

**WALTON COUNTY
BOARD OF COUNTY COMMISSIONERS,
CLERK OF THE CIRCUIT COURT, AND
USE OF FUNDS RELATED TO THE
DEEPWATER HORIZON OIL SPILL**



Sherrill F. Norman, CPA
Auditor General

Board of County Commissioners, Clerk of the Circuit Court, and County Administrator

During the period October 2013 through February 2016, the following individuals served on the Walton County Board of County Commissioners:

<u>Board of County Commissioners</u>	<u>District No.</u>
William "Bill" Chapman, Chair 11-26-13 to 11-17-14	1
Kenneth Pridgen to 12-31-13, Chair to 11-25-13	2
Cecilia Jones from 1-1-14, Vice Chair from 11-24-15	2
Bill Imfeld, Chair 11-18-14 to 11-23-15	3
Sara Comander, Chair from 11-24-15, Vice Chair to 11-25-13, and 11-18-14 to 11-23-15	4
Cindy Meadows, Vice Chair 11-26-13 to 11-17-14	5

Also during that period, Alex Alford served as Clerk of the Circuit Court and Larry Jones served as County Administrator.

The team leader was Nicole W. Ostrowski, CPA, and the audit was supervised by Derek H. Noonan, CPA.

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mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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**WALTON COUNTY
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THE DEEPWATER HORIZON OIL SPILL**

SUMMARY

This operational audit of the Walton County Board of County Commissioners (BCC) and Clerk of the Circuit Court (CCC) focused on selected processes and administrative activities and included an evaluation, pursuant to Section 288.8018(2), Florida Statutes, of the County's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner. Our audit disclosed the following:

Board of County Commissioners

Finding 1: The BCC Comprehensive Plan (Plan) and Land Development Code (Code) policies and objectives for development in the County could be improved. For example, the Plan and the Code contained undefined terms regarding proportionate share contribution (PSC) fees. Definitions for terms related to PSC fees would promote consistent treatment by Planning and Development Services Department (Department) personnel for similar situations.

Finding 2: The BCC assessed PSC fees to commercial or residential project developers for increased road use caused by the projects; however, the fees were based on outdated statutory provisions. Additionally, BCC personnel did not perform a cost-benefit analysis to determine whether it would be more economical for the County to assess developers a PSC fee or an impact fee, and BCC records did not always demonstrate the accuracy of PSC fee assessments or that fees were timely collected.

Finding 3: Preservation fees were not always correctly calculated or supported by documented, independent review and approval. As a result, certain fees were over assessed and others were under assessed. In addition, preservation fees were not always timely collected.

Finding 4: Recreational plat fees were not always calculated correctly, resulting in net fee under assessments totaling \$31,840.

Finding 5: In 2004, a comprehensive study of Department operations identified numerous improvements that could be made; however, as of September 2016, the Department had not implemented several of the improvements recommended.

Finding 6: The BCC had not established written policies or procedures for safeguarding securities submitted to ensure satisfactory completion of infrastructure projects.

Finding 7: The BCC had not adopted written policies or procedures for calculating indirect administrative charges to the Tourist Development Council (TDC) based on actual BCC services performed for the TDC.

Finding 8: BCC records did not always evidence that employees met the education and experience requirements for their positions.

Finding 9: BCC controls over the competitive selection of certain professional services could be enhanced.

Clerk of the Circuit Court

Finding 10: The CCC had not developed a cost allocation methodology to support the administrative costs charged for administering the tourist development tax.

Finding 11: The CCC Internal Audit Department (IAD) did not comply with the IAD charter and professional standards by obtaining required quality assurance reviews. In addition, the IAD did not comply with the IAD policies and procedures requiring the performance of a follow-up review of prior audit findings.

Use of Funds Related to the Deepwater Horizon Oil Spill

State law¹ requires us to audit funds related to the Deepwater Horizon oil spill to evaluate the County's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner. As part of our operational audit, we evaluated the County's internal controls, internal audit functions, and compliance with applicable requirements in State and Federal law, including reporting and performance requirements. Except for the CCC IAD's noncompliance with the IAD charter and professional standards, as noted in Finding 11, our audit procedures and tests of selected County records and accounts found that the County's performance was sufficient to reasonably ensure compliance with law and the proper expenditure of funds related to the Deepwater Horizon oil spill.

BACKGROUND

Walton County Board of County Commissioners. The Board of County Commissioners (BCC) is the chief legislative body in Walton County (County), and its general duties and responsibilities are outlined in State law.² The BCC is composed of five County Commissioners, and each County Commissioner is elected to a 4-year term by the voters in the geographical district in which he or she resides. The BCC approves the County budget, adopts local ordinances and resolutions, and establishes policies and procedures that govern the County and protect the health, safety, and welfare of the citizens.

Walton County Clerk of the Circuit Court. The Florida Constitution establishes the Clerk of the Circuit Court (CCC) as public trustee for the County. In this role, the CCC provides for checks and balances in County government by acting as clerk of the BCC, clerk of the court, keeper of public records, comptroller, and internal auditor of County funds. Specifically:

- The CCC serves the County government by acting as accountant and auditor for the BCC, collector and distributor of statutory assessments, and guardian of public records, public funds, and public property.

¹ Section 288.8018(2), Florida Statutes.

² Chapter 125, Florida Statutes.

- The CCC serves the court by ensuring that appropriate parties carry out the court's orders, judgments, or directives; maintaining the court's records; collecting and disbursing court-assessed fines, fees, and assessments; and collecting and disbursing court-ordered child support and alimony payments.
- The CCC serves the State by collecting and disbursing documentary stamps and intangible taxes to the State; collecting and disbursing other State-mandated fees and assessments to the State; providing informational, financial, and statistical data to the State; and managing County funds in accordance with State law.

Funds Related to the Deepwater Horizon Oil Spill. On April 20, 2010, a gas release and subsequent explosion occurred on the British Petroleum (BP) mobile drilling platform Deepwater Horizon, located in the Gulf of Mexico approximately 130 miles southeast of New Orleans, Louisiana. Due to the threat posed to the State of Florida from oil leaking from the drilling platform and the well, the Governor declared a state of emergency for certain counties, including Walton County. To compensate for the impact of the explosion and oil spill, BP provided moneys to the State, certain local governments, and certain nonprofit organizations. During the period October 2013 through February 2016, the BCC received BP settlement awards for continuing damages to the local tourism economy. For that period, the total BP awards to the County, net of legal and other fees totaling \$2.0 million, were \$7.9 million. Of this amount, \$3.6 million was awarded to the BCC and \$4.3 million was awarded to the Walton County Tourist Development Council (TDC). Also, for that period, the BCC recorded BP Fund expenditures totaling \$987,478 (for the purchase of Sheriff's Office vehicles); however, no expenditures were made by the TDC as no plans had been made for use of the awarded funds.

BOARD OF COUNTY COMMISSIONERS FINDINGS AND RECOMMENDATIONS

Finding 1: Comprehensive Plan and Land Development Code

Each local government in Florida must prepare and adopt a comprehensive plan that guides future development and growth in accordance with State law.³ In March 2011, the BCC adopted a Comprehensive Plan (Plan) to establish the general policies and objectives for development in the County. Pursuant to State law,⁴ the BCC also enacted the Land Development Code (Code), which contains the specific requirements for development necessary to implement the Plan.

In July 2015, pursuant to a State Attorney's Office investigation,⁵ a Grand Jury was convened to review, in part, the operations and policies of the County's Planning and Development Services Department (Department). According to the Grand Jury Report released in September 2015, both the Plan and the

³ Chapter 163, Part II, Florida Statutes.

⁴ Section 163.3202, Florida Statutes.

⁵ In January 2015, the State Attorney's Office in the First Judicial Circuit began an investigation of alleged development fee assessment errors and other areas of concern and, in July 2015, a Grand Jury was impaneled to review the operations and policies of the Department. In August 2015, the Office presented evidence to the Grand Jury for the period January 2000 to July 2015. In September 2015, the Grand Jury released its report with various findings and recommendations and the former Planning Director was indicted on one count of perjury. In September 2016, the former Planning Director was sentenced to probation, and the investigation was closed.

