

**PUTNAM COUNTY
BOARD OF COUNTY COMMISSIONERS,
CLERK OF THE CIRCUIT COURT,
AND SHERIFF'S OFFICE**



Sherrill F. Norman, CPA
Auditor General

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

The Commissioners who served on the Putnam County Board of County Commissioners during the period October 2014 through January 2016 are listed below:

	<u>District No.</u>
Nancy S. Harris	1
Chip Laibl, Chair from 11-24-15 and to 11-24-14	2
Karl N. Flagg, Chair 11-25-14 to 11-23-15, Vice Chair to 11-24-14	3
Larry Harvey	4
E. Walton Pellicer II, Vice Chair from 11-25-14	5

Also, during the period October 2014 through January 2016, Tim Smith served as the Putnam County Clerk of the Circuit Court and Jeff Hardy served as Putnam County Sheriff.

The team leader was Shane L. Herman, CPA, and the audit was supervised by Derek H. Noonan, CPA.

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PUTNAM COUNTY BOARD OF COUNTY COMMISSIONERS, CLERK OF THE CIRCUIT COURT, AND SHERIFF'S OFFICE

SUMMARY

This operational audit of the Putnam County Board of County Commissioners (BCC), Clerk of the Circuit Court (CCC), and Sheriff's Office focused on selected processes and administrative activities. Our audit disclosed the following:

Finding 1: The BCC did not always follow required competitive procurement procedures for purchases of applicable goods and services or make purchases based on valid written contracts.

Finding 2: BCC records did not evidence the public purpose served for 19 culvert installations with expenditures totaling \$54,295 and 52 picture frame purchases totaling \$14,300.

Finding 3: In January 2015, the BCC approved a \$670,350 guaranteed maximum price contract with a construction management entity (CME) to construct a fire station; however, BCC records did not demonstrate that the most effective process was utilized for selecting the construction site or for soliciting and negotiating the CME services to construct the fire station.

Finding 4: The BCC had not adopted policies and procedures for effectively monitoring vehicle usage and fuel consumption.

Finding 5: During the 2010-11 fiscal year, the BCC received two State grants totaling \$3.6 million and a Federal grant of \$163,527 based on representations made by the BCC in the grant applications to provide site enhancements at two parks. Although the BCC used the grant funds to purchase the parks during the 2010-11 fiscal year, as of January 2017, the BCC had not complied with the grants by completing the site enhancements.

Finding 6: Contrary to State law, BCC expenditures exceeded budgeted appropriations for four nonmajor governmental funds by a total of \$170,640 for the 2014-15 fiscal year.

Finding 7: The BCC could enhance procedures for providing public meeting notices for special meetings.

Finding 8: The BCC issued two bonds secured by the same two pledged revenue sources. The bond maturity dates extend beyond the expiration date of one of the pledged revenue sources and the other revenue source was insufficient, as of December 2016, to meet the debt service requirements. Additionally, as of that date, the BCC had not adopted a formal plan of record for meeting the debt service requirements in the event that future pledged revenues continue to be insufficient.

Finding 9: The BCC had not established an anti-fraud policy for the mitigation, detection, and reporting of suspected or known fraud.

Finding 10: The BCC had not established an effective mechanism for addressing citizen concerns.

BACKGROUND

Putnam County Board of County Commissioners. The Board of County Commissioners (BCC) is the chief legislative body in Putnam County (County) and its general duties and responsibilities are outlined in State law.¹ The BCC is composed of five County Commissioners, each 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. The County is a non-charter county located in north central Florida east of Gainesville and has an estimated population of 72,523.² Approximately 80 percent of County citizens reside in unincorporated areas, while the remaining citizens reside in one of five municipalities, the largest of which is the City of Palatka.³

Putnam 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 to the BCC, clerk to the court, keeper of public records, comptroller, and internal auditor of County funds. The CCC serves 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. The CCC serves the court by ensuring that appropriate parties comply with court orders, judgments, or directives; maintaining the court 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.

Putnam County Sheriff's Office. The Florida Constitution establishes the Sheriff as an elected official responsible for law enforcement within the County and as an executive officer of the courts. Additionally, the Sheriff is responsible for collecting and accounting for moneys while serving in a fiduciary capacity pursuant to many provisions of State law.

¹ Chapter 125, Part I, Florida Statutes.

² Joint Legislative Audit Committee Staff Analysis – *Request for an Audit of Putnam County and the City of Palatka*.

³ Ibid.

