

# Palm Beach County Office of Inspector General

OVERSIGHT

INSIGHT



FORESIGHT

# 2015 ANNUAL REPORT

December 7, 2015

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## *Message from the Inspector General*

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Citizens of Palm Beach County:

I am pleased to present the Fiscal Year 2015 (FY2015) Annual Report covering the activities of the Office of Inspector General (OIG) for the period of October 1, 2014 through September 30, 2015. The information provided summarizes our activities and highlights our achievements in our efforts to promote efficiency, effectiveness, and integrity while rooting out fraud, waste, and abuse.



FY2015 marked my first full year as your Inspector General (IG). Building upon the solid foundation of my predecessor and with the outstanding support from the Inspector General Committee, leaders in government, and the citizens of Palm Beach County, the office has moved to the next level of professional development and in its ability to best serve the County.

During FY2015, the OIG embraced my IG approach of 1) *Insight* – helping good people do things better (promoting efficiency and effectiveness), 2) *Oversight* – holding government accountable for resources and performance, and 3) *Foresight* – preventing fraud, waste, and abuse. To share my IG approach and what the OIG does, spread best practices, and ask for input, I spoke to over 3,000 citizens and government employees throughout the year.

FY2015 was a year of assuring OIG credibility. The office was assessed and re-accredited by the Florida Law Enforcement Accreditation Commission. Additionally, we underwent and passed our first Peer Review by the national Association of Inspectors General. These organizations set professional standards and review OIGs to assure the public that OIGs are independent and that their investigations, audits, and reviews are based on solid evidence.

During the past year we received and took action on over 1,100 Hotline calls and correspondences. We discovered over \$6.4 million in questioned costs, over \$72 thousand in costs that have the potential to be returned to offset taxpayers' burden, and approximately \$11.7 million in potential future avoidable costs. We made 94 recommendations to make our government better.

Finally, I want to thank the OIG staff for their professionalism and dedication; the County and municipal governments, the Solid Waste Authority, and the Children's Service Council for their work with our office; the IG Committee for its support; and you, the citizens of Palm Beach County, for your support. Ultimately, good government is everyone's business. By working together we can make our government more efficient, effective, and ethical.

Sincerely,

A handwritten signature in black ink that reads "John A. Carey". The signature is written in a cursive, flowing style.

John A. Carey  
Inspector General

## SUMMARY OF THE OIG'S FY2015 SUCCESSES

**\$6,408,590**

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

**\$11,695,201**

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

**\$72,710**

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

**1,127**

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

**10 Reports Issued with 94 Recommendations**

To improve government operations and to save taxpayer dollars with 90 (**96% acceptance rate**) accepted by management.

**3,000 (+)**

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

**124**

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

### **At the End of the Day, the IG Provides:**

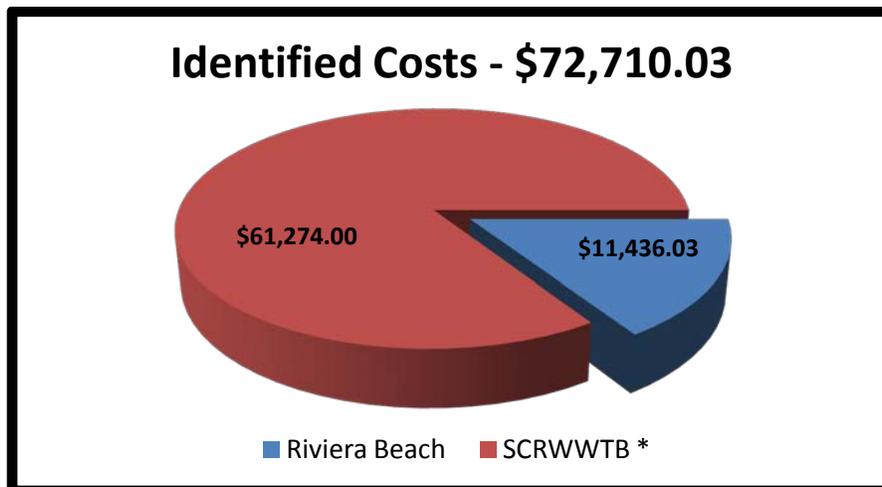
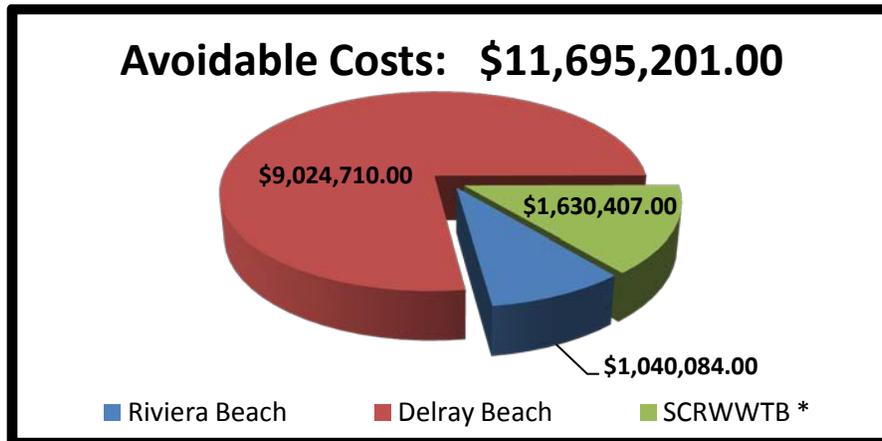
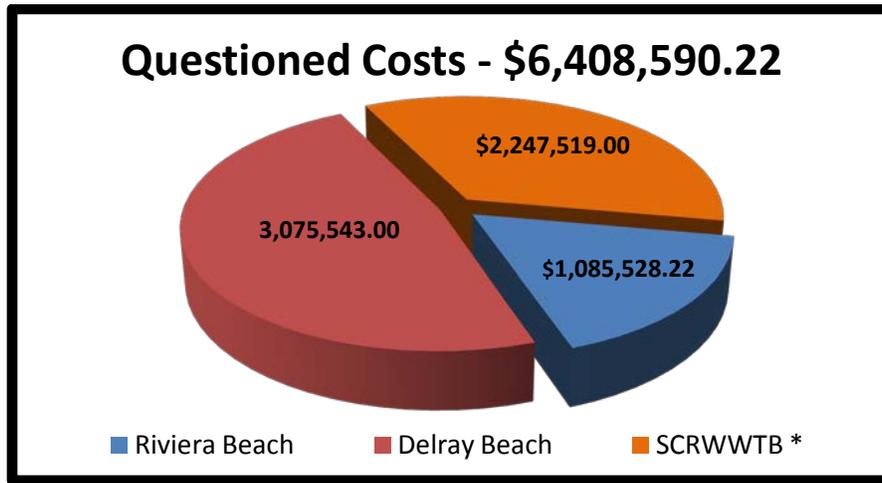
A safe place for employees and citizens with suggestions to make government better.

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

Enhanced transparency, accountability, and integrity in government.

**Enhanced Trust in Government.**

**SUMMARY OF THE OIG's FY2015 SUCCESSES (Continued)  
FINANCIAL DISCOVERY BREAKDOWN**



\* South Central Regional Wastewater Treatment and Disposal Board (SCRWWTB) is a special district established by cities of Boynton Beach and Delray Beach for the treatment and disposal of wastewater.

## 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)

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

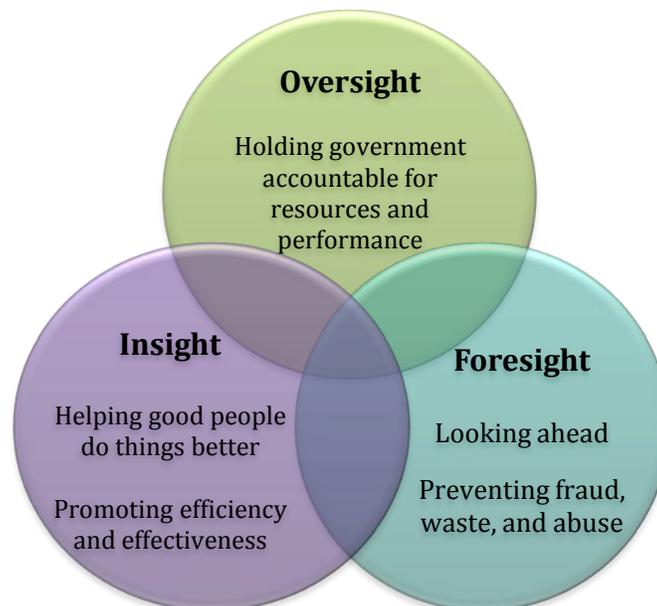
Respect – We are respectful of others and recognize their value.

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 several 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 of each of the 38 county municipalities approved an expansion of OIG jurisdiction to cover all 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 sheer size of government operations that your office oversees and your office’s jurisdiction and responsibility are unparalleled by any other local government inspectors general office.”***

2015 Association of Inspectors General Peer Review Report on the Palm Beach County OIG

The purpose, duties, and responsibilities of the IG are specified in the IG Ordinance (Article XII, Section 2-422 and 2-423, 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 government<sup>1</sup>, the 38 municipalities of Palm Beach County, and other entities, which contract with the IG (currently the Solid Waste Authority [SWA] and the Children’s Service Council [CSC]). 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.



<sup>1</sup> Excluding County Constitutional Officers, Judiciary, and Independent Taxing Districts unless contracted for services with 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 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.

