

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

Walton County Board of County Commissioners
Planning and Development Services Division
Expenditure Audit

Martha Ingle
Clerk of the Court

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 0103
December 2010

REPLY TO:

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Management's Response to Recommendation for Improvements	

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

December 8, 2010

Board of County Commissioners

The Internal Audit Department has conducted a review of the Planning and Development Services expenditures. The review of expenditures was conducted for the period of October 1, 2007 to July 31, 2010 to determine if the expenditures complied with appropriate laws, rules, regulations, policies and procedures. Also to ensure the expenditures were for official County purposes.

The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review. These standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Based on the audit objectives, Internal Audit believes the evidence obtained provides a reasonable basis for the findings and conclusions.

Responses to our Recommendations for Improvement were received from County Administration and the Division Director and are incorporated herein.

Internal Audit appreciates the cooperation of the personnel of the Planning and Development Services Division, County Administration and County Finance during the completion of this audit.

Johnny R Street
Internal Audit Manager

Approved:

Martha Ingle
Clerk of Court

c: Lyle Seigler, County Administrator
Gerry Demers, Assistant County Administrator
Acting Director of Planning and Development Services

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a review of the Planning and Development Services Division (the Division) expenditures. The review included an examination of expenditures for the period of October 1, 2007 through July 31, 2010. The scope of the audit included a review of expenditures to determine compliance with Florida statutes and County policies, procedures, rules, and regulations. The objectives of this review were to determine:

- 1) Whether the expenditures were reasonable and appropriate;
- 2) Whether the expenditures were for valid County purpose;
- 3) Whether purchases were properly completed and authorized; and,
- 4) Whether purchases of assets were properly completed.

In the opinion of internal audit, controls over the expenditures were adequate to ensure proper approval and payment and controls over fixed assets were working as intended. Based on the results of the work performed, it was determined that expenditures were reasonable, appropriate, and for official County business. The expenditures materially complied with purchasing policies and procedures. Opportunities for improvement were noted and are included in this report. Internal Audit's recommendations for improvement are summarized as follows:

Some of the Divisions employees were making long distance phone calls using the County's phone lines. The County's communications policy allows the use communications equipment for personal use on occasion; however, any charges resulting from the use are to be reimbursed to the County. Internal Audit found no reimbursement for personal telephone use.

The County's travel policy allows employees to be reimbursed for attending conferences and conventions. The employees are allowed a per diem rate for this travel; however, when meals are provided as part of the meeting, they are to be deducted from the reimbursement based on an established rate. Certain employees were not deducting the meals from their reimbursements.

Division management does not receive or approve cell phone invoices. The Division paid for two SouthernLinc radios and Verizon cell phone that were not used for the 12 month period reviewed. In addition, two telephone lines were paid from the Division's fund although they belonged to Facilities Management.

A Letter of Agreement in lieu of a contract was entered for a consultant to provide leadership, guidance and decision making to the Planning and Development Services Division. This agreement required the County to pay \$8,000.00 per month for these services. The agreement was made between County Administration and the consultant and was not under the control of Planning and Development Services.

The procedures for expenditure of County funds provided adequate controls to ensure that purchases were proper. Controls over the use of communication equipment and travel reimbursements could use improvement. Recommendations for improvement are included in this report.

INTRODUCTION



INTRODUCTION

Planning and Development Services Expenditure Audit

Background

The Walton County Planning and Development Services Division is responsible for the administration of the County's Comprehensive Plan and the Land Development Code. In addition to DRI project management functions, the Division provides the planning and development services for projects located within unincorporated Walton County. The Division includes the Long and Short Range Planning Departments, Code Enforcement, and Geospatial Analysis. The Processing Department handles all payments including Beach and Temporary Permits.

The Division's main focus is on new large and small scale residential subdivisions and commercial development. They accept and process applications and supporting documentation for these developments. They are responsible for development review, zoning, and inspection. In addition, the Division is responsible for changes in the Comprehensive Plan and the Land Development Code in addition to transportation concurrency.

The Division also includes the Geospatial Analysis Department that provides data and analysis for the planning and development process. The department provides information for requests for geospatial projects and mapping. Other services include spatial data development, spatial data management and maintenance, technical support and training. They also respond to citizen requests for maps, data, and other geospatial related information.

