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CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

**Walton County Board of County Commissioners  
Planning and Development Services Division  
Limited Review  
Planning and Development Fees**

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Clerk of the Circuit Court and County Comptroller**

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January 9, 2017

## Board of County Commissioners

The Internal Audit Department has conducted a limited audit of the Walton County Planning and Development Services Division. The Divisions' records were reviewed for the period of January 1, 2005 to December 31, 2014 to determine if internal controls for the planning and development fees were adequate and working as intended. Also, to determine if the Division was in compliance with applicable statutes, laws, rules, regulations, policies, and procedures.

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.

Internal Audit appreciates the cooperation of County personnel and the Clerk of Courts & County Comptroller's Finance Department during the completion of this audit.

Johnny Street  
Internal Audit Manager

Approved:

Alex Alford  
Clerk of Circuit Court  
and County Comptroller

c: Mac Carpenter, Planning and Development Services Division Director  
County Administration

## EXECUTIVE SUMMARY



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## Executive Summary

Walton County's (County) Planning and Development Services Division (Division) provides land development project management for the development of commercial and residential projects throughout the County. The Division is responsible for the County's Comprehensive Plan and Land Development Codes (LDC) which provide guidance in addition to legal requirements necessary to undertake a development in the County. The developers must pay certain fees before the project is started and after the project is approved. Internal Audit limited this review to the collection of these fees by the Division. Three major fees that may be required for each project are the Proportional Fair Share, Preservation Buyout fee, and Sidewalk Buyout fee. A fourth fee that may be required for residential projects is the Recreation Plat fee. The following are simplified explanations of these fees;

The preservation fee is paid in lieu of preserving certain types of vegetation and natural habitat. The Proportional Fair Share fee is required when the project results in additional traffic for the area. This fee helps pay for additional infrastructure needed as a result of the development. The Sidewalk fee is paid in lieu of building sidewalks. The fourth which is for residential projects is the Recreation Plat fee. The recreation fee is required when the development does not build recreation facilities as part of the development.

This limited review was initiated when the State Attorney's Office determined that two of the fees described above were miscalculated resulting in \$798,635.75 of uncollected recreation plat fee revenue. The Internal Audit Department was requested to review the Division's revenue collection. The review was conducted for the period January 1, 2005 through December 31, 2014. Internal Audit used the documentation provided by the Division and obtained from the Clerk's Finance Division to ascertain if the fees charged were appropriate, and calculated accurately. These fees were traced through the receipting process and verified to the general ledger.

1. The Division did not collect \$1,737,035.94 in fees for the period reviewed.

The Division failed to collect additional fees described above that were due during the audit period. Some fees were miscalculated and some fees were never billed. The breakdown of the additional fees is listed here:

- a. Proportional Fair Share Fee - \$101,344.50
- b. Sidewalk Buyout Fee - \$24,175.00
- c. Preservation Buyout Fee- \$638,162.06
- d. Recreation Plat Fee - \$174,718.63



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The Division began collection efforts for any overdue fees identified by Internal Audit during the review and had collected \$424,789.37 at the conclusion of the audit fieldwork. During the process of reviewing these fees, it was also noted that certain other fees such as review fees and extension fees were not collected when due.

2. Adequate controls over project files were not maintained.

The Division is responsible for compiling and maintaining planning and development files. These files must contain sufficient documentation that will provide a record of the process undertaken for verifying and approving the project. It should also provide an adequate audit trail of the steps involved in completing the project. The Division did not provide seventy-five (75) of the files requested for the audit. Thirty-six (36) of the files that were provided by the Division did not contain sufficient documentation that would allow a proper review. Many of the documents missing from the files were used to calculate the fees noted above. It was also noted that the Division's files were not stored in a single location which would allow for better control and accessibility.

Some projects are allowed to be completed in phases. A master plan along with a plan for each phase must be submitted. The phased projects usually did not have cross-referenced file information. In addition, the project numbers did not correspond with any other phase or the master file. The lack of documentation and referenced files made the review of these projects very difficult to follow. This increased the risk of uncollected and miscalculated fees.

Internal Audit also found an e-mail from 2009 stored in the Division's planning and development module. The correspondence from a planner inquired if the recipient would like to, "pick up and destroy", a project file. Per state statute, project files for denied developments must be retained for a minimum of twenty (20) years.