## What to Report

**Required By Ordinance:**

- **Fraud**
- **Theft**
- **Contract Mismanagement (> \$5K)**
- **Bribery**
- **Any other violation or conduct that appears to be within jurisdiction of the OIG (e.g. abuse, misconduct, mismanagement)**

## STRUCTURE AND STAFFING OF THE OFFICE OF INSPECTOR GENERAL

### The Inspector General Structure

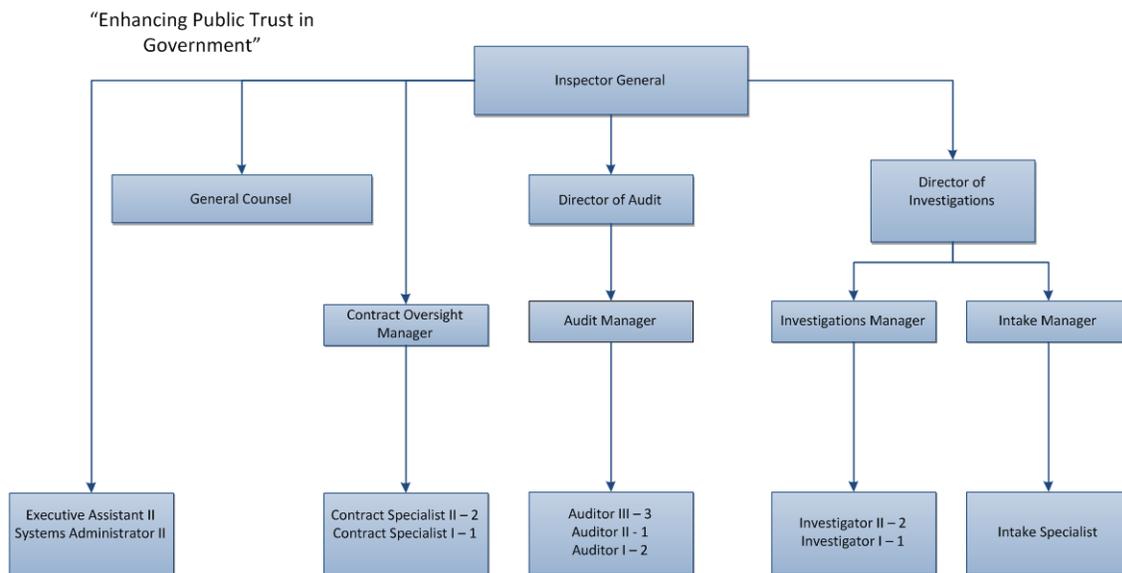
Due to the funding shortfall associated with the municipal lawsuit against the County over funding issues, the OIG has never been fully funded and currently has funding for only 23 (58%) of the 40 authorized positions. Currently, 1 of the 23 funded positions is unfilled.



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



Office of Inspector General Palm Beach County  
Organizational Chart



Current Budget  
23 Full Time Staff

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

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 with license to practice before Florida State Courts, U.S. District of Florida, Eleventh District Court of Appeal, and U.S. Supreme Court

## 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. OIG audits are performed in accordance with *Generally Accepted Government Audit Standards* (*Government Auditing Standards* [Yellow Book], issued by the Comptroller General of the United States). In August 2015 the OIG was peer reviewed by the AIG. The AIG found our office “met all relevant standards” and is a “commendable organization.”



### Accreditation by the Commission for Florida Law Enforcement Accreditation

The Commission for Florida Law Enforcement Accreditation (CFA) 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 received its initial accreditation from CFA in February 2012 and was re-accredited in February 2015. CFA Assessors noted in their report, “the assessment was flawless...the OIG presents an image that exudes respect for the County and is also reflective of the professional attitude found in its leadership and members.”



## **LAWSUIT REGARDING OIG FUNDING**



In December 2009, the BOCC adopted IG Ordinance 2009-049, which gave the OIG oversight over County governmental operations. Thereafter, on November 2, 2010, 72% of voters in the 38 municipalities in Palm Beach County approved a countywide referendum amending the Palm Beach County Charter to expand the OIG’s jurisdiction to municipal agencies and instrumentalities. The ballot question posed to voters specified that the OIG would be, “funded by the County Commission and all other governmental entities subject to the authority of the Inspector General.” After the referendum passed, the County adopted Ordinance 2011-009 to implement the will of the voters. Specifically, the Ordinance provided, the “[C]ounty and municipalities shall fund the inspector general’s office proportionately, based on the actual expenses of each governmental entity as recorded in the most recent audited year and reported in the Florida Department of Financial Services Local Government Electronic Reporting system (LOGER), pursuant to section 218.32, Florida Statutes, as may be amended.”

On November 14, 2011, fifteen municipalities filed a four-count Complaint for Declaratory Relief against the County disputing the mechanism for funding the OIG. The municipalities asked the Court for a judgment declaring, among other things, 1) that the County was attempting to assess an unlawful tax against the municipalities; 2) that the County was seeking double contribution from municipal residents who already contributed to the OIG through the payment of ad valorem taxes; 3) that the funding mechanism was not supported by the County Charter since the ballot initiative made no mention of the LOGER system; and 4) that efforts to require municipalities to appropriate/budget monies to pay for the OIG violates the Municipal Home Rule Powers Act. On March 12, 2015, the trial court entered Final Judgment against the municipalities and upheld the voters’ commitment to fund the OIG. In its written opinion, the court asserted, the “people are the municipalities, and the officials who represent the people may not undermine the electorate process because they disagree with the vote of the people.”

Thirteen of the original fifteen municipalities appealed the trial court’s ruling and the County cross-appealed. Their Initial Brief filed on October 14, 2015, set forth two issues on appeal. The municipalities argued that the doctrine of sovereign immunity prohibits the County from requesting contribution from the municipalities to fund the OIG, and that only the Florida Legislature or City Council—and not the voters—can obligate the municipalities to fund the Inspector General’s Office. Additionally, the municipalities argued that the request from the County for contribution constitutes an unlawful tax.

The Florida League of Cities filed a brief in support of the municipalities on October 22, 2015. The County is scheduled to file a response with the Fourth District Court of Appeal.

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 57% staffed, while still providing oversight of all 38 municipalities.

**\$ OFFICE OF INSPECTOR GENERAL FY2015 BUDGET \$**

The OIG strives to use taxpayer dollars frugally. In FY2015, the OIG expended only \$2.36 million (84%) of its approved \$2.82 million budget. Based on the County's population of 1.39 million citizens, the cost to operate our office was \$1.69 per citizen. This does not take into account the value added by our services, which for FY2015 includes identified costs for better use and potential future avoidable costs savings to the taxpayers through OIG investigations, audits, and reviews.

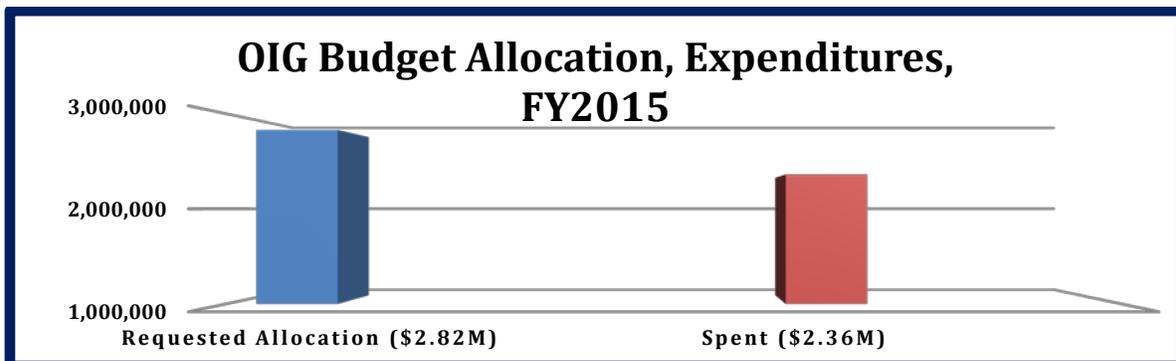
**\$1.69**

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



At a cost of **\$2.36 million** with **22** personnel, your OIG oversight responsibilities included:

- PBC, Municipalities, SWA, and CSC annual budgets of approximately **\$7.5B**
- PBC, Municipalities, SWA, and CSC annual contract activities of approximately **\$1.03B**
- PBC, Municipalities, SWA, and CSC employs approximately **13,000** (excluding contract employees)
- PBC, Municipalities, SWA, and CSC auditable units identified to date: **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.

**TRAINING AND OUTREACH**

Education/Awareness Publications & Announcements

OFFICE OF INSPECTOR GENERAL  
NEWSLETTER  
"A Quarterly Publication of the Office of Inspector General, Palm Beach County"

OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY  
OIG TIPS AND TRENDS #2015-0004  
SEPTEMBER 2015  
Request for Proposal (RFP) Evaluation Criteria

OFFICE OF INSPECTOR GENERAL  
UPDATE AND LESSONS LEARNED  
FROM RECENT PROJECTS  
June 2015  
John A. Carey, Inspector General  
Enhancing Public Trust in Government

**SPECIAL REPORT**

Protecting Your Tax Dollars

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 training and leadership/supervision classes. Additionally, OIG staff made similar presentations to several municipalities throughout the County. During FY2015, **we delivered 92 speeches/presentations/training sessions** to the public, business community, and/or county and municipal governments, **reaching over 3,000 people**. Various media outlets contact the OIG on a regular basis. A total of **29 media contacts** were made to the OIG during FY2015 resulting in numerous news articles and televised news features.

## Section A – Overview

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.

Citizens can follow us on Twitter, Facebook, or through our website, subscribe to receive emailed notices of OIG reports and newsworthy items.

Our website is continuously updated to include all recent OIG activity. An important feature on the website is a section labeled “Tips, Trends, 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

Within the OIG, the Investigations Division has a dual responsibility. The Division, through its Intake staff, is the sole repository for all incoming complaints including those received either by direct contact (walk-ins, face-to-face meetings) with the office or through the OIG Hotline. Secondly, the Division is responsible for reviewing all complaints received and determining the appropriate course of action. Currently, with a new Director in place, the Investigations Division has transitioned to actively conducting self-initiated projects which includes assessing/identifying areas of potential fraud, waste, mismanagement, and misconduct. Increased emphasis will be applied towards significant impact investigations.

The investigative activity conducted by the Division strictly adheres to 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. These principles are important as they guide the quality of our investigations.



