

Walton County Board of County Commissioners
Public Works Division
Follow-up Review of
Choctawhatchee Basin Alliance Contract

Alex Alford
Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

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Report 17-02
July 2017

REPLY TO:

571 U.S. HIGHWAY 90 EAST ♦ P.O. BOX 1260 ♦ DEFUNIAK SPRINGS, FLORIDA 32435-1260
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ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

July 11, 2017

Walton County Board of County Commissioners

The Internal Audit Department ("IA") has conducted a follow-up of our limited review of the Choctawhatchee Basin Alliance ("CBA") contract with the Walton County Board of County Commissioners ("Board"). The review of the contract was conducted for the period of October 1, 2015 through September 30, 2016 to determine if recommendations provided in our July 2010 report have been implemented and also to determine if CBA has complied with the contract requirements and the scope of services.

Internal Audit appreciates the cooperation of the personnel of the Public Works Division during the completion of this follow-up review.

Johnny Street
Internal Audit Manager

Approved:

Alex Alford
Clerk of Courts and
County Comptroller

cc: William Stafford, Public Works Director
Walton County Administration

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department (“IA”) conducted a follow-up review of our July 2010 limited review of the Choctawhatchee Basin Alliance (“CBA”) contract with the Walton County Board of County Commissioners (“Board”). Our follow-up included an examination of the contract terms and conditions for the period of October 1, 2015 through September 30, 2016 and an assessment of the implementation of recommendations provided by IA as part of our 2010 limited review. The objectives of this follow-up review were to determine:

1. The adequacy of the contract language;
2. Whether CBA complied with the contract requirements;
3. Whether payments for invoiced services were accurate and appropriate; and,
4. Whether all applicable recommendations previously provided have been appropriately implemented.

In the opinion of IA, contract language is adequate, however biannual water quality reports, as stipulated in the executed contract, were not provided by CBA. The adequacy and appropriateness of payments for invoiced services cannot be substantiated when all deliverables per the contract were not provided. During our review of previous recommendations we also noted that approval of the contract by the Board was subsequent to the contract commencement date. We have outlined each of our previous recommendations and the results of our follow-up procedures herein.

INTRODUCTION

Background

IA had previously performed a limited review of the CBA contract with Walton County and issued a report dated July 2010. As outlined in the contract, CBA was to provide water monitoring of the Choctawhatchee Bay and the Coastal Dune Lakes and also provide National Pollutant Discharge Elimination System permit assistance. Our initial review included four contracts covering the period of October 1, 2005 through September 30, 2009 with total fees paid of approximately \$787,000. As a result of our limited review, certain recommendations for strengthening of controls were provided.

In order to perform a follow-up to assess the implementation of recommendations provided in our 2010 report, IA reviewed the contract with CBA and Walton County ("County") for the period of October 1, 2015 through September 30, 2016. This contract was executed by the Board on November 10, 2015. The terms of the contract state that CBA will perform water monitoring of the Coastal Dune Lakes for a sum of \$25,000 and provide biannual invoices to the County. Biannual invoices of \$12,500 will include financial reports that provide a detailed allocation of the sources of all funds and a detailed allocation of the expenditures, including specific accounting for expenditures in the County. Additionally, CBA will provide biannual summary reports of the water quality data collected on the Coastal Dune Lakes.

Scope

Our follow-up review of the CBA contract was conducted for the period of October 1, 2015 through September 30, 2016.

Objectives

The objectives of our inquiries and examination of records were to determine:

1. The adequacy of the contract language;
2. Whether CBA complied with the contract requirements;
3. Whether payments for invoiced services were accurate and appropriate; and,
4. Whether all applicable recommendations previously provided have been appropriately implemented.

Methodology

The methodology utilized in this follow-up was to first review the fiscal year 2016 contract. As part of this review, we examined the contract language to ensure it was adequate and to determine the requirements associated with the agreement. Upon ascertaining the terms of the agreement, IA ensured that both biannual invoices received from CBA included required supplementary information as outlined in the contract, were invoiced appropriately at \$12,500 each, and received proper supervisory approval. The fundamental deliverables per the contract are to perform water monitoring of the Coastal Dune Lakes and to submit biannual water quality reports to the County. IA requested copies of these reports to ensure that contract terms were met.

Upon completion of our initial assessment of the fiscal year 2016 contract, IA performed a review of the implementation of recommendations previously provided in our July 2010 report. IA took into consideration that the scope of services provided and the associated fees earned by CBA per the fiscal year 2016 contract was substantially less than those services provided during our previous review. The results of our review of recommendation implementation are outlined at section, "Recommendation Review."

Overall Conclusion

Based on the results of the work performed, contract language appeared to be adequate. Additionally, the required financial documentation was provided with both invoices presented for payment. We did note however, that biannual water quality reports were not provided by CBA. The adequacy and appropriateness of payments for invoiced services cannot be substantiated when all deliverables per the contract were not provided. We also noted, that contract approval and execution by the Board occurred subsequent to the commencement date of October 1, 2015. We have provided the results of our Recommendation Review in the following section.

