

Palm Beach County
Office of Inspector General

2016
**ANNUAL
REPORT**

Excellence
FAIRNESS Caring
Justice
Truth **RESPECT** Impartiality
INTEGRITY Transparency
HONESTY PROFESSIONALISM
Accountability Trust Dedication Citizenship Shared Values
RESPONSIBILITY

ENHANCING PUBLIC TRUST *in* GOVERNMENT

October 1, 2015

— to —

September 30, 2016



TABLE OF CONTENTS

Section A: Overview.....	1
Fiscal Year 2016 Successes.....	1
Mission, Vision, Values	3
History.....	4
Authorities and Responsibilities	5
Structure and Staffing.....	7
Standards and Accreditation.....	9
Lawsuit.....	10
Budget	11
Outreach, Education, Prevention.....	12
Section B: Activities	15
Investigations Division.....	15
Audit Division.....	23
Contract Oversight Division	29
Section C: Outlook and the Way Ahead	35
Section D: Appendices.....	36
Appendix 1: Fiscal Year 2016 Recommendations.....	36
Appendix 2: Prior Years' Significant Open Recommendations.....	51
Appendix 3: Fiscal Year 2017 Audit Plan.....	52

Message from the Inspector General

Citizens of Palm Beach County:

I am pleased to present the Fiscal Year 2016 (FY2016) Annual Report covering the activities of the Office of Inspector General (OIG) for the period of October 1, 2015 through September 30, 2016. The report demonstrates the breadth and depth of our work to promote integrity, efficiency, and overall effectiveness in government over the past year.




During the past year we received and took action on over 900 Hotline calls and correspondences. We discovered over \$5.7 million in questioned costs and over \$314 thousand in potential cost savings to taxpayers in dollars being returned or in future avoidable costs. In the area of holding those in government accountable, we referred 14 matters to law enforcement or the County or State Commissions on Ethics. As to making our government better, we made 104 recommendations to come into compliance with laws and regulations, or to be more efficient, or more effective.

This office remains committed to maintaining the highest possible standards of professionalism and quality of work. We are committed to providing objective and independent: 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.

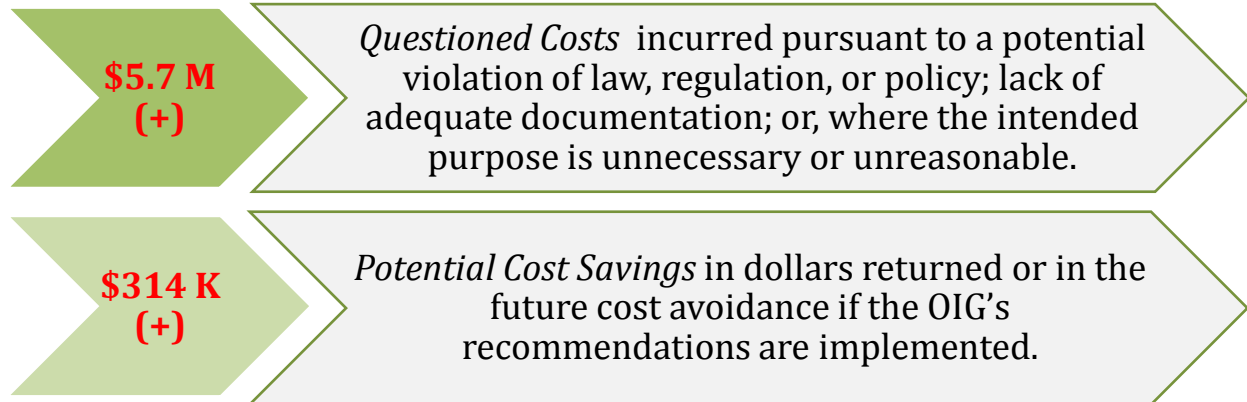
I want to commend our hard-working staff for their outstanding efforts. I am so proud to serve with such a dedicated team of professionals. Additionally, I want to thank the County and municipal governments, the Solid Waste Authority, and the Children's Services Council for their work with our office; the IG Committee for its support; and you, the citizens of Palm Beach County, for your support. We welcome any comments or suggestions that may assist us in accomplishing our mission.

Sincerely,


John A. Carey
Inspector General

SUMMARY OF THE OIG FY2016 SUCCESSES

Guarding Taxpayers' Dollars



Promoting Integrity in Government



Making Government Better



15 Reports with 104 Recommendations

To improve government operations and to save taxpayer dollars.

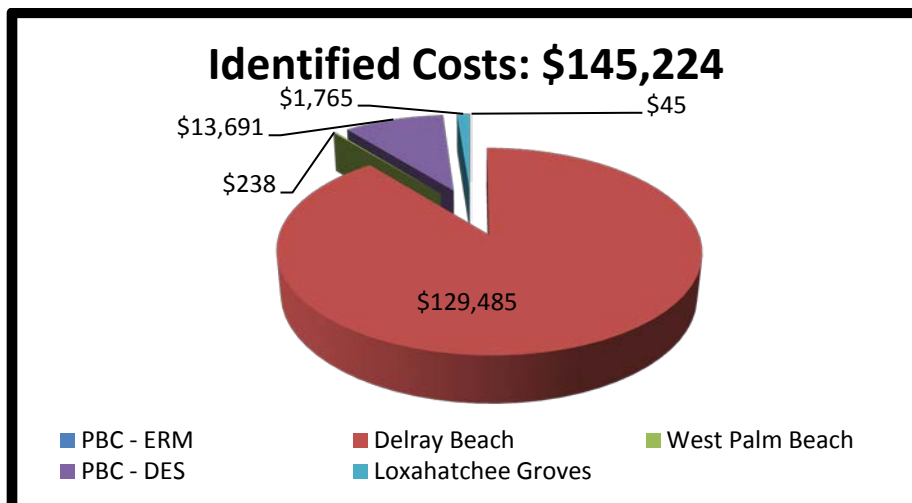
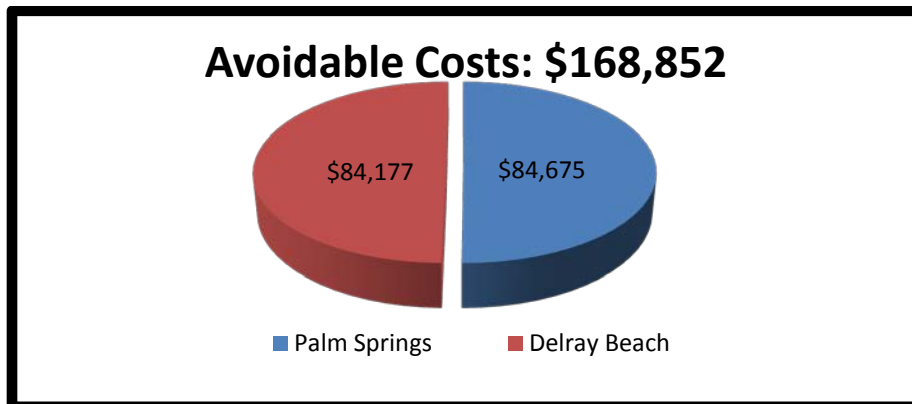
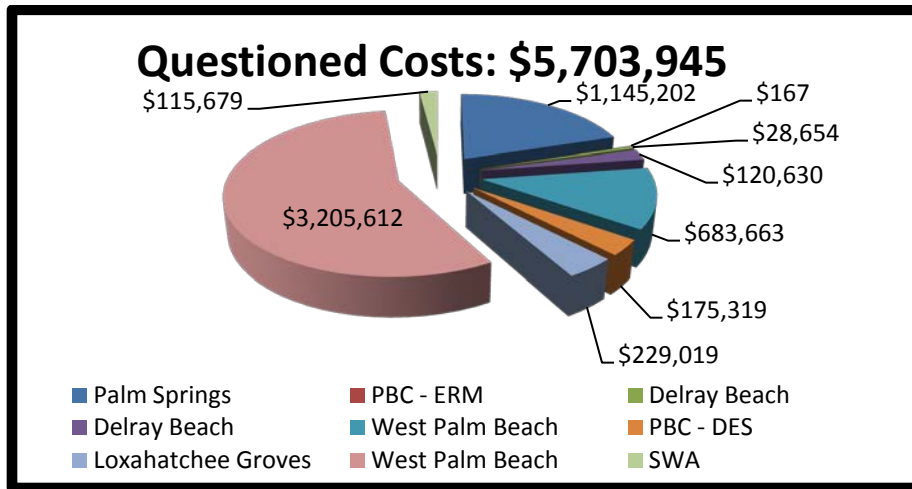


900 (+)

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

At the End of the Day, the OIG Provides ***“Enhanced Trust in Government.”***

**SUMMARY OF THE OIG’s FY2016 SUCCESSES (continued)
FINANCIAL DISCOVERY BREAKDOWN¹**



¹ *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. *Avoidable Costs* is the dollar value that will not be spent usually over three years (dollars saved) if the OIG’s recommendations are implemented. *Identified Costs* have the potential of being returned to offset the taxpayers’ burden.

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 integrity, efficiency, and overall effectiveness in government.

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

Vision Statement (Where we are going)

To promote 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)

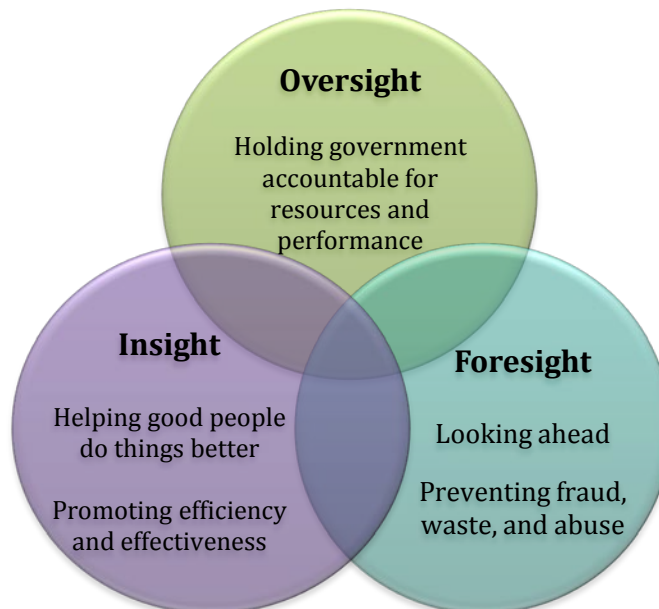
Professionalism – We take pride in our purpose, profession, products, results, and conduct.

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 the people we serve.

Excellence – We strive for excellence in everything we do.



Our Motto

“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 (County) Board of County Commissioners (BOCC) and the West Palm Beach City Commission. In response to that report, the 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 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, Palm Beach 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 government², the 39 municipalities of Palm Beach County (to include the new City of Westlake), and other entities, which contract with the IG (currently the Solid Waste Authority [SWA] and the Children’s Services 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.