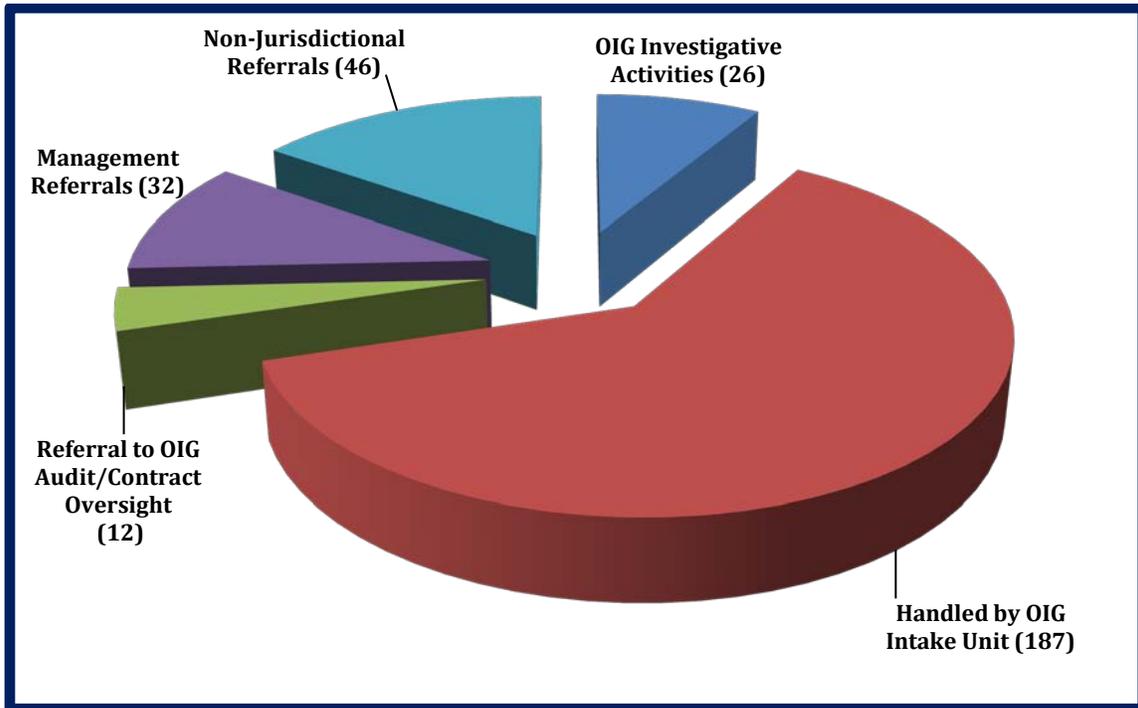
While OIG investigations are administrative in nature, criminal violations are sometimes discovered during the investigative process. When a determination has been made that the subject of an investigation has potentially committed a criminal violation; those findings are discussed with local law enforcement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

## INVESTIGATIONS HIGHLIGHTS

When there is reason to believe that a law, rule, policy, or procedure may have been violated, an Investigation or Investigative Review is initiated. In FY2015, the Investigations Division issued **three** Investigative Reports. Collectively these **three** reports contained **eight** recommendations to strengthen processes and improve the efficiency and effectiveness of operations. **Three** recommendations have been implemented and **five** are pending implementation. The reports and management responses can be found at <http://www.pbcgov.com/OIG/reports.htm>.

**CORRESPONDENCES**

Correspondences to the OIG include letters and emails that cover a wide variety of areas from comments, suggestions, questions, and complaints. The **303** correspondences received during FY2015 were processed as follows:

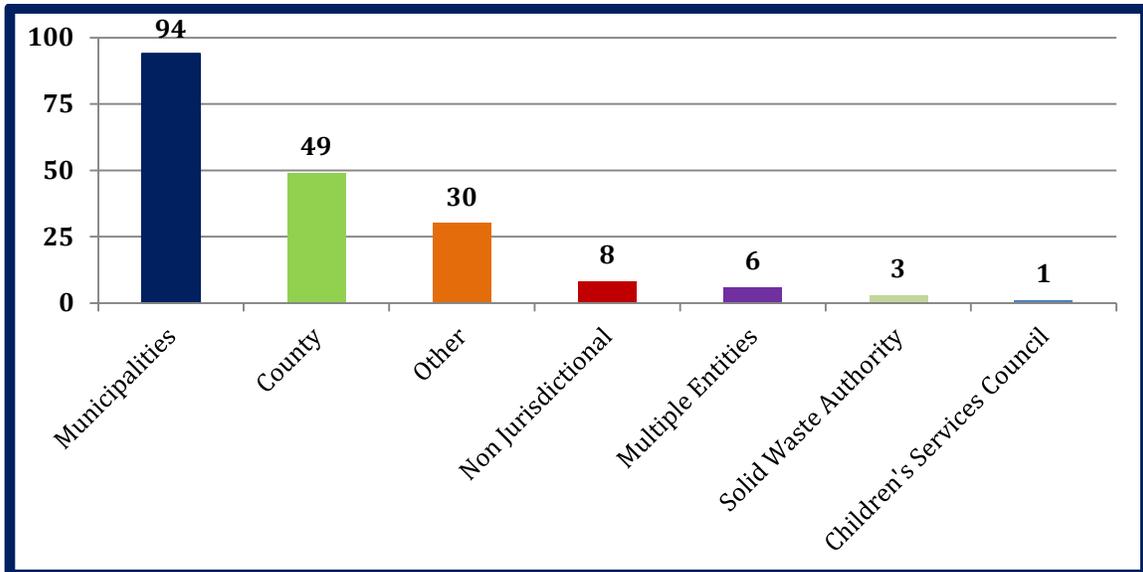


- **Handled by OIG Intake Division (62%):** Correspondences that are handled by the OIG, Information Only, and/or Closed with No Action.
- **OIG Investigative Activities (9%):** Correspondences that are assigned to the Investigations Division.
- **Management Referrals (10%):** Correspondences forwarded to respective Management for handling. No response to the OIG is required.
- **Referral to OIG Audit or Contract Oversight (4%):** Correspondences forwarded to OIG Audit and/or Contract Oversight Divisions for further review.
- **Non-Jurisdictional Referrals (15%):** Correspondences that do not fall within the jurisdiction of the OIG.<sup>2</sup>

<sup>2</sup> During FY2015, the OIG received a total of 46 Correspondences related to entities not within the jurisdiction of the OIG (1-Clerk of the Court; 6-Commission on Ethics; 5-Federal Agencies; 1-Property Appraiser; 9-State Agencies; 1-Tax Collector; 9-Other [e.g., private organizations, homeowner’s associations]; 14 whose dispositions are yet to be determined as of the date of this report).

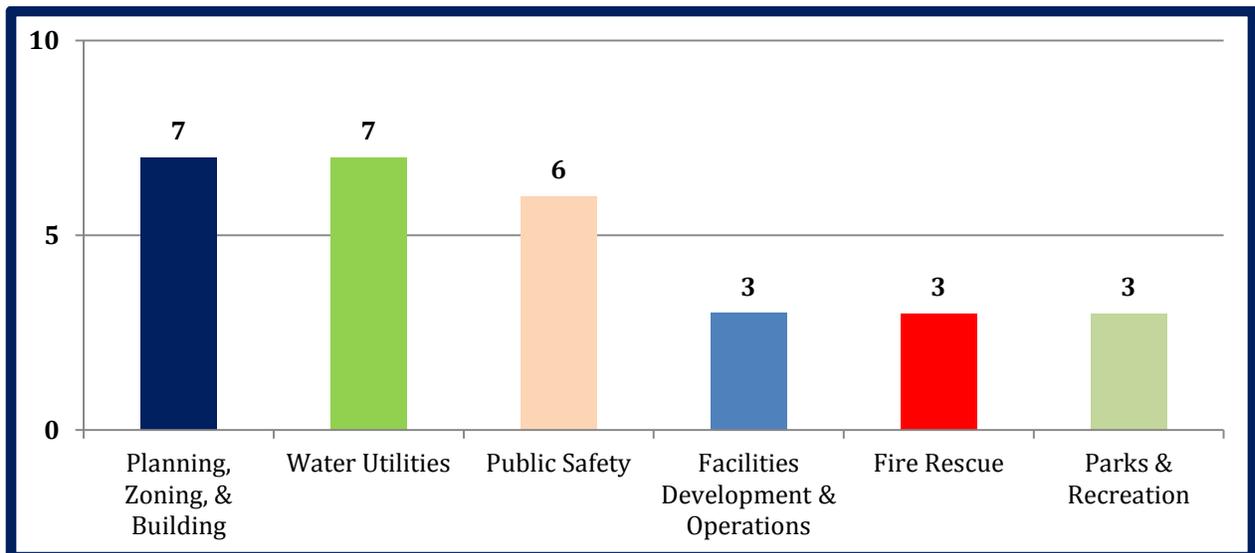
**COMPLAINTS**

Of the **824** telephone calls and **303** correspondences processed in FY2015, we received **191** complaints. The **191** complaints processed related to the following entities<sup>3</sup>:



**COMPLAINTS BY COUNTY DEPARTMENT (TOP 6)**

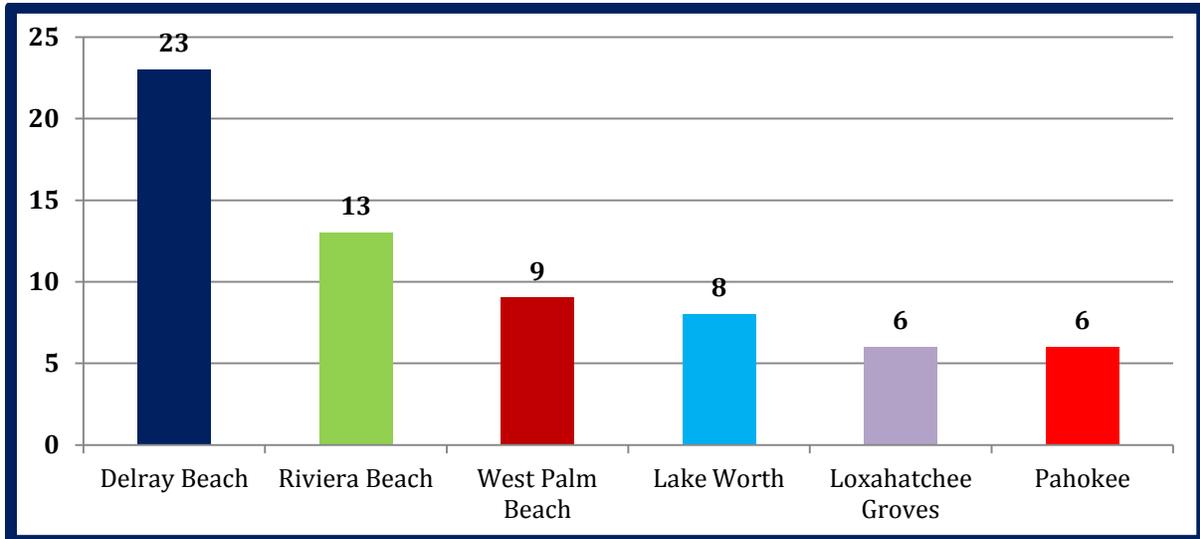
Of the **191** complaints received, **49** involved County Departments. The following is a breakdown of complaints by the **Top 6** County Departments.



<sup>3</sup> "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.

