

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

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

Martha Ingle
Clerk of the Court

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 0111
October 2011

REPLY TO:

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Attachment A:

Management's Response to Recommendation for Improvements

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

December 16, 2011

Board of County Commissioners

The Internal Audit Department has conducted a review of the Planning and Development Services revenue collection. The review of revenue collection was conducted for the period of January 1, 2010 to May 31, 2011 to determine if the revenue collection complied with appropriate laws, rules, regulations, policies and procedures. Also to ensure the revenue collected was properly recorded and deposited into the County's deposit accounts.

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 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 the Clerk's Finance Department during the completion of this audit.

Johnny R Street
Internal Audit Manager

Approved:

Martha Ingle
Clerk of Court

c: Greg Kisela, County Administrator
Gerry Demers, Assistant County Administrator
Wayne Dyess, Planning and Development Services Division Director

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a review of the Planning and Development Services Division (the Division) revenue collection process. The review included an examination of revenues for the period of January 1, 2010 through May 31, 2011. Due to discrepancies noted during the audit period, it was expanded to include cash collections for calendar year 2009 and the period up to March 31, 2011. The scope of the audit included a review of revenues to determine compliance with Florida statutes and County policies, procedures, rules, and regulations. The objectives of this review were to determine:

- 1) Whether the revenue collected was properly recorded and deposited;
- 2) Whether the revenues collected complied with County ordinances;
- 3) Whether documentation supporting the revenue was sufficient; and,
- 4) Whether internal controls for revenue collection were adequate.

In the opinion of internal audit, controls over the Division's revenue collection process for planning and development services were adequate; however, the controls over permits pertaining to beach activities were inadequate. Based on the results of the work performed, it was determined that not all the revenue collected for beach activities was deposited into the bank. The revenues collected did not always comply with the County's ordinances, resolutions, and policies and procedures. Opportunities for improvement were noted and are included in this report. Internal Audit's recommendations for improvement are summarized as follows:

County funds recorded in the cash receipt books in the amount of \$570.35 were not deposited in the County's bank account. In addition, cash deposits were not deposited daily. Some were held for several months.

Anyone wishing to conduct business on the beaches and waters of South Walton must obtain a permit from the Planning and Development Services Division. The cost of the permit is established by County Ordinance 2003-07. Incorrect fees resulted in unrealized revenue to the County in the amount of \$16,575.00.

The County was not named as an additional insured on the beach vendors' liability insurance policies. Also, some insurance certificates were missing from the vendors files and some were expired.

Neither the County nor the Division had written policies and procedures for the revenue collection and deposit process. The Division did not maintain a clear separation of duties between revenue collection, recording, and deposit.

County ordinance 2003-07 needs to be reviewed and revised to provide clarity to the permitting process. The ordinance has incorrect references from section to section. In addition, the ordinance does not clearly mandate the fees required for permits.

The procedures for revenue collection for the planning and development process provided adequate controls to ensure that County funds are collected and deposited; however, the revenue collection process for beach and waterway activities needs to be improved. These controls did not provide assurance that all County funds are properly collected and deposited.

INTRODUCTION



INTRODUCTION

Planning and Development Services Revenue 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 County). The Division includes the Long and Short Range Planning Departments, Code Enforcement, and Geospatial Analysis. The Processing Department handles all payments including beach activity permits and other 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 and collect the fees. 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. They also collect and deposit funds received for the document copies.

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 beach vending, beach weddings, and other special occasion permits. They were also responsible for temporary bonfire permits until recently. These permits are now issued by the South Walton Fire District.



INTRODUCTION

Planning and Development Services Revenue Audit

Scope, Objectives, and Methodology

The Planning and Development Services Division revenue audit was conducted for the period of January 1, 2010 through May 31, 2011. The scope of the audit included a review of the Division's revenue collection process and included temporary bonfire permits, beach wedding permits, beach vendor permits, copy fees and planning and development fees. The objective of the review was to determine if the fees collected were proper, adequately documented, recorded in the general ledger and deposited into the County's bank account. In addition, the revenue collection was reviewed to determine if the process complied with the laws, rules, regulations, policies and procedures.

The methodology used in this audit was to review a sample of cash receipts processed during the audit period in the categories referenced above. The revenue was reviewed to ensure it was properly calculated, recorded, and deposited. Since the planning and development fees were receipted directly into the County's Navaline accounting system a sample was selected with the help of the Clerk's Finance Department. County codes, ordinances, and resolutions were reviewed to ensure the amount collected complied with the amount set forth by the Board of County Commissioners (the Board). Internal Audit was not provided with written policies and procedures for revenue collection. The Division staff indicated that they had not been provided with these documents.