Code are vague, ambiguous, internally inconsistent, and inconsistent with each other; however, no specific examples were given in the Report.

As part of our audit, we inquired of Department personnel and reviewed the Plan and the Code. Our audit procedures also disclosed vagueness, ambiguities, and inconsistencies in and between the documents. For example, we noted that:

- The Plan and the Code include undefined terms regarding proportionate share contribution (PSC) fees (further discussed in Finding 2). According to the Code, the PSC fees are due in full prior to the issuance of the final building permit for commercial projects; however, the term “final building permit” had not been defined in either the Plan or the Code, which resulted in inconsistent interpretation among Department personnel regarding when the PSC fees are due. Some personnel treated the development order as the final building permit because it represents final approval for a development project, while others treated the certificate of occupancy as the final building permit because it represents the last approval issued by the Building Department. In March 2016, the Department established written procedures to clarify that, for commercial projects, PSC fees are due before certificates of occupancy are issued.
- The Plan identifies “coastal center land use” for retail, entertainment, restaurant, services and lodging; however, the Code does not define “entertainment” or “services” and, therefore, allowable land uses are not clearly communicated.
- The Code specifies, as an approved land use, that “neighborhood serving commercial/retail” includes food marts with gasoline; however, this conflicts with the definition of “neighborhood commercial” in the Plan, which specifically identifies convenience stores and gas stations as uses that are not “neighborhood commercial.”

According to the Grand Jury Report, the Plan and Code deficiencies impacted Department operations because Department personnel inconsistently interpreted Plan and Code provisions so that similar situations were sometimes treated differently.

As recommended by the Grand Jury, the BCC approved a request for qualifications (RFQ) and related advertisement in December 2015 for a consultant to review and recommend changes to both the Plan and the Code. According to the RFQ, the scope of work included, but was not limited to, reviewing the:

- Plan for unnecessary, redundant, and inconsistent policies, and for consistency with State law.
- Code for internal inconsistencies within the Code, inconsistencies with the Plan, and for unclear or contradictory language.

In March 2016, the BCC selected a consultant and, in June 2016, the BCC approved the consultant’s contract. The contract contains three phases with several deliverables specified in each phase but does not specify a timeline for completion of the deliverables. According to the Department Director, the contract deliverables are expected to be complete in 2018.

Without clearly stated Plan and Code policies and objectives for development in the County, there is an increased risk that Department personnel will inconsistently interpret and apply the Plan and Code provisions.

Recommendation: The BCC should continue efforts to ensure that the Plan and Code policies and objectives for development in the County are clearly stated and provide for consistent interpretation and application of the Plan and Code provisions by Department staff.

Finding 2: Proportionate Share Contribution

The Plan and the Code contain transportation provisions that address future land uses, levels of service, availability of facilities and services, correction of existing road deficiencies, and methods for meeting identified transportation needs. To mitigate the transportation-related costs incurred by the BCC as the result of a development project, developers are responsible for proportionate share contributions (PSC), the amount of which are calculated considering the impacts and related costs of the proposed development on County roadways.⁶

The BCC contracts with an engineering firm (consultant) to review proposed development plans and calculate, pursuant to the Code,⁷ whether a developer owes PSC fees. To document the consultant's review and calculated PSC assessment, the consultant prepares a transportation concurrency review letter that is provided to a Department Planner and the Department Director. The Department Planner provides a written notification to the developer or the developer's agent that documents the amount of PSC required and is responsible for filing the transportation concurrency review letter in the project file. Pursuant to the Code,⁸ and as clarified in Department written procedures, developers for residential projects must pay the PSC fees in full before the Clerk of the Circuit Court (CCC) records the final plat.⁹ For commercial projects, developers must pay the PSC fees in full before the Building Department issues the final building permit, also known as the certificate of occupancy (CO).

Department personnel submit the PSC fee collections to CCC personnel for deposit and recording in the accounting system. For residential projects, the Department Planner is to verify that Department personnel collected the full amount of the PSC fees before submitting the final plat to the BCC for approval. However, for commercial projects, the Department had not established a policy or procedure to require or ensure that the Public Works (PW) Department verified that Department personnel collected the full amount of the PSC fees before the PW Department issued the final inspection letter and authorized the Building Department to issue the CO.

During the period October 2014 through February 2016, the BCC paid the consultant \$205,155 to calculate PSC fee amounts. As part of our audit, we interviewed BCC personnel and examined BCC and consultant records related to PSC fee assessments and related calculations, and noted that:

- Prior to June 2, 2011, the effective date of the Florida Community Planning Act (Act),¹⁰ which changed the PSC formula, developers were not required to pay transportation mitigation costs until roadway traffic capacity was exceeded. According to a legislative staff analysis of the Act, the formula was changed to hold each individual developer responsible for only the developer's proportionate impact on traffic volume. Without use of the revised PSC formula, costs may be inequitably distributed because the first developer whose development service needs exceed existing transportation capacity will be responsible for expanding road capacity. However, as of

⁶ Florida Department of Economic Opportunity, Division of Community Development Rule 73C-40.045(2)(h), Florida Administrative Code.

⁷ Land Development Code (LDC), Appendix C.3: Transportation Concurrency Management System Methodology and Procedures.

⁸ Section 14.H.(1), LDC Appendix C.3: Transportation Concurrency Management System Methodology and Procedures.

⁹ According to the Plan, a plat is a map or delineated representation of the subdivision of lands.

¹⁰ Chapter 2011-139, Laws of Florida.

January 2017, the BCC had not updated the Plan, Code, or PSC formula used by the consultant to reflect the revised PSC formula promulgated in State law.¹¹

In response to our inquiries, the consultant indicated that portions of the BCC's PSC calculation spreadsheet are outdated, and updating the spreadsheet would involve substantial time and cost. Spreadsheet information that needed updating included, for example, roadway segment information for consistency with Florida Department of Transportation data, estimated improvement costs, and peak-hour costs per trip caused by the development project. As of September 2016, the applicable spreadsheet information had not been updated since 2010. Without up-to-date information in the spreadsheet, there is an increased risk that PSC fee assessments may be incorrectly calculated.

- According to the American Planning Association (APA),¹² local governments require impact fees for the purpose of providing new or expanded public capital facilities required to serve new development. Further, according to the September 2015 Grand Jury Report, impact fees are more predictable and more fairly calculated than PSC fees. According to BCC personnel, PSC and impact fees have been discussed since 2012 but a decision had not been made to change the BCC fee structure and, as of January 2017, BCC personnel had not prepared a cost-benefit analysis to determine whether it would be more economical to assess developers a PSC fee or an impact fee.
- As of March 2016, BCC personnel had not performed a cost-benefit analysis to determine whether contracting with the consultant to calculate the PSC fees was more cost effective than calculating the PSC fees internally. Subsequent to our inquiries, BCC personnel evaluated, as part of the 2016-17 fiscal year budget process, the feasibility and cost effectiveness of performing engineering review, transportation review, and PSC fee calculations internally rather than retaining a consultant. Based on this evaluation, in May 2016 the BCC authorized an engineer position and, according to the Department Director, this position will perform PSC fee calculations concurrently with the consultant during a transition period.

We also examined BCC records supporting all PSC fees collected during the period October 2014 through February 2016, totaling \$2.7 million for 18 development projects (11 commercial and 7 residential projects), to determine whether the fees were assessed and collected in accordance with BCC policies and procedures. As previously mentioned, because the PSC formula had not been updated to agree with State law,¹³ the PSC fee assessments were calculated based on outdated information. Additionally, we noted that:

- For 5 projects (3 commercial and 2 residential projects) assessed PSC fees totaling \$1.5 million, BCC personnel were not initially able to provide, upon our request, the consultant transportation concurrency review letters that included the related calculations because the letters were not on file at the BCC. Without such records, the BCC's ability to demonstrate the accuracy of the PSC fee assessment is reduced. Subsequent to our inquiries, BCC personnel obtained from the consultant the letters that contained the calculations supporting the \$1.5 million PSC fee assessments.
- For 2 commercial projects assessed PSC fees totaling \$27,090, Department personnel did not collect the PSC fees before the CO was issued. The State Attorney's Office discovered one of the unpaid fees during the Office's investigation and notified Department personnel, and the other unpaid fee was discovered by Department personnel. In response to our inquiries, Department personnel indicated that the errors occurred because the employee who established the initial

¹¹ Section 163.3180, Florida Statutes.