² 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

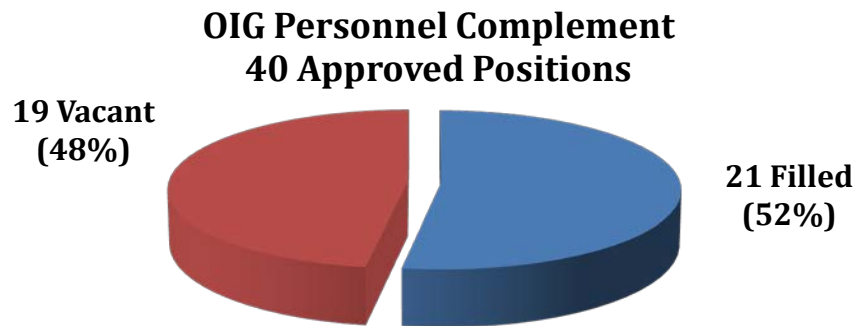
Required By Ordinance:

- 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)

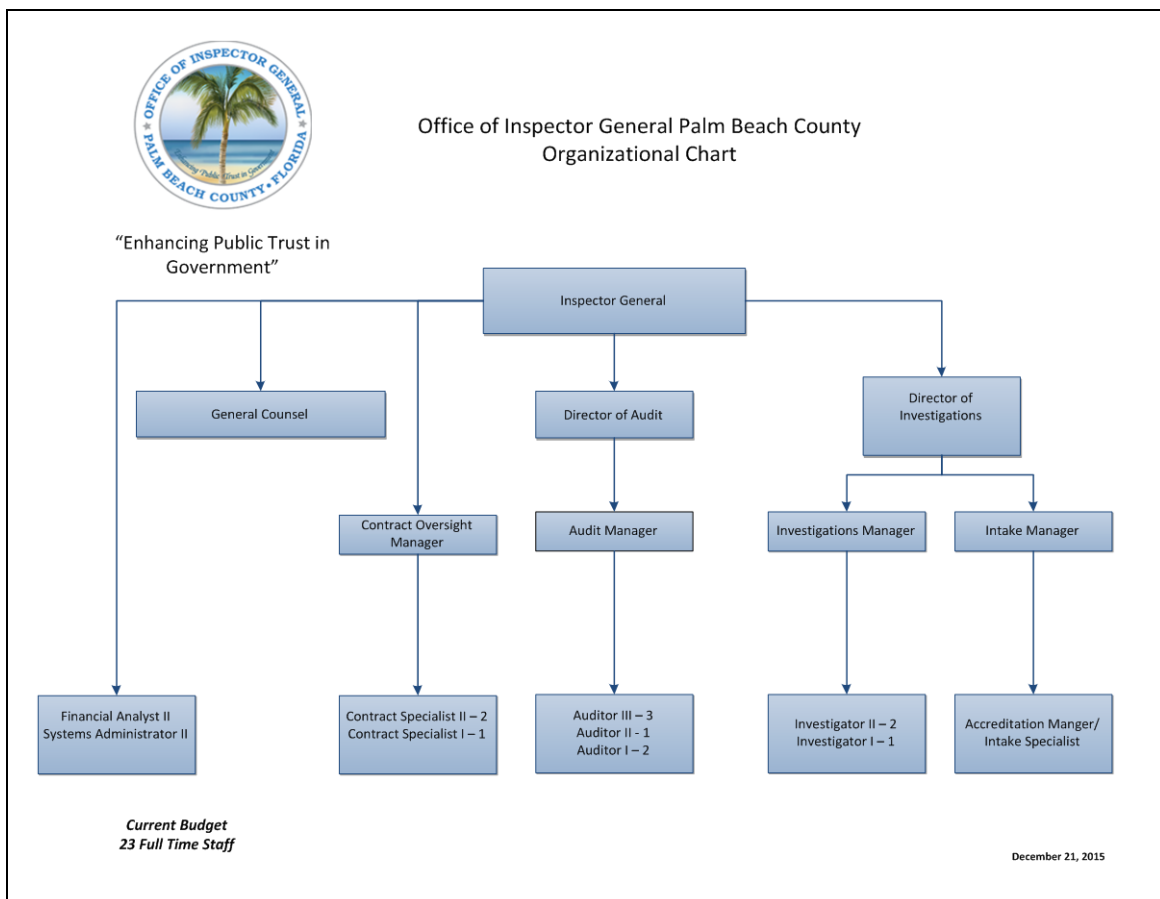
STRUCTURE AND STAFFING OF THE OFFICE OF INSPECTOR GENERAL

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 (57%) of the 40 authorized positions. Currently, 2 of the 23 funded positions are unfilled.



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



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; 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 Government Audit Professional
- Certified Internal Auditor
- Certified Plans Examiner
- Certified Public Accountant
- Civil Engineer
- Certified Computer Forensic Examiner
- Member of the Florida Bar with license to practice before Florida state courts, U.S. District Court for the Southern District of Florida, U.S. Court of Appeals for the Eleventh Circuit, and U.S. Supreme Court

STANDARDS AND ACCREDITATION FOR THE OIG

Who Watches the Inspector General?

A common question is “Who inspects 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 the County approved a countywide referendum amending the 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 (LOGGER), pursuant to section 218.32, Florida Statutes, as may be amended.”

On November 14, 2011, fifteen municipalities filed a Complaint against the County disputing the mechanism for funding the OIG. 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 to the Fourth District Court of Appeal for the State of Florida. Their Initial Brief filed on October 14, 2015, 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.

The County filed an Answer Brief and asserted at Oral Argument before the Appellate Court that the “people have all political power” and were authorized to vote to require the cities to “do what the people have said.” The County also asserted that the cities, through the Palm Beach County League of Cities, were involved in the drafting of the referendum.

Because of this suit and subsequent related decisions of the County Clerk and the BOCC, the OIG has not been fully funded. The OIG is only funded for 57% staffing, while still providing oversight of the County and all 39 municipalities.

\$ OFFICE OF INSPECTOR GENERAL FY2016 BUDGET \$

The OIG strives to use taxpayer dollars frugally. In FY2016, the OIG expended only \$2.47 million (85%) of its approved \$2.90 million budget. Based on the County’s population of 1.42 million citizens, the cost to operate our office was \$1.74 per citizen per year. This does not take into account the value added by our services, which for FY2016 includes identified costs for better use, and potential future avoidable costs savings to the taxpayers, through OIG investigations, audits, and reviews.

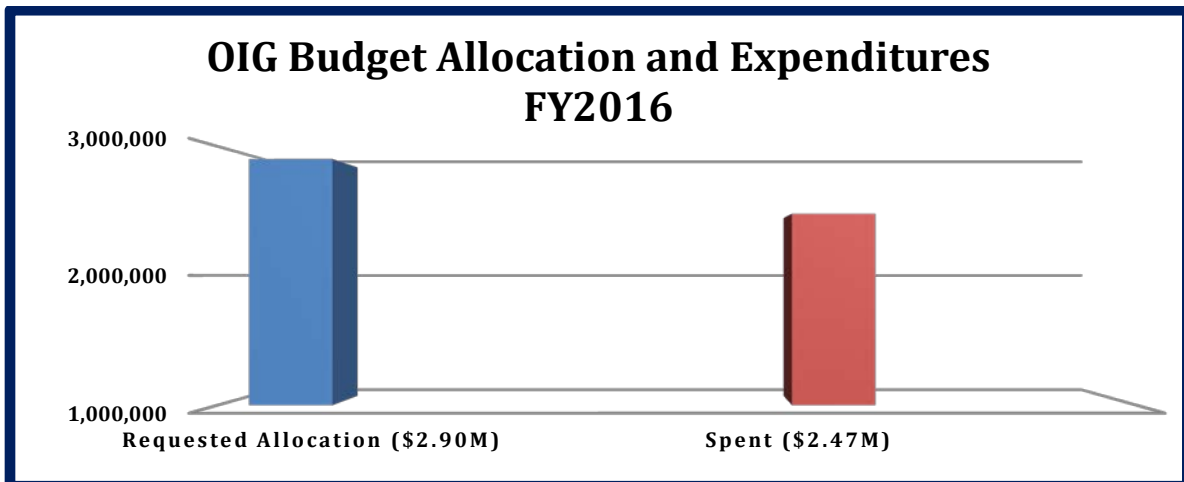
\$1.74

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



At a cost of **\$2.47 million** with **21** personnel, OIG oversight responsibilities included:

- PBC, Municipalities, SWA, and CSC annual budgets of approximately **\$7.5B**
- PBC, Municipalities, SWA, and CSC employ approximately **13,000** people (excluding part-time, seasonal, and contract employees)
- PBC, Municipalities, SWA, and CSC auditable units identified: **788**
- Oversight of **billions of dollars** of contracting activities

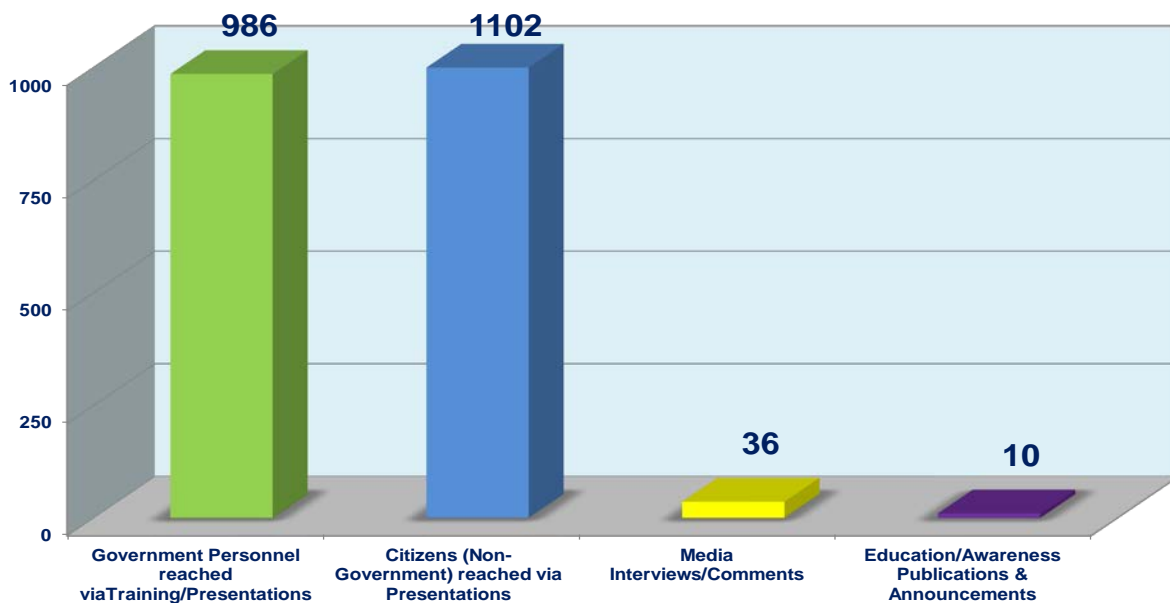


OUTREACH, EDUCATION, AND PREVENTION

Outreach is an important component of OIG operations, and takes place both inside and outside of government. OIG Outreach includes education on common trends and best practices; red flags to assist in spotting fraud, waste, and abuse; and ways to contact our office. Our success depends on listening as much as speaking.

During FY2016, we delivered **83 speeches/presentations/training sessions** to the public, business community, and/or county and municipal governments, **reaching over 2,000 people**. Various media outlets contact the OIG on a regular basis. A total of **36 media interviews** were conducted with the IG during FY2016 resulting in numerous news articles and televised news features.

TRAINING AND OUTREACH



Social Media

Citizens can follow us on Facebook, Twitter, or through our website and 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/>.