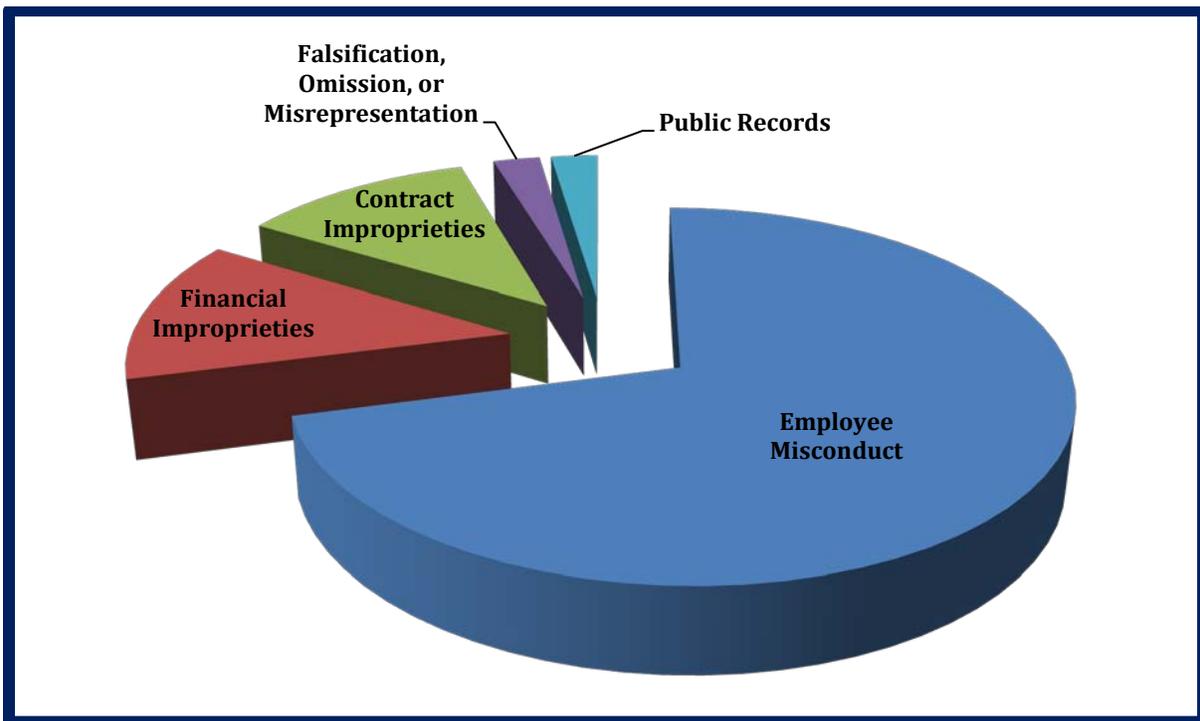
**COMPLAINTS BY MUNICIPALITIES (TOP 6)**

Of the **191** complaints received, **94** involved Municipalities. The following is a breakdown of complaints by the **Top 6** Municipalities.



**ALLEGATION TYPES**

Of the **191** complaints, a total of **200** allegations of potential wrongdoing were made. Of those 200 allegations, 86 were identified in the following top five categories:



## INVESTIGATIVE ACTIVITIES

During FY2015, the Investigations Division issued three reports containing six (6) allegations. 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 four (4) allegations for possible criminal investigation and/or prosecution; however, two of those allegations were returned to the OIG for administrative handling.

The following are highlights of our cases in FY2015:

### **City of Riviera Beach – Purchasing-card**

OIG Auditors forwarded information to the Investigations Division concerning questionable expenditures incurred by a City Department Director on his City-issued Purchasing Card (P-Card). The information alleged that the Department Director misused his P-Card in order to lease vehicles and falsified reconciliation reports to support the misuse. Our subsequent investigation supported both allegations. The allegations contained potential criminal activity and were referred to the Palm Beach County State Attorney's Office, but the office declined to investigate/prosecute.



We recommended three Corrective Actions. One Corrective Action was implemented and the other two are pending implementation. Identified Costs: **\$11,436.03**; Questioned Costs: **\$6,350.22**; Total Costs: **\$17,786.25**.

### **County Engineering and Public Works Department – Engineering Short List Committee**

The OIG received an anonymous complaint reporting allegations involving an Engineering and Public Works Department employee. Specifically, the complaint alleged that the Department Committee Chairperson voted for firms with whom she maintained close personal relationships. These included friendships with the principal consultants and/or owners of these specific firms, as well as, improperly influencing the votes of subordinate Committee members, a violation of County Policy and Procedure Memorandum (PPM) CW-O-048 and the Committee's non-compliance with § 287.055, Florida Statutes, otherwise known as the Consultants' Competitive Negotiation Act (CCNA). Our subsequent Whistle-blower investigation into the two allegations against the Committee Chairperson was deemed inconclusive due to a lack of established standards. The investigation did not support the allegation that the Committee's practices were not in compliance with CCNA.

We recommended four Corrective Actions; one was implemented, and three are pending implementation.

**Recusal policies are now being implemented to ensure that individuals with procurement responsibilities recuse themselves in matters involving their personal/private relationships with vendors and/or contractors.**

**County Fire Rescue – Testing**



The OIG received an anonymous complaint alleging that a Palm Beach County Fire Rescue (PBCFR) District Chief, while serving as a Subject Matter Expert for the PBCFR Exam Development Committee, violated the Palm Beach County Human Resources Examination Development Security Agreement by simultaneously tutoring PBCFR candidates who were eligible for the Captain’s promotional exam. Our investigation did not support this allegation. However, we found that

PBCFR personnel were working outside employment without notifying PBCFR. We recommended one Corrective Action, which was implemented.

In all, the Investigations Division recommended eight Corrective Actions in reports during FY2015. Three recommendations have been implemented and five are pending implementation.

**IG HOTLINE**

**1-877-283-7068**

## AUDIT DIVISION



The Audit Division conducts comprehensive, independent, and objective performance audits 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*.

### HIGHLIGHTS OF COMPLETED AUDITS

During FY2015, we issued **three** reports with total Identified and Questioned Costs of **\$3,189,297** and Avoidable Costs of **\$2,670,491**. Collectively, these three reports contain 82 recommendations to strengthen internal controls and improve the efficiency and effectiveness of operations. Management has implemented or is in the process of implementing 78 (95%) of our recommendations. The reports and management responses can be found at <http://www.pbcgov.com/oig/reports.htm>. A brief summary of the recommendations is also contained in Appendix 1 of this report.

#### **Audit of Children's Services Council (CSC) Information Systems Management**

We audited the Information Management (IM) Security Programs to determine if controls were in place to adequately safeguard CSC's information systems and ensure their continuous operation. Although we found that CSC's IM Security program is well managed and controlled, we noted:



- CSC has not had a system penetration test performed on their IM network.
- Although CSC staff follows a sound process for change control, there was no formal documentation of the change control processes.
- CSC had not performed and documented a full test of its IM disaster recovery plan.
- Although CSC's contracts for externally hosted applications include a provision for disaster recovery, we could not find a CSC IM disaster recovery policy for externally hosted applications in its disaster recovery plan.

We made four recommendations to assist CSC management in improving IM controls. CSC agreed with our recommendations and indicated it is taking or will take action to address each recommendation.

### **Audit of City of Riviera Beach Cash Disbursements**

We audited cash disbursement controls at the City of Riviera Beach. We found the City's internal controls needed improvement in all areas we tested. We identified deficiencies related to contracting, small purchases, use of purchase requisitions and purchase orders, P-Card and credit card programs, segregation of duties, accounting and payment processing controls, and operations at the City's fuel depot.

During the course of our audit, we found that the City had been proactive in improving internal controls. The City hired an internal auditor and a contract administrator and was in the process of purchasing a new automated fuel management system. These actions and others the City is taking will help improve the overall internal control environment.



Our report contained 15 findings and 38 recommendations to assist the City in improving controls over expenditures and ensuring assets are adequately safeguarded. The City concurred with 12 findings and agreed to take corrective action on 32 recommendations. The City did not concur with 3 findings and 6 recommendations (after we issued the report, 2 of these recommendations have since been accepted by the City with one implemented and the other pending implementation).

Our audit identified total questioned costs of \$880,504. Additionally, we determined that by taking action on our recommendations, the City could potentially avoid costs of up to \$1,040,084 over the next three years.

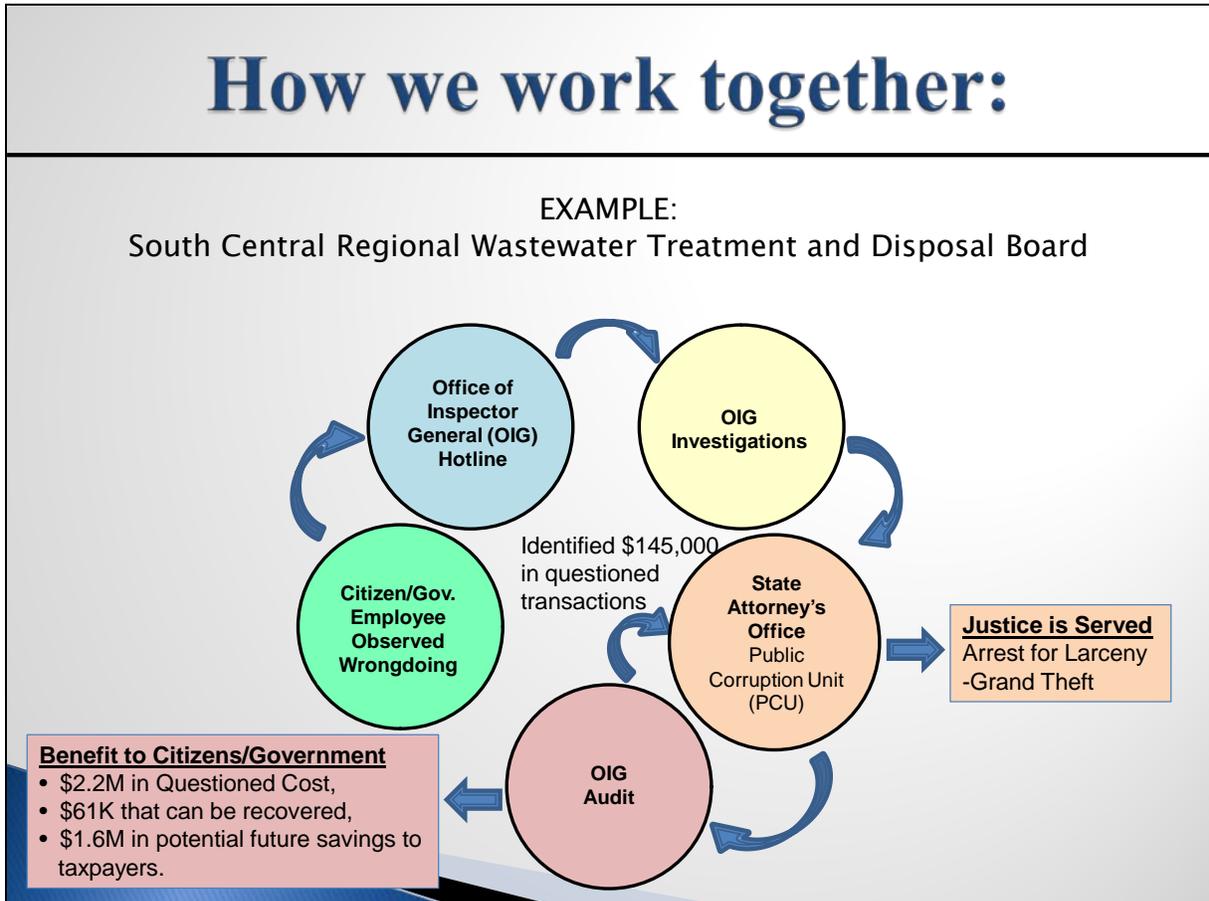
### **Audit of the South Central Regional Wastewater Treatment and Disposal Board**