3. The Division was not consistent in determining land value.

The Recreation Plat fee and the Preservation Buyout fee are based on the value of the land without improvements. The Division calculated the majority of the fees using the latest Property Appraisers' certified tax assessment; however, the Division sometimes used the fair market value of the land at a given date also provided by the Property Appraiser's staff. The LDC, as currently written, allows the Division to select either method to determine the amount to be used as land value. Internal Audit noted for one project the assessed value was \$10,000,000.00 less than the just land value.



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The planner used the assessed value which allowed for a \$500,000.00 reduction in the recreation fee. The gross land value does not always equal the assessed value for tax purposes.

4. The Division needs written operating procedures.

The Division affects many areas of public business from commercial to residential and has duties that are unique from any other County division. Internal operating procedures are needed to help ensure the staff is providing the services they are tasked with and that these services are being provided efficiently and effectively. These procedures need to be specific to the operations necessary for providing quality services.

5. The Board should approve all Division fees.

During our review, Internal Audit noted that the square foot rate for constructing sidewalks was not always consistent. For most projects requiring a Sidewalk Buyout fee, the Division charged \$3.50 per square foot for the fee; however, rates were found that ranged from \$2.50 to \$6.00 per square foot. The LDC directs the Division to conduct an annual review of the sidewalk fee to determine if the fee is appropriate. When the Division reviewed and changed the fee for some projects it was not presented to the Board for approval.

6. The Division needs a conflict of interest policy.

The Division needs to establish a conflict of interest policy for its employees. This policy should make staff aware that any conflicts need to be identified prior to engaging in the project. Each project file should contain an affidavit attesting that conflicts do not exist. A strong policy may also enhance the public's trust in the planning process.

The Division's internal controls for the calculation and collection of fees appear to be inadequate. During our review it appeared that certain fees should have been charged but were not, certain projects were charged the wrong fee, and fees that were charged did not get collected. However, Internal Audit does commend the efforts of the current staff and management in their efforts to collect the overdue and incorrect fees that have been identified. Recommendations have been provided in this report.

# INTRODUCTION



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## INTRODUCTION

## Limited Review Of Planning Fees

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### 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. One of 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. They are also responsible for transportation concurrency.

The County has four fees that can result in substantial payments from the developers. These fees are;

Proportional Fair Share fee is calculated by an independent engineering firm. The firm calculates the impact on traffic concurrency and submits it to the Division. This fee allows the developer to share in the impact on the local infrastructure.

Preservation Buyout fee is allowed for parcels that are ten acres or less. It allows the developer to pay a fee to remove up to 50% of the natural vegetation that otherwise would be preserved. It is based on the land value.

Sidewalk Buyout fee allows the developer to pay a fee based on the linear foot cost of the sidewalk instead of installing all sidewalks. The Division Director determines if a buyout is available based on predetermined criteria.

Recreation Plat fee is calculated on 6% of the value of the land. This fee is required when a residential developer does not provide for recreation facilities with the development.

These fees are the basis for Internal Audit review. This review was approved after it was determined that two developers had not paid the proper amount of recreation plat fee in the total amount of \$798,635.75.



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## INTRODUCTION

## Limited Review Of Planning Fees

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### Scope, Objectives, and Methodology

The review of Planning and Development was conducted for the period January 1, 2005 through December 31, 2014. The objective of the review was to determine if the Division's internal controls over the charging and collection of fees, and recording of deposits were adequate. Fee charges and collections were examined as to their appropriateness and accuracy. The review was limited to the collection of proportional fair share, sidewalk buyout, preservation buyout, and recreation plat fees. In addition, the review captured a sample of the other application and review fees.

Internal Audit requested all planning and development projects for major and minor developments, in addition to all platted projects. It was noted that 75 of the files were not provided. The files received were examined to determine what fees should be charged to the project and to determine if the fees charged had been collected when due. During this process the application and review fees were noted on a select sample basis. Internal Audit did not sample enough of these fees to determine the qualitative effect. The fees reviewed were traced through the receipting process in the County's NaviLine accounting system and to the general ledger entries.

### Overall Conclusion

Based on the documentation reviewed, the Division's Internal Controls do not appear to be adequate. The controls do not ensure that all fees are properly charged and collected. In addition, the control and maintenance of projects files does not appear adequate. Internal Audit also noted that the Division's utilization of the planning and development computer module was not being used to its full capabilities.

Additionally, the Division does not have a formal written operating or fully developed accounting procedures to ensure controls are working efficiently and effectively. Finally, Internal Audit feels the Division's staff would benefit from additional and continuous training over all aspects of planning and development.