The Division also coordinates the meetings, workshops and public hearings for the following Boards:

- Code Enforcement
- Design Review
- Planning Commission
- Technical Review
- Zoning
- Evaluation and Appraisal Report (ERA)

The Processing Department is responsible for the issuance of beach permits which includes bonfire, beach items, vending, dogs on the beach, wedding ceremonies, temporary beach driving, and other special occasion permits.



INTRODUCTION

Limited Review of CBA Contract

Scope, Objectives, and Methodology

The Planning and Development Services Division audit was conducted for the period of October 1, 2007 through July 31, 2010. The scope of the audit included a review of the Division's expenditures and included purchase orders, travel, communications, fixed assets, fuel usage, and contracted services. The objective of the review was to determine if the expenditures were for legitimate County purpose and complied with the laws, rules, regulations, policies and procedures.

The methodology used in this audit was to review a sample of expenditures processed during the audit period in the categories referenced above. The expenditures were reviewed to ensure they were properly authorized and completed. Travel expenditures were reviewed to determine if they complied with Florida statutes and Walton County policies and procedures. The communications expenditures were reviewed for compliance with the Counties Communications Policy. Fuel usage was reviewed to determine reasonableness. The purchase of assets were reviewed to determine if the item was purchased, if it actual exists, and if it was tagged with the appropriate asset number.

Overall Conclusion

Based on the results of the work performed, the procedures for expenditure of County funds appeared to provide adequate controls to ensure that purchases were proper; however, controls over the use of communication equipment and travel reimbursements could use improvement. Recommendations for improvement are included in this report.

**RECOMMENDATIONS FOR
IMPROVEMENT**

1. A Contract for Consulting Services was not Completed Properly.

During Internal Audit's review of expenditures it was noted that the Division was utilizing a consultant to provide guidance, leadership and decision making services. Internal Audit requested a copy of the contract for the consulting services and was provided with a Letter of Agreement signed by the consultant and County Administration. The agreement was dated November 5, 2009 and obligated the County to pay \$8,000.00 per month for the consulting services. Several issues were noted based on the information reviewed;

- 1) The agreement was between County Administration and the consultant instead of the BCC and was not signed by the BCC chairman.
- 2) The agreement did not contain any of the standard contract clauses that should have been included.
- 3) The consulting services did not go out for bid.
- 4) The agreement required forty (40) plus hours per week; however the consult set the hours and was not required to maintain any form of time records.
- 5) The County paid for related expenditures; however, this was not included in the agreement.
- 6) Although not an employee of the County, there is an appearance that the consultant is a County Director.

Consulting services should always go out for bid and the best candidate selected. Also, this agreement should have been between the BCC and the consultant and signed by the chairman. Florida Statute (FS) 125.74(1)(k) gives the County Administrator the power to hire all employees; however department heads require confirmation by the BCC. Since the consultant is serving in the capacity of Division director, this appears to require the Board's approval. In addition, FS 125.74(1)(m) gives the Administrator the power to negotiate leases, contracts, and other agreements including consulting services, subject to approval by the Board.

The agreement did not contain any of the contract clauses that are usually found in a standard agreement for consulting services, to include but not limited to; term, compensation, independent contractor, insurance, hold harmless, and scope of services. Based on the wording of the agreement, it appears that business related travel would be included in the compensation already provided by the County. The County paid for the consultant's travel to a business related conference.

RECOMMENDATIONS
FOR IMPROVEMENT

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In addition, the County provides the consultant with a cell phone; however, the agreement does not address the provision of a County cell phone or use. The County's website lists the consultant as a Director but makes no mention of the consultant distinction. In addition, Internal Audit reviewed 11 BCC meeting minutes and determined that the consultant was listed as the Division director in nine of the 11 reviewed. Based on the information available to the general public, the distinction between employee and consultant may be misinterpreted.

Additionally, in a memo from County Administration to County Finance dated January 26, 2010, the consultant is identified as having an independent business that provides these services for other clients. Since the consultant is not a County employee and the agreement does not protect the County's interest, a conflict of interest could be construed from this arrangement. The agreement does not require the consultant to perform in the best interest of the County. A risk exists that the consultant could act in the interest of the clients that were serviced by the independent business.