Overall Conclusion

Based on the results of the work performed, the procedures for revenue collection of County funds appeared to provide adequate controls to ensure that revenue collected for planning and development services were proper; however, controls over revenue collection for beach activities could use improvement. Recommendations for improvement are included in this report.

**RECOMMEDATIONS FOR
IMPROVEMENT**



**RECOMMENDATIONS
FOR IMPROVEMENT**

**Planning and Development
Services Revenue Audit**

1. Cash Deposits were not Always Completed Properly.

Internal Audit reviewed the Division's cash receipt books to determine if all funds recorded in the cash receipts books were properly deposited into the County's deposit account. The cash receipts were traced to the deposits sent to Clerk's Finance for deposit. The funds were also traced to the general ledger. It was determined that funds receipted in the cash receipt books by the Division in the amount of \$570.35 were not deposited into the County's bank account.

Neither the County nor the Division had cash handling procedures, which resulted in the internal controls over cash handling not being sufficient. Due to the lack of procedures and controls, Internal Audit could not determine the disposition of these funds.

Additionally, Internal Audit noted that cash receipts were not deposited timely. Good business practice and proper internal control requires that all County funds be deposited daily. It was determined that funds were held anywhere from two days to several months before deposit. On one occasion 10 payments totaling \$7,450.00 were held for over a week before the deposit was made.

Internal Audit Recommends the County develop general cash handling procedures for use by all County personnel. The Division should expand on those procedures that need to be specific for their area. In addition, good internal controls need to be established that will ensure that all County funds collected are deposited into the County's deposit accounts.

Management's Response: I agree with the audit recommendations. We will work to establish procedure where daily deposits will be made and a person designated who has not been involved in the intake of revenue to act as a control and insure accuracy of deposits. Staff feels that this item is extremely important and of the highest priority. All related internal procedures will be reviewed and evaluated for effectiveness. We will work to establish internal controls as recommended.

2. Beach Vendors were not Always Charged the Proper Fee.

Walton County established Ordinance 2003-07 to govern the use of the beaches and water bodies south of Highway 20. The revenue collected by the Division, based on the requirements of the ordinance, was reviewed for this audit, in particular Section 10. Beach Vending. This section lists the requirements for each vendor operation which includes beach chair, water based activities, personal watercraft rentals, and parasail operations. The ordinance establishes the permitting process and fees to be charged for the permits.

As part of the review, Internal Audit recalculated the permit fees based on the documentation in the permit files and determined that 63 % or 36 of the 57 vendors were charged incorrect fees for their respective permits. This resulted in unrealized revenue for the County in the amount \$16,575.00 during the audit period. For three vendors these errors and omissions resulted in over \$1,000.00 reduction in the cost of their permit and at least \$500.00 for most vendors. It was noted that some fees were miscalculated and some discounts were erroneously applied. Some of the discrepancies may have been clerical error and others a misinterpretation of the ordinance. Internal Audit found the ordinance to be lacking in clarity on some issues.

The ordinance allows for a \$250.00 credit for beach chair vendors that have an employee on-site, that is lifeguard certified. The ordinance only allows this credit for beach chair vendors. The credit was given to vendors who only had lifesaving certification and also to vendors applying for water based activity permits which require lifesaving certification as a condition of receiving the permit. In the opinion of Internal Audit this credit was established to help enhance the lifeguard capabilities along the beaches of Walton County and thus the vendors should have up-to-date lifeguard certification not just lifesaving to receive the credit.

Additionally, some beach chair vendors also rented kayaks, sailboats, boogie boards, etc. These items are considered water based activities which requires a separate \$500.00 permit. They were not required to obtain this permit. The application restricts beach vending beyond the erosion control line without a water based activities permit. The ordinance defines water based activity as a vendor operation in which the customer will participate in an activity on or in the water. The ordinance section 10.C.(5) states that a permit will be required for each type of activity.

RECOMMENDATIONS
FOR IMPROVEMENT

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It was also noted that two vendors were allowed to split the cost of a permit. Other discrepancies were noted and conveyed to management for consideration. The Division's revenue collection procedures did not ensure that beach vending permits were issued for the appropriate fee. Without good internal controls the County cannot ensure that permit fees are correct and that the fees are equitable for all vendors.

Internal Audit Recommends the Division establish a system of controls that will ensure that beach vendors are charged the appropriate fees for permits. The controls should contain a layer of management review and acknowledgement that the vendor application and accompanying documentation was reviewed. In addition, management should clarify any misinterpretation of County ordinances.

Management's Response: I agree with the audit recommendations. We will work to insure that permit intake staff are fully aware and knowledgeable of the ordinance and the requirements contained herein. We will also counsel staff and stress the importance of accuracy in this permit procedure as well as spot checks in the field by Code Enforcement. It may also be necessary to clarify parts of the ordinance that may be ambiguous. Staff will review the sections of the ordinance that have been problematic and, if needed, offer amendments to clarify.