Recommended improvements follow which should help strengthen the system of internal controls exercised by the Division.

**RECOMMEDATIONS FOR  
IMPROVEMENT**



**RECOMMENDATIONS  
FOR IMPROVEMENT**

Limited Review  
of Planning Fees

**1. The Division Did Not Correctly Calculate Fees Required for Some Development Projects.**

One of the responsibilities of the Planning and Development Division is the calculation, documentation, and collection of the proper project development fees. This audit reviewed the major fees required as part of the development process. There are four major fees that are sometimes substantial in the amount required for the development. These fees are the proportional fair share, sidewalk buyout fee, preservation buyout fee and the recreation plat fee. This limited review was initiated when the State Attorney's Office determined that two of the fees were miscalculated resulting in \$798,635.75 of uncollected revenue. The Internal Audit Department was requested to review the Division's revenue collection.

It was determined that an additional \$938,400.19 of the major fees were either not billed, were past due, or were incorrectly calculated. These errors resulted in a substantial loss of revenue for the Division. The breakdown, by fee type, of revenue lost is listed below:

| Fee                        | Miscalculated<br>or Uncollected | Subsequently<br>Collected   | Outstanding<br>Balance |
|----------------------------|---------------------------------|-----------------------------|------------------------|
| a) Proportional Fair Share | \$101,344.50                    | \$27,090.00                 | \$74,254.50            |
| b) Sidewalk Buyout Fee     | \$24,175.00                     | \$5,700.00                  | \$18,475.00            |
| c) Preservation Buyout     | \$638,162.06                    | \$391,999.37                | \$246,162.69           |
| d) Recreation Platt Fee    | <u>\$973,254.38</u>             | <u>                    </u> | <u>\$973,354.38</u>    |
| Total                      | \$1,737,035.94                  | \$424,789.37                | \$1,312,246.57         |

After the Division was notified of the errors in fee collection, they aggressively pursued and collected \$424,789.37 as noted above. This leaves \$1,312,246.57 in fee errors that have not been collected. It was also noted that some of the minor fees did not appear to have been charged or collected or the wrong amount was billed. These fees include review fees and extension fees. In addition, some major developments paid the fee due for a minor development.

All of the errors noted were based on the documentation provided for review by the Planning and Development Division. Changes could have been made to the developments that were not documented in the project files. Additionally, all project files requested were not made available for this audit, thereby promoting the possibility of additional development fees being missed or miscalculated.

The Division's Internal Controls governing the calculation of the Planning & Development Fees were not adequate. Without these controls, the Division cannot ensure that all fees are calculated correctly, properly documented and collected.



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**Internal Audit Recommends** the Division enhance their internal controls over the calculation, documentation and collection of all development fees, ensuring a proper review of all fees and providing a complete audit trail in each project file.

## **2. The Division Did Not Maintain Adequate Controls Over Development Project Files.**

The Division is responsible for maintaining a comprehensive project file for every development project submitted for consideration as well as the security and availability of said files. These project files should contain the complete documentation of all activity occurring during the life of the project. The project file should provide an auditable timeline from start to finish and validate all data used in the determination of appropriate fees.

This audit noted three file control issues as noted below;

- a) The Division did not provide seventy-five (75) of the project files that were requested for review. Thirty-six (36) of the project files provided for review did not contain all documentation necessary for a complete and detailed review. Many of the documents missing were needed to validate the calculations used to determine the amount charged for fees. Common missing documentation included:

- 1) Property Appraiser's land valuation letter
- 2) Engineer's computation of proportional Fair Share Fee
- 3) Sidewalk Fee Computation document
- 4) Preservation Fee buyout letter with fee computation

These documents are required to produce an adequate audit trail for each project file.

- b) The Land Development Code allows a development to be completed in phases. A master plan including all phases must be submitted with the first phase requesting consideration. It was noted that phased projects did not make reference to a master project file or prior phased project files of the same master. With the lack of referenced prior phases, it was difficult to validate the total sum of the fees noted in the master file. These phased project files need documentation that will provide a trail from the master project file to each individual phase.



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- c) During this review, a 2009 e-mail indicates a failure to comply with appropriate record handling procedures. The correspondence from a planner asked if the recipient would like to “pick up and destroy” a project file that was not fully approved. The State of Florida retention schedule for denied/abandoned land development and planning project files is 20 years. The project was submitted in 2005.

