or hours entered.

Implemented

Section D – Appendices

14. The Village should ensure that employees are properly trained on the importance of a correct mileage or running hour's entry.

Implemented

15. The Village should discontinue the practice of using vehicle fobs and a mileage reading of "0" or "1" to indicate container fueling.

Implemented

16. The Village should add new fobs to the Phoenix Fuel System specifically designated for fueling small equipment and containers. These fobs should be programmed with a gallon limit commensurate with the fueling of small equipment or containers. Use of these fobs should be limited to individuals who have a need to fuel small equipment or containers.

Implemented

17. The Village should assign a new vehicle number and corresponding new fuel fob number when a vehicle is added to the fleet.

Implemented

18. The Village should discontinue the practice of reusing the same vehicle number previously assigned to retired vehicles.

Implemented

19. The Village should document the new procedure put in place for scrapping. Written policies and procedures should include at a minimum: how scrap is accounted for; the process for disposal and sale of scrap; a list of acceptable scrapping companies; how proceeds from scrap sales are accounted for; and, establishment of adequate segregation of duties.

Pending implementation

20. The Village should evaluate the need for additional surveillance equipment and if deemed necessary it should be added.

Implemented

21. The Village should strengthen controls over physical access to the IT system in the Public Works Department to ensure that the equipment cannot be tampered with.

Implemented

Section D – Appendices

22. The Village should secure the vehicle keys and fobs to prevent unauthorized access.

Implemented

23. If the Village determines it cannot organize and store documents securely onsite they should consider other options including a third-party records management and storage solution that keeps records safe and accessible.

Implemented

**1/8/2014
2014-A-0002**

Palm Tran Connection (PTC) – Follow Up Audit

Recommendations:

1. To ensure proper segregation of duties, management should conduct a thorough review of the Advantage Security Access Report taking into consideration the users' finance duties, functions within the accounting system, and level of security.

Implemented

2. In accordance with the Purchasing Policy and Procedures, PTC should implement a reconciliation process upon receipt of goods. Documentation of the receipt process would ensure verification of the correct merchandise, quantity, and price.

Implemented

3. PTC should continue to maintain and update the inventory of spare parts, keep the items in an organized secure environment, and establish a procedure and time line for review and disposal of surplus supplies and equipment to the County's fixed asset management department.

Implemented

4. In view of the Pending implementation move of PTC to the County owned facility, management should establish a formal access control policy that includes control and assignment of keys, key cards, and access codes based on job assignments and building access needs. If the Pending implementation move to the County facility is significantly delayed, PTC should ensure that a policy is in place to accommodate the immediate needs of control over keys in the current facility.

Implemented

Section D – Appendices

5. Palm Tran is subject to various types of audits conducted by Federal, State, and County entities. To ensure that all recommendations are fully implemented, Palm Tran should develop a system for monitoring and validating corrective actions taken in response to audit recommendations.

Implemented

**2/5/2014
2014-A-0003**

Briny Breezes – Expenditures

Recommendations:

1. The Town should consider amending its procurement policy (contained within the Accounting Policy) to eliminate exemptions for specific vendors and seek bids or proposals for all such services in order to compare services levels and costs. In addition, the Town should execute a contract with the selected vendor to reduce the risk of engaging work on public systems without the protections afforded by a signed contract.

Implemented

2. The Town should follow its procurement policy and seek bids or proposals for all such services to compare service levels and costs.

Implemented

3. The Town should obtain, review, and maintain supporting documentation for all expenditures, and retain the records pursuant to the requirements of Section 119.021, Florida Statutes.

Implemented

4. With respect to transfers, between Town bank accounts, the Town should document the purpose of such transfers and obtain approval in advance from the Town Council.

Implemented

**2/13/2014
2014-A-0004**

South Bay – Property, Human Resources, and Payroll

Recommendations:

1. The City Manager should establish a policy and procedure for conducting periodic physical inventories of fixed assets, at least on an annual basis.