When procuring consulting services Florida Statutes and County policies and procedures should be followed. Without a proper contract, the County may not receive the services expected. In addition, the risk to the County is substantially increased without a properly reviewed and approved contract.

Internal Audit Recommends that all consulting agreements be properly completed and approved by the Board of County Commissioners. The agreement should be reviewed by the County Attorney to insure it is in the best interest of the County and that all provisions and associations comply with all laws, rules, regulations, policies and procedures. Additionally, the agreements should include clear and concise provisions that include the requirements of the consultant and the County. Also, the agreements should include all areas of expenditures that the County is obligated to pay. Finally, a clear distinction should always be maintained between a consultant and a County employee.

Management's Response: Administration agrees with the auditor's recommendations that all consulting agreements be properly completed and approved by the Board of County Commissioners. This process will ensure that a legal review is conducted to ensure requirements and obligations are clear for all parties.

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Administration has taken the following steps to correct the existing consulting contract:

1. The contract is to be terminated on January 15, 2011. This allows time for both parties to sign an agreement to terminate the existing contract.
2. The individual that had been under contract will be hired as a temporary employee to work for the Planning Division.
3. The newly hired temporary employee will not perform duties as a “Director” unless and until such time as the County Administrator decides to appoint her to that position, and that action is confirmed by the Board of County Commissioners.

2. The Division had Un-reimbursed Long Distance Telephone Charges.

As part of the audit of the Division’s expenditures, Internal Audit reviewed a sample of telephone expenditures. Several items were noted during this review;

- A) Division employees were making personal long distance telephone calls using the County’s telephone. One employee made 189 minutes of long distance calls in a two month period. In addition, it was noted that two long distance calls were placed to fax lines belonging to the Human Resource Departments of other local governments.
- B) Directory assistance calls were charged to the Division’s telephones. With the information available for locating telephone numbers, Internal Audit as well as Division management feels this type of charge is unnecessary. Division management discovered the directory assistance charges during the audit and prior to being notified by the auditor.
- C) The Division was paying for two phone lines that belonged to another Division. Division management discovered these charges during the audit and had the telephone lines corrected prior to being notified by Internal Audit.

Division management reviews the telephone invoices and discovered two of the three issues noted above. The Division Director usually checks for the minutes per call along with other attributes. The long distance calls noted above were in most part of short duration and thus were not discovered.

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Walton County Policy for Standards and Ethics, Communications Policy 6.5 Section A prohibits personal use; however, Section C, Personal Use defined, allows occasional use when it may be necessary but requires reimbursement of any charges when the itemized billing is received, Internal Audit did not find any reimbursements of telephone calls. It is incumbent for management to monitor the telephone invoices for compliance with County policies and procedures. Without more thorough review employees may continue to make long distance calls using the County's telephones.

Internal Audit Recommends management more closely monitors the telephone invoices for personal calls. All personal long distance calls should receive management's approval prior to the call being placed. In addition, County Management should revisit the communications policy as to use and reimbursement. Since the cost of a ten minute long distance call would be approximately 70 cents, Internal Audit determined that it would not be cost effective to collect and deposit an occasional short duration long distance call.

Management's Response: We agree with the auditor's recommendation that management needs to monitor the phone bills to identify violations of the County's communications policy. It is noted however, that the Directors do not see all the phone bills. These bills need to be made available to the Directors in order to perform this management function. We also believe that the County should review the communications policy to make allowances for occasional short duration personal calls by employees. Some employees would incur long distance charges to even call their spouse. It is not cost efficient to collect 70 cents from employees. The cost, in staff time, to make this collection would be far greater than the collection.

3. The Division does not Receive Cell Phone Invoices for Review.

Internal Audit selected a sample of cell phone invoices for review as part of the expenditure audit. Certain items were noted during the review. When brought to the Division's attention, the auditor was informed that the Division does not receive the cell phone invoices.

Internal Audit noted some charges on the invoices that should not have occurred. A \$9.99 charge for a premium text messaging service was discovered on one invoice. These messaging services provided daily text messages to the cell phone number and do not provide a benefit for the county. In addition, 14 directory assistance calls were charged to the Division's cell phones.