¹² APA Policy Guide on Impact Fees.

¹³ Section 163.3180, Florida Statutes.

planning record did not document that a PSC fee was due. Subsequently, Department personnel contacted the developers in August and September 2015 and collected the two fees 272 and 573 days, respectively, after the COs were issued. When PSC fees are not collected before COs are issued, developers have limited incentive to pay the PSC fees and there is an increased risk that the PSC fee assessment will not be fully collected.

According to the Department Director, in August 2016 the BCC hired a Department development order inspector to conduct a final inspection for each project and ensure that all fees are paid before the Building Department issues a CO.

- For 1 commercial project with CO dates in July 2015 and an assessed PSC fee of \$29,697, the BCC had not collected the fee due to an oversight. Subsequent to our inquiries, in July 2016 the Department submitted a written request to the developer for payment of the assessment and, in August 2016, the payment was received.

To address, in part, the deficiencies and noncompliance identified in the State Attorney's Office investigation, the BCC solicited an RFQ to competitively select a consultant to review and revise the transportation provisions in the Plan and the Code, as necessary, for consistency with State law, and to analyze whether the assessment of an impact fee would be more economically advantageous for the BCC than the assessment of a PSC fee. In August 2016, the BCC contracted with a consultant for these services.

Recommendation: The BCC should:

- **Analyze, of record, whether it would be more economical to assess developers a PSC fee or an impact fee. If it is more economical to continue assessing and collecting PSC fees, the BCC should update the calculation spreadsheet based on current data and ensure that the calculation method complies with State law provisions.**
- **For commercial projects, continue efforts to ensure that PSC fees are collected before the Building Department issues a CO.**
- **Continue efforts to ensure that PSC fees are supported by transportation concurrency review letters and timely collected.**

Finding 3: Preservation Fees

The Code¹⁴ indicates that, for parcels that contain less than 10 acres of natural vegetation according to the most extensive development order that includes the parcel, the BCC may allow the developer to pay a fee to the BCC so that the developer may remove up to 50 percent of the total vegetation that must otherwise be preserved. The fee is the equivalent fair market value of the land acreage proposed for clearing that would otherwise be preserved and is calculated using the County Property Appraiser's assessed value of the land from the most recent certified assessment roll. While the Code does not specify when these fees are due, according to Department personnel, the Department's procedure has been to collect the preservation fee before issuing the development order to authorize the developer to begin work. However, the BCC had not established written policies or procedures to require fee collections before the development orders are issued or document independent review and approval of the preservation fee assessments.

¹⁴ Land Development Code 4.06.02.

Our examination of BCC records supporting the preservation fees totaling \$1.16 million collected during the period October 2014 through February 2016 for the 10 applicable projects during that period disclosed that:

- For 9 projects assessed preservation fees totaling \$1.14 million, BCC records did not demonstrate independent review and approval of the fee assessments. Absent such review and approval, there is an increased risk of errors or fraud without timely detection. In March 2016, the Department implemented a process requiring an employee, independent of the initial fee calculation, to recalculate the fee and sign a certification that the fees are correct.
- For 6 projects assessed preservation fees totaling \$676,212, Department personnel did not collect the preservation fees before the development order was issued. The collection dates for these 6 projects' fees ranged from 230 to 711 days after the development order date. Since neither the Code nor other BCC records established a fee collection due date, the fees were not promptly collected. Prior to March 2016, the Department's unwritten procedure was to collect the fees before the development order was issued; however, Department personnel indicated that, due to personnel changes and lack of communication, this procedure was not always followed. In March 2016, prior to our inquiries, the Department implemented written policies and procedures requiring the collection of preservation fees before development orders are issued.
- For 5 projects assessed preservation fees totaling \$487,854, the fees were not calculated in accordance with the Code. Specifically, we noted that:
 - For one project assessed preservation fees totaling \$121,858, Department personnel based the fee calculation on the 2014 property assessment rather than the 2013 property assessment in effect when the development order was approved in May 2014. As a result, the developer was over-assessed \$26,624 for the preservation fees.
 - For 3 other projects with preservation fees totaling \$314,083, Department personnel requested from the Property Appraiser the Property Appraiser's land value assessments so Department personnel could calculate the fees in accordance with the Code. However, Department personnel indicated that they were inadvertently provided market value assessments rather than the requested Property Appraiser land value assessments. Consequently, Department personnel calculated the fees based on the market value, instead of the Property Appraiser's assessed land value, resulting in under-assessed fees of \$6,029 and over-assessed fees of \$6,002.
 - For the remaining project with preservation fees totaling \$51,913, Department personnel used the correct land value; however, when calculating the amount per acre to be applied to the preservation buyout acreage, Department personnel inadvertently used the total acreage from the land survey (2.68 acres) instead of the acreage from the Property Appraiser records (2.423 acres), resulting in under-assessed fees of \$5,506.

Recommendation: The BCC should continue efforts to require and ensure the proper calculation, accurate assessment, and prompt collection of preservation fees. Such efforts should include the documented independent review and approval of the fee calculations and related assessments and ensure that due dates for fee remittances are specified and that the remittances are timely made. In addition, the BCC should refund the \$32,626 over-assessed fees to the applicable developers, and seek payment from the applicable developers for the under-assessed preservation fees totaling \$11,535.

Finding 4: Recreational Plat Fees

According to the Code,¹⁵ for plat proposals, developers must dedicate 5 percent or more of a subdivision gross area for public recreation or the developer may pay a recreational plat fee based on 6 percent¹⁶ of the County Property Appraiser's assessed value of the land from the most recent certified assessment roll. BCC personnel indicated that the BCC collects the fee before the CCC records the plat; however, the BCC had not established documented independent review and approval procedures to ensure that the recreational plat fees were properly calculated and assessed.

In January 2015, a Department employee performing a routine review of a file discovered a memorandum dated May 21, 2008, written by another Department employee who was accepting responsibility for an uncollected recreational plat fee calculation error of \$613,636. The memorandum was brought to the attention of the State Attorney's Office and the Walton County Sheriff's Office and resulted in a 7-month investigation into multiple areas of the County government. During the State Attorney's Office investigation, another memorandum was discovered, dated July 17, 2008, which disclosed another uncollected recreational plat fee calculation error of \$185,000. As a result of the investigation, this matter was brought before the Grand Jury, who conducted a review of the operations and policies of the Department. According to the Grand Jury Report, there was no evidence that these errors were reported to the County Administrator or the BCC and no action was ever taken to collect the related fees.

According to the County Attorney, the BCC explored several options to collect the fees, including:

- Suing the two developers who failed to pay the recreational plat fees; however, due to the Statute of Limitations, the time in which the County could have pursued this action had expired.
- Filing a Code Enforcement Action with the County Code Enforcement against the current owners of the properties. However, in exploring that option, it appeared that the properties were currently developed and that the subsequent owners who were individual owners of subdivided parcels could not and should not be held liable for the failure of a developer to pay a fee associated with the development of the property.
- Suing the BCC's financial statement auditing firm for failing to detect the erroneous fees.

The BCC elected to pursue collection from the financial statement auditing firm and, as a result, the BCC and the accounting firm reached an agreement where the BCC's auditing fees would be reduced by \$35,000 each fiscal year for the fiscal years ending September 30, 2015, through September 30, 2017, for a total of \$105,000.

As part of our audit, we examined BCC records supporting the recreational plat fees collected during the period October 2014 through February 2016 and totaling \$575,727 for the applicable 14 subdivision projects. We found that:

- For 3 projects, the BCC assessed and collected recreational plat fees totaling \$211,050; however, the fee assessment calculations were not in accordance with the Code, which requires calculations based on the assessed land value. For 2 of the 3 projects, Department personnel incorrectly calculated the fee using the Property Appraiser assessment growth limitation (AGL)

¹⁵ Land Development Code 11.03.03.