FINDINGS AND RECOMMENDATIONS

Finding 1: Procurement – Competitive Selection and Contracting

Fair and open competition is a basic tenet of public procurement. Competitive procurement also reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. To provide an effective means of equitably procuring goods or services at the lowest possible cost consistent with desired quality, BCC ordinances⁴ require a minimum of three written quotes for purchases exceeding \$3,000 up to \$25,000 and formal bids for purchases exceeding \$25,000. Purchases of services greater than \$25,000 require BCC approval and are to be made pursuant to a written contract or purchase order. According to BCC personnel, the BCC solicits bids by advertising requests for proposals in local newspapers, mailings to local vendors, and postings to the County Web site. Additionally, pursuant to BCC ordinances,⁵ the BCC is authorized to join with other governmental units in competitive purchasing ventures and make purchases pursuant to other governmental unit contracts, such as purchases made pursuant to Florida Sheriffs Association (FSA) contracts.

In addition to the BCC ordinances that require a written contract, good business practice necessitates that contractual arrangements for goods and services be approved and evidenced by written contracts embodying all provisions and conditions of the procurement. Properly written contracts protect contracting party interests, identify the responsibilities of contracting parties, define the services to be performed, and provide the basis for payment.

To determine whether the BCC complied with required procurement and good business processes, we searched BCC records for the period October 2014 through January 2016 and identified 352 individual purchase orders that exceeded \$25,000. These 352 purchase orders totaled \$87.4 million. We selected for examination 30 purchase orders totaling \$38.5 million from the 352 purchase orders and examined documentation supporting the purchases. As part of our audit, we received citizen allegations regarding BCC procurement processes and we made inquiries of BCC employees and scanned BCC records supporting other selected expenditures. Our audit procedures disclosed that the BCC did not always follow required competitive procurement procedures for purchases of applicable goods and services or make purchases based on valid written contracts. Specifically, we found issues related to the procurement of insurance, vehicles, road services, and cadaver transportation services.

Insurance Services

Pursuant to State law,⁶ counties are authorized to pay for all or part of premiums for life, health, accident, and hospitalization insurance for county officers and employees, and to enter into contracts with insurance companies or professional administrators to provide such insurance. In addition to BCC ordinances that require formal bids and written contracts or purchase orders for all purchases exceeding \$25,000, State law requires that, before entering into a contract for such insurance, a county must advertise for competitive bids and the contract must be entered into based on such bids.

⁴ Sections 2-100 through 2-104, Putnam County Code of Ordinances.

⁵ Section 2-109, Putnam County Code of Ordinances.

⁶ Section 112.08(2)(a), Florida Statutes.

Our audit procedures regarding BCC procurement of insurance and insurance-related services disclosed that:

- The BCC obtained group health insurance and paid to a health insurance provider premiums totaling \$6.7 million and \$6.1 million for the 2014-15 and 2015-16 fiscal years, respectively, pursuant to a 2009-10 fiscal year bid for group health insurance. While State law⁷ does not specify how often group health insurance should be competitively procured, BCC ordinance⁸ prescribes one of the duties of the General Services Director as endeavoring to obtain as full and open competition as possible on purchases and sales.

In response to our inquiries, BCC personnel indicated that, although they did not request bids for health insurance, they analyzed the market for that area, documented communications with other governmental entities regarding their recent group health insurance renewals, and used an informal quote process. However, such actions do not demonstrate full and open competition for procuring health insurance.

- The BCC purchased workers' compensation insurance from an insurance broker and made payments totaling \$117,779 and \$123,940 for the 2014-15 and 2015-16 fiscal years, respectively. BCC records indicated that in September 2014 the broker informed BCC personnel that the BCC workers' compensation account was presented to four vendors and the service provider the BCC previously used was the most competitive. However, the BCC did not:
 - Comply with the BCC ordinances⁹ by obtaining bids from other insurance providers or brokers for the 2014-15 and 2015-16 fiscal years. According to BCC records, the last BCC bid request for workers' compensation insurance was for the 2001-02 fiscal year.
 - Enter into a written contract with the workers' compensation insurance broker for the services provided. In response to our inquiries, BCC personnel indicated that they were unaware of whether the broker received any compensation from the insurance provider.

By periodically seeking competitive bids for health and workers' compensation insurance and negotiating with qualified bidders, the BCC may gain additional assurance that insurance coverages are obtained at the lowest cost consistent with acceptable quality.