Implemented

Section D – Appendices

2. The City Manager should ensure that accounting for assets is performed accurately and on a timely basis.

Implemented

3. The City Manager should require that the Finance Department review if asset records are available from prior periods to identify assets that were unaccounted and would support seeking recovery.

Pending implementation

4. The City Manager should conduct a formal evaluation of the condition of all City-owned property that determines the need for repairs, demolition, and/or securing the property from access.

Implemented

5. The City Manager should implement a formal on-going safety inspection and maintenance program for City-owned property.

Implemented

6. The City Manager should direct a review of capital funding options for addressing the issues with City-owned property.

Implemented

7. The City Manager should propose plans for the Commission to evaluate the optimal use or disposition of City-owned property, including properties containing facilities no longer in use by the City.

Implemented

8. The City Manager should ensure that a lease agreement is in place with any third party that occupies a City-owned property.

Implemented

9. The City Manager and City Attorney should resolve the situation with the property by proposing a lease, sale, or other action for the Commission to consider, consistent with recommendation (7).

Implemented

10. The City Manager should work with the City Attorney to determine if unpaid lease amounts from prior periods can be collected from the business.

Pending implementation

Section D – Appendices

11. The City Manager should ensure that the Finance Department takes appropriate action to resolve the lack of compliance in the City's financial statements with governmental accounting standards.

Implemented

12. The City Manager should ascertain that the Finance Director is appropriately accounting for additions or dispositions of assets related to the City's infrastructure.

Implemented

13. The City Manager should ensure that employee terminations follow the City's policies.

Implemented

14. The City Manager should seek to determine the basis for the costs incurred by the City with respect to the former Director of Code Enforcement, and consult with the City Attorney on recovering any inappropriate costs.

Pending implementation

15. The City should perform timely driver's license verification and obtain and review a driving record for any employees who may operate a City or private vehicle on City Business. This should occur at the time of pre-employment screening and periodically during employment.

Implemented

16. Human Resources review and retention of a copy of the driver's license and driving record should be added to the New Employee Checklist.

Implemented

17. The City should consider seeking reimbursement from the former City Manager for misuse of City property.

Implemented

18. The City Manager should ensure that the employee signs his/her weekly timesheet and his/her supervisor approves by signature the weekly timesheet.

Implemented

Section D – Appendices

19. The City Manager should ensure that written procedures are developed and communicated to each employee that document the timekeeping/payroll process.

Implemented

20. The City Manager should ensure that performance evaluations are performed on a timely basis in accordance with the City's policy.

Implemented

21. The City Manager and City Treasurer should present a proposed written investment policy to the Commission for consideration.

Implemented

22. The City should comply with State prohibitions against loans to employees.

Implemented

23. The City Manager should work with the Finance Director to identify alternative means to pay for goods and service where use of a credit card is beneficial. This may include use of purchasing cards and City credit cards with control features and transaction volume benefits such as rebates that accrue to the City.

Implemented

**9/22/2014
2014-A-0005**

Belle Glade – Cash Disbursements

Recommendations:

1. The City Manager should ensure compliance with City Ordinance 13-02, Purchasing, including ensuring all contracts are properly competed and approved by the Commission.

Implemented

2. The City Manager should direct the establishment of a contract management process. The process may be supported by tracking: a list of department contracts and the status of those contracts; contract pricing; a list of contract liaisons and the specific contract(s) monitored by those liaisons; proof of insurance documents; dates of contract expiration and terms of the contract for termination.

Pending implementation

Section D – Appendices

3. The City Manager should propose a policy that ensures all contracts containing an auto-renewal are brought to the Commission in a timely manner before the contract renewal date.

Pending implementation

4. The City should seek to obtain new contracts through a competitive procurement process for fuel and uniform services.

Pending implementation

5. The City Manager should ensure that the City has a formal, documented contract in place prior to any company or individual performing significant work for the City.

Implemented

6. The City Commission should revise the current Travel Ordinance to provide more specific guidelines for per diem and other travel expenses.