¹⁶ Prior to February 10, 2015, the fee was 5 percent of the assessed land value.

amount,¹⁷ resulting in under-assessments of \$14,093 and \$17,886, respectively. For the other project, the assessed property value included \$2,310 other than land, resulting in an over-assessment of \$139. According to BCC personnel, there has been confusion in the Department regarding which land value to use, resulting in inconsistencies in the value used to calculate the fees.

- For 13 projects with recreational plat fees totaling \$569,016, BCC records did not evidence independent review and approval of the fee assessments. On February 1, 2016, the BCC implemented new procedures that require the Finance Director's documented review and approval of recreational plat fees; however, 2 of the above-mentioned fee calculation under-assessments (\$14,093 and \$17,886) occurred on February 10 and 23, 2016, respectively, after implementation of this procedure.

Effective procedures requiring documented independent review and approval of recreational plat fee calculations and the related assessments, can reduce the risk of fee assessment and collection errors and fraud. According to Department personnel, the Department implemented a process in March 2016 requiring a planning assistant to verify the recreational plat fee calculations before the fees are assessed, and the process may be reassigned to the Planning Coordinator position, which was established in April 2016.

Recommendation: The BCC should continue efforts to require and ensure the documented independent review and approval of recreational plat fee calculations and the related assessments. Additionally, the BCC should revise the Code to specify the Property Appraiser assessed value to use in the calculations or consider alternative methods and factors to utilize for the assessment of recreational plat fees. Also, the BCC should refund the \$139 over-assessed fees to the applicable developer, and seek payment from the applicable developers for the under-assessed fees totaling \$31,979.

Finding 5: Consultant Study

In 2004, the BCC obtained the Beeman Study (Study), a comprehensive study of Department operations. As a result of the Study, numerous recommendations were made to improve functionality and operational efficacy and efficiency of the Department as a whole. Regarding the Study, the September 2015 Grand Jury Report recommended that:

- Each County Commissioner and BCC employee read the Study.
- BCC personnel use the Study as a template for County operations.
- The Study be updated for changes that have occurred since the date of the Study.

The Department Director, hired in April 2011, initially became aware of the 2004 Study during the 2015 Grand Jury investigation and started implementing some of the Study recommendations. As part of our audit, we compared the Study recommendations to current Department practices, as well as to the Department's future plans, to evaluate whether the recommendations had been implemented or a timeline had been established for future implementation. While the majority of the recommendations had been or were in the process of being implemented, several recommendations remained unaddressed. For example, as of September 2016, the Department had not:

¹⁷ According to the Property Appraiser, the AGL amount is the value difference between the just (fair market) value and assessed value.

- Implemented a more user-friendly approach, such as providing easily understood instructions for completing online forms.
- Trained employees in existing software or considered obtaining more user-friendly software. In October 2016, the BCC contracted with a consultant to provide software which will allow for online submission of permits and plans with supporting documentation that can be distributed to appropriate personnel for review and approval.
- Established written policies and procedures specific to the operations of the Department. In November 2015, the Department developed a processing procedures handbook to provide guidance on how to process permits and projects and enter them into the planning system. In March 2016, the Department implemented written policies and procedures regarding planning and development related fees and payments. However, as indicated in Findings 1 through 4, the Plan, the Code, and certain procedures related to PSC fees, preservation fees, and recreational plat fees need clarification and enhancement.

Implementation of the Study recommendations, or written explanations of why implementation of a recommendation is not considered feasible or necessary, would help the BCC achieve the necessary functionality and operational efficacy and efficiency improvements identified by the Study.

Recommendation: The BCC should continue efforts to implement the Study recommendations or document, of record, explanations for why the implementation of a recommendation would not be feasible or necessary.

Finding 6: Letters of Credit and Surety Bonds

According to Department personnel, the Department regularly oversees and regulates property developments throughout the County. To ensure that development projects with infrastructure components, such as sidewalks or storm water retention areas, are satisfactorily completed by the developer, BCC policy¹⁸ requires the developer to submit to the BCC a security, such as a cashier's or certified check or non-cash surety (i.e., irrevocable letter of credit or a surety bond) equal to 110 percent of the total construction costs for the required developer-installed improvements.

According to Department personnel, the Public Works (PW) Department maintains manual records of the letters of credit received and Department personnel maintain manual records of the surety bonds. The original letters of credit and surety bonds are forwarded to CCC personnel, who place the letters of credit and surety bonds in a vault for safekeeping while the PW Department monitors the completion status of infrastructure projects. However, as of January 2017, written policies and procedures addressing the safeguarding of the securities submitted had not been established.

As part of our audit, we examined BCC records supporting the projects with non-cash surety outstanding during the period October 2014 through February 2016 totaling \$3.2 million (eight irrevocable letters of credit totaling \$2.7 million and two surety bonds totaling \$523,496). We found that an original surety bond for \$469,983 for one project had been placed in the project file rather than being submitted to the CCC for safekeeping in the vault. Additionally, due to an oversight, Department personnel did not create a record of the bond.

¹⁸ Land Development Code 11.01.07.

Absent established policies and procedures for safeguarding the securities submitted to ensure the satisfactory completion of infrastructure projects, there is an increased risk that the security may be lost, stolen, or destroyed.

Recommendation: The BCC and CCC should establish written policies and procedures for the proper safeguarding of securities submitted to ensure the satisfactory completion of infrastructure projects.

Finding 7: Tourist Development Tax Administrative Charges

State law¹⁹ authorizes the BCC to charge indirect administrative costs against tourist development tax (TDT) revenues for administrative services performed by the BCC on behalf of the Tourist Development Council (TDC). For the 2014-15 fiscal year, the BCC approved and collected \$356,735 for indirect administrative charges from TDT revenues. Prior to the 2014-15 fiscal year, the BCC did not charge the TDC for indirect administrative costs.

In response to our inquiries, the BCC Finance Director indicated that the TDC 2014-15 fiscal year indirect administrative cost calculation was based on a methodology similar to that used by other counties and municipalities. To determine the TDC indirect administrative cost charges for the 2014-15 fiscal year, the calculation included consideration of, for example, the County Administrator's Office, County Attorney's Office, Human Resources (HR) Department, and Purchasing Department 2013-14 fiscal year budget information. For indirect administrative cost allocations, the Finance Director used preliminary budgeted expenditures for the 2014-15 fiscal year as well as other selected information. For the County Administrator and County Attorney Offices, the Finance Director assumed that half of the budgeted expenditures of both offices would be for general BCC expenditures, and the other half would be allocated to other BCC functions as a percentage of the respective functions' budgets. For the HR Department, the allocation was based on the number of full-time personnel and, for the Purchasing Department, the allocation was based on the number of Purchasing Department-issued purchase orders. However, the BCC had not adopted written policies or procedures for calculating indirect administrative cost charges to the TDC based on determinations of actual BCC administrative services performed for the TDC.

At the request of the BCC Office of Management and Budget, in December 2014 the BCC agreed to contract with a consultant to perform a cost allocation plan study. The consultant completed the study, based on 2013-14 fiscal year actual expenditures, and established cost allocations to be charged for the 2015-16 fiscal year which the BCC approved in August 2015. For the 2014-15 fiscal year, the study identified indirect administrative costs totaling \$950,783 that could have been charged to the TDC or \$594,048 more than the Finance Director's calculation. The difference was primarily due to the inclusion of building overhead costs in the consultant's calculation that were not included in the Finance Director's calculation. According to the Finance Director, since the amount budgeted for the indirect administrative costs was less than the consultant's cost calculation, \$356,735 was charged to the TDC in August 2015 for the 2014-15 fiscal year.

Our examination of the Finance Director's methodology disclosed that, while it was consistent in allocating indirect administrative costs to a wide variety of functions throughout the County, the indirect

¹⁹ Section 125.0104(5)(a)4., Florida Statutes.

cost calculations omitted any consideration of actual expenditures. Without such consideration, there is an increased risk that indirect cost assessments may not be reasonably allocated to the TDC. For the 2015-16 fiscal year, the BCC approved budgeted indirect administrative costs of \$937,255, based on the consultant study, and that amount was charged to the TDC. According to the Finance Director, the BCC will rely on this study for allocating indirect costs until a new study is approved, which is anticipated for the 2018-19 fiscal year.