Outreach/Coordination in Palm Beach County

Promoting integrity, accountability, and transparency in government is a team sport that goes beyond the bounds of the OIG. Accordingly, the IG attends and participates in several local forums including the Palm Beach Center for Applied Ethics' Ethics Partnership Council, the Regional High School Ethics Bowl, and meetings with other groups with similar missions and goals. We reached out to our counterparts to establish the Palm Beach County Internal Auditor/Inspector General Forum. This forum coordinates our related oversight programs and activities, shares information on common issues observed throughout the County, promotes best practices, and works to pool resources for enhanced training for our staffs.



Special Outreach to Government Managers

In February 2016, the OIG published the *Reference Guide for Managers: Responsibilities Related to the Office of Inspector General Palm Beach County*. The Guide was designed for management and leaders of the organizations which the OIG has oversight. This Guide provides information related to: 1) OIG responsibilities and activities; 2) management's responsibilities related to the IG Ordinance; and, 3) how the OIG and management work together to promote efficiency, effectiveness, and integrity in government.

We often say, "Good government is everyone's business." In this respect, the OIG works in collaboration and partnership with management to improve efficiency and effectiveness, while preventing and detecting fraud, waste, and abuse. This *Guide* is intended to strengthen this partnership through increased understanding of what the OIG does, how we do our work, and management/leaders' related responsibilities.

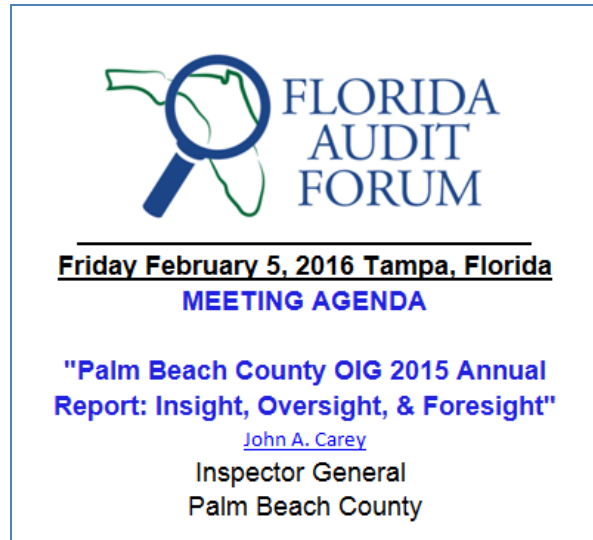
REFERENCE GUIDE FOR MANAGERS: RESPONSIBILITIES RELATED TO THE OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

***Management and the OIG:
"Working together to promote
efficiency, effectiveness,
and integrity in government."***

February 2016

Outreach/Impact Beyond Palm Beach County

The OIG does not stop at the borders of Palm Beach County in promoting integrity, effectiveness, and efficiency in government. Notable during this year was a state-wide initiative led by our OIG General Counsel to change Florida state law, which now protects all state OIG and internal auditor personal information (e.g. home addresses, home phone numbers) similar to law enforcement officers, judges, and personnel officials. Our Counsel was asked to author an article in the national Association of Inspectors General Newsletter on this process to assist other OIGs around the country in similar initiatives. The IG made a presentation to the Lee County Charter Review Committee in its consideration in establishing a county OIG. Our office further provided the newly established Jacksonville OIG assistance with the establishment of its policies and records system. The IG provided a presentation to the Florida Audit Forum on best practices for OIGs and Internal Auditors to present their findings and to foster productive communications between OIGs/internal auditors and those they oversee and the public.



Finally, in 2016 the IG was elected to the Board of the national Association of Inspectors General. The Association is a non-profit organization to promote excellence in the inspector general community by establishing and encouraging adherence to quality standards, sponsoring professional development, and certifying individuals in IG-specific disciplines. The IG is on the Association's Professional Development Board and Training Committee.



INVESTIGATIONS DIVISION

The Investigations Division supports the OIG mission by carrying out its multiple responsibilities. 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) or through the OIG Hotline. Secondly, the Division is responsible for analyzing all complaints received and determining the appropriate course of action, including assignment to other Divisions (Contract Oversight and Audit). Finally, the Investigations Division focuses on self-initiated projects which include assessing/identifying areas of potential fraud, waste, mismanagement, and misconduct. As manpower and resources increase so will the Division's emphasis towards long term 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 most important as they ensure 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

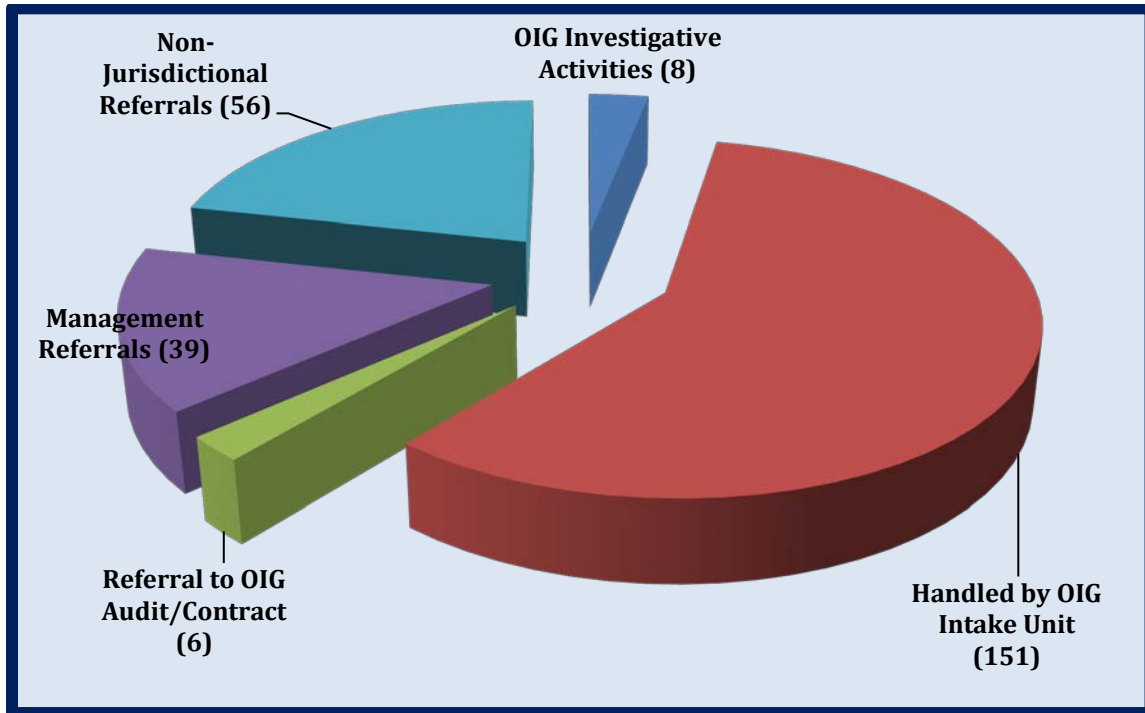
When there is reason to believe that a law, rule, policy, or procedure may have been violated, an Investigation or Investigative Review is initiated. In FY2016, the Investigations Division issued **five** reports. Contained in these **five** reports were **twenty-one** recommendations to strengthen processes and improve the efficiency and effectiveness of governmental operations. To date **fifteen** recommendations have been implemented and **four** are pending implementation. The reports and management responses can be found at <http://www.pbcgov.com/OIG/reports.htm>.

14

Referrals to law enforcement or the County or State Commissions on Ethics.

CORRESPONDENCES

Correspondences to the OIG include letters and emails that cover a wide variety of areas from comments, suggestions, questions, and complaints. The **260** correspondences received during FY2016 were processed as follows:

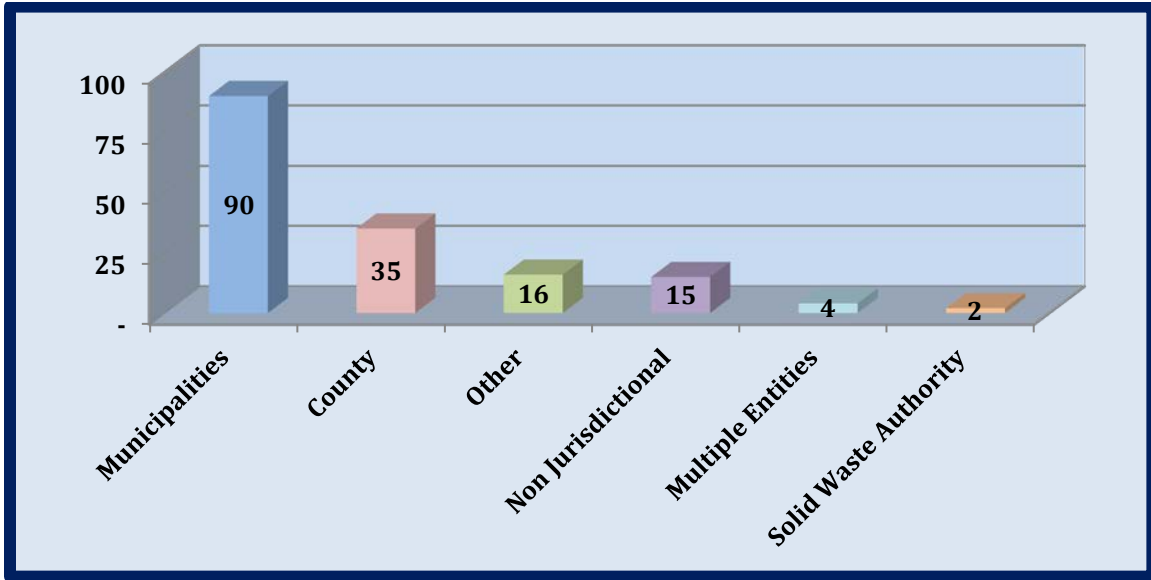


- **Handled by OIG Intake Division (151 or 58%):** Correspondences that are handled by the OIG, Information Only, and/or Closed with No Action.
- **Management Referrals (39 or 15%):** Correspondences forwarded to respective Management for handling. No response to the OIG is required.
- **Non-Jurisdictional Referrals (56 or 22%):** Correspondences that do not fall within the jurisdiction of the OIG.³
- **OIG Investigative Activities (8 or 3%):** Correspondences that are assigned to the Investigations Division.
- **Referral to OIG Audit or Contract Oversight (6 or 2%):** Correspondences forwarded to OIG Audit and/or Contract Oversight Divisions for further review.

³ During FY2016, the OIG received a total of 56 Correspondences related to entities not within the jurisdiction of the OIG (6-Commission on Ethics; 6-Federal Agencies; 1-School Board; 7-State Agencies; 1-Supervisor of Elections; 1-Tax Collector; and, 34 whose dispositions are yet to be determined as of the date of this report).