We conducted an audit of the South Central Regional Wastewater Treatment and Disposal Board (Board). The cities of Boynton Beach and Delray Beach established the Board in 1974 as a special district for the treatment and disposal of wastewater. We conducted this audit after an anonymous complaint came into the OIG alleging Board employees were retaining proceeds from scrapping of copper wire owned by the Board. The Governing Board requested our audit services. Additionally, we referred the complaint to the State Attorney's Office.



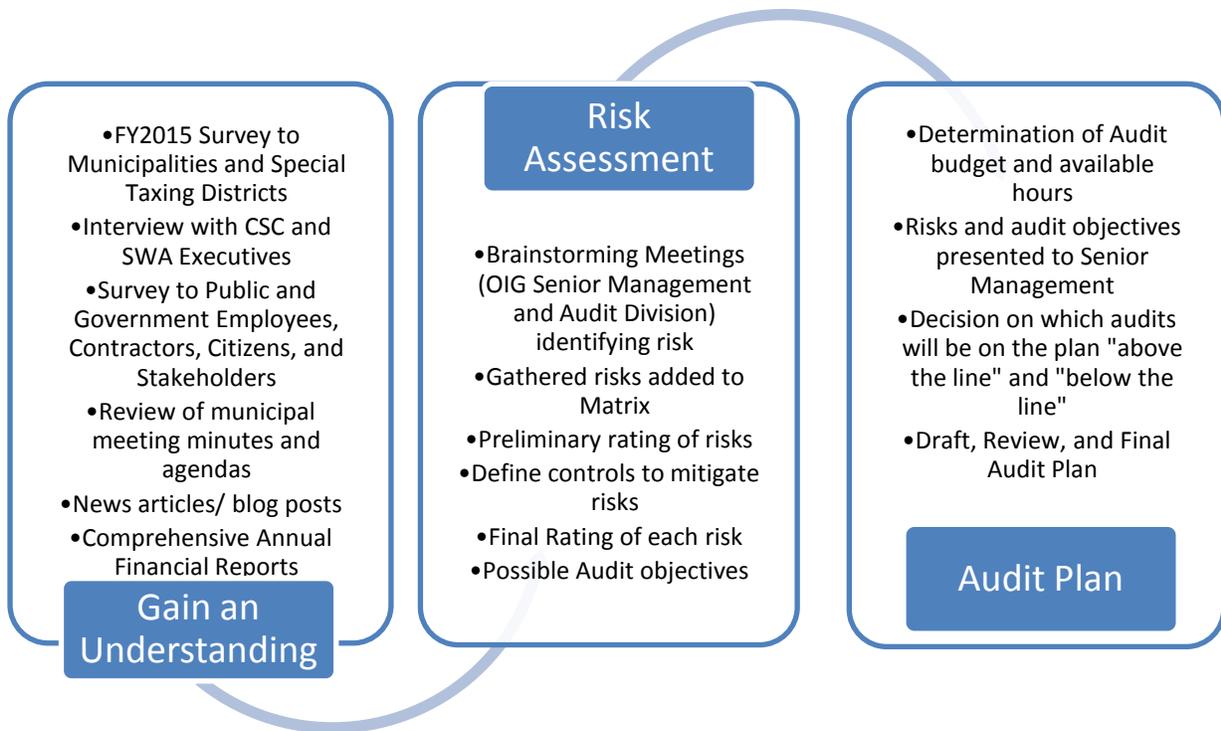
Our audit focused on selected financial and administrative activities to include contracting, credit card usage, payroll, fixed assets, scrapping, fuel operations, accounting procedures, and employee benefits. We found significant control weaknesses in all areas we reviewed, and made 40 recommendations to strengthen internal controls over the financial and administrative operations of the Board. The Board concurred with all 40 recommendations, and at the time of our finalized audit report the interim Executive Director had implemented 21 recommendations and had begun to take action on the remainder of the deficiencies we identified.

We identified \$2,247,519 in questioned costs, \$1,630,407 in avoidable costs, and \$61,274 in identified costs for potential return. Additionally, we referred questionable transactions involving expenditures of approximately \$145,000 to the State Attorney’s Office. Finally, the resultant State Attorney’s investigation led to the arrest of a former Board senior staff member on charges of Grand Theft.



## AUDIT RISK ASSESSMENT AND ANNUAL AUDIT PLAN

Our “audit universe” is comprised of Palm Beach County, 38 municipalities, Solid Waste Authority, and Children’s Services Council with 788 identified auditable units. Our goal is to make the most effective use of our resources focusing on areas of high risk for fraud, waste, and abuse, as well as, areas where costs can be reduced or revenue increased. To this end, we conducted a comprehensive risk assessment in order to best utilize our limited resources in FY2016. We compiled a risk assessment matrix using information obtained from several methods of research and information gathering. Additional risks were included drawing upon the professional expertise and experience of the OIG staff. Each risk was rated based on significance and impact. We assessed a final risk rating for the identified risks and developed the annual risk assessment. Our FY2016 Annual Audit Plan (Appendix 3) was created using this risk assessment.



## AUDIT FOLLOW-UP

During the year, we continued to perform quarterly follow-up on the status of all pending audit recommendations. We use an Audit Recommendation Tracking Report, which 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. Since the inception of the OIG, of the 271 audit recommendations made, 233 (86%) have been implemented.

## CONTRACT OVERSIGHT DIVISION

The Contract Oversight Division (COD) 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 COD 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](mailto:igcontracts@pbcgov.org).

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, our 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 FY2015, we issued **four** reports with total Questioned Costs of **\$3,274,217** and Avoidable Costs of **\$9,024,710**. Collectively, these **four** reports included **four** recommendations for improvements which have been implemented. The recommendations generally included following existing statutes, policies and procedures, and contract terms and conditions. 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.

### **City of Riviera Beach Survey Projects**

We reviewed thirteen projects initiated by the City that required professional survey and mapping services. We found that the City complied with the requirements of section 287.055, Florida Statutes – The Consultants’ Competitive Negotiations Act (CCNA) when entering into contracts with engineering/architectural firms. However, the City did not comply with this law when entering into contracts with surveyor firms. This resulted in Questioned Costs of \$9,674.

We recommended that the City comply with the requirements of the CCNA which requires competitive procurement of surveyor firms when the basic construction cost of the project exceeds \$325,000 or when the professional services related to the planning or study activity exceeds \$35,000. The City agreed with our recommendation.

### **City of Riviera Beach – Professional Service Agreements – Marina Grants Project Manager**



We reviewed seven resolutions that were approved by the City and the resulting contracts with the Project Manager. We reviewed the invoices/progress reports submitted by the Project Manager and the City’s Code of Ordinances. We found that although the City Council approved resolutions authorizing contracts with the Project Manager; three resolutions required retroactive commencement dates to cover periods when services were provided without proper authorization. We also found that the Project Manager submitted invoices/progress reports for services rendered; however, the submissions did not comply with contract requirements. Specifically, four of the six contracts required monthly invoice/progress reports; however, the Project Manager combined multiple months of consulting services into a single progress report and invoice. This resulted in Questioned Costs of \$189,000.

We issued two recommendations; first, that the City staff ensures vendors do not continue to provide services after the contract expires and the funds appropriated by the City Council have been expended; and second, that the City ensures its current contract with the Project Manager is performed in accordance with established contract terms and conditions. The City agreed with our recommendations.

### **City of Delray Beach – Collection of Solid Waste and Recyclable Materials**

In March 2012, we issued a report advising that the City comply with its own purchasing procedures and seek competitive procurement for solid waste and disposal services. The City rejected our recommendation and executed the agreement for eight years. In May 2013, a new City commission brought the issue to court. The judge determined the agreement was null and void as it violated City policy relating to competitive procedures; allowing the City to initiate a competitive procurement for these services. We followed the procurement process and evaluated the financial impact of the decisions made by the previous and new City commission on residents and business owners. We found that the previous City Commission’s decision to renew the contract in 2012 had a negative financial impact of approximately \$3 million (Questioned Cost) on residents and business owners of the City. We found that the new City Commission’s decision to challenge that contract and

initiate a competitive procurement will result in approximately \$9 million Avoidable Costs (savings) for residents and businesses.

We recommended that the City continue to comply with its own purchasing policies and seek open and competitive procurement. The City agreed with our recommendation.

## **LESSON LEARNED: Competition may reduce municipal expenditures**

### **Municipality Procurement Project**

We reviewed and analyzed all municipal procurement ordinances, policies, and procedures for each of the 38 municipalities. We provided information regarding procurement Best Practices and Guidance provided by both the American Bar Association and the National Institute of Public Procurement. We found a wide range of procurement ordinances, policies, and procedures ranging from municipalities that had none to municipalities with extensive regulations and implementation policies and procedures. The majority of municipalities (80%) maintain written guidance, competitive procurement, approval authority, emergency procurement, “piggyback” contracting, and sole source selection.

We recommended that those municipalities with no ordinances, policies, or procedures consider developing written purchasing guidelines. Further, we recommended that those with written guidelines consider reviewing them to strengthen and improve them.