Recommendation: The BCC should adopt an appropriate methodology and establish written procedures for calculating indirect administrative charges to the TDC. Such charges could be based on the methodology developed in the consultant cost allocation plan study and adjusted, as necessary, depending on the actual BCC services performed for the TDC.

Finding 8: Employment Practices and Personnel Records

Effective employment practices require verifying, before new hires are selected to fill vacancies, that the individuals meet the positions' education and experience requirements. As proof of such practices, organizations should maintain documented verifications of each individual's education credentials and relevant work experience.

As of February 2016, the Department had 17 employees and the BCC had adopted position descriptions that specified minimum education and experience requirements for each position. For example, the Planner II/Floodplain Manager position requires a bachelor's degree, the Planning Assistant position requires specialized course work in general office practices with preference for legal office experience or any equivalent combination of related education and experience, and the Senior Planner position requires a master's degree and 8 years of experience in professional planning or a related field or an equivalent combination of training and experience.

According to BCC personnel, HR Department personnel are responsible for verifying applicant education credentials and relevant work experience and maintaining documentation of the verifications in the applicable personnel files. BCC personnel also indicated that the former HR Department employee responsible for verifying applicant work experience did not consistently verify the experience and, when the experience was verified, documentation of work experience was frequently not filed in the personnel file. According to the HR Department Director, when reviewing applications, the HR Department allows years of experience in the specific area or a closely-related field to substitute on a year-for-year equivalent for a required degree. For example, 4 years of experience in the relevant field could be considered to be an equivalent combination of training and experience to substitute for a bachelor's degree.

To determine whether the BCC appropriately documented the verification of employee education credentials and relevant work experience, we requested for examination the personnel records for the five employees hired in the Department during the period October 2014 through February 2016. We found that:

- For an employee hired as a Planning Assistant, BCC personnel did not initially obtain the individual's official transcripts to verify education credentials or document verification of relevant work experience. BCC personnel indicated that it was common knowledge that the employee previously owned a local business for several years, which satisfied the requirement of equivalent work experience. Subsequent to our inquiries, BCC personnel obtained, and provided for our

examination in November 2016, the employee's official transcripts, which confirmed that the employee met the educational requirements for the position.

- For an employee hired as a Planner II/Floodplain Manager, BCC personnel files included a copy of the employee's bachelor's degree; however, BCC personnel did not obtain the official transcripts to verify the education credentials for the employee. Subsequent to our inquiries, the HR Department obtained, and provided for our examination in November 2016, the official transcripts for the employee, which confirmed that the employee met the educational requirements for the position.
- For another employee hired as a Planning Assistant and for an employee hired as a Senior Planner, BCC records did not document verifications of the relevant work experience. BCC personnel indicated that it was common knowledge that the individual hired as a Planning Assistant was previously employed at a local insurance agency for many years. For the Senior Planner, BCC personnel indicated that the employee had a professional engineering license, which requires 4 years of related work experience, and satisfied the requirement of at least 8 years' experience when combined with the employee's bachelor's degree. However, since the BCC job description for a Senior Planner requires 8 years' experience in professional planning or related field in addition to a master's degree, BCC records did not demonstrate that the employee's qualifications met the required equivalent combination of training and experience.

According to BCC personnel in the HR Department, copies of degrees, diplomas, and unofficial transcripts from applicants are maintained as verification of education credentials in lieu of official transcripts received directly from educational institutions. However, documented verifications of minimum education requirements using official transcripts received directly from educational institutions and documented verifications of individuals' relevant work experience provide critical information for making personnel decisions and assurances that individuals selected for hire meet position requirements.

Recommendation: The BCC should enhance procedures to ensure that, before individuals are selected to fill position vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and that documentation of the verifications is maintained in the appropriate personnel files. Such documentation should include the documented review of official transcripts received directly from educational institutions and evidence of an equivalent combination, as necessary, of training and experience consistent with the BCC-adopted position descriptions.

Finding 9: Competitive Selection Process

The Legislature has recognized in State law,²⁰ that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Additionally, the NIGP: Institute for Public Procurement,²¹ in its *Global Best Practices*, recommends:

- A procurement policy that builds public confidence in public procurement and ensures fair and equitable treatment of everyone who deals with the procurement system.
- Use of clearly defined criteria for procurement decisions.

²⁰ Section 287.001, Florida Statutes.

²¹ NIGP: Institute for Public Procurement is a membership-based, nonprofit organization composed of members representing Federal, state, provincial and local government levels throughout the United States and Canada, and provides support to professionals in the public sector procurement profession.

- A clear understanding by evaluation committee members of how criteria and scoring should be applied.
- Use of a consistent approach when scoring against pre-announced criteria.
- Transparency of the selection criteria and evaluation process.

BCC policies and procedures²² for procuring services involving the use of an RFQ require that a review team be formed of BCC employees to review RFQ responses and make a recommendation to the BCC for respondent presentations or for negotiation. According to the Finance Director, a review team is typically composed of three to five BCC employees, including at least one member from the requesting department. While the purchasing policies and procedures establish the review team process for the evaluation of RFQ responses, the policies and procedures²³ indicate that the process may be amended by BCC resolution.

As mentioned in Finding 1, pursuant to the Grand Jury recommendation in December 2015, the BCC approved an RFQ and the related advertisement for an outside consultant to review and clarify the Plan and the Code. In March 2016, during a regular BCC meeting, the BCC heard presentations from the four responding firms, ranked the firms, and then selected the top-ranked firm. According to the County Administrator, to tabulate the results, the CCC collected the evaluation criteria worksheets used by the BCC to score each firm and the Purchasing Department reviewed and recalculated the results to verify that no errors were made. Based on our review of BCC records and inquiries with BCC personnel, we noted that:

- Rather than establish a review team composed of BCC employees as required by the BCC purchasing policies and procedures, the BCC members elected to rank the four RFQ respondents. Although we requested, BCC personnel did not provide a resolution or other records to demonstrate why the BCC chose to deviate from the established policy for procuring the consultant services. Absent adherence to the established competitive selection process, there is an increased risk that services may not be obtained at the lowest price consistent with desired quality and the BCC cannot demonstrate compliance with BCC purchasing policies and procedures.
- The BCC evaluated and ranked the four respondents using criteria that considered each firms':
 - Past performance with county or public entity.
 - Experience and ability to meet projected needs.
 - Recent, current, and projected workload.
 - Experience in State of Florida/Florida growth management laws.
 - References.
 - Subconsultants.

Our examination of the evaluation criteria worksheets disclosed that the total overall score of the selected consultant was 458, while the scores for the other three respondents ranged from 352 to 453. However, the criteria rating scores for each firm varied significantly on the worksheets prepared by the BCC members and documented explanations were not available to clarify why the differences existed. For example, for the "subconsultants" criterion, one BCC member scored a responding firm a 20 (out of 20) while another member scored the same firm a 5, and for the

²² Purchasing Policy PP-012, Section VIII.A.

²³ Purchasing Policy PP-001, Section VI.

“experience and ability to meet projected needs” criterion, one BCC member scored a responding firm an 18 (out of 20) while another member scored the same firm a 5. Without documented explanations for the significant variances in the criteria rating scores, there is less transparency in the competitive selection process.

- According to the County Administrator, the BCC members were not provided descriptions of the rating criteria or instructed on how to apply the criteria. For example, descriptions and instructions were not provided for the “subconsultants” criterion to clarify whether the score should be based on the number of subconsultants that the respondent intended to use, the experience or professional education of the proposed subconsultants, or some other factor related to subconsultants. In response to our inquiries, the County Administrator indicated that detailed criteria descriptions and instructions for applying the criteria were not necessary because the evaluation criteria worksheets used to document the rating criteria are similar for similar services, the BCC members are familiar with the rating criteria, the BCC members had the opportunity to inquire of each presenting firm on any of the criteria, and the meeting minutes did not indicate that further explanation was required. However, documented detailed descriptions of rating criteria and instructions for applying the criteria, would provide additional assurances that the BCC members consistently applied the criteria.