The division retained files in three separate physical locations and not a single file repository. Using multiple locations for file storage creates a greater challenge for file management, security, and accessibility. The Division was unsure as to the location of certain files or what individual or agency might be in possession of those files. It was noted that the Division did not have a chain of custody procedure or a file tracking procedure that would identify the whereabouts of a specific project file.

The Division’s internal controls over development project files were inadequate. Without adequate controls, the Division is unable to ensure all development project files are available for review or that the Division is in compliance with records retention requirements.

**Internal Audit Recommends** the Division enhance internal controls over file maintenance, storage, tracking and retention of project development files.

- a) Management should ensure all project files:
- 1) Are secure, including a Chain of Custody”,
  - 2) Contain all documentation necessary for a complete and detailed audit trail,
  - 3) Are available for review.
- b) Management should develop a procedure for cross referencing master project files to their dependent project phases which shows an aggregate of all reviews, approvals, and fee calculations.
- c) Management should ensure their employees regularly receive training on the Division’s record handling requirements as well as the Florida Statutes governing record retention.



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### **3. The Division Was Not Consistent Determining The “Gross Land Value” Used To Calculate Development Fees.**

The Recreation Plat fee and Preservation Buyout fee are part of the LDC and originally set forth in Ordinance 91-4.

In Appendix “C” Section 11.03.03., the LDC required that 5% of the gross area of a subdivision has to be set aside for recreation or the developer can pay a Recreation Buyout Fee equal to 6% of the “Gross Land Value” without improvements.

The Preservation Buyout Fee is also defined in Appendix C of the LDC under Section 4.06.02. The fee is “Gross Land Value” per acre multiplied by the number of acres being bought out.

“Gross Land Value” without improvements is the key component when calculating Recreation Fees and Preservation Fees.

Prior to 2009, the standard practice for determining the “Gross Land Value” was from a valuation letter received from the Walton County Property Appraiser’s Office. The letter usually had the land value from the latest Assessment Roll in addition to the current market value of the land at the date of the letter. The planner then decided which land value to use as the “Gross Land Value” when calculating Recreation Fees and Preservation Fees.

In 2009 the “Gross Land Value” determination changed as a result of Ordinance 2009-06. This ordinance stated that the “Gross Land Value” was to be the fair market value, established by a recent independent appraisal.

In 2012, the “Gross Land Value” determination changed again. Ordinances 2012-19 and 2012-40 specified the use of the latest Property Appraiser’s Certified Assessment Roll in determining the “Gross Land Value” for calculating the Recreation Fee and the Preservation Buyout Fee.

- a) Prior to the 2009 change, the Division’s standard practice had been to use the Certified Assessment Roll when calculating fees. When the assessment roll was not used the current fair market value provided by the Property Appraiser’s staff was used. The valuation letter received from the Property Appraiser would usually have the latest assessment roll in addition to the current land value at the date of the letter.



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Proper controls would have dictated that the Division use only one method for land valuation when calculating fees. Without these controls the Division cannot ensure the fees are calculated as Board of County Commissioners intended, or that the fees are applied equitably to each project.

- b) On the Certified Assessment Roll, the “Assessed Value” is not always the same as the “Gross Land Value” used to calculate Recreation Fees and Preservation Buyout Fees. Gross as used in this context is generally defined as; total, sum, aggregate, whole, or overall. The “Assessed Value” may be reduced by tax exemptions or limitations that do not change the “Just (Market) Value” of the land.

One project reviewed used the “Assessed Value” rather than the “Just (Market) Value” as the “Gross Land Value” component of the equation used to calculate the Recreation Fee. The difference between the two values on that project was \$10,000,000. This translated to an almost \$500,000 reduction in the Recreation Fee when compared to what the fee would have been if the “Just (Market) Value” had been used for the calculation. The “Assessed Value” for this property was less than the “Just (Market) Value” because of a Constitutional Amendment, “Assessment Growth Limitation”, which limits the tax assessment value increase each year, but does not change the “Just (Market) Value” of the land.

The Division was not consistent determining what value from the Certified Assessment Roll was used as the “Gross Land Value” when calculating development fees. While there is no language in the County Ordinances or the LDC prohibiting the use of any land values listed on the Certified Assessment Roll as the “Gross Land Value”, proper controls would dictate that the criteria for selecting a value would be well documented and consistently applied to all development projects.