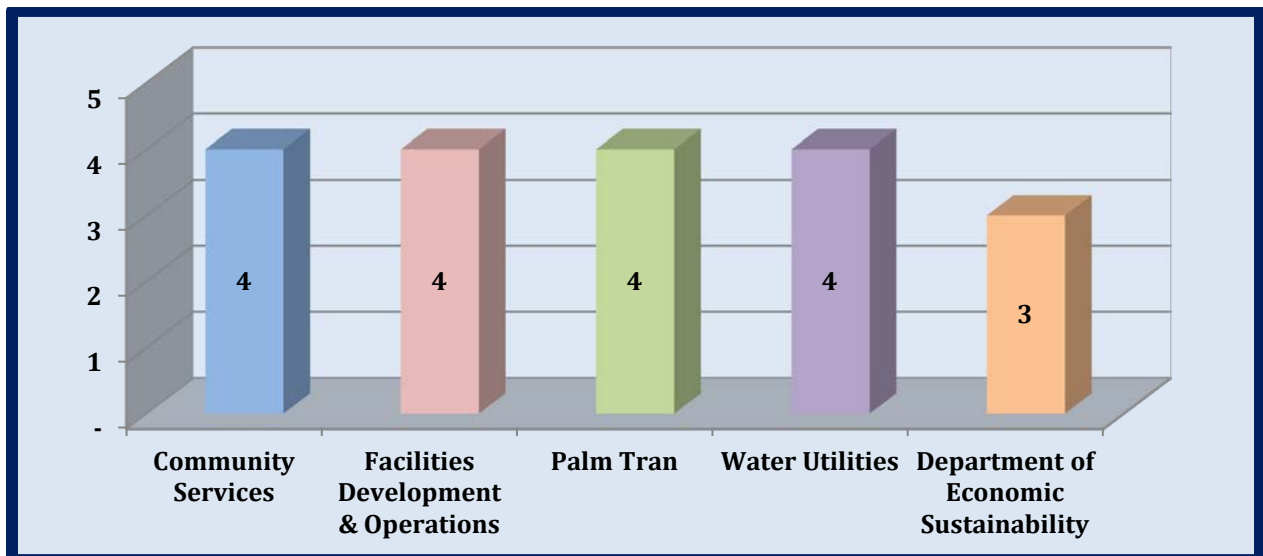
COMPLAINTS

Of the **678** telephone calls and **260** correspondences processed in FY2016, we received **162** complaints. The **162** complaints processed related to the following entities⁴:



COMPLAINTS BY COUNTY DEPARTMENT (TOP 5)

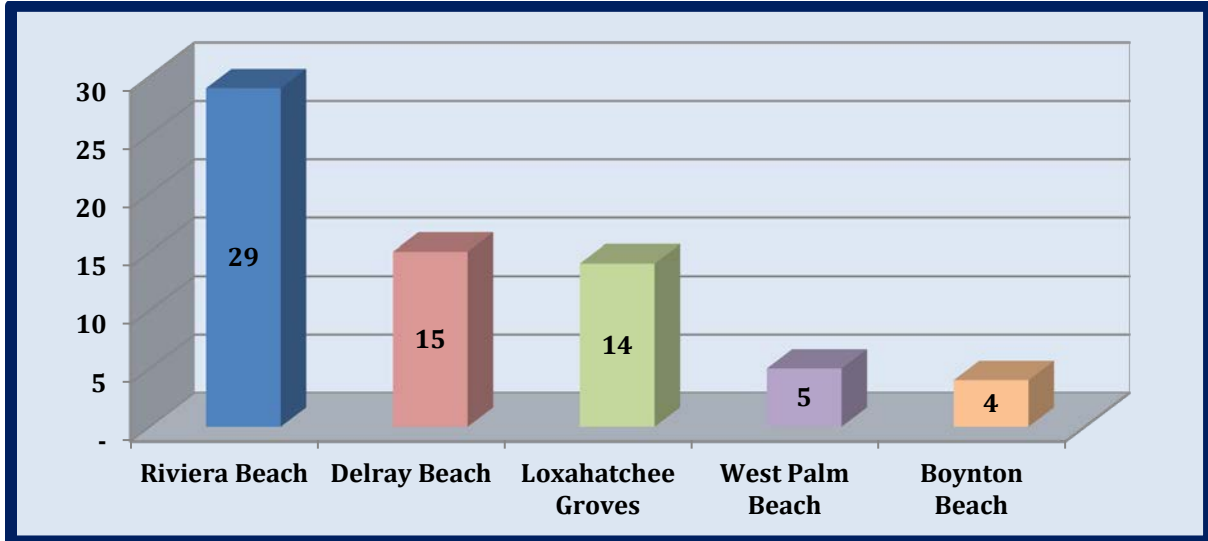
Of the **162** complaints received, **35** involved County Departments. The following is a breakdown of complaints by the **Top 5** County Departments.



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.

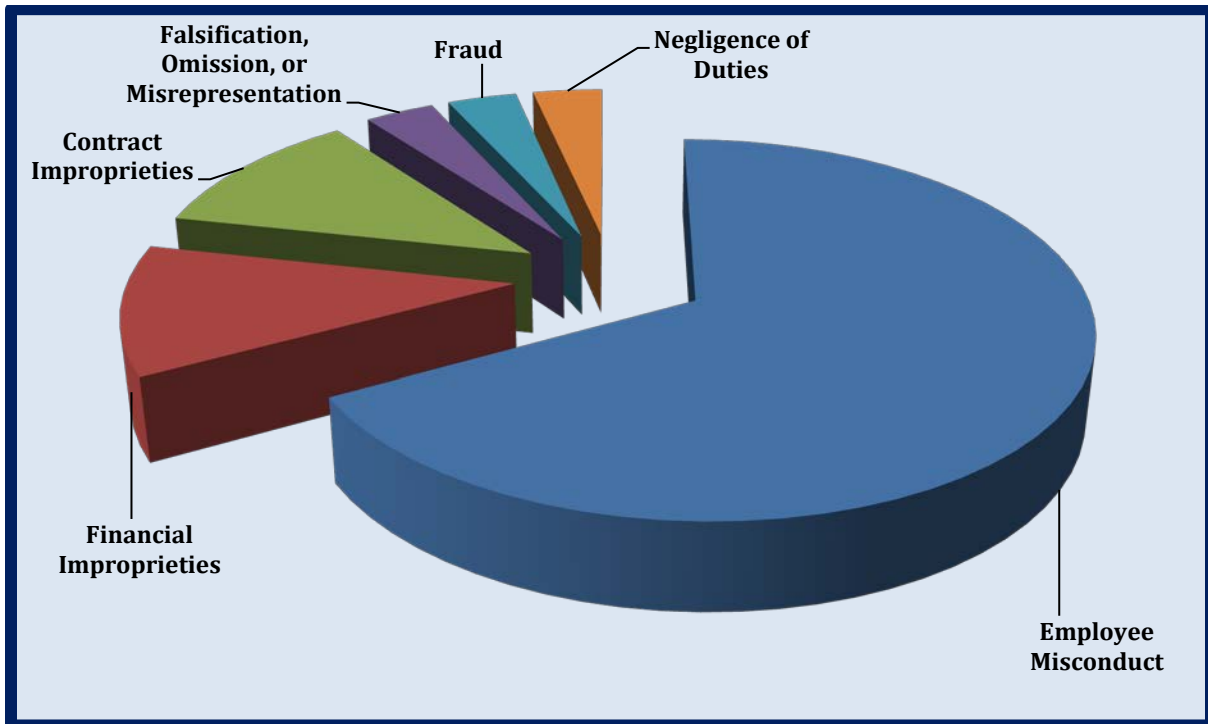
COMPLAINTS BY MUNICIPALITIES (TOP 5)

Of the **162** complaints received, **90** involved Municipalities. The following is a breakdown of complaints by the **Top 5** Municipalities.



ALLEGATION TYPES

Of the **162** complaints, a total of **215** allegations of potential wrongdoing were made. Of those 215 allegations, **88** were identified in the following top six categories:



INVESTIGATIVE ACTIVITIES

During FY2016, the Investigations Division issued **five** reports containing **fifteen** (15) allegations. Questioned Costs for these five reports totaled **\$3,234,433**, Identified Costs totaled **\$129,530**, and Avoidable Costs totaled **\$84,177**. 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 **six** (6) allegations for possible criminal investigation and/or prosecution.

The following are highlights of our cases in FY2016:

County Environmental Resources Management – Automotive Repair Discount – Improper Use of Position – Improper Use of Government Vehicle



The OIG received a complaint alleging that an employee from the Environmental Resources Management Department (ERM), threatened or intimidated members of the public by falsely identifying himself as a wellfield inspector and making statements that he would conduct a wellfield inspection of a business that refused to reduce the price of repairs to his personal vehicle.

Our investigation determined that the ERM employee:

- Did attempt to threaten or intimidate members of the public by falsely identifying himself as a wellfield inspector and making statements that he would conduct a wellfield inspection of a business that refused to reduce the price of repairs to his personal vehicle.
- Misused a County vehicle for personal business.
- Falsified Vehicle Use Logs to cover up the personal use of County vehicles.

As a result of the OIG investigation, the Department Director terminated the employee and implemented a new vehicle use policy to include a supervisory review of all vehicle use logs.

We made three recommendations and all three were implemented. Identified Costs: **\$45**; Questioned Costs: **\$167**; Total Costs: **\$212**.

County Medical Examiner's Office – Improper Use of Government Property – Outside Employment While on Government Time

The OIG received a complaint reporting allegations involving a Medical Examiner's Office (MEO) Senior Clerk Typist and an Administrative Secretary frequently used the County's computers and internet connections for non-business related shopping and visiting social media websites, which interfered with their work productivity. Additionally, the complainant alleged that a MEO Forensic Supervisor conducted work related



to his compensated, outside employment while on official duty and utilized County resources for his personal businesses.

Our investigation determined that:

- Allegations against the MEO Clerk Typist and Administrative Secretary were NOT supported.
- The Forensic Supervisor in question frequently used the County's computers and internet connections to visit social media websites, which interfered with his work productivity.
- The Forensic Supervisor utilized County resources to conduct his compensated, outside employment while on official duty.
- The Forensic Supervisor improperly disseminated Public Records exempt from disclosure while using the County email system.

After the release of our report the employee retired. We made four recommendations and all four were implemented.

Delray Beach – Employee Vendor – Scheme to Defraud and Grand Larceny



OIG Investigations Division received information from the Audit Division concerning the suspicious purchases made by the City of Delray Beach (City) from American Traffic Products & Services, Inc. (ATPS) for various items including street signs, street sign posts, and reflective sheeting. According to the Florida Department of State records the Registered Agent for ATPS was identified as a City Treatment Plant Operator. Financial records of ATPS disclosed that a City Traffic Maintenance Supervisor was also part of the ATPS corporate structure.

We conducted a preliminary investigation that led us to believe criminal activity had occurred. We found:

- These employees caused the City to make 24 purchases from ATPS totaling \$129,484.79. Employees failed to disclose to the City their business interests and/or outside employment with ATPS and subsequently circumvented the City's procurement processes in order to direct business to their company.
- ATPS inflated its invoices to the City for more products than it actually delivered.

The OIG provided this information to the Palm Beach County State Attorney's Office (SAO), Public Corruption Unit, for criminal investigation. The SAO expanded the scope, found additional losses, as well as, identified a third suspect, the former City Streets & Traffic Superintendent. All three City employees resigned during the course of our investigation.

Subsequently, the three City employees were arrested and charged with 1st and 2nd degree felonies. Adjudication resulted in the former City Traffic Maintenance Supervisor receiving an incarceration term of 12 months followed by 5 years probation. The former City Treatment Plant Operator was sentenced to 3 years probation. The former employees were ordered to make restitution.

Identified Costs: **\$129,485**; Questioned Costs: **\$28,654**; Avoidable Costs: **\$84,177**; Total Costs: **\$242,316**.