Pending implementation

7. The City Commission should establish a policy that provides guidance for use of City credit cards including purchases of local meals.

Pending implementation

8. The City Manager should determine if the City can obtain additional benefits in its use of credit cards through a cash back rebate.

Pending implementation

9. The City Manager should propose a policy to the Commission that requires, for successively higher amounts of cash disbursement, correspondingly higher authorization requirements.

Management did not accept recommendation

10. Should the Commission deem it appropriate that the Assistant Finance Director be authorized to approve expenditures at the level currently designated for the (unfilled) Director of Finance position, a waiver/modification of the policy should be formally documented.

Pending implementation

11. The check request forms should be modified to clearly indicate that authorized approver's name, title, and the date.

Implemented

Section D – Appendices

12. The City Manager should take action to either eliminate or mitigate the segregation of duties weakness in the Accounts Payable function.

Implemented

13. The City Manager should implement a procedure for the identification and routine removal of inactive vendors.

Pending implementation

14. The City should seek an opinion from the State Attorney General as to the legality of the City's Retirement Recognition Ordinance.

Pending implementation

**CONTRACT OVERSIGHT REPORTS COMPLETED
(October 1, 2013 – September 30, 2014)**

Date

12/05/2013

County – Consultants’ Competitive Negotiation Act Selection

Report Number

2013-N-0012

Recommendation:

1. The Palm Beach County Engineering & Public Works Department should amend Policy & Procedure Memorandum #CW-O-048, to fully comply with the requirements of Section 287.055, Florida Statutes: the Consultants’ Competitive Negotiation Act. Specifically, PPM #CW-O-048 should ensure the process used to establish the County’s “preliminary short list” is consistent with the requirements set forth in the CCNA.

Management did not accept recommendation

2/13/2014

County Water Utilities Department – Contract Review Committee

2014-N-0003

Recommendations:

Water Utilities Department

1. The Director of Water Utilities Department should ensure that staff attending the weekly Contract Review Committee meetings has sufficient knowledge concerning the project/contract paperwork submitted for approval. Having knowledgeable staff in attendance will increase the efficiency and effectiveness of the Contract Review Committee and avoid unnecessary delays.

Implemented

Office of Financial Management & Budget

1. Amend Policy and Procedure Memorandum #CW-F-050 to include language requiring County department staff attending the Contract Review Committee meeting(s) to possess adequate knowledge concerning project/contract paperwork submitted for approval.

Management did not accept recommendation

2/14/2014
2014-N-0004

Delray Beach – Beach Equipment Concessions

Recommendations:

1. Include all relevant “Background” and “Objectives and Purpose of the Solicitation” information that assists vendors in preparing sufficient responses to the solicitation document.

Implemented

2. Develop a Policy/Procedure that ensures selection committee members are adequately prepared to fulfill their responsibilities. Selection committee members should be advised of, but not limited to, the following elements: (a) the evaluation process; (b) evaluation/sub-evaluation criteria; (c) the scoring process; and, (d) the scoring and recommendation process.

Pending implementation

3/31/2014
2014-R-0002

All Municipalities – Municipality Contract Monitoring

Guidance:

The following Guidance should be considered when implementing a robust contract monitoring policy/procedure and/or process:

- (a) Use a Contract Monitoring Plan
An effective plan will identify, but not be limited to the following; an analysis of risk factors, scope of review, staff assigned, date(s) of review, schedule, tools/guides, type of monitoring, procedures and processes for conducting monitoring, corrective action plans, and documentation of results.
- (b) Use a Standardized Monitoring Guide
The consistent use of a standardized and comprehensive guide provides consistency throughout the monitoring process.
- (c) Address Corrective Action Plans
A clearly defined procedure will detail when corrective action plans are required; how they are to be developed; how and where to record them in contract files; how they are to be reported to the appropriate staff; and, the process of following up on them.
- (d) Address Resolution of Vendor Disputes
A clearly defined procedure(s) that outlines steps taken to resolve vendor disputes in a timely manner will help to minimize the risk that the contract being monitored will fall short of its goals and objectives.