### **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 FY2015, we proactively observed **124** procurement/contracting related activities. These activities included such things as: selection committee meetings, contract review committee meetings, pre-construction meetings, construction site visits, and meetings with municipal officials.

• County Selection Committees	20
• County Contract Review Committees	22
• County Meetings	7
• Municipal Selection Committees	34
• Municipal Meetings	12
• Other Covered Entities – Selection Committees	6
• Other Covered Entities – Meetings	<u>23</u>
<b>TOTAL</b>	<b>124</b>

## Section B – Activities

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In the course of these meetings, Contract Oversight Division staff routinely is asked to provide guidance to municipalities in an effort to enhance efficiencies. This guidance has resulted in policy and procedure changes by municipalities in how to score and rate proposals, refinement of determinations of responsiveness reviews, rating volume of work, and developing evaluation criteria. Occasionally, staff identifies issues overlooked by selection committees and advises staff of the error so corrections can be made as soon as possible in the solicitation process. Some examples of corrections include identifying double submission of a line item budget submission, miscalculation of selection committee scores, and missing statutory requirements.

The Contract Oversight Division continues to coordinate its activities with the other OIG divisions and where applicable, with the internal audit staff of the entities under OIG jurisdiction. One important element of the Contract Oversight risk assessment process includes 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.

### **ADDITIONAL 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 publications highlight the Contract Oversight Division's positive impact:



#### **OIG Advisory 2014-02 Making Government Better:**

**Resources to Strengthen the Procurement Process – December 9, 2014** – This Advisory provided a list of institutions/associations that offer training and certification courses, a sample of available training classes, and a list of books/publications that provide information on good procurement practices. This information was provided as a starting point for a professional wanting to enhance their knowledge, skills, and abilities on the topic of public procurement.

#### **OIG Tips and Trends 2015-0003 Local Construction Preference Preemption – June**

**2015** – During our review of legislation we discovered Senate Bill 778, enacted as Chapter 2015-63 Laws of Florida (255.0991, F.S. – effective 7/1/2015). This law prohibits most local preference in a competitive solicitation in which 50 percent or more of the cost is paid from state funds. This “Tips and Trends” recommended that local governments review their procurement ordinances and policies, as appropriate, to take into account this new legislation.



**OIG Tips and Trends 2015-0004 Local Request for Proposal (RFP) Evaluation Criteria – September 2015** – In observing a selection committee we noticed selection committee members with significantly differing scoring on the same evaluation criteria. As a result, in this “Tips and Trends” we recommended that evaluation criteria should have the following characteristic:

- Clear – not subject to multiple interpretations
- Relative – all key elements of the project requirements must relate to the requirement definition and be covered in the evaluation criteria
- Discriminating – separate best, average, and weaker proposals
- Non-Discriminatory – fair and reasonable
- Realistic – given the nature or value of the contract
- Measurable – capable of being quantified, calculable
- Economical – use of criteria should not take an unreasonable amount of time or resources
- Justifiable – makes sense and can be justified on common sense, technical, and legal basis; mandatory and heavily weighted criteria must be justified.

**Follow Up Review – Palm Beach County Department of Community Services – Financially Assisted Agencies (FAA) – July 6, 2015** – Our office issued Contract Oversight Observation 2011-O-0002, in which we noted that Selection Committee members exhibited an insufficient understanding of the FAA proposal review process, which appeared to be due to inadequate training and/or preparation. We followed up on this observation reviewing the RFP award process for FY2016 Domestic Violence and Homelessness Services for FAA. We observed many significant changes which have been made and that the process is greatly improved from what was observed in 2011.



**Follow Up Review – Palm Beach Gardens Emergency Debris and Disaster Recovery Services – July 17, 2015** – Our office issued Contract Oversight Notification 2011-N-0004, in which we noted that the City lacked policy and procedures related to RFP development and evaluation committee selections. We further noted that not all selection committee members were fully aware of their roles and responsibilities and did not appear to understand the concept of “responsiveness” and “responsible” proposals. We followed up on this Notification and observed that the City has modified their policies and procedures, implemented selection committee member training which includes the concepts of “responsiveness” and “responsible” proposals.



## OUTLOOK AND WAY AHEAD

### OIG Vision Statement (Where we are going)

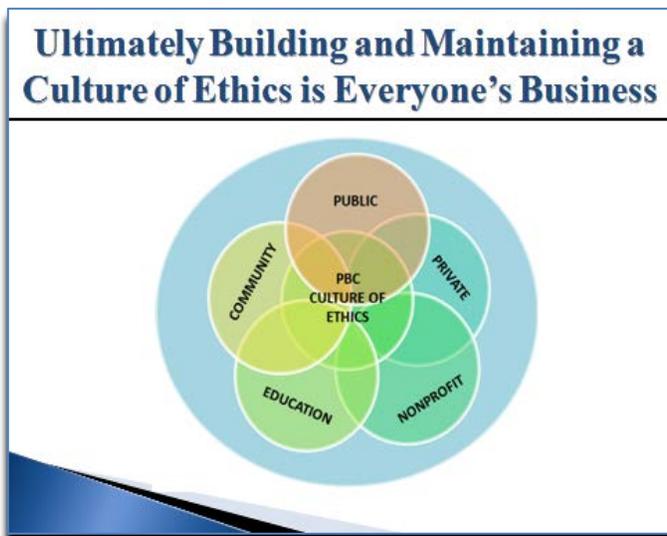
*To lead as a catalyst for positive change throughout local governments and public organizations in Palm Beach County with an inspired and skilled team that strives for continuous improvement.*



Our major areas of focus in FY2016 and the coming years will be to:

- 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.

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 five 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.



*Appendix 1 – FY2015 Recommendations*

**INVESTIGATIVE ACTIVITIES COMPLETED  
(October 1, 2014 – September 30, 2015)**

**Date**

**12/31/2014**

**City of Riviera Beach – Purchasing-card**

**Report Number**

**2014-0011**

**Recommendations:**

1. Take corrective personnel action, which it deems appropriate.

*Implemented*

2. Recoup all funds associated with expenditures that did not have a valid business purpose.

*Pending implementation*

3. Implement a written policy addressing the City's insurance coverage as it relates to the leasing of vehicles by employees and disseminate to all employees.

*Pending implementation*

**4/15/2015**

**2014-0009 WB**

**County Engineering and Public Works Department – Engineering Short List Committee**

**Recommendations:**

1. Take corrective personnel action it deems appropriate.

*Implemented*

2. The County implement a policy requiring County employees, with procurement responsibilities, to recuse themselves in matters that involve those with whom they have personal or private relationships that could reasonably be a perceived or actual conflict.

*Pending implementation*

## *Section D – Appendices*

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3. Currently, the Chair, whether a member of the Committee or not, is in a position to potentially influence the outcome of the Committee decision because the Chair supervises all but one of the Committee members. Review the makeup of the Short List Committee and implement a process whereby no member of the Committee has supervisory authority over another.

*Pending implementation*

4. In order to inspire public confidence in the process, eliminate the preliminary short list step and score and rank all proposers.

*Pending implementation*

**9/21/2015  
2015-0007**

### **County Fire Rescue - Testing**

#### **Recommendation:**

1. Ensure all employees are familiar with the County's policies and procedures related to dual employment (Merit Rule 10), and where required, PBCFR should ensure that the appropriate documentation is obtained.

*Implemented*

**AUDIT REPORTS COMPLETED  
(October 1, 2014 – September 30, 2015)**

**Date**

**12/23/2014**

**Children’s Service Council (CSC) Information Systems Management**

**Report Number**

**2015-A-0001**

**Recommendations:**

1. CSC Management should contract with a third party information technology specialist to perform penetration testing to ensure network and logical access security cannot be compromised.

*Implemented*

2. CSC Management should formally document the procedures that govern “change control” as currently supported by IssueTrak tickets, management review, system monitoring, and committee approval.

*Implemented*

3. On an annual basis, CSC Management should perform a full IM system disaster recovery test and fully document the test results.

*Implemented*

4. A disaster recovery policy for externally hosted computer applications needs to be developed and included in the CSC disaster recovery plan document.

*Implemented*

**1/21/2015**

**City of Riviera Beach - Cash Disbursements**

**2015-A-0002**

**Recommendations:**

1. The City should establish policies and procedures for contract monitoring and contract administration that provide guidance on contract activities; such as monitoring of progress, and inspection and acceptance of work performed prior to payments.

*Implemented*

## *Section D – Appendices*

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2. The City should establish a position under the Director of Purchasing to oversee all contracting activities. Centralized contract management would aid the City in improving its management oversight of City contracts. Also, an effective monitoring process would help prevent payments in excess of the maximum contract amounts or payments made for services rendered after contracts have expired.

*Implemented*

3. The Finance Department should review invoices and payment requests for proper review and approval by the originating department. The originating department should document their review and approval process with a signature. In the absence of this documentation the Finance Department should not process the invoice for payment.

*Implemented*

4. City staff should become knowledgeable as to the scope of work in City contracts, contract deliverables, and types of services allowable under established contracts. This would help ensure that payments are not made for goods or services that are outside the scope of the contract.

*Implemented*

5. The City Manager should work with the City Council to determine what level of contracting authority should be delegated to the City Manager. If the Council votes to delegate a higher level of authority to the City Manager than the \$1,500 currently established the City Ordinance should be amended accordingly.

*Management did not accept recommendation (originally), it has since been implemented*

6. The City Council should reassess Sec. 16.5-63 of the City Procurement Code to ensure that it encourages the use of competitive procurement whenever possible.

*Management did not accept recommendation*

7. The City Manager should ensure compliance with the City's Procurement Code that requires obtaining competitive quotes on small purchases between \$2,500 and \$25,000.

*Implemented*

8. The Director of Purchasing should initiate a review of all current City purchasing guidelines to ensure that guidance that conflicts with the City Procurement Code is identified and corrected.

*Pending implementation*

## *Section D – Appendices*

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9. The City Manager should direct City staff to utilize the requisition system to procure goods and services.

*Implemented*

10. The Purchasing Director should review the City's procedural manuals that provide guidance on use of the requisition system and clarify guidance that requires staff to submit requisitions for all purchases.

*Implemented*

11. The City Manager should ensure that purchase orders, check requests, and travel requests are not processed for payment without the proper approval and adequate documentation to support the payment.

*Implemented*

12. City departments need to ensure that all purchasing documents, such as purchase orders and check requests, have descriptions and amounts that match the invoice being submitted for payment.

*Implemented*

13. The City Manager should separate the duties of managing the City's information technology operations and the City's purchasing operations. If this is not practical, additional mitigating controls need to be put into place such as additional levels of review and approval for IT purchasing.