Palm Tran Connection – Altering of Data – Inflated Reports

The OIG received a complaint reporting allegations that Palm Tran Connection (PTC)⁵ supervisors were altering times and/or directing dispatchers to alter times in their computerized monitoring system resulting in inaccurate and inflated On-Time Performance Rate (OTPR) data. The OTPR is not only used internally by staff and the transportation providers to gauge performance, it is used by Palm Tran executives when making monthly presentations to stakeholders, including the BOCC.



Our investigation determined that:

- PTC Supervisors were altering on-time arrival times/or directing dispatchers to alter times in PTC’s automated tracking system that resulted in inaccurate and inflated OTPR presented to County leaders and the public.
- From February 2015 through March 2016, between 21,000 and 46,000 time changes were made thereby inaccurately increasing the OTPR.

We made a total of nine recommendations; all nine were agreed to by management with six having been implemented to date. PTC has since instituted major personnel, processes, and operations changes to improve accountability and effectiveness.



West Palm Beach – Improper Release of Public Records - Improper Use of Government Property – Outside Employment – Failure to Disclose



WEST PALM BEACH

The OIG received complaints involving the City of West Palm Beach (City) Director of Communications, alleging that the Director disclosed to the public “confidential and exempt” information relating to the City Police Department and other local and federal agencies. The complaints also alleged that the Director used his position at the City, as well as, City time and resources to conduct his private business. The complaints further alleged that the Director had a contractual relationship with a City contractor.

⁵ PTC provides transportation for residents with disabilities and visitors in Palm Beach County under the following programs: Americans with Disabilities Act; Division of Senior Services; and, Transportation Disadvantaged.

Section B – Activities

Our investigation determined that the City Director of Communications:

- Improperly released “confidential and exempt” information.
- Used City resources for commercial gain.
- Failed to disclose a contract with a potential City vendor during the procurement process.

Additionally, our investigation determined that same vendor failed to properly disclose its business relationship with the same Director to the City during the procurement process or once it was awarded the contract for services as per contract requirements.

We further discovered the Director of Communications misused his position to solicit another Palm Beach County City Manager for commercial gain. **This was referred to the Palm Beach County Commission on Ethics (PBC COE) for its review. This and the above allegations were referred to the SAO Public Corruption Unit, PBC COE, and the State of Florida Commission on Ethics.**

The Director of Communications resigned his position during the course of our investigation. Because the vendor did not disclose its business relationship with the City Director of Communication as required, we identified the amount the City has spent on the contract as Questioned Costs: **\$3,205,612.**

We made a total of five recommendations, of which three were agreed to by management. Two of these have been implemented.

The City did not concur with two recommendations, which related to the lack of internal controls and management oversight of the City Director of Communications’ time and attendance and improper use of City resources. We could not with reasonable assurance determine whether the City Director of Communications was or was not working for his private business while being paid by the City. We



noted that taxpayers expect public officials to be good stewards of their dollars, including those surrounding personnel costs (time paid to public servants to work a day’s wage for a day’s pay). Controls are usually in place to account for small dollar items, like office supplies, so it seems prudent to have adequate controls for the time of public officials.

The City replied to our recommendation to revise procedures on outside employment and to establish internal controls that more accurately represent actual hours worked by exempt employees, “The City has many checks and balances in place...Supervisors are expected to manage their employees in such a manner as to ensure they are expending at least 40 hours per week performing work for the City...The City does not believe that additional changes to policies are needed at this time...The City is comfortable with controls it already has.” Our investigation did not find evidence of sufficient oversight and accounting in this case and we urged the City to reconsider our recommendation.

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 *Government Auditing Standards*.

HIGHLIGHTS OF COMPLETED AUDITS

During FY2016, we issued four reports with total Identified and Questioned Costs of **\$1,685,626** and Avoidable Costs of **\$84,675**. Collectively, these four reports contain 72 recommendations to strengthen internal controls and improve the efficiency and effectiveness of operations. Management has implemented or is in the process of implementing 40 (56%) 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 Village of Palm Springs - Public Service Department

In December 2014, the Village of Palm Springs (Village) contacted the OIG's Investigation Division, and the SAO Public Corruption Unit, regarding allegations that were made about the operations of the Public Service Department. These allegations included potentially inappropriate activities by department staff members, including the Director of Public Service. Subsequently, the Village Manager requested that the OIG audit the Public Service Department.



Our audit focused on fuel purchasing/usage, credit card purchases, maintenance management, general physical security, and scrapping.

We identified a lack of controls over several processes such as:

- Monitoring of Fuel Transactions;
- Executed Fuel Contracts;
- Contract Monitoring;
- Policies and procedures for Fuel Program and Scrapping;
- Work order system; and,
- Credit Card Purchase Justification.

Our report contained 9 findings and 16 recommendations to help ensure that the assets of the Village are adequately safeguarded and accounted for, and to assist the Village in improving controls in the Public Service Department. The Village concurred with, and implemented, all 16 of the recommendations.

Our audit identified total questioned costs of **\$1,145,202**. Additionally, we determined that by taking action on our recommendations, the Village could potentially avoid costs of up to **\$84,675** over the next three years.

Audit of City of Delray Beach - Purchasing

We conducted an audit of selected purchasing activities at the City of Delray Beach (City). The audit was initiated to take a broad look at purchasing controls across the City.



We identified several areas where controls can be strengthened to improve purchasing activities. Specifically, we noted more attention is necessary to ensure:

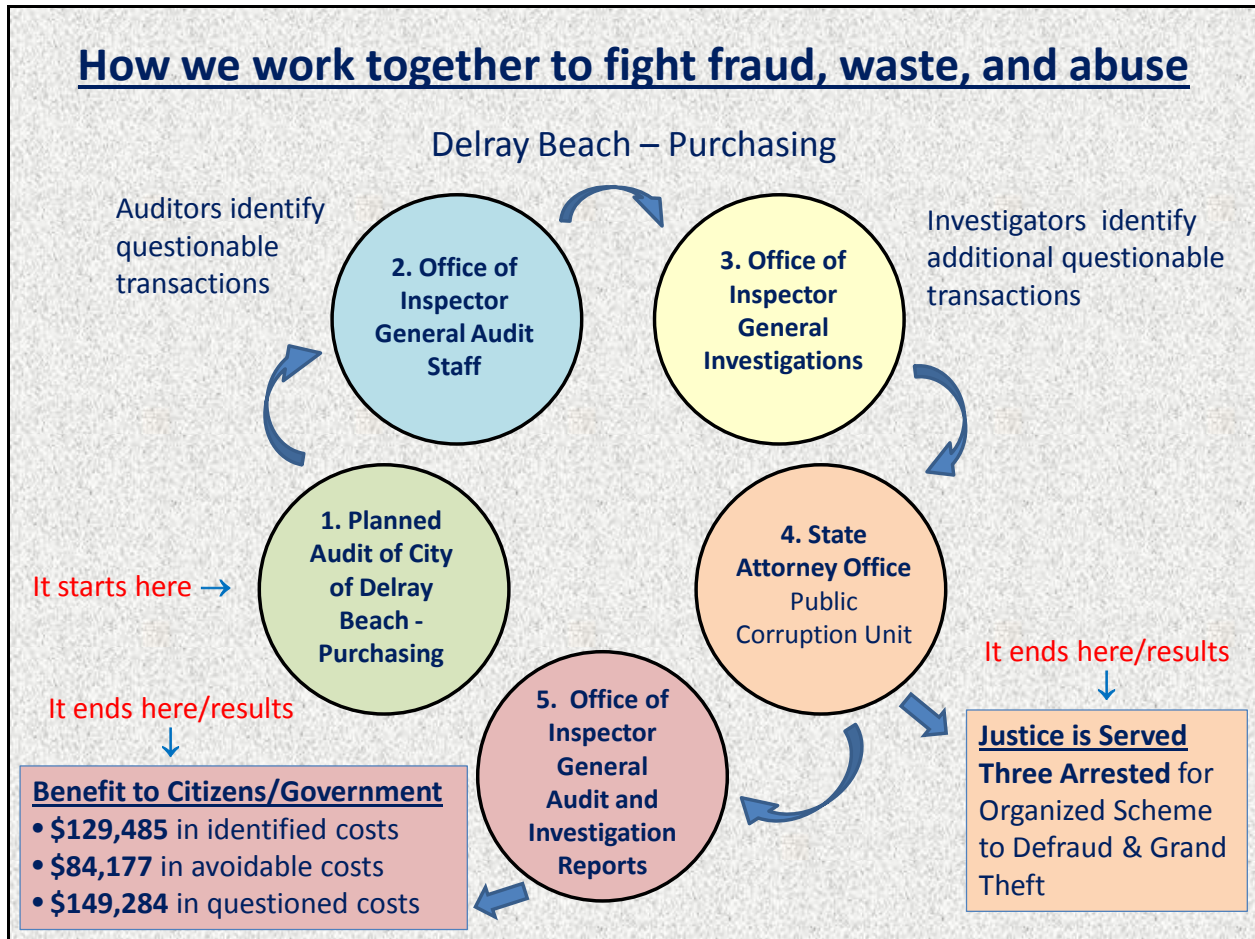
- Required quotes for purchases are obtained;
- Adequate documentation for Sole Source and City Standard purchases is obtained;
- Purchasing card transactions are monitored for split payments;
- Appropriate segregation of duties exist in the City's warehouses, and,
- Written policies and procedures exist for store cards and food related purchases.

Early in our audit, an alert OIG auditor uncovered questionable transactions and found that a City employee (1) was an initial officer and director of a vendor for the City, (2) was the registered agent of the vendor, (3) shared the same address as the vendor, and (4) did not appear to properly disclose his interest in the company to the City. Consequently, we disengaged further review of questionable transactions between this vendor and the City and referred them to our OIG Investigations Division. Subsequently, the matter was referred to the SAO.

Three former City employees were arrested in connection to this investigation. All three former employees were charged with Organized Scheme to Defraud and Grand Theft over \$100,000 in relation to the City's transactions with the vendor.

Our audit identified total questioned costs of **\$120,630**. We made 11 recommendations to assist the City in improving controls and ensuring operational compliance with policies and procedures. The City concurred with all 11 recommendations and indicated it has taken or will take action to address each recommendation.

The following chart graphically portrays how OIG auditors and investigators, along with the SAO Public Corruption Unit work together to fight fraud, waste, and abuse.



Audit of Palm Beach County Department of Economic Sustainability - Grants Management

We conducted an audit of the County Department of Economic Sustainability (DES) grants management. We focused our audit on six Disaster Recovery Initiative grant projects. We found control weaknesses and operational areas that needed improvement for both DES and grant subrecipients.



Section B – Activities

We identified deficiencies related to:

- Procurement;
- Contracting and change orders;
- Davis-Bacon Act compliance;
- Grant accounting and records management;
- Expenditure of Municipal funds; and,
- Certificate of Insurance requirements.

Our report contained 11 findings and 23 recommendations to assist DES and grant subrecipients in improving controls and ensuring compliance with grant agreements, related contracts, policies, and procedures. The auditees concurred with all 23 recommendations and indicated that 14 recommendations have already been implemented.

Our audit identified total questioned costs of **\$175,319**. Additionally, we determined that by taking action on our recommendations, one grant subrecipient could potentially recoup costs of up to **\$13,691**.