Section D – Appendices

(e) Address Monitoring Staff Training and Qualifications

The reliability and validity of the monitoring results is contingent upon appropriately trained monitors who also meet the qualifications for knowledge, skills, and ability.

(f) Address Access and Storage of Contract Documents and Files

A standard file format developed and implemented for the layout of contract documents, correspondence, monitoring reports, outcome reports, and checklists provides uniformity in contract files and ease of review by management.

(g) Address Closing Out Contracts

Formal written procedures ensure that important administrative, contractual, and program elements are not overlooked when closing out contracts.

4/16/2014
2014-N-0005

Delray Beach – Beach Equipment Concessions – Pieces and Groupings

Recommendation:

1. Develop, or incorporate within an existing Policy/Procedure, the means and methods by which the critical business requirements (*essential functions which must be met by the commodities or contractual services provided in a contract*) of procurement projects are developed, documented, and communicated.

Pending implementation

7/22/2014
2014-N-0007

Boynton Beach – Ion Exchange Resin Plant and East Water Treatment Plan Improvements

Recommendations:

1. Adhere to its Administrative Policy Manual when publishing Requests for Proposals. Specifically, Chapter 10, Section 7 requires that “only criteria disclosed on the solicitation for bid may be used to evaluate the items or services proposed.”

Implemented

2. Ensure that solicitation documents set forth the relative importance of the factors, and any sub factors, that will be considered in awarding the contract. Disclosure of the relative importance of all evaluation factors and sub factors should apply to the items listed on the evaluation score sheets.

Implemented

Section D – Appendices

3. Adhere to the requirements of the Consultants’ Competitive Negotiation Act when awarding design/build contracts by either a “qualifications-based” selection process or a “competitive proposal” selection process.

Implemented

**8/05/2014
2014-N-0124**

Highland Beach – Charter Amendment

Recommendations:

1. Review all Charter Amendments enacted without a public referendum to ensure that each such amendment complies with State law.

Implemented

2. Until the “Funding Limitation” provision is properly amended, future projects should adhere to the existing limitation which requires that any single project, accumulation of projects, or extension of services requiring an allocation of more than \$350,000 be approved by majority of the electorate.

Implemented

**9/26/2014
2014-N-0092**

County Property & Real Estate Management – Track “K” Land Sale

Recommendations:

Property & Real Estate Management

1. The Division of Property & Real Estate Management should ensure that all relevant information is disclosed to potential bidders in the solicitation document and mandatory bidder’s conference.

Implemented

2. The Division of Property & Real Estate Management should evaluate and score bidders’ proposals in a manner consistent with the Property & Real Estate Management’s solicitation document and representations.

Management did not accept recommendation

Facilities Development & Operations

1. The Department of Facilities Development & Operations should establish written procedures for conducting Invitation for Bids and Request for Proposals for the disposition of real property as required by Palm Beach County Policy and Procedure Memorandum #CW-L-023.

Pending implementation

9/30/2014 **Palm Beach Renewable Energy Facility #2 - Maintenance / Warehouse Building Change Order Number 10**

2014-N-0006

Recommendations:

1. For Design-Build contracts, the Solid Waste Authority should engage the services of an independent party to ensure that construction projects are completed according to the design criteria specifications.

Implemented

2. As required by the Florida Building Code, the prime contractor should ensure that sub-contractors schedule timely inspections of the Palm Beach Renewable Energy Facility No. 2 by the City of West Palm Beach prior to work being performed beyond the point indicated for each successive inspection.

Management did not accept recommendation

Appendix 2 – Prior Years Significant Open Recommendations

The OIG has issued hundreds of recommendations since its creation in 2010 with an overall 94% of these having been accepted and implemented by management. This high acceptance/implementation rate reflects well upon the OIG staff who works with management to develop realistic and achievable recommendations that make good business sense to improve government operations. The IG Ordinance does require the IG to report on *significant* recommendations described in previous annual reports on which corrective action has not been completed. The following lists these recommendations.