Vehicle and Vehicle-Related Purchases

The BCC purchases vehicles and vehicle-related items for certain functions, such as emergency firefighter and medical assistance services. The vehicle-related purchases include kits to convert 2-door vehicles to 4-door vehicles, ambulance chassis, and fuel, oil, grease, and lubricants. Most of these purchases exceeded \$25,000 and, therefore, BCC ordinances required the use of formal bids; however, our examination of BCC records and discussions with BCC personnel disclosed that:

- Two purchase orders dated March 2015 and January 2016 totaling \$1.1 million for two ambulance chassis and three fire trucks, respectively, indicated that the purchases were made pursuant to an FSA competitively bid contract. However, our examination of the FSA contract disclosed that the contract did not include 4-door conversion kits or ambulance chassis. Regarding the purchases of these items, BCC personnel indicated that:
 - The BCC initially intended to acquire three 4-door fire trucks, but instead ordered three 2-door fire trucks totaling \$604,338 pursuant to the FSA contract and the three 4-door conversion kits costing \$336,675 were not included in the FSA contract. BCC personnel also indicated that

⁷ Section 112.08(2)(a), Florida Statutes.

⁸ Section 2-98, Putnam County Code of Ordinances.

⁹ Section 2-100, Putnam County Code of Ordinances.

the FSA contract provides for a base price vehicle and that customers work directly with the vendor to add options to the base models. However, as the 4-door conversion kits exceeded the \$25,000 bid threshold and were not included in the FSA contract, the kits should have been competitively bid or, alternatively, 4-door fire trucks should have been purchased pursuant to the FSA contract or competitive bid.

Also, although we requested, BCC personnel could not provide a cost-benefit analysis demonstrating that ordering 2-door fire trucks and then separately ordering 4-door conversion kits was more cost-effective than purchasing the 4-door fire trucks available through the FSA contract.

- According to BCC personnel, the FSA contract only provided for base items and the two ambulance chassis totaling \$171,060 were for specific enhancement options that were not provided in the FSA contract. However, because the chassis exceeded the \$25,000 bid threshold and were not included in the FSA contract, the chassis should have been competitively bid.

In response to our inquiry as to why two ambulance chassis were purchased in lieu of a complete ambulance, BCC personnel indicated that they consulted with the vendor and were given the option to pre-order the chassis in the 2014-15 fiscal year to avoid a 2-percent price increase in October 2015. BCC personnel also indicated that, although the chassis and the patient compartment were purchased separately, the overall cost was equal to that of an ambulance on the FSA contract. However, although we requested, BCC records were not provided to demonstrate that the 2-percent cost savings was obtained by purchasing the chassis and patient compartment separately. Additionally, the invoice and the related purchase orders for the patient compartment were not sufficiently detailed to document whether the assembled ambulances included all the features included in the fully constructed ambulances available pursuant to the FSA contract.

- During the period October 2014 through January 2016, the BCC paid \$113,805 for four motor vehicles acquired from a local vendor pursuant to a FSA contract. Although the individual cost for three of the four purchased vehicles exceeded \$25,000, BCC records did not document BCC approval for the purchase of the three vehicles using the FSA contract. The total cost of the three vehicles was \$86,404.

In response to our inquiry, BCC personnel indicated that, although the BCC did not specifically approve use of the FSA contract prior to the purchases, the Deputy County Administrator approved one of the vehicles under the assumption that the expenditure was included in the approved budget. However, the BCC-approved budget was aggregated at the fund level and the budget from which the purchase was made did not provide for the purchase of any vehicles. As such, BCC records did not evidence that the BCC authorized the vehicle purchase. BCC personnel also indicated that the other two vehicles were purchased pursuant to a BCC-approved USDA Water and Waste System grant. However, our review of the grant documentation disclosed that the grant did not specifically provide for vehicle purchases. Additionally, BCC ordinances¹⁰ do not provide exceptions from BCC approval for items purchased pursuant to grant agreements.

- During the period October 2014 through January 2016, the BCC paid \$76,995 for fuel, oil, grease, and lubricants; however, the contract had been renewed or extended several times with the same vendor since April 2000 without use of a competitive selection process. The BCC purchased items totaling \$106,800 under original contract with the vendor for the period April 2000 through March 2002, which included an option to renew and extend the contract through March 2006. Instead of conducting a competitive bid process to select a vendor for the services upon contract expiration in March 2006, the BCC approved contract amendments in January 2006 and

¹⁰ Sections 2-95 through 2-116, Putnam County Code of Ordinances.

April 2009 extending the contract through September 2014. In September 2014, the BCC and vendor entered into a new contract with an expiration date of January 2017.

In response to our inquiry, BCC personnel indicated that the BCC has the authority to waive the requirements of its purchasing ordinances¹¹ and did so by approving the contracts during the BCC meetings. Notwithstanding this response, the BCC meeting minutes did not specify that the BCC waived the competitive selection requirements for these purchases.