Recommendation: When procuring services that require use of an RFQ, the BCC should:

- Follow the BCC-established competitive selection process, which requires that review teams be formed to review and evaluate RFQ responses and make recommendations to the BCC for respondent presentations or for negotiation, or, alternatively, adopt a resolution when the process is amended.
- Clarify in the BCC policies and procedures the specific circumstances that would allow BCC members to serve as a review team to directly evaluate and select professional services.
- Revise the BCC policies and procedures to require use of detailed descriptions of rating criteria and instructions for reviewing and evaluating RFQ responses and explanations when evaluator scores vary significantly for a specific criterion.

CLERK OF THE CIRCUIT COURT FINDINGS AND RECOMMENDATIONS

Finding 10: Tourist Development Tax Administrative Costs

Pursuant to State law,²⁴ as accountant for the BCC, the Clerk of the Circuit Court (CCC) is responsible for collecting, processing, and remitting the TDT collections from lodging to the TDC. State law²⁵ authorizes the CCC to retain a portion of the tax collected for administrative costs provided that such portion not exceed 3 percent of the collections. According to CCC personnel, the CCC procedure is to collect the tax, retain 3 percent, and remit the remaining 97 percent to the TDC. This practice has been considered acceptable by CCC staff and followed for many years without a documented cost allocation methodology to support the reasonableness of the 3 percent amount retained.

During the period October 2014 through February 2016, the CCC retained administrative costs of \$1.3 million, which equaled the maximum cap of 3 percent of the TDT collections during this period.

²⁴ Section 125.17, Florida Statutes.

²⁵ Section 125.0104(10)(b)5., Florida Statutes.

Absent support for the amount being assessed, the CCC may be retaining TDT collections for administrative costs in excess of the actual costs. As a result, the TDC may not be receiving the amount of TDT to which it is entitled by law.

Recommendation: The CCC should develop and document a cost allocation methodology to support the costs for administering the TDT and withhold from the TDC only those amounts related to the actual administrative costs.

Finding 11: Internal Audit Function

An internal audit function can provide assurance that internal controls are adequately designed and functioning effectively, and can ensure compliance with BCC-approved policies and procedures and ordinances, as well as with State and Federal laws, rules, regulations, and guidelines. Pursuant to the State Constitution,²⁶ the CCC serves as both auditor and custodian of all County funds. The CCC Internal Audit Department (IAD) maintains a Countywide compliance and audit function and the CCC established the IAD's Charter, which sets forth the IAD duties and responsibilities. The Charter requires that audit and compliance activities be performed in accordance with *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* published by the Institute of Internal Auditors (IIA) and *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States.

IIA Standards require the Chief Audit Executive to establish and maintain a quality assurance and improvement program to provide management with reasonable assurance that the internal audit activity operates in conformity with applicable auditing standards. According to the *IIA Standards*, a quality assurance and improvement program should include ongoing monitoring of the performance of the internal audit activity as well as periodic reviews performed through self-assessment and an external assessment review, at least once every 5 years, by a qualified independent reviewer from outside the organization to determine the adequacy of the quality assurance and improvement program. Similarly, *GAS* requires that organizations performing audits in accordance with *GAS* establish and maintain a system of quality control that is designed to provide reasonable assurance of conformity with applicable professional standards, and undergo an external peer review at least once every 3 years.

Our evaluation of the CCC's internal audit function disclosed that, according to CCC personnel, the CCC reviews each internal audit report; however, as of January 2017, the IAD had not undergone an external quality assessment review as required by *IIA Standards* and *GAS*. Without an external quality assessment review, there is an increased risk that internal controls may not be adequately designed or functioning effectively to comply with approved policies and procedures and ordinances, as well as with State and Federal laws, rules, regulations, and guidelines; and the internal audit function did not comply with the applicable auditing standards' quality control requirements.

We also noted that the CCC IAD procedures²⁷ require a follow-up audit be conducted after a reasonable amount of time has elapsed to ensure corrective action has been taken on the audit finding or that the auditee management has accepted responsibility for not acting on the condition. Although the procedures did not define what is considered to be a "reasonable period of time," the Internal Audit

²⁶ Article III, Section 1(d) of the State Constitution.

²⁷ Walton CCC Internal Audit Department Procedure IA-30.09 Follow-up Audit.

Manager indicated that the original intent was to perform follow-up audits within 3 to 5 years after the audit finding. Our audit procedures found that the IAD conducted an audit of the Planning and Development Services Department's expenditures for the period October 2007 through July 2010 to determine whether the expenditures complied with appropriate laws, rules, regulations, and policies and procedures, and were for official County purposes. The audit report, issued in December 2010, included findings related to long-distance telephone calls, travel reimbursements, cellular telephones, accountability for certain non-capitalized property items, and a consultant contract. However, as of December 2016, 6 years later, a follow-up audit had not been conducted. Although the IAD is scheduled to complete a limited review of planning fees in January 2017, CCC personnel indicated that the review is not considered to be a follow-up to the 2010 audit of the Planning and Development Services Department. Without timely follow-up of internal audit report findings, the BCC and CCC cannot be assured that management has taken timely and appropriate actions to address noncompliance or internal control deficiencies disclosed by internal audits.

The 2015 Grand Jury Report indicated that the IAD may be understaffed, affecting its ability to timely complete audits and recommended that the level of auditor staffing be reviewed for consistency with industry standards and a determination be made whether the number of auditors should be increased. As of December 2016, the IAD had two authorized internal audit positions and, according to CCC personnel, the intent was to fill those two positions. In addition, according to CCC personnel, the CCC requested the BCC to fund two additional internal auditor positions for the 2016-17 fiscal year; however, the BCC denied the request.

Recommendation: The CCC should ensure that the IAD undergoes a quality assurance review in accordance with *IIA Standards* and *GAS*. In addition, the CCC should enhance procedures to specify what is considered to be a “reasonable amount of time” for audit follow-up purposes and ensure timely follow-up of previously issued internal audit findings.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its October 5, 2015, meeting, directed us to conduct this operational audit of the BCC and CCC.

Additionally, State law²⁸ provides that, every 2 years, the Auditor General shall conduct an operational audit of a local government entity's funds related to the Deepwater Horizon oil spill to evaluate the local government entity's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner. The audit is to include any funds the County receives or expends related to the Deepwater Horizon oil spill, including any funds under State law²⁹ or Federal regulations.³⁰

²⁸ Section 288.8018(2), Florida Statutes.

²⁹ Section 288.8017, Florida Statutes.

³⁰ Title 33 United States Code, Section 1321(t).

We conducted this operational audit from February 2016 through July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines.
- Pursuant to Section 288.8018(2), Florida Statutes, evaluate management's specific performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner including, but not limited to, evaluating internal controls, applicable internal audit functions, reporting and performance requirements required for use of the funds, and compliance with State and Federal law.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records during the period October 2013 through February 2016, and selected transactions made prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable,

information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, regulations, BCC ordinances, BCC and CCC policies and procedures, and interviewed BCC and CCC personnel to gain an understanding of the BCC and CCC processes. We also evaluated whether the BCC and CCC had established reasonable written policies and procedures for major functions, such as planning and development services, procurement, human resources management, and assessment of tourist development tax administrative costs.
- Evaluated the BCC Comprehensive Plan and Land Development Code provisions for proportionate share contribution (PSC), recreational plat, and preservation fee calculations and assessments as well as any related policies and procedures.
- Evaluated whether BCC ordinances, policies, and procedures were in accordance with PSC provisions in Section 163.3180, Florida Statutes, which identifies how to calculate the PSC.
- Examined BCC records to determine whether, as a matter of good business practice, BCC personnel periodically performed a cost-benefit analysis to determine whether it would be more advantageous for the County to assess developers an impact fee rather than a PSC fee.
- Examined BCC records to determine whether the BCC periodically updated its PSC formula to reflect changes to State law.
- Examined BCC records to determine whether, as a matter of good business practice, the BCC periodically performs a cost-benefit analysis to determine whether calculating the PSC fees internally would be more cost effective than contracting with a consultant to calculate the fees.
- Reviewed the BCC acquisition of professional services to determine whether the BCC periodically used a competitive selection process in accordance with BCC ordinances, policies, and procedures, and good business practices.
- Obtained and reviewed the BCC 2004 consultant study (Study) of Department of Planning and Development Services (Department) operations and evaluated the BCC progress in prioritizing and implementing applicable Study recommendations.
- Examined BCC records to determine whether the BCC had established written policies and procedures that address letters of credit (LOCs) and surety bonds, including procedures to ensure that the LOCs and surety bonds are obtained when required, and monitored to ensure that they are maintained until projects are completed.
- Examined the eight LOCs totaling \$2.7 million and two surety bonds totaling \$523,496 required for infrastructure projects with non-cash surety outstanding during the period October 2014 through February 2016 to determine whether the LOCs and surety bonds were obtained at the required time and in the required amounts and maintained until project completion.
- For the five Department employees hired during the period October 2014 through February 2016, examined BCC personnel records to determine whether the records demonstrated that the employees had the necessary education and work experience required by BCC-adopted written position descriptions.