Audit of Loxahatchee Groves - Contracts, Vendors, and Fixed Assets

We audited the Town of Loxahatchee Groves' management of contracts, vendors, and assets. Our overall audit objective was to determine whether controls over contract management, vendor payments, and fixed assets were in place and working effectively to safeguard the Town's assets. We found that some of the Town's internal controls need improvement. We identified deficiencies and compliance issues related to:



- Contract monitoring;
- Compliance with the Town Charter;
- Overseeing the Town Manager contract;
- Prompt recording of meeting minutes;
- Purchasing and credit card usage;
- Payment processing; and,
- Asset management.

Our report contained 22 recommendations to assist the Town in improving controls and ensuring compliance with its Charter, contracts, purchasing ordinance, and finance and accounting procedures. During the audit, the Town improved some of the internal control deficiencies identified. At the time of this report, we are waiting for the Town Council's response to 16 of our recommendations specifically addressed to the Council.

Our audit identified total questioned costs of **\$229,019**. Additionally, we determined that by taking action on one of our recommendations, the Town could potentially recoup costs of up to **\$1,765**.

OTHER AUDIT ACTIVITIES

Village of Royal Palm Beach – Fleet/Fuel Review

Our FY2016 Audit Plan included an audit entitled *Multiple Entities: Fleet/Fuel Management*. We selected the Village of Royal Palm Beach as a possible auditee. Based on initial discussions with staff and review of documents provided, we did not identify significant risks related to our audit objectives. Thus, we decided not to engage the audit. Nonetheless, we noted two areas where internal controls could be strengthened, and presented the Village Manager a letter containing two suggestions to further strengthen existing controls.

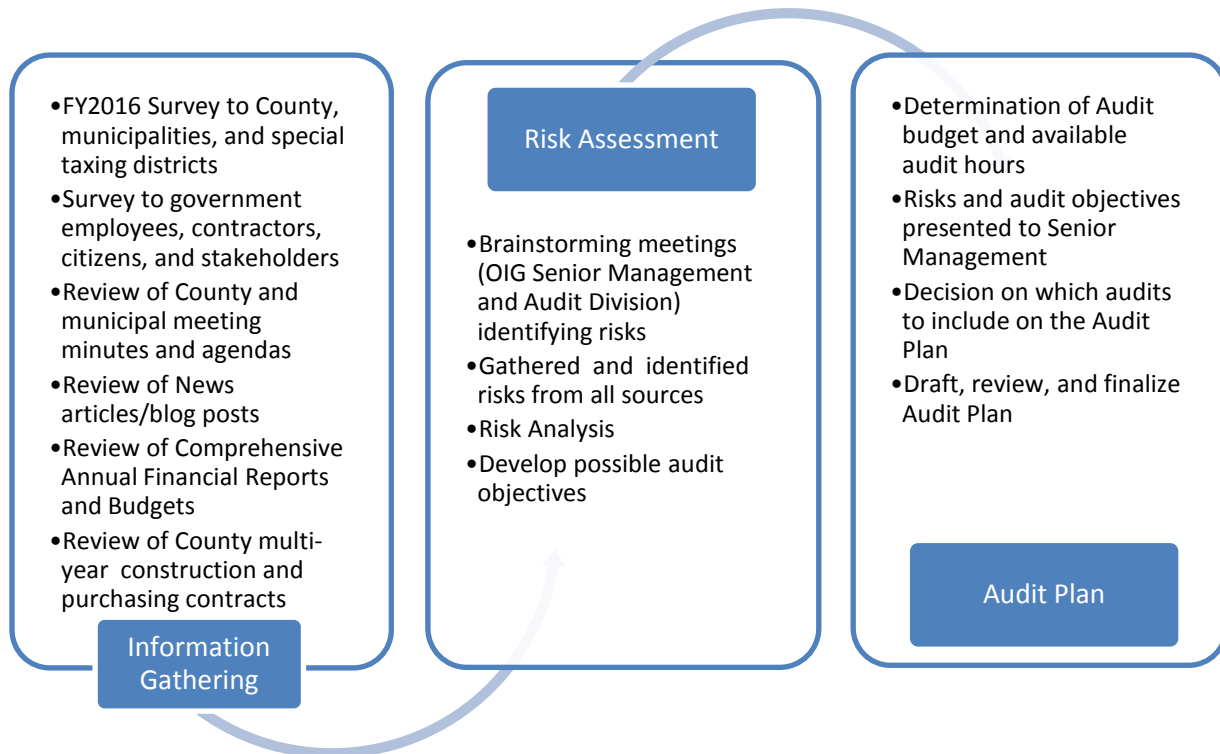


AUDIT FOLLOW-UP

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 343 audit recommendations made, 298 (87%) have been implemented.

AUDIT RISK ASSESSMENT AND ANNUAL AUDIT PLAN

Our “audit universe” is comprised of the County, 39 municipalities, Solid Waste Authority, and Children’s Services Council. 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 FY2017. The risk assessment process was conducted using a combination of several methods of research and information gathering in order to create an overview of the risks for entities within the OIG’s jurisdiction. Additional risks were included drawing upon the professional expertise and experience of the OIG staff. Risks were assessed based on significance and impact. Our FY2017 Annual Audit Plan (Appendix 3) was created using this risk assessment methodology.



CONTRACT OVERSIGHT DIVISION

The Contract Oversight Division (COD) is responsible for reviewing procurement and contracting activities of the County, all 39 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.

The COD 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 COD also responds to requests for assistance from entities under our jurisdiction and to citizen and vendor complaints.

CONTRACT OVERSIGHT HIGHLIGHTS

During FY2016, we issued **five** reports with total Questioned Costs of **\$799,341** and Identified Costs of **\$238**. Collectively, these **five** reports included **eleven** recommendations for improvements all of which have been accepted by management. Of these accepted recommendations **eight** have been implemented and **three** are pending full implementation. The recommendations generally included following existing statutes, policies and procedures, and contract terms and conditions. The detailed reports and

Section B – Activities

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 Water Utilities Department – Corrective Action Review

On February 13, 2014, the OIG issued the Contract Oversight Notification 2014-N-0003 in which the OIG recommended that the Director the Water Utilities Department (WUD) ensure that staff attending the Contract Review Committee (CRC) meetings have sufficient knowledge of the project and proper documentation.



The OIG staff regularly attends the CRC meetings, and observed that WUD still had problems with its documentation submitted to the CRC.

Our review, found that WUD had a higher rate of rejected items than all other departments submitting items to the CRC. WUD had eight (8) items referred by the CRC totaling \$522,432 that did not meet the Local Government Prompt Payment Act and three (3) work authorizations deferred that caused potential project delays.

We issued one recommendation, that WUD implement formal written guidelines to address CRC submittal requirements and better prepare WUD staff regarding item submissions to reduce the number of deferred items. WUD accepted the recommendation.

City of West Palm Beach – Municipality Contract Monitoring Follow Up

We completed a review, which included a survey of the contract monitoring policies and procedures for all Palm Beach County municipalities in 2014. The City of West Palm Beach did not complete the survey, so we completed an onsite review and issued a report in 2016 regarding the City's policies and procedures. We found that the City does not have any documented policy or procedure for contract monitoring, and there is no formal citywide process for monitoring contracts.



We issued three recommendations; first, that the City implement a citywide contract monitoring policy/procedure and provide staff training including the minimum components that should be covered in the policy/procedures; second, that the City address in a policy and/or procedure a uniform method by which contract files are maintained; and third, that the City develop and implement a contract monitoring risk assessment tool. The City accepted the first two recommendations and for recommendation three stated they would explore contract monitoring risk assessment tools in use by other jurisdictions and determine the best course of action for the City.

Questioned Costs: **\$683,662**; Identified Costs: **\$238**; Total Costs: **\$683,900**

Solid Waste Authority – Grant Program

The Solid Waste Authority (SWA) started a grant program to help the municipalities in the County with the clean-up of blighted and distressed properties. To allocate the funding, the SWA developed an application package and publicly noticed grant process.



SWA received thirteen (13) applications and formed a grant committee consisting of SWA employees to score and rank the applications. The grant committee met to review and rank the applications without issuing a public notice of the meeting, which was required by the Florida Sunshine Law (FS §286.11 and Florida Constitution, Article I, s.24).

We issued two recommendations: first, that the SWA stop payments to the grantees until appropriate action is taken to cure any and all acts arising out of the award of the grant that are deemed void for failing to comply with the Sunshine Law; and second, that SWA follow the State Constitution and publicly notice all meetings at which official acts are to be taken or at which public business is to be transacted or discussed. Further, that the minutes of such meetings be promptly recorded. SWA accepted both recommendations, although disagreed with the conclusion that there was a Sunshine Law violation. However, as a result of our finding the SWA convened a grant committee in which public notice was provided and minutes were taken to cure “any potential” Sunshine Law Violation.

Questioned Costs: **\$115,679**

Village of Palm Springs – Selection Process for Auditing Services

The Village of Palm Springs issued a Request for Proposals for Independent Auditing Services. We reviewed the selection process and found that the Village did not establish an audit committee as required in Florida Statutes § 218.391(2). The Village Manager appointed an Employee Committee for Independent Auditing Services as the selection committee, but the Village Council cannot delegate its authority to establish the audit committee. Since the Village Council did not establish the audit committee, the audit committee did not complete the tasks specified in Florida Statutes § 218.391(3) at a meeting open to the public. Thus, it was improper for the Village Council to approve a contract award for independent auditing services at its July 14, 2016 meeting.



We issued three recommendations; first, that the contract made at the Council’s July 14th meeting be voided; second, that the Village Council establish an audit committee in a public meeting and adhere to the statutorily prescribed manner of selecting an auditor; and third, that the Village Council direct the audit committee to comply with its statutorily prescribed functions. The Village agreed with our recommendations and took immediate remedial actions.

Palm Beach Gardens – Design-Build Clubhouse

The City of Palm Beach Gardens issued a Request for Proposal for the Design-Build of a New Golf Clubhouse. During the course of the competitive selection process, the City’s Selection Committee recommended a construction company as the most qualified firm for the project. However, after the negotiations failed to result in a contract with that company, the second ranked proposer was awarded the contract.



We found that Palm Beach Gardens did not record its Negotiation Strategy meetings during the negotiations with Hedrick and with Sisca as required by Florida Statutes § 286.0113.

We issued two recommendations: first, that the City record all team meetings at which negotiation strategies are discussed and second, that the City include guidelines regarding the negotiation team process within its Purchasing and Procedures Manual to ensure consistency, effectiveness, efficiency, compliance with Florida Statutes § 286.0113, and transparency in the negotiation process. The City agreed with our recommendations and took immediate remedial actions.

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 FY2016, we proactively observed **182** 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	13
• County Contract Review Committees	9
• County Meetings	7
• Municipal Selection Committees	93
• Municipal Meetings	35
• Other Covered Entities – Selection Committees	12
• Other Covered Entities – Meetings	<u>13</u>
TOTAL	182

In the course of these meetings, COD staff is routinely asked to provide guidance to municipalities in an effort to enhance efficiencies. This guidance has resulted in policy and procedure changes by municipalities on 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

Section B – Activities

of a line item budget submission, miscalculation of selection committee scores, and engaging in activities that do not comply with statutory requirements.

The COD 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.