AUDIT PRIOR YEARS' OPEN RECOMMENDATIONS

Date

5/2/2013

South Bay – Cash Disbursements

Report Number

2013-A-0002

Recommendation:

15. The City Manager should seek reimbursement from the youth summer program contractor for overcharges.

Pending implementation

CONTRACT OVERSIGHT PRIOR YEARS' OPEN RECOMMENDATIONS

9/12/2012

Jupiter Solid Waste Agreements – Violation of Policy to Competitively Procure

2012-N-0007

Recommendation:

1. Policies serve as rules to ensure effectiveness and efficiency in operations. As elected officials, Jupiter Council members act on the behalf of their constituents “to set policy, approve budgetary and financial activities, and set the Town’s strategic vision and direction.” Hence, there is an expectation by the public and business community that Jupiter follows their own established policies. Jupiter should adhere to established procurement policies and procedures when procuring goods and services, especially when contract amounts require competitive bid.

Although Management Accepted our Recommendation, the changes it implemented were contrary to the spirit of our Recommendation.

The Town stated its purchasing policy would be revised to provide for “reasonable exceptions that allow the Town Council to extend franchise agreements to balance the cost with the quality and level of services provided to its citizens and business.” and “. . . that rates have remained relatively stable since 1997, the year the new franchise agreement was initially approved.”

OIG Comment:

1. The Town’s decision to revise its purchasing policy to create additional exceptions to avoid competitive procurements is contrary to the public policy statement in Section 287.001, Florida Statutes:

“The Legislature recognizes that fair and open competition is a basic tenet of public procurement; that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically; and that documentation of the acts taken and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured.”

2. The Town’s assertion that “rates have remained relatively stable since 1997” does not appear to be supported by our report on the Solid Waste Authority’s competitive procurement in November 2012.

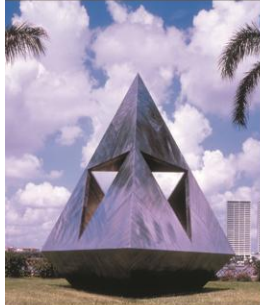
As identified in Contract Oversight Observation 2013-O-0003, it is estimated that by conducting a competitive procurement the Solid Waste Authority **saved** residential customers approximately \$10.5 million in the first year (*October 1, 2013 through September 30, 2014*) of a five-year contract.

Section D – Appendices

Appendix 3 – FY2015 Audit Plan

**Office of Inspector General
Annual Audit Plan
October 1, 2014 - September 30, 2015**

DESCRIPTION OF AUDIT ENTITY	Comments
Carryover Audits FYE 2014	
CSC (IT Management Information)	Scope - IT Management Information
Riviera Beach	Cash Disbursements
Delray Beach - Finance	Purchasing Controls
Planned Audits	
CSC	Allocation of Funded Programs & Initiatives
SWA	Property & Equipment Controls
Palm Beach County	Grants Management
Lake Worth	Utility Billing & Collection
Boynton Beach	Fire Rescue
Mangonia Park	Purchasing Controls
Delray Beach	Information Technology Management
Lake Park	Marina Operations
IG / Management Request	
Follow Up Audits	
Follow up Audit - South Bay	Original reports issued 5/13/13 and 2/13/14
Other Audit Activities	
Quality Control & Assurance	
Strategic Plan - 2015/16 (Risk Assess, Plan)	
Meetings (BCC, Municipalities, other)	
Special Projects (Unplanned, Admin, planning)	
Audit Follow up - Quarterly	
Admin (annual reports, slides, PPM, etc)	
Annual Risk Assessment	



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A copy of this report has been made available for public inspection at the Office of the Inspector General, at County and municipal libraries, and is posted on the Office of Inspector General, Palm Beach County website. If you need any assistance relative to this report, please contact our office.