*Implemented*

14. The appropriate City department should develop a current list of cell phones and iPads identified by serial number, service number if applicable, and name of staff assigned to the equipment.

*Implemented*

15. Approved cellular phone request forms demonstrating need should be on file for all City staff in accordance with the City policy. A formal request and approval form should be established for iPads.

*Implemented*

## *Section D – Appendices*

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16. The City Manager should ensure that established P-Card and Corporate Card procedures are consistently followed by both cardholders and responsible management officials. Key controls such as the review and approval of monthly cardholder statements by responsible officials need to be performed timely and consistently. Supporting documentation such as receipts and/or invoices should accompany each purchase and the requirement for completing a Missing Receipt Form should be enforced.

*Implemented*

17. The Finance Department should develop a process for documenting and notifying both the P-Card Administrator and the City Manager of recurring violations of the P-Card policy, such as not submitting monthly reports timely or not providing supporting documentation for credit card purchases. As provided for in the Procurement Card Manual, disciplinary action should be taken when appropriate, for a violation of the procedures.

*Implemented*

18. The P-Card and Corporate Card administrator should develop formal policies and procedures for the increase and decrease of single purchase limits and cumulative monthly card limits. Increases and decreases to card limits should be adequately documented.

*Pending implementation*

19. The City Manager should remind all cardholders and responsible officials of the requirements in the Procurement Card Manual to ensure that no sales tax is charged on credit card purchases. The Finance Department and the P-Card Administrator should regularly review monthly cardholder's statements and supporting documentation and notify cardholders and responsible officials when sales tax has been improperly charged.

*Implemented*

20. The City Manager should evaluate whether there is a need for Council members to be issued both P-Cards and Corporate Cards.

*Pending implementation*

21. The City Manager should remind cardholders and responsible officials of the need to review all credit card purchases to ensure that they have a clear public or business purpose.

*Management did not accept recommendation (originally), it is now pending implementation*

## *Section D – Appendices*

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22. The City should develop written policies and procedures for the issuance and use of store credit cards. The procedures should include documented approval, review, and monitoring of the procedure and processes to ensure the safeguarding of the City's assets.

*Pending implementation*

23. The Purchasing Department should develop a current list of all authorized City store credit cards. This list should be reconciled at least annually to the actual credit cards or credit card authorizations at the retail store.

*Implemented*

24. The Purchasing Department should request the return of the Costco Card from the Department Head and City staff for safekeeping.

*Implemented*

25. The Purchasing Department should work with the Human Resources Department to provide written guidance on the collection of City owned assets when an employee is separating from the City.

*Implemented*

26. The separation checklist should include all City assets and provide for a notification process related to store credit cards, P-Cards, Corporate Cards, iPads, and Cell Phones.

*Implemented*

27. The Utility District should generate and review exception reports in order to identify questioned meter readings or unusual usage. The reports and billing registers should be initialed and dated to document the review process.

*Management did not accept recommendation*

28. The Finance Department should review both the FPL utility bills and the water utility bills to ensure timely payment of the appropriate amount.

*Management did not accept recommendation*

29. The City should ensure that bank statements are reconciled on a monthly basis to provide accurate accounting records and adequate internal control over the City's cash. The City should implement procedures to ensure that the bank account activity is monitored routinely and potential errors and irregularities are addressed on a timely basis.

*Management did not accept recommendation*

## *Section D – Appendices*

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30. The City should complete a new authorized signature card on the bank account and replace the individual who is no longer an authorized signer with the current authorized signer.

*Implemented*

31. The City should utilize the features of the TRAK system including production of exception reports to monitor fuel transactions. If the existing system cannot provide the appropriate functions for monitoring and control, management should evaluate the cost/benefit of replacing the system.

*Implemented*

32. The City should work with the vendor to resolve the problems with malfunctioning SMARTags and increase the use of the SMARTag option for access to the fuel depot.

*Implemented*

33. The City should consider utilizing the dual access options available in the System to identify the specific employee executing the fuel transaction.

*Implemented*

34. The City's Public Works Department should ensure that employees are properly trained on the importance of entering the correct mileage entry to initiate fuel transactions.

*Implemented*

35. The City should discontinue the practice of employees entering mileage readings of "0" or "1" to initiate fuel transactions.

*Implemented*

36. New key fobs should be added to the TRAK system specifically designed for fueling small equipment and containers. These fobs should be programmed with a gallon limit equal to the size of the small equipment or containers being used.

*Implemented*

37. The City should provide for the development and regular review of fuel transaction reports which identify the vehicle, fueling assignments and fuel usage by department.

*Implemented*

## Section D – Appendices

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38. The City should create and document policies and procedures to govern the City's fuel program and once established, they should be clearly communicated.

*Implemented*

9/22/2015  
2015-A-0003

### South Central Regional Wastewater Treatment Board

#### Recommendations:

1. We recommended that the Board establish policies and procedures for contract monitoring and contract administration that provide guidance on contract activities; such as monitoring of progress, and inspection and acceptance of work performed prior to payment. An effective contract monitoring process could help prevent payments in excess of the maximum contract amounts or payments made for services rendered after contracts have expired.

*Pending implementation*

2. We recommended that the Board review the scope of work in Board's contracts, contract deliverables, and types of services allowable under established contracts. This would help ensure that payments are not made for goods or services that are outside the scope of the contract.

*Implemented*

3. We recommended that the Board ensures that competitive procurement is utilized in compliance with the adopted procurement policies. Without the competitive procurement process there is no assurance that the lowest and best price has been received for goods and services.

*Implemented*

4. We recommended that Management review its procurement policy as it relates to continuous service contracts. Without the competitive procurement process there is no assurance that lowest and best price is being expended to acquire goods and services.

*Implemented*

5. We recommended that the Board ensure that management adheres to the appropriate procurement process for the dollar amount of the purchase and competitively procure a contract for fuel.

*Pending implementation*

## Section D – Appendices

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6. We recommended that management review all operational activities and manuals to assess current compliance with established payroll and employee benefits. During the audit the interim Executive Director took corrective action and changed the hours of operation for the various Boards' departments to ensure that each employee works and is compensated for a full eight hour work day.

*Implemented*

7. We recommended that management review the vacation cash-out policies and procedures to ensure that the vacation payment is correct. A procedure should be established to review and approve all individual vacation cash-out requests for accumulated hours, and frequency of occurrence.

*Pending implementation*

8. We recommended that Management design the "bonus" program, notifying all employees of the program, the performance standards and the evaluation process if it intends to continue the bonus awards.

*Implemented*

9. We recommended that Management review the IRS reporting requirements related to bonuses. Employee bonuses are taxable and should be included in the employee's wages and W2.

*Implemented*

10. We recommended that Board management adhere to its own policy in the Personnel Manual Rule XVI – Employment of Relatives.

*Pending implementation*

11. We recommended that Board management making hiring and termination decisions take a training class in current regulatory employment procedures, rules and regulations, including the State Code of Ethics, Chapter 112.

*Pending implementation*

12. We recommended that management seek to determine the basis for the costs incurred by the Board with respect to the former Executive Director and consult with the Board attorney on recovering any inappropriate costs.

*Pending implementation*

## *Section D – Appendices*

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13. We recommended that all policies and procedures related to the pension plan are followed to ensure that the pension committee fulfills its fiduciary responsibility to the Plan and the Plan participants.

*Implemented*

14. We recommended that written procedures are developed to provide guidance in the Plan activities and recordkeeping to ensure that documents, contributions, and pension investment values are being accounted for properly.

*Pending implementation*

15. We recommended that regularly scheduled quarterly Pension committee meetings occur to ensure proper oversight of Plan activities. Pension meetings enable the pension board to review quarterly activities, third party provider services and investment results.

*Implemented*

16. We recommended that management ensure that the established credit card procedures are consistently followed by both cardholders and responsible management officials. The Board should expand the responsibilities of the cardholders and the Finance Department as stated in the Purchasing Card and House Card Policy, Section Five, Responsibilities. Key controls such as the review and approval of monthly cardholder statements by a responsible official need to be performed timely and consistently. Supporting documentation such as receipts and/or invoices should accompany each purchase.

*Implemented*

17. We recommended that the Finance Administrator develop a process for documenting and notifying the Executive Director and the Board of recurring violations of the Purchasing Card and House Charge Policy. As provided for in the Employee Agreement disciplinary action should be taken when appropriate, for a violation of the procedures.

*Implemented*

18. We recommended that management remind all cardholders of the requirements in the credit card policy to ensure that no sales tax is charged on credit card purchases and all credit card purchases must have a clear public or business purpose. The Finance Administrator should regularly review monthly cardholder's statements and supporting documentation and notify cardholders and responsible officials when sales tax has been improperly charged.

*Implemented*

## *Section D – Appendices*

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19. We recommended that the Board develop written policies and procedures for scrapping. Policies and procedures should include at a minimum:
- How material is accumulated and accounted for;
  - The process for disposal and sale of scrap;
  - A list of acceptable scrapping companies;
  - How proceeds from scrap sales are documented and accounted for;
- and,
- The establishment of adequate segregation of duties between removal, sale and receipt of proceeds.

*Implemented*

20. We recommended that the South Central Regional Wastewater Facility Employee Activity Fund bank account be closed. Proceeds from Board owned vending machines could be used solely for restocking the machines. Since the machines are owned by the Board, prices for sodas and snacks could be set at a price close to replacement cost. Significant profits would not be generated by the vending machine sales.

*Pending implementation*

21. We recommended that the Board and the City of Boynton Beach enter into an interlocal agreement. This agreement should outline and define each entity's responsibilities as well as any financial reciprocation to each other.

*Implemented*

22. We recommended that management conduct a formal evaluation of the condition of all plant properties to determine the need for repairs, and/or securing the property from access.

*Implemented*

23. We recommended that management implement a formal on-going safety inspection and maintenance program for the Board's plant and properties.

*Implemented*

24. We recommended that management review regulations, policies, and procedures related to construction projects to ensure that all regulations are followed and that proper policies and procedures affecting the construction process are in compliance.

*Implemented*

25. We recommended that the Board establish policies and procedures for the proper accounting of capital assets and the disposal of assets.

*Implemented*

## *Section D – Appendices*

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26. We recommended that the Board establish a policy and procedures for conducting periodic physical inventories of fixed assets, at least on an annual basis. The procedure should include location, identification, and condition of the asset.