The COD has been a resource not only to the municipalities but to other Florida counties through sharing experiences in the areas of Piggy-Back contracting and CCNA contracting. The COD has shared its information as well as provided references to resource materials provided by organizations such as the National Institute of Governmental Purchasing.

ADDITIONAL AREAS WHERE CONTRACT OVERSIGHT ACTIVITIES ADD VALUE



The COD 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 publication highlights the COD's positive impact:

OIG Tips and Trends #2016-0002 External Auditor Selection Process September 2016

The COD observed instances in which Florida Statutes were not followed in the External Auditor Selection Process. The procedures to be used to select an auditor are contained in Florida Statutes § 218.391. The statute specifies that the governing body of a municipality shall establish an Audit Committee. Further, the statutes prescribe that the audit committee shall complete the following:



- Establish Factors to use for the evaluation of audit services
- Publicly announce requests for proposals
- Provide interested firms with a request for proposal
- Evaluate proposals
- Rank and recommend proposals

Other Proactive/Preventative COD Activities

The COD has also issued specific guidance to municipalities in the following areas:




Evaluation Committee – In observing a selection committee one member of the committee appeared to not **score** the proposals while the two other members did score proposals. The RFP document provided language, which required the selection committee to evaluate and **score** proposals. Key to the concept of fair competition is the requirement that the municipality obeys its project specifications. Although the City stated they believe that the member scored the proposal, there was no record of the score. The municipality has since changed scoring procedures. A record of such scores assures proposers and the public that proposals were evaluated solely on the factors stated in the published solicitation.

Recording of Meetings – An employee asked if negotiation team meetings with vendors recommended to the Town Council for a contract as part of a competitive solicitation process must be recorded. The OIG response stated that generally meetings at which official acts are to be taken must be open to the public at all times, except as otherwise exempted by law. Additionally, negotiations between government negotiators and vendors are identified as exempt. However, no portion of an exempt meeting may be held off the record and a complete recording shall be made of the meeting. This recording is to be made available to the public either when the agency provides notice of an intended decision or thirty days after the opening of bids, proposals, or final replies, whichever occurs earlier.

Contract Amendments – In the process of reviewing contracts, COD learned of a City program, which extended contracts in exchange for a price reduction. This City was advised of a court case, which reviewed the matter of extending a contract beyond its originally intended contract period. The court held that the duration of a contract is an essential term of the contract. The court ruled that the improper extension, which changed the essential term after it was let, was deemed void as against public policy. Fundamental in public procurement is fairness. An amendment that seeks to substantially alter any essential term after the solicitation is released contravenes this notion. This was brought to the City’s attention for consideration in case a similar proposal or resolution is being considered in the future.

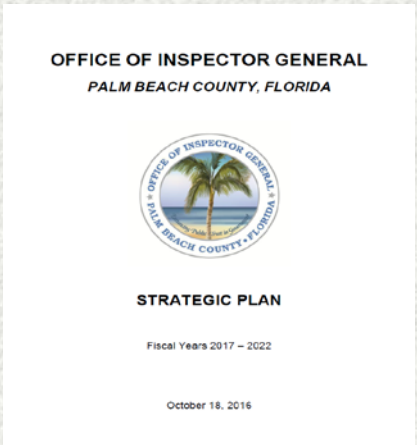
OUTLOOK AND THE WAY AHEAD

PLANS, OBJECTIVES, AND INITIATIVES



OIG Vision Statement:

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



Our new OIG Strategic Plan looking out to 2022 sets out the following goals:

- Promote integrity, accountability, and transparency in government while improving the efficiency and effectiveness of operations.
- Promote sound government procurement practices.
- Expand and improve communications and engagement between the OIG, government officials and employees, and the public.
- Achieve organizational excellence in carrying out the mission of the OIG.



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. We will 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.

Appendix 1 – FY2016 Recommendations

**INVESTIGATIVE ACTIVITIES COMPLETED
(October 1, 2015 – September 30, 2016)**

Date

11/10/2015

Report Number

2015-0008

County Environmental Resources Management – Automotive Repair Discount

Recommendations:

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

Implemented

2. Recoup all expenses associated with Mr. Hughes' use of a County vehicle for personal purposes.

Implemented

3. Consider implementing additional control methods to ensure that all County staff adequately document their use of County vehicles, to include a brief description of the nature and location of the County business taking place (i.e., Travel to 301 N. Olive Ave., West Palm Beach for County Commission meeting), as well as an appropriate level of supervisory review and authorization of travel-related documentation.

Implemented

12/8/2015

2015-0004

County Medical Examiner's Office (MEO)

Recommendations:

1. The MEO take appropriate personnel action.

Implemented

2. The MEO ensure the MEO staff is fully cognizant of County PPMs regarding internet and email usage.

Implemented

Section D – Appendices

3. In light of changes to PPM #CW-R-006, the MEO create an internal policy which covers public record exempt and statutorily protected information for which the ME is the custodian. This policy should, at a minimum, delineate steps required for release of this protected information in accordance with Florida State Statutes. Additionally, train MEO staff on the new MEO policy.

Implemented

4. The MEO work with County Information Systems Services to add/increase security measures of the ME online application to limit access to files, such as photographs, to only those staff members needing access for official use.

Implemented

**3/31/2016
2015-0006**

County Palm Tran Connection

Recommendation:

1. Develop personnel and operational policies.

Pending implementation

2. Take appropriate personnel action.

Implemented

3. Reactivate the Tracker Action Settings to track and account for every entry, change, and deleted event within the system.

Implemented

4. Restrict Trapeze System access rights to the Transportation Providers eliminating their ability to change times, as well as, granting access rights only to those essential PTC employees needing to make changes in the system as part of their position duties.

Implemented

5. Calculate the OTPR according to industry standards.

Pending implementation

6. Create an internal policy to monitor times changed so the period ending OTPR can be calculated from the initial scheduled time not the edited time.

Implemented

Section D – Appendices

7. Create an internal policy to monitor deleted records to require a review by Management. This policy should, at a minimum, be in accordance with Florida State Statutes relating to public records.

Implemented

8. Ensure that authorized employees are instructed on the approved reasons that would constitute any changes in the Trapeze System.

Implemented

9. Implement an external control measure (Periodic Review) to accurately account for the OTPR or any other targeted data.

Pending implementation

**9/28/2016
2016-0002**

West Palm Beach – Public Records

Recommendation:

1. Take appropriate personnel actions.

Implemented

2. Take appropriate action to ensure that City employees adhere to General Administration, Chapter 1, Policy 1-2, Public Records Requests.

Implemented

3. Revise written policies and procedures on outside employment requiring employees to obtain approval for leave or work schedule adjustment prior to performing outside employment during the official business day. They should be clearly communicated to City employees and documented.

Management did not accept recommendation

4. Establish internal controls that accurately represent actual hours worked by exempt City employees.

Management did not accept recommendation

5. Review the City's contract with RMA in light of the findings and information provided within this report and take appropriate action.

Pending implementation

**AUDIT REPORTS COMPLETED
(October 1, 2015 – September 30, 2016)**

Date

11/3/2015

Village of Palm Springs - Public Service Department

Report Number

2016-A-0001

Recommendations:

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

Implemented

2. Management should ensure employees enter the correct mileage when performing fuel transactions.

Implemented

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

Implemented

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

Implemented

5. The Village should discontinue the purchase of fuel at retail service stations (except if the fuel system is down).

Implemented

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

Implemented

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

Implemented

Section D – Appendices

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

Implemented

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

Implemented

10. Management should continue with plans to select, purchase and implement a public Service maintenance management work order software system.

Implemented

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

Implemented

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

Implemented

13. Management should establish a process in the Public Service Department to ensure contracts are properly monitored and contract payments have the necessary Village Council approval.

Implemented

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

Implemented

15. Management should implement current plans [REDACTED]

Implemented

16. Management should formalize the “scrapping” policy and associated procedures by Village Council approval/adoption.

Implemented

3/2/2016
2016-A-0002

City of Delray Beach - Purchasing

Recommendations:

1. The Purchasing Department should routinely review purchases to ensure three written quotations are obtained as required by Sections 36.02(B) and 36.02(C) (2) of the City's Purchasing Ordinance.

Implemented

2. The City Manager should ensure Department Heads adhere to the requirements of the Purchasing Ordinance.

Implemented

3. All future Sole Source and City Standard purchases should be approved by a Department Head with written justification as to why the purchase meets the criteria for Sole Source or City Standard, and be reviewed by the City Manager.

Implemented

4. Purchasing Staff should review all existing Sole Source and City Standard purchases to ensure that they have proper justification and meet the definition prescribed in the Purchasing Ordinance.

Implemented

5. Guidance and/or training should be provided to staff on the definitions of Sole Source and City Standard purchases to help ensure that purchases in these categories are properly justified.

Implemented

6. Consideration should be given to utilizing a standard template to document when non-competitive acquisition methods are used. The form could include a detailed description of the item and the unique features or circumstances that allow for a non-competitive acquisition method.

Implemented

7. We recommend Management reiterate its purchasing card policies regarding purchase limits to cardholders and approving personnel. The review and approval process, if followed, should identify any exceptions to the policy.

Implemented

Section D – Appendices

8. We recommend Management review the State of Florida’s General Records Schedule with appropriate staff and ensure that surveillance footage is retained for the required period of time.

Implemented

9. We recommend duties of the Inventory Control Clerk be segregated. If this is not practical due to staffing limitations, then compensating controls should be implemented. For example, a second individual should participate in key functions such as receiving goods and performing inventory counts, or periodic supervisory reviews should be performed and documented.

Pending implementation

10. Written policies and procedures should be developed for issuance and use of store credit and membership cards. The procedures should include documented approval, review, and monitoring processes to ensure the safeguarding of City assets.

Implemented

11. Written policies and procedures should be developed to provide guidance regarding allowable and unallowable purchases of food and refreshments for City employees. This will help ensure that expenditures are appropriate and for a clear public purpose or benefit.

Pending implementation

**7/27/2016
2016-A-0003**

Palm Beach County Department of Economic Sustainability - Grants Management

Recommendations:

1. We recommend that DES establish a standard monitoring process which is conducted throughout the grant scope of work. At a minimum, monitoring should occur at the beginning, middle and end of a grant project to ensure proper execution of the terms of the grant.

Implemented

2. We recommend that DES ensure written procedures are in place, and followed, to document the monitoring of the progress of grant construction projects.

Pending implementation

Section D – Appendices

3. We recommended that DES properly review the procurement process utilized by grant subrecipients to ensure that contracts are awarded to the lowest, responsible, responsive bidder.

Pending implementation

4. We recommended that the PBC Engineering Department take steps to ensure staff correctly and consistently implement the invitation to bid provisions when awarding contracts.

Implemented

5. We recommended that DES closely review the requests for reimbursement of grant funds to ensure pay applications are generated by the contractor, and not by County staff.

Implemented

6. We recommended that the Department of Engineering's Construction Coordination Division require all contractors to prepare and sign pay applications. The use of a format similar to the American Institute of Architects' Document G702 could also facilitate the certification that the work performed by the contractor was in accordance with the contract documents.

Implemented

7. We recommended that DES CIREIS Section enhance their monitoring activities to ensure grant subrecipients have proper controls in place for the construction contract change order process. Subrecipients should be made aware of the construction change order process, and notified each time the process is not properly followed. This will help ensure proper approval is obtained before the contractor performs additional work on a project.