- For the three Department employees who separated from BCC employment during the period October 2014 through February 2016, examined BCC records to determine whether BCC personnel followed established BCC policies and procedures related to employee separations.
- Obtained an understanding of Department developer fee controls to evaluate whether the controls promoted proper and timely assessment, collection, recording, and deposit of such fees.
- Examined supporting documentation for PSC fees totaling \$2.7 million for 18 projects, preservation fees totaling \$1.16 million for 10 projects, and recreational plat fees totaling \$575,727 for 14 projects, collected during the period October 2014 through February 2016, to determine whether the fees were assessed and collected in accordance with BCC policies and procedures.
- Determined whether the BCC's efforts were adequate to recover the \$798,636 of uncollected recreational plat fees cited in the Grant Jury Report.
- Examined BCC records to determine whether written policies and procedures were established for the proper authorization, recording, and documentation of developer fee refunds and adjustments.
- Evaluated support for BCC and CCC administrative cost charges, allowed by Section 125.0104(5)(a)4. and (10)(b)5., Florida Statutes, to determine whether such charges represented services benefitting the Tourist Development Council and were reasonable, properly calculated, and solely and directly attributable to administering the tourist development tax.
- Evaluated all documentation related to Deepwater Horizon legal settlements received during the period October 2013 through February 2016 to determine whether there were any restrictions imposed on the settlement proceeds.
- Reviewed the Walton County Tourist Development Council (TDC) internal audit report, which included a limited review of Deepwater Horizon oil spill moneys, for items relevant to the scope of our audit.
- Determined whether the BCC had established separate accountability for the restricted oil spill moneys provided to the TDC.
- From the population of 54 expenditures totaling \$987,478, evaluated management's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill by examining BCC records supporting 21 selected expenditures totaling \$610,523.
- Examined BCC records to determine whether the BCC complied with reporting and performance requirements for funds received related to the Deepwater Horizon oil spill.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's responses are included in this report under the heading **MANAGEMENT'S RESPONSES**.

AUTHORITY

Pursuant to the provisions of Sections 11.45 and 288.8018(2), Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSES

WALTON COUNTY, FLORIDA Board of County Commissioners

William "Bill" Chapman, District 1, Vice-Chair
Cecilia Jones, District 2, *Chair*
Melanie Nipper, District 3
Sara Comander, District 4
Tony Anderson, District 5



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February 28, 2017

Sherrill F. Norman, CPA
State of Florida Auditor General's Office
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Pursuant to Section 11.45(4)(d), Florida Statutes, below are the Walton County Board of County Commissioners responses to the preliminary and tentative audit findings and recommendations made as a result of the operational audit of the Walton County Board of County Commissioners, Clerk of the Circuit Court, and Use of Funds Related to the Deepwater Horizon Oil Spill. The County concurs with the results of the operational audit and has already begun to implement the steps detailed below to apply corrective actions that will preclude a recurrence of these findings.

Finding 1: Comprehensive Plan and LDC. The BCC Comprehensive Plan (Plan) and Land Development Code (Code) policies and objectives for development in the County could be improved. For example, the Plan and the Code contained undefined terms regarding proportionate share contribution (PSC) fees. Definitions for terms related to PSC fees would promote consistent treatment by Planning and Development Services Department (Department) personnel for similar situations.

Audit Recommendation: The BCC should continue efforts to ensure that the Plan and Code policies and objectives for development in the County are clearly stated and provide for consistent interpretation and application of the Plan and Code provisions by Department staff.

County Response: Walton County fully understands the issues discussed in this finding and has taken necessary actions to appropriately address this issue. As stated within the findings, Walton County has contracted with the Matrix Design Group to review and update the Comprehensive Plan and Land Development Code, particularly in areas that may be found vague, ambiguous, or inconsistent. The County has been working diligently with the consultant to achieve the objectives provided in the deliverables. A series of community meetings were held on February 21, 22, and 23rd to update the public and receive comments on the work products. Additional community meetings will be held as progress on the update continues. Further, a website has been created to provide progress and information on the updates and solicit public comments. The website address for this informative page is www.waltonplanupdate.com. At the end of the project the BCC will be asked to adopt the appropriate amendments to the Plan and the Code.

Finding 2: Proportionate Share Contribution. The BCC assessed PSC fees to commercial or residential project developers for increased road use caused by the projects; however, the fees were based on outdated statutory provisions. Additionally, BCC personnel did not perform a cost-benefit analysis to determine whether it would be more

economical for the County to assess developers a PSC fee or an impact fee, and BCC records did not always demonstrate the accuracy of PSC fee assessments or that fees were timely collected.

Audit Recommendation: The BCC should:

- Analyze, of record, whether it would be more economical to assess developers a PSC fee or an impact fee. If it is more economical to continue assessing and collecting PSC fees, the BCC should update the calculation spreadsheet based on current data and ensure that the calculation method complies with State law provisions.
- For commercial projects, continue efforts to ensure that PSC fees are collected before the Building Department issues a CO.
- Continue efforts to ensure that PSC fees are supported by transportation concurrency review letters and timely collected.

County Response: The County contracted with the Renaissance Group, a consulting firm with a specialty in transportation planning, to analyze and perform a cost-benefit analysis between the current Proportionate Share Contribution (PSC) methods currently used and an impact fee based system. Upon completion of this analysis, the BCC will be in an informed position to determine the most appropriate means by which to assess these fees.

Additionally, the County created two (2) engineering positions within the Planning and Development Services Department, one of which will be dedicated to monitoring and performing transportation planning-related analysis and computations. Once these two positions are filled, the County will bring in-house all planning related services currently contracted out and end the consulting contracts. A Development Order Inspector position was also created and filled within the Planning Department to conduct regulatory compliance inspections and ensure compliance with Walton County codes, regulations, and approved plans.

Further, the department has created Department Directives to clarify processes and ensure fees are paid timely and are correctly calculated.

Finding 3: Preservation Fees. Preservation fees were not always correctly calculated or supported by documented, independent review and approval. As a result, certain fees were over assessed and others were under assessed. In addition, preservation fees were not always timely collected.

Audit Recommendation: The BCC should continue efforts to require and ensure the proper calculation, accurate assessment, and prompt collection of preservation fees. Such efforts should include the documented independent review and approval of the fee calculations and related assessments and ensure that due dates for fee remittances are specified and that the remittances are timely made. In addition, the BCC should refund the \$32,626 over-assessed fees to the applicable developers, and seek payment from the applicable developers for the under-assessed preservation fees totaling \$11,535.

County Response: As indicated within the finding, the Department has implemented measures to ensure that fees are calculated properly and collected timely. The Land Development Code and Comprehensive Plan are not clear on the timing of the collection of this fee; this issue will be addressed within the Matrix Design Group study. In March 2016, a written department policy was implemented to clear any confusion regarding the timing of the fees and stated the fee must be paid prior to D.O. issuance. Currently, fee calculations are verified by multiple staff members to ensure no single staff member acts without oversight or verification of calculations. A certification is made by staff indicating the fee has been properly calculated and collected prior to the Director's signature on the Development Order. Without such certification, no Development Order will be issued and the project will not move forward. Staff has communicated with the consultant reviewing the LDC and Comp Plan so the new written policies regarding procedures and timing of fees are reflected as an amendment to the LDC and Comp Plan. In addition, a finding was noted regarding assessed value determinations by the Walton County Property Appraiser and which value is to be used in these calculations. Staff has reviewed this issue and will be making recommendations for an amendment to the LDC to clarify which tax year

must be used when a project begins in one tax year but carries over into the next and clearly define which value assessment must be used.