Road Services

In October 2002, the BCC entered into an agreement with the United States Department of Agriculture (USDA) Forest Service to coordinate efforts in planning, surveying, construction, and maintenance of certain County forest development roads. To fulfill the cooperative agreement, the USDA Forest Service entered into a contract with a road contractor to maintain the roads identified in the agreement and, in December 2006, the BCC entered into a contract with the same road contractor. According to an addendum to the BCC contract, the road maintenance services would be performed through May 2007. In May 2007, the BCC and road contractor signed another addendum extending the contract through November 2009.

For the period December 2009 through January 2016, the BCC paid the road contractor \$264,666 for road services. However, although we requested, BCC records were not provided to evidence that the BCC entered into a new contract with the road contractor after November 2009 when the initial contract extension expired. In response to our inquiry, BCC personnel indicated that the USDA Forest Service and the road contractor had a contract in effect during the period December 2009 through January 2013, which the BCC could have used. Notwithstanding this assertion, BCC personnel could not locate a copy of the USDA Forest Service contract in effect for the period December 2009 through January 2013 for our review.

In February 2013, pursuant to a BCC ordinance,¹² the BCC began paying the road contractor pursuant to a competitively bid contract between the USDA Forest Service and the road contractor. However, the February 2013 contract between the USDA Forest Service and the road contractor does not constitute a legally binding contract between the BCC and the road contractor. Consequently, after November 2009, payments made to the road contractor by the BCC were made without the benefit of a competitive selection process or a BCC-approved written contract.

Cadaver Transportation Services

For the period December 2004 through November 2006, the BCC obtained cadaver transportation services from a provider pursuant to a contract that included an option to renew for two additional 1-year periods. The BCC renewed the contract through November 2007; however, for the period December 2007 through January 2010, the BCC continued to use the service provider without taking action to renew or extend the contract. Consequently, these services were obtained without the benefit of a BCC-approved written contract.

In February 2010, or 26 months after the renewed contract expired, the BCC approved an addendum to the contract to extend services from March 2010 through February 2012 with an option to extend for three

¹¹ Section 2-112, Putnam County Code of Ordinances.

¹² Section 2-109(b), Putnam County Code of Ordinances.

additional 1-year periods. For the period December 2007 through February 2014, the BCC paid the service provider \$137,840 to transport cadavers. However, although we requested, BCC records were not provided to evidence that the procurement of these services was subjected to the required competitive selection process.

Absent adherence to a competitive selection process for purchases of applicable goods and services, the risk increases that purchases may not be obtained at the lowest cost consistent with acceptable quality. Documenting explicit waivers from compliance with the competitive procurement process, and justification for such in the BCC meeting minutes, would enhance transparency of the procurement process and demonstrate the BCC's commitment to fair, equitable, and economical procurement of goods and services. Further, when the BCC makes purchases of goods and services based on other organizations' contracts procured using a competitive selection process, it is important that BCC records demonstrate that the purchases substantively conform to the contract provisions. Additionally, the use of a formal written contract protects the interests and identifies the responsibilities of the contracting parties, defines the services to be performed, and provides a basis for payment.

Recommendation: The BCC should ensure that:

- **Purchases of applicable goods and services are competitively procured in accordance with BCC ordinances.**
- **When waiving the competitive selection process, the public purpose served by such waiver is documented in the public record.**
- **When utilizing another organization's competitively procured contract, the purchases of goods and services conform to the contract provisions.**
- **Pursuant to BCC ordinances, formal written contracts are used to protect the interests and identify the responsibilities of the contracting parties, define the services to be performed, and provide a basis for payments.**

Follow-Up to Management's Response

Insurance Services

Management indicated in the written response that the BCC did not violate Section 112.08(2)(a), Florida Statutes, and that annual bidding of health and workers' compensation insurance is not required or practical. While we agree that annual rebidding may not be practical, because the BCC has not sought competitive bids for workers' compensation and group health insurance since the 2001-02 and 2009-10 fiscal years, respectively, the risk increases that insurance coverages may not be obtained at the lowest cost consistent with acceptable quality.

Fire Trucks

Management indicated in the written response that the County made the most prudent purchasing decision. However, documentation provided for our examination did not evidence that this determination was made prior to the purchase of the fire trucks. Also, the point of the finding is that the 4-door conversion kits purchased to assemble the fire trucks exceeded the \$25,000 bid threshold and were not included in the FSA contract and, therefore, should have been competitively bid. Absent a competitive selection process, the risk increases that purchases may not be obtained at the lowest cost consistent with acceptable quality.