**RECOMMENDATIONS
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Internal Audit also noted that during the 12 month period reviewed two SouthernLinc radios and one Verizon cell phone had not been used. This also resulted in an unnecessary expenditure for the Division. Since the Division did not receive the monthly invoices for review, these charges were not discovered by Division management. In addition, Internal Audit did not find any reimbursements of the unnecessary charges.

Internal Audit Recommends that Division management receive all SouthernLinc and Verizon cell phone invoices for review and approval. The Division can review the invoices to help determine the necessity for the use of a cell phone or radio. In addition, management can determine if all charges are correct and take action if not.

Management's Response: We agree with the auditor's recommendation that the Directors need to receive and review all cell phone bills to ensure employees are following the communications policy. However, we recommend that Directors be able to review the cell phone bills on line, if possible, to not further slow down the process of payment. Employees need to be advised of the County policy on use of County owned cell phones, and then monitor for compliance. It is noted that the \$9.99 charge for premium text messaging was charged by a former director; this was removed after the first month.

4. Some Employees were Overpaid for Travel Reimbursements.

Internal Audit reviewed travel reimbursements as part of the audit of the Division's expenditures. It was determined that some employees were overpaid for their reimbursements for travel. The County's travel policy allows travelers to be reimbursed for lodging, meals, and other expenditures. Employees may receive a per diem rate for travel that lasts more than 24 hours and requires overnight out of town stays.

The employee must complete a travel reimbursement and submit it for approval. When the travel is to a conference and a meal is included as part of the conference, a certain amount is deducted from the reimbursement depending on which meal is provided. On April 24, 2007, the Walton County Office of Management and Budget issued a memorandum to all employees explaining the proper procedure for deducting the meals from the travel reimbursements. Internal Audit determined that on 10 of 16 or 63% of the travel reimbursements, employees did not deduct the required amount when a meal was provided. The Clerk's Finance Department detected the errors for six of the 10 reimbursements that were incorrect. However, four employees were overpaid on their travel reimbursements.

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Internal Audit Recommends Division management provide a more comprehensive review of travel reimbursements before approving them. Employees that are allowed to travel should also be required to review proper procedures for completing the reimbursements before submitting them for payment.

Management's Response: We agree that employees must be informed of the travel policies and that management must thoroughly review each travel reimbursement prior to signing the documents. Management must also request that each traveler provide the itinerary that shows what meals are included with conferences so as to not overpay travelers.

5. **Certain Non-capitalized Items should be Recorded and Tracked.**

As part of the Division's expenditure audit, Internal Audit conducted a review of recently purchased items that fall under the BCC fixed asset threshold amount (non-capitalized) of \$1,000. The purchases included items that cost at least \$200 and have a useful life of one year or more. These items are not recorded in the asset register and are not tracked by the divisions. The State of Florida Chief Financial Officer (CFO) refers to these items as attractive assets and the Government Finance Officers Association (GFOA) refers to them as "walk away" items. These items are vulnerable to loss, easily removed from the premises, have a history of being stolen, and/or are easily resold. No discrepancies were noted during this test.

The CFO and the GFOA both recommend that these items be recorded and tracked on the department level and inventoried annually. The non-capitalized items should be assigned to an individual within each division and an annual inventory conducted with a departmental report generated along with explanations of any changes. The type and value of the items recorded should be established by County or Division management. It would not be necessary to include every item; however, items that fall into the categories mentioned above should be considered. This process would help the Division in safeguarding the purchase of non-capitalized assets.

It should be noted that the GIS department had compiled a spreadsheet with such a list of items as well as capital assets already on the asset register. This type of documenting should be developed throughout the Division.



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Internal Audit Recommends that County and Division Managements develop a system for recording, tracking and inventorying of non-capitalized assets.

Management's Response: We agree that the County should consider a policy that would keep track of certain items that costs less than the \$1000 threshold for a BCC number. Some of the items that are not currently tracked on inventory are: new computers that cost less than \$1000, monitors, cell phones, GPS units, microwave, refrigerator, and most furniture. Some of these items are attractive to employees and may become "walk away" items if not accounted for on inventories. In forming this policy there should be a minimum threshold such as anything costing in excess of \$200 that would fit the other criteria listed above.