The County is exploring the possibility of refunding and seeking payment from the applicable developers for the under-assessed preservation fees.

Finding 4: Recreational Plat Fees. Recreational plat fees were not always calculated correctly, resulting in net fee under assessments totaling \$31,840.

Audit Recommendation: The BCC should continue efforts to require and ensure the documented independent review and approval of recreational plat fee calculations and the related assessments. Additionally, the BCC should revise the Code to specify the Property Appraiser assessed value to use in the calculations or consider alternative methods and factors to utilize for the assessment of recreational plat fees. Also, the BCC should refund the \$139 over-assessed fees to the applicable developer, and seek payment from the applicable developers for the under-assessed fees totaling \$31,979.

County Response: As noted in the audit, staff collected a significant number of the owed fees and will continue efforts to collect the fees that are outstanding. Some fees are uncollectable given the age of the past due debt.

An independent review of calculations by multiple staff members is performed. Additionally, staff will be requesting an amendment to the LDC to clarify which tax year must be used when a project begins in one tax year but carries over into the next and to clearly define which value assessment must be used. As the finding mentioned, there are many different type of assessment values. The LDC does not provide clear guidance on which to use. Recommendations will be made to amend the LDC to move many of the written policies into ordinance thereby making the guidance permanent and with the effect of law.

Finding 5: Consultant Study. In 2004, a comprehensive study of Department operations identified numerous improvements that could be made; however, as of September 2016, the Department had not implemented several of the improvements recommended.

Audit Recommendation: The BCC should continue efforts to implement the Study recommendations or document, of record, explanations for why the implementation of a recommendation would not be feasible or necessary.

County Response: The staff has read and implemented many aspects of the Beeman study. In support of the Beeman study, all Department forms and applications have been made available online via the County website and can be submitted electronically. Further, the County has contracted with a permitting software company to make all aspects of permitting available online. This includes online permitting, permit status and documents which are available for review by the public.

The Department has instituted new policies as part of this audit process regarding various aspects of the Departments procedures. These policies are readily available to staff on the internal website.

Finding 6: Letters of Credit and Surety Bonds. The BCC had not established written policies or procedures for safeguarding securities submitted to ensure satisfactory completion of infrastructure projects.

Audit Recommendation: The BCC and CCC should establish written policies and procedures for the proper safeguarding of securities submitted to ensure the satisfactory completion of infrastructure projects.

County Response: County staff and the staff of the Walton County Clerk of Courts are currently working to update the County's Cash Handling Policy to establish additional procedures related to the safeguarding of securities for infrastructure projects, and will follow with a thorough training of staff on these enhanced procedures.

Finding 7: Tourist Development Tax Administrative Charges. The BCC had not adopted written policies or procedures for calculating indirect administrative charges to the Tourist Development Council (TDC) based on actual BCC services performed for the TDC.

Audit Recommendation: The BCC should adopt an appropriate methodology and establish written procedures for calculating indirect administrative charges to the TDC. Such charges could be based on the methodology developed in the consultant cost allocation plan study and adjusted, as necessary, depending on the actual BCC services performed for the TDC.

County Response: The County is establishing a formal policy for calculating indirect administrative charges. As mentioned in the recommendation, these charges will be based on the methodology developed in the cost allocation study and provide a set guideline for updating charges to ensure a consistently reasonable allocation each fiscal year.

Finding 8: Employment Practices and Personnel Records. BCC records did not always evidence that employees met the education and experience requirements for their positions.

Audit Recommendation: The BCC should enhance procedures to ensure that, before individuals are selected to fill position vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and that documentation of the verifications is maintained in the appropriate personnel files. Such documentation should include the documented review of official transcripts received directly from educational institutions and evidence of an equivalent combination, as necessary, of training and experience consistent with the BCC-adopted position descriptions.

County Response: The County will update HR policies and procedures for verifying education and experience requirements (official transcripts, professional certifications, etc). Additional training is being implemented for all HR staff to ensure proper verifications are consistently maintained in the appropriate files.

Finding 9: Competitive Selection Process. BCC controls over the competitive selection of certain professional services could be enhanced.

Audit Recommendation: When procuring services that require use of an RFQ, the BCC should:

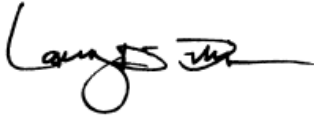
- Follow the BCC-established competitive selection process, which requires that review teams be formed to review and evaluate RFQ responses and make recommendations to the BCC for respondent presentations or for negotiation, or, alternatively, adopt a resolution when the process is amended.
- Clarify in the BCC policies and procedures the specific circumstances that would allow BCC members to serve as a review team to directly evaluate and select professional services.
- Revise the BCC policies and procedures to require use of detailed descriptions of rating criteria and instructions for reviewing and evaluating RFQ responses and explanations when evaluator scores vary significantly for a specific criterion.

County Response: The County is currently reviewing revisions to the Purchasing Manual to clarify the makeup of the Review Team and establish a process by which the Board may serve as the Review Team. Additionally, these revisions call for an employee from the Office of Management and Budget to serve as an advisory member of the Review Team on all RFPs and RFQs to answer questions from reviewers regarding rating criteria and ensure that wide variances in scoring are not due to misunderstandings of the rating criteria. The rating sheets will also be updated to ensure the rating criteria includes additional explanatory information for all reviewers.

Findings 10 and 11 are directed to the Walton County Clerk of Court, and as such, no response is required by the County.

On behalf of the Walton County Board of County Commissioners, I would like to commend your staff for the courtesy and professionalism displayed throughout the audit process. If you have any questions or if we can assist you by providing additional information, please do not hesitate to contact my office at (850)892-8155.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Jones". The signature is fluid and cursive, with a large initial "L" and a distinct "J".

Larry Jones
County Administrator



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

February 28, 2017

Sherrill F. Norman, CPA
State of Florida Auditor General's Office
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Pursuant to Section 11.45(4)(d), Florida Statutes, below are the Walton County Clerk of Circuit Court responses to the preliminary and tentative audit findings and recommendations made as a result of the operational audit of the Walton County Board of County Commissioners, Clerk of the Circuit Court, and Use of Funds Related to the Deepwater Horizon Oil Spill. The Clerk concurs with both findings and is currently taking steps to implement all of the recommendations associated with them.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Alex Alford

Clerk of Circuit Court & County Comptroller

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ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

Walton County Clerk of Circuit Court responses to the preliminary and tentative audit findings

Finding 10: The CCC had not developed a cost allocation methodology to support the administrative costs charged for administering the tourist development tax.

Recommendation: The CCC should develop and document a cost allocation methodology to support the costs for administering the TDT and withhold from the TDC only those amounts related to the actual administrative costs.

Clerk's Response: CCC concurs with the finding and is currently developing a cost allocation methodology to support the costs for administering the collection of TDT. The amount CCC withholds from TDT collections will reflect only cost supported by the documented cost allocation methodology.

Finding 11: The CCC Internal Audit Department (IAD) did not comply with the IAD charter and professional standards by obtaining required quality assurance reviews. In addition, the IAD did not comply with the IAD policies and procedures requiring the performance of a follow-up review of prior audit findings.

Recommendation: The CCC should ensure that the IAD undergoes a quality assurance review in accordance with IIA Standards and GAS. In addition, the CCC should enhance procedures to specify what is considered to be a "reasonable amount of time" for audit follow-up purposes and ensure timely follow-up of previously issued internal audit findings.

Clerk's Response: CCC concurs with the finding and will include the cost of a quality assurance review in the upcoming annual budget request.

The CCC will include in the IAD policies a "reasonable amount of time" definition for follow-up audits. Follow-up audits will be scheduled and performed in accordance with the guidelines of this policy. As noted in the 2015 Grand Jury Report, the IAD may be understaffed, affecting its ability to timely complete audits. The CCC will again include the cost of two additional Internal Auditor positions in the upcoming annual budget request.

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