RECOMMEDATION
REVIEW

Below we have outlined the conditions and recommendations as reported in our July 2010 report along with the results of our follow-up assessment of the implementation of such recommendations when compared to the fiscal year 2016 CBA contract.

1. Condition

A proper proposed budget was not submitted with the contracts.

Recommendation

Internal audit recommends that the contracts for services include a comprehensive proposed budget that will allow County management to determine if the contract is an economical and an efficient use of County funds. County employees that work closely in these area should be consulted to gain a better insight into the County's ability to perform these services. Additionally, the County should inquire with other local governments to determine if mutual cooperation would be beneficial in accomplishing the protection and preservation of the Choctawhatchee Bay watershed basin.

Follow-up Results

The fiscal year 2016 contract is limited to Coastal Dune Lake water monitoring and the delivery of water quality monitoring reports. Per discussion with management, the level of services provided did not constitute the need for a detailed budget prior to contract acceptance. We agree with management's decision regarding prior budget approval.

Due to the reduction in scope of services and fees paid to CBA, IA does not believe that a feasibility review of providing services with County employees was necessary or would provide significant cost-savings.

Management's Response

Staff agrees that providing the services with County employees would not provide significant cost-savings and that a feasibility review would not be appropriate.

2. Condition

CBA did not comply with all contract terms and conditions.

Recommendation

Internal audit recommends management implement a detailed contract monitoring program to ensure that all terms and conditions of the contract are fulfilled prior to approving payments.

Follow-up Results

IA notes that services provided by CBA are now limited to water quality monitoring of the Coastal Dune Lakes. Both biannual invoices included required supplemental financial documentation stipulated in the contract.

The contract also stipulates that CBA will provide biannual summary reports of the water quality data collected on the Coastal Dune Lakes and that these reports will include a map or aerial of the lakes and show the location each sample was taken. Management received a report from CBA dated October 2016 that was prepared utilizing 2015 water monitoring data. No additional reports were received by the County. This report is not considered adequate to meet the requirements of the contract.

IA was not provided with adequate documentation to ascertain that required water monitoring was performed. As previously recommended, management should implement a detailed contract monitoring program to ensure that all terms and conditions of the contract are fulfilled prior to approving payment.

Management's Response

Staff is currently working on renewing the upcoming CBA contract and will implement a contract monitoring program that verifies that all terms and conditions of the contract are met prior to payment of invoices.

3. Condition

CBA contracts were not timely submitted to the Board for approval.

Recommendation

Internal audit recommends contracts are presented to the Board for approval prior to the beginning of the term of the agreement. In addition, quarterly payment schedules should require payments at the end of each quarter after services have been performed.

Follow-up Results

The fiscal year 2016 CBA contract stipulates biannual payments which were adhered to by the County.

The CBA contract reviewed for the period of October 1, 2015 through September 30, 2016 was approved by the Board on November 10, 2015. Based on our previous recommendation, this contract should have been prepared and submitted to the Board for approval prior to October 1, 2015. We recommend management implement contract management policies and procedures to ensure that contracts are reviewed and approved by the Board prior to their commencement date to allow time for modifications, research, etc. This will also eliminate retroactive contracts that could result in the performance of services and/or obligations of the County prior to approval.

Management's Response

Staff has designated a responsible party to make sure that all contracts are approved by the BCC prior to beginning of the terms of agreement. CBA contract review now begins in July which allows adequate time for any necessary contract changes and BCC approval prior to the October 1st effective date.

4. Condition

The contracts did not contain the adequate audit clause.

Recommendation

Internal audit recommends that all contracts be written with a clearly defined audit clause that allows the County to review the contractor's records at the County's discretion as to time, place, and documentation.

Follow-up Results

The CBA contract for fiscal year 2016 contained adequate documentation to ensure the County has inspection and audit rights of all financial and nonfinancial records and reports directly or indirectly related to the negotiation or performance of the contract with reasonable notice of time and place.

Management's Response

It is understood that the fiscal year 2016 contract had an adequate audit clause and all future contracts will contain this audit clause.

5. Condition

Contract reviews and monitoring could use some improvement.

Recommendation

Internal audit recommends management enhance contract monitoring. Management should more closely review reports and invoices to ensure their accuracy and legitimacy prior to approving for payment. The contracts should receive closer scrutiny to ensure that the terms and conditions are appropriate, accurate, and in the best interest of the County prior to presentation to the Board for approval.

Follow-up Results

IA notes that the scope of services provided and the associated fees earned by CBA per the fiscal year 2016 contract are substantially less than those services provided and fees paid during our previous review. IA reviewed both invoices associated with the fiscal year 2016 contract noting required financial documentation was included, however biannual water quality reports were not received by the County.

As previously recommended, management should enhance contract monitoring to ensure that all required deliverables are received from the vendor prior to payment of invoices.

Management's Response

Staff will ensure through contract monitoring that all required deliverables are provided prior to payment of invoices.