Implemented

8. We recommended that DES CIREIS Section Management review and retrain staff on the compliance requirements associated with the Davis-Bacon Act.

Implemented

9. We recommended that DES CIREIS Section Management develop and implement procedures and controls to ensure compliance with the Davis-Bacon Act.

Pending implementation

Section D – Appendices

10. We recommended that DES CIREIS Section Management establish and perform a review process for all applicable grant compliance requirements to ensure proper fulfillment of the grant agreement.

Pending implementation

11. We recommended that DES CIREIS Section Management request the contractor to make restitution payments where it was identified that grant project workers were underpaid.

Pending implementation

12. We recommend that DES develop a documented records management process, and establish a centralized location for the maintenance of grant documentation; this could include: the development of a project folder, organizational guide, and document checklist. These items may facilitate the collection and retention of the grant and grant project documents.

Pending implementation

13. We recommend that PBC WUD management establish and account for grant funds as prescribed in the PBC PPM # CW-F-003 for all grants that they administer.

Implemented

14. We recommend that regularly scheduled thorough on-site inspections take place on construction projects to ensure that the work performed is adequate. At a minimum, performing thorough initial and mid-range site visits will reduce the likelihood of unsatisfactory work being identified at the end of the construction project.

Pending implementation

15. We recommend City Management ensure that written policies and procedures for relocation assistance are developed and communicated to employees.

Implemented

16. We recommend City Staff become knowledgeable in all of the requirements, processes and procedures related to their grant agreements, especially regarding allowable and unallowable expenditures.

Implemented

Section D – Appendices

17. We recommend City Management consider seeking reimbursement from the resident for any unjustified relocation payments paid on behalf of the DRI grant participant.

Pending Implementation

18. We recommend the City continue its efforts in the recovery of the \$191 overpayment made to the contractor.

Pending implementation

19. We recommend PBC WUD implement controls to ensure compliance with certificates of insurance requirements. Staff should document applicable requirements for each project, and adequately review certificates of insurance for compliance.

Implemented

20. We recommend PBC WUD develop written procedures to provide guidance in processing certificates of insurance for compliance review. This will help ensure that all required certificates are input, monitored, and maintained.

Implemented

21. We recommend PBC WUD implement a reconciliation process to ensure that all projects requiring insurance have been entered into the ITS system and are reviewed for compliance in a timely manner through the use of ITS reports.

Implemented

22. We recommend PBC WUD request the Risk Management Department provide additional ITS training specifically tailored to WUD activities.

Implemented

23. We recommend PBC Risk Management research why WUD transactions were missing from the ITS report; and if necessary, strengthen internal controls to avoid this type of occurrence in the future.

Implemented

**9/23/2016
2016-A-0004**

Town of Loxahatchee Groves - Contracts, Vendors, and Fixed Assets

Recommendations:

1. We recommend the Town Council develop and implement policies, procedures, or guidelines to be used for monitoring the Town's contracts to include ensuring contracts are properly executed, a documented review of

Section D – Appendices

deliverables is performed prior to payment, and verifying that required insurance coverage is maintained.

Pending implementation

2. We recommend the Town Manager ensure that all contractors have an executed contract on file prior to conducting business and making any payments.

Pending implementation

3. We recommend the Town Manager review insurance requirements on a consistent basis (at least annually), and request updated insurance documents from contractors as needed to ensure required coverage is maintained.

Pending implementation

4. We recommend the Town Council consider developing a Town Manager employer/employee relationship to mitigate some of the above noted risks.

Pending implementation

5. We recommend the Town Council separate the financial, clerk, and Town management duties to ensure segregation of duties over key government functions, or create other mitigating controls to address the risks associated with contracting all key functions under one entity.

Pending implementation

6. We recommend the Town Council consider including a Conflict of Interest clause in the Town Management contract, which requires disclosure of activities that have a potential for actual and perceived conflicts of interest.

Pending implementation

7. We recommend the Town Council consider developing written procedures for critical functions, and a succession plan, that can be used in the event of transitioning between town management companies.

Pending implementation

8. We recommend Town Council take a more active role in the oversight of the Town Management contract by (a) establishing performance evaluation criteria; (b) performing annual reviews of the Town Management contract; and (c) ensuring all contract deliverables are met.

Pending implementation

Section D – Appendices

9. We recommend the Town Council consider recouping the \$1,765 in identified costs.

Pending implementation

10. We recommend the Town Council consider clarifying the terms of the Town Management contract regarding mileage and training expenses.

Pending implementation

11. We recommend the Town Council consider approving all payments and reimbursements made to the Town Management firm prior to payment.

Pending implementation

12. We recommend the Town Council require the Town Management Company to record and submit the meeting minutes within the deadlines prescribed in the Professional Services Contract (or prior to the next regularly scheduled Council Meeting), and make recorded minutes available in accordance with F.S. 286.011.

Pending implementation

13. We recommend the Town Council take steps to ensure the established procedures requiring the Town Manager's written authorization prior to payment processing are adhered to.

Pending implementation

14. We recommend the Town Manager take steps to ensure sufficient documentation of required telephone quotes is maintained to demonstrate compliance with the Town's purchasing ordinance.

Pending implementation

15. We recommend the Town Council update its Finance and Accounting Procedures to establish procedures for processing payments when receipts or invoices are missing.

Pending implementation

16. We recommend the Town Council take steps to ensure compliance with IRS guidelines regarding issuance of 1099s.

Pending implementation

17. We recommend the Town Council seek professional advice to determine if retroactive issuance of 1099s to any contractors is required.

Pending implementation

Section D – Appendices

18. We recommend the Town Council ensure that all leases are reviewed and approved by the Town Attorney, prior to execution, as required under the Town's Charter.

Pending implementation

19. We recommend the Town Manager and Town Council ensure payments are reviewed and processed to avoid unnecessary late fees, sales tax and over-limit fees.

Pending implementation

20. We recommend the Town Manager complete an updated listing of items owned by the Town which have value of \$1,000 or more, or would have a significant impact if lost during a natural disaster, theft, or fire. This listing should:

- Include a date of purchase and value or cost of equipment, and distinguishing serial numbers;
- Be kept in the fire-proof safe; and,
- Be updated at least annually as required by the Town's Finance and Accounting Procedures Manual.

Pending implementation

21. We recommend the Town Manager ensure all equipment valued at \$1,000 or more with a useful life of more than one year is etched or tagged in order to demonstrate ownership by the Town as required by the procedures manual.

Implemented

22. We recommend the Town Council require an annual physical inventory of the Town's property to ensure that it aligns with the inventory listing.

Pending implementation

**CONTRACT OVERSIGHT REPORTS COMPLETED
(October 1, 2015 – September 30, 2016)**

Date

12/17/2015

Palm Beach County – Water Utilities Department Corrective Action Review

Report Number

2016-N-0001

Recommendation:

1. We recommend that the Palm Beach County Water Utilities Department implement formal written guidelines to address Contract Review Committee submittal requirements.

Implemented

3/22/2016

City of West Palm Beach – Contract Monitoring Follow Up

2016-R-0001

Recommendations:

1. The City should implement a citywide contract monitoring policy/procedure and provide staff training.

Pending implementation

2. Address in a policy and/or procedure a uniform method by which contract files are maintained.

Pending implementation

3. Develop and implement a contract monitoring risk assessment tool.

Pending implementation

6/22/2016

Solid Waste Authority – Blighted and Distressed Property Clean-Up and Beautification Program

CA-2016-0075

Recommendations:

1. We recommend that the Solid Waste Authority stop payments to the grantees until appropriate action is taken to cure any and all acts arising out of the award of the grant that are deemed void for failing to comply with the Sunshine Law.

Implemented

2. We recommend that the Solid Waste Authority follow the State Constitution and publicly notice all meetings at which official acts are to be taken or at

Section D – Appendices

which public business is to be transacted or discussed. Further, that the minutes of such meetings be promptly recorded.

Implemented

**9/14/2016
CA-2016-0122**

Village of Palm Springs – Selection Process for Auditing Services

Recommendations:

1. We recommended that the Village Council void the contract award made at their July 14, 2016 meeting.

Implemented

2. We recommended that the Village Council establish an Audit Committee and adhere to the statutorily prescribed manner of selecting an auditor.

Implemented

3. Direct the Audit Committee to comply with its statutorily prescribed functions.

Implemented

**9/19/2016
CA-2016-0047**

City of Palm Beach Gardens – Design-Build of New Golf Clubhouse

Recommendations:

1. We recommended the City record all team meetings at which negotiation strategies are discussed per requirements of Section 286.0113, Florida Statutes.

Implemented

2. We recommended the City include guidelines regarding the negotiation team process within its Purchasing and Procedures Manual.

Implemented

Section D – Appendices

Appendix 2 – Prior Years’ Significant Open Recommendations

The OIG has issued hundreds of recommendations since its creation in 2010 with an overall 95% of these having been accepted or pending implementation 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 requires 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

While this office has followed up with the City Manager on a quarterly basis and has notified the City Council that these accepted recommendations have not been implemented, corrective actions have not been taken.

Section D – Appendices

Appendix 3 – FY2017 Audit Plan at a Glance

Audit	Possible Objectives
Carryover Audits	
Multiple Entities: Fleet and Fuel Management	Determine if there are sufficient controls in place to ensure fuel, vehicles, and parts are adequately safeguarded. Are purchases cost effective?
Planned Audits	
Palm Beach County Engineering – Road Construction	<ul style="list-style-type: none"> • Are procurement policies and procedures being followed? • Are contract management procedures adequate? • Are contract payments and deliverables adequately reviewed and approved?
Multiple Entities: Contracts & Vendors <ul style="list-style-type: none"> • Palm Beach County Facilities • Department of Airports 	<ul style="list-style-type: none"> • Are appropriate procurement policies and procedures being followed? • Are invoices and purchases being properly documented and approved to avoid fraud, waste, and abuse? • Are vendor contracts being effectively managed?
Palm Beach County Tourist Development Council	<ul style="list-style-type: none"> • Are there policies and procedures to effectively manage projects and deliverables? • Are performance measures reviewed and compared to strategic plans? • Are controls in place to ensure proper allocation of the bed tax?
Solid Waste Authority: Construction Contracts	<ul style="list-style-type: none"> • Are internal controls in place to properly manage construction projects? • Are control procedures adequate to ensure that construction contracts are competitively procured, invoices are adequately reviewed, and payments are properly approved?
Multiple Entities: Utilities <ul style="list-style-type: none"> • City of Lake Worth • Town of Manalapan 	<ul style="list-style-type: none"> • Are utilities using proper billing, collections, and rate setting practices? • Is the customer’s confidential/ sensitive information being adequately protected?
Possible Audits	
City of West Palm Beach: Time and Attendance / Outside Employment	Determine the adequacy of controls in place that guard against improper City employee time and attendance procedures and practices.
Palm Beach County – Grants and Aid to Community Redevelopment Agencies	Determine the adequacy of controls in place to effectively manage and monitor the deliverables associated with the \$30 million grants and aid appropriation.

PALM BEACH COUNTY
OFFICE OF INSPECTOR GENERAL

100 Australian Avenue
West Palm Beach, FL 33406
TEL: (561) 233-2350
FAX: (561) 233-2370

HOTLINE: (877) 283-7068

Email: Inspector@pbcgov.org
Website: www.pbcgov.com/OIG

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.