3. **Some Vendor Insurance Certificates Expired.**

Walton County Ordinance 2003-07 requires beach vendors to obtain a certain amount of general, public, and property liability insurance in order to operate in the county. As part of the review, Internal Audit examined the insurance certificates in the beach vendor files. It was determined that two files did not contain a copy of the policy or insurance certificate as required by the ordinance. The files covering permits for 2010 had six expired certificates of insurance. Internal Audit was able to determine that coverage existed for five of the six vendors by using certificates from 2011 files. The 2011 vendor files had 12 certificates that had expired at the time of the review.

RECOMMENDATIONS
FOR IMPROVEMENT

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It was also noted that the ordinance did not require the vendor to name the County as an additional insured on the liability policy. The ordinance stated that the certificate had to be in favor of the County. Without current insurance certificates provided by the vendors and kept in each vendor file, the County cannot ensure the vendor's clients are protected from accidents and other liabilities. In addition the risk to the County is not reduced when the County is not included as an insured on the vendors' insurance policy.

Internal Audit Recommends that Division management establish a system of controls that will ensure that all certificates of insurance are current and in the vendor's files. In addition, the ordinance should be revised to include the requirement that the County be named as an insured on the vendors' liability insurance policies.

Management's Response: I agree with the audit recommendations. We will explore other methods to insure that insurance stays active throughout the permit period such as spot checks by Code Enforcement or naming the County on the policy. We will also counsel staff and stress the importance of accuracy in this permit procedure.

4. Revenue Collection Procedures Need Improvement.

The Division collects revenue from the Planning process and from permits for activities associated with the Counties beaches and waterways. The Division has established adequate procedures for the planning and development process that ensures the controls are working as intended. Due to the layers of review, including upper management during the planning and development process, the risk of a loss of County funds due to errors and omissions is greatly reduced. Thus, Internal Audit limited the review of this type of revenue; however the procedures for beach activity fees collected by the Division were not adequate.

Internal Audit noted that on occasion the same employee would accept the permit application, process it, collect the money, issue the permit, and complete the deposit of those funds. Good business practice would be to provide a separation of duties between the permit process and the revenue collection process. Without this separation there is a high risk that the system could be manipulated for the benefit of an employee and/or a vendor.

RECOMMENDATIONS
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Internal Audit Recommends that Division management establish a system of controls that will provide a separation of duties between revenue collection and reporting.

Management's Response: I agree with the audit recommendations and will work to establish a clear separation between intake staff and reporting staff so as to act as control mechanism to insure accuracy with collections.

5. **The County Needs to Revise Ordinance 2003-07.**

Internal Audit reviewed County ordinances that applied to the revenue collection by the Division. It was noted that the ordinance was not always clear in the beach vendor permitting process. It was also noted that certain provisions of the ordinance referenced inappropriate sections of the ordinance. Internal Audit did not specifically audit the ordinance; and thus, this finding is not all inclusive of issues that might exist in the ordinance.

The ordinance requires all vendors and employees involved in water based activities to obtain lifesaving certification; however it does not require the certification to be current. It is the opinion of Internal Audit that any vendor involved in water sports that may be required to initiate a water rescue resulting from the vending operation be required to obtain a lifeguard certification instead of lifesaving. This should include all water based activities, personal watercraft, and parasailing operations.

The ordinance requires an additional fee for additional locations of operations for beach chair and parasailing permits. It does not address locations for water based activities or personal watercraft permits. Additionally, the ordinance requires a separate application for each parasailing towboat and each personal watercraft along with the required fee. The ordinance referenced the penalty section instead of the fee section. Also, the fee for personal watercraft is \$500.00 for a water based activity permit and \$50.00 for each **vehicle** (defined as highway transportation). The parasail permit is \$500.00 for water based activity and \$1000.00 per additional location. This required fee per vessel could be interpreted in more than one way.



**RECOMMENDATIONS
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The ordinance also requires the application to be submitted to the Beach Activity Coordinator designated by the Board of County Commissioners. The County does not have a Beach Activity Coordinator. Other inconsistencies were discussed with management relating to this ordinance. The ordinance should clearly define the objectives and policies of the Board. Without this clarity of definition the County cannot ensure that the Division and the vendors are in compliance with the ordinance.

Internal Audit Recommends the Division conduct a comprehensive review of the ordinance and ensure all inconsistencies and irregularities are addressed and corrected. The ordinance should then be reviewed by the County Attorney before being presented to the Board.

Management's Response: I agree with the audit recommendations. However, any changes to the ordinance must gain approval by the Board of County Commissioners.