*Pending implementation*

27. We recommended that management ensures that accounting for assets is performed accurately and on a timely basis.

*Pending implementation*

28. We recommended that management requires that the Finance Administrator review asset records to identify assets that were unaccounted and would support seeking recovery.

*Pending implementation*

29. We recommended that the Board ensure that employees enter the correct fuel meter reading for fuel tank transactions.

*Pending implementation*

30. We recommended that the Board provide for the development and regular review of fuel transactions which identify the vehicle and fuel usage.

*Implemented*

31. We recommended that the Board develop policies and procedures to govern the plant's fuel depot and once established, they should be clearly communicated.

*Pending implementation*

32. We recommended that the Governing Board have an employment law attorney review any employment agreements that the Board may enter into in the future to ensure compliance with all federal and state regulatory laws, rules, and guidelines.

*Implemented*

33. We recommended that the Governing Board seek to determine the basis for the vehicle costs incurred by the Board with respect to the former Executive Director and consult with the Board's attorney on recovering any inappropriate costs.

*Pending implementation*

## *Section D – Appendices*

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34. We recommended that a third party review and approve the bank reconciliation process. This will ensure that all steps in the process were performed.

*Pending implementation*

35. We recommended that management establish a payroll tax recap process for all quarterly 941 payroll returns. This would identify any differences between the payroll deposits and the 941 report prior to submission to the IRS.

*Pending implementation*

36. We recommended an annual review of the banking services and signers on the account be performed to identify any charges that may need to occur. The Board should review the bank services annually at the beginning of the fiscal year or when an authorized signer leaves the Board.

*Pending implementation*

37. We recommended that management review the current accounting software to see if it meets the business needs of the organization. Technology that better suits the Board could allow for efficiency and reduce the risk of errors.

*Pending implementation*

38. We recommended that Board members provide proper oversight in the activities of the Board in accordance with the Interlocal Agreement. Scheduled meeting attendance enables the regular monitoring of fiscal operations. Meeting attendance will ensure that Board members perform key fiscal oversight responsibilities of a governing board such as, developing policies; monitoring fiscal operations, and conducting audits.

*Implemented*

39. We recommended that the interim Executive Director work with the Governing Board to establish a Board meeting schedule and a standard format for regular financial reporting as part of the Board meeting agenda.

*Implemented*

40. We recommended that the interim Executive Director review the organizational chart and operational activities of the Board and draft a presentation to the Board on options available to facilitate the operations and management of the Board.

*Pending implementation*

**CONTRACT OVERSIGHT REPORTS COMPLETED  
(October 1, 2014 – September 30, 2015)**

**Date**

**11/19/2014**

**City of Riviera Beach Survey Projects**

**Report Number**

**2014-N-0133**

**Recommendation:**

1. The City of Riviera Beach should comply with the requirements of Section 287.055, Florida Statutes, the Consultant’s Competitive Negotiation Act, that surveyors and mapper firms be competitively procured when the estimated construction costs of the project exceed \$325,000, or when the professional services related to a planning or study activity exceed \$35,000.

*Implemented*

**1/13/2015**

**City of Riviera Beach – Professional Service Agreements – Marina Grants Manager**

**2014-N-0086**

**Recommendations:**

1. The City should implement contract administration activities to ensure that all vendors do not continue to provide services after the funds appropriated by its City Council have been expended.

*Implemented*

2. The City should ensure the current Marina Grants Manager Contract is performed in accordance with established contract terms and conditions.

*Implemented*

**5/11/2015**

**City of Delray Beach Collection of Solid Waste and Recyclable Materials**

**2015-N-0001**

**Recommendation:**

1. The City should continue to comply with its own purchasing policies and seek the benefits of an open and competitive procurement process whenever practical.

*Implemented*

9/18/2015  
2015-R-0001

**Municipality Procurement Project**

**Guidance:**

The following elements of Guidance should be considered when implementing a durable procurement system:

Ordinances - Would provide the legal requirements for procurement.

Policies and Procedures - Would provide the ways in which the laws would be implemented. Further, they serve a vital operational purpose by providing:

- Transparency, they are clear and easy to understand
- Consistent approaches and direction for decision making
- Procurement training, especially for staff who do not routinely complete these tasks
- Important information for vendors and proposers

*Section D – Appendices*

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*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 working 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 significant recommendations.

**Date**

9/22/2014

**City of Belle Glade – Audit of Cash Disbursements**

**Report Number**

2014-A-0005

**Recommendation:**

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*

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*

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

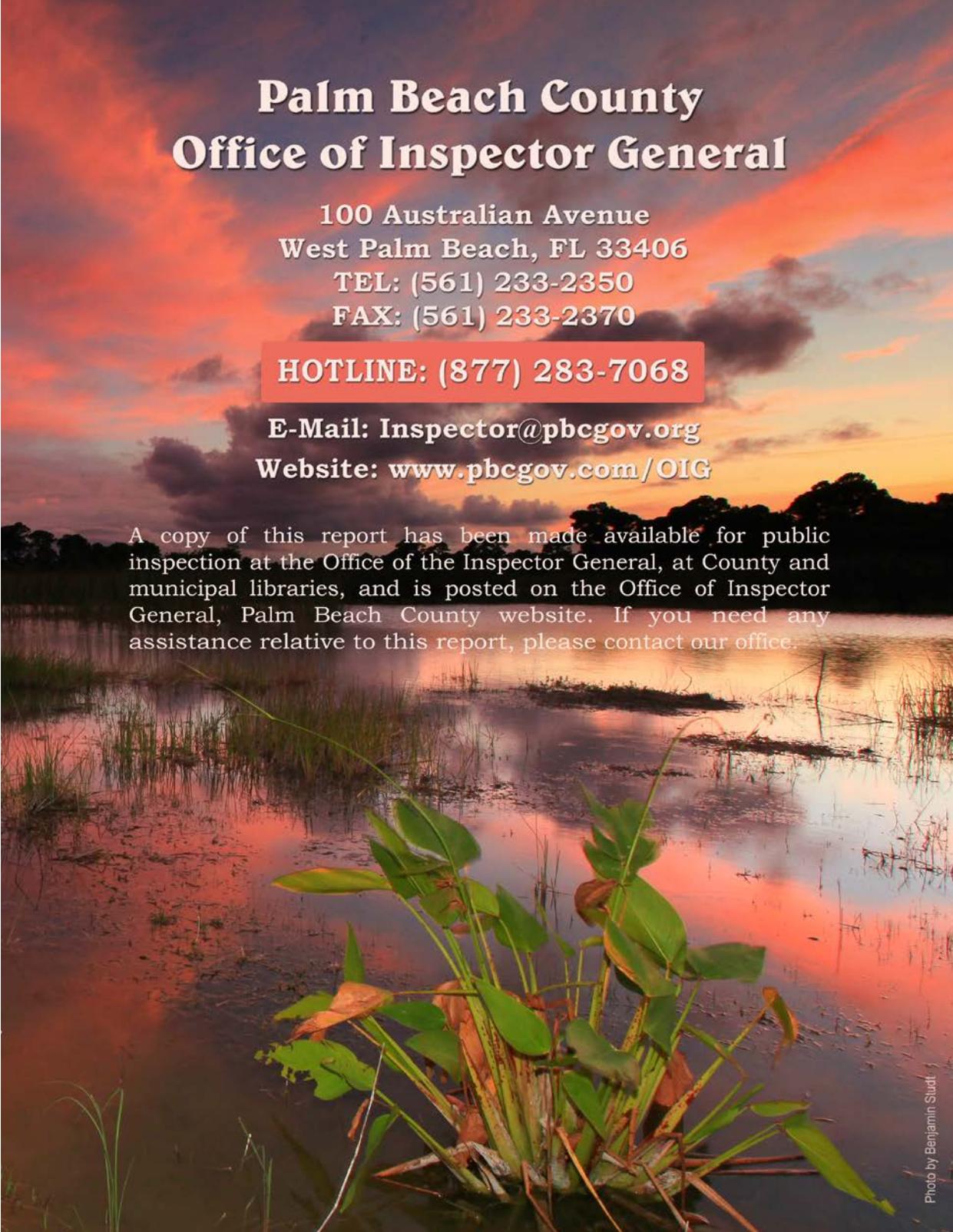
*Pending implementation*

*Section D – Appendices*

*Appendix 3 – FY2016 Audit Plan at a Glance\**

Audit	Possible Objectives
<b>Carryover Audits</b>	
<b>Palm Beach County DES</b>	Determine if there are sufficient controls in place to safeguard grant funds against fraud, waste, and abuse.
<b>Delray Beach - Finance</b>	Determine if purchasing activity is controlled by adequate and documented policies and procedures.
<b>Planned Audits</b>	
<b>City of Pahokee</b>	<ul style="list-style-type: none"> <li>• Is the City of Pahokee using sound financial practices to conduct city business?</li> <li>• Are purchases made by the city being properly documented and approved to avoid fraud, waste, and abuse?</li> <li>• Is the City Commission conducting business in a manner that is transparent and in the taxpayers' best interest?</li> </ul>
<b>Town of Loxahatchee Groves</b>	<ul style="list-style-type: none"> <li>• Is the Town of Loxahatchee Groves using sound financial practices to conduct city business?</li> <li>• Are purchases made by the city being properly documented and approved to avoid fraud, waste, and abuse?</li> <li>• Is the Town Council conducting business in a manner that is transparent and in the taxpayers' best interest?</li> </ul>
<b>Multiple Entities: Fleet/Fuel Management</b>	<ul style="list-style-type: none"> <li>• How are the selected entities protecting fuel card purchases from wasteful/abusive spending?</li> <li>• Are vehicles and parts purchased at the most cost effective rate to keep government spending low?</li> <li>• Are vehicles purchased using government funds being tracked and used efficiently?</li> </ul>
<b>Multiple Entities: Utilities</b>	<ul style="list-style-type: none"> <li>• Are utilities using proper billing, collections, and rate setting practices?</li> <li>• Is the customer's confidential and/or sensitive information (credit cards, Social Security Number, etc.) protected from fraudulent use?</li> <li>• Are municipalities conducting utilities activities in accordance with interlocal agreements and Florida statutes?</li> </ul>
<b>Possible Audits</b>	
<b>Follow Up Audit: South Bay</b>	Determine the extent to which audit recommendations from two previous audits have been implemented.
<b>Multiple Entities: IT Security</b>	Determine the extent to which controls are in place to guard against inappropriate access of electronic information at selected entities.

*\*IG/Management Request audits, due to their nature, are not included.*



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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.