**Internal Audit Recommends** the Division review the process used to determine the “Gross Land Value” for the purpose of calculating development fees. Internal Audit deems using the “Just Land Value” as the most equitable method in determining fees and is more reflective of the “Gross Land Value” of the development as referenced in the Ordinances and LDC. The Division should request formal clarification from the Board of County Commissioners as to which “value” on the Certified Assessment Roll should be used in development fee calculations. That single method should be used for all development fee calculations that use “Gross Land Value”.



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#### **4. The Division Did Not Have Written Operating Procedures.**

Written Operating Procedures are a set of documents which describe the regular recurring operations relevant to the quality of performing a function. The purpose of a Written Operating Procedure is to ensure that operations are done correctly and always in the same manner. Written procedures codify the Division's internal controls. These procedures are an invaluable asset for ensuring the Division is operating effectively and efficiently. Procedures are akin to an instruction manual in that they are always available to ensure no steps or controls are omitted. For new employees and as a refresher for current employees procedures are a valuable training tool. These procedures should be tailored to the Division's specific needs.

The Division did not have Written Operating procedures providing the proper internal controls for charging the correct fees and the collection of those fees for the audit period reviewed. The LDC provides the general public with the processes and procedures for planning and development. However, the Division needs specific instructions on how management requires the projects to be processed. Without proper written procedures, the risk of errors and omissions during the planning and development process are not diminished.

**Internal Audit Recommends** management develop and implement a complete set of Written Operating Procedures and ensure they are available to all employees in an electronic format that is easily accessible. Management should also regularly review and update the Division's written procedures.

#### **5. The Division Changed The Sidewalk Fee Rate Charged Without Formal Approval From The Board Of County Commissioners.**

While reviewing Board Minutes for fee changes, Internal Audit noted a fee change that was not approved by the Board. During the July 7, 2014 regular Board meeting, The Board directed staff to look at changing the Sidewalk Fee from \$3.50 per square foot to \$5.00 per square foot. After analyzing the cost of building sidewalks the Division determined the fee should be \$6.00 and began charging this fee; however, they never brought the fee back to the Board for approval. Internal Audit could not find any Board action approving the \$6.00 fee. After further review, none of the fee changes referenced below could be found in the Board minutes or fee resolutions.



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The LDC and Ordinance 2008-38 address sidewalk construction and the side walk fund. They require the County Engineer or designee to annually update the linear foot cost used to determine the sidewalk buyout. However, neither requires this fee be presented to the Board for approval by a fee resolution. The Board of County Commissioners should review and approve all fees to ensure they are in agreement with the proposed fee rates. In addition, Internal Audit noted that certain other fee changes were not implemented until several months after the Board approved them.

Internal Audit recalculated sidewalk fees when the information was available in the files. It was noted that the majority of the fees were based on \$3.50 per square foot; however fees ranged from a low of \$2.50 to a high of \$6.00 during the audit period. Even though an engineering review probably established these fees, they should remain consistent, ensuring rates are applied equitably to all development projects. With an annual evaluation and Board approval by fee resolution, the rate will remain the same for the period of the evaluation, annually per LDC. The Board can modify planning rates at any time with a subsequent resolution.

**Internal Audit Recommends** that the Division, as part of their required annual review of fees, prepare a “Planning and Development Fee Schedule” to be presented to the Board of County Commissioners for adoption by resolution. The Division would then ensure the new fees are implemented on the date specified in the adopted fee schedule.

## **6. The Division needs a Conflict of Interest Policy.**

The Division needs to develop and implement a conflict of interest policy. The policy statement should include an affidavit attesting that each employee has read and agrees to adhere with the policy. In addition, this affidavit should provide an area for the employee to list developers, vendors, contractors, sub-contractors, or other contractual associations and any employees of these companies that may give the appearance of conflicts whether by relations or friendships and acquaintances. This should include past present and future projects where services may be provided. Finally, management should compile a list of developers and vendors that have or may do business with the Division. This could help staff when providing any conflicts of interest. It should be noted that Internal Audit did not test for the occurrence of a conflict of interest nor were any conflicts noted during the other testing completed.



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To help ensure relations do not develop, management should ensure a rotation schedule is established so repeat developers are not assigned to the same planner when staffing levels permit. When this is unavoidable, management should provide continuous monitoring of the projects to ensure a relationship does not develop. The appearance of conflicts of interest may cause the public to lose confidence that the County is fair and impartial when fulfilling their planning and development duties. A loss of confidence will eventually spread to all facets of County government.

**Internal Audit Recommends** the Division develops a conflict of interest policy and requires all staff sign a conflict affidavit disclosing any possible conflicts, whether real or perceived.