Ambulances

Management indicated in the written response that the ambulances were purchased using the FSA contract; however, the documentation provided with the response did not support this assertion as the ambulance chassis with costs totaling \$171,060 were not listed in the FSA contract.

Fuel Products

Management indicated in the written response that an analysis was conducted in 2014 reviewing the fuel service costs for surrounding counties and it demonstrated that the County was paying less for those same services. Additionally, management indicated that if the service for obtaining fuel products was rebid, the cost would rise and thus not be in the County's best interest. However, no documentation was provided to support either assertion.

Finding 2: Procurement - Public Purpose

Authority for BCC officials to expend moneys is set forth in various provisions of general or special law and in ordinances enacted by the BCC. Expenditures of public funds must, to qualify as authorized expenditures, be shown to be authorized by applicable law or ordinance; reasonable in the circumstances and necessary to the accomplishment of authorized purposes of the governmental entity; and in pursuit of a public, rather than a private, purpose.

The Florida Attorney General (AG) has opined on numerous occasions¹³ that documentation of an expenditure in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present at the point in time when the voucher is presented for payment of funds. The AG has also opined that, unless such documentation is present, the request for payment should be denied. For example, one AG opinion¹⁴ indicated that the expenditure of public funds for privately owned roads or streets must serve a primarily public purpose with only incidental benefit to private interests. Another AG opinion¹⁵ indicated that the determination of whether the expenditure of county funds for drainage canals located on private property serves a public purpose rests with the board of county commissioners; however, granting a temporary easement to transfer private land to a county would not satisfy the public purpose requirement if the expenditure of such funds is not otherwise permissible.

For the 2014-15 fiscal year, the BCC capitalized infrastructure assets, such as roads, culverts, and other similar assets, totaling \$5.4 million and reported general government expenditures totaling \$13 million. As part of our audit, we received citizen allegations regarding questionable BCC culvert (an infrastructure asset) installations and picture frame (general government expenditure) purchases. Our examination of BCC records and inquiry of BCC personnel disclosed that:

- The County Department of Public Works (DPW) is responsible for infrastructure projects, road maintenance, water system issues, and various other projects, including installation, repair, and maintenance of culverts on public lands. According to BCC personnel, prior to performing any culvert work, DPW personnel locate the work site on a geographic information system map to

¹³ Florida Attorney General Opinion Nos. 68-12, 75-07, 79-14, and 94-89.

¹⁴ Florida Attorney General Opinion No. 79-14.

¹⁵ Florida Attorney General Opinion No. 94-89.

verify that the work site is on BCC-owned land. If the work site is determined to be on privately owned property, DPW personnel either abstain from performing the work or, when BCC actions contributed to the need for culvert work, BCC personnel obtain an easement from the property owner. However, according to DPW personnel, DPW procedures do not require a documented determination of whether the culvert site is County-owned or privately owned.

According to BCC records, during the period October 2014 through January 2016, the DPW installed 53 culverts and expended \$192,532 for salaries and materials related to the installations. To determine whether a public purpose was served by these expenditures, we examined BCC records supporting \$57,330 spent for the installation of 20 of the 53 culverts. Although we requested, BCC records were not provided to evidence that 19 of the 20 culvert projects tested were installed on public rather than private property or that the BCC ordered the culvert installation on private property and obtained the necessary easement from the property owners. While the project files specified the road segment that contained each culvert site, BCC records did not disclose the exact location of each culvert and whether the work site was on public or private property as DPW procedures do not require such information be retained and maintained. Absent documentation of the exact location of culvert installations evidencing that the culverts were located on public property, or documentation that the culvert work sites were on private property but BCC actions contributed to the need for culvert work, BCC records did not demonstrate that the 19 culvert projects with expenditures totaling \$54,295 served a valid public purpose.

- During the period May through July 2015, the BCC made four payments totaling \$14,300 for the purchase of 52 picture frames. Our examination of BCC records supporting the purchases of the frames disclosed that the records did not demonstrate that the purchases were:
 - Preauthorized of record.
 - Made after consideration of three written quotes as prescribed by BCC procurement requirements.
 - Determined of record to serve a public purpose.

In response to our inquiry, BCC personnel indicated that an individual donated artwork to the BCC and the BCC purchased the 52 frames from the individual to display the donated artwork. Notwithstanding this response, without documented preauthorization of the purchases, the benefit of the required competitive procurement process, and a documented public purpose, BCC records did not demonstrate a reasonable basis for the purchases.

Recommendation: The BCC should document the public purpose for all expenditures. We also recommend that the BCC develop and implement procedures that require DPW personnel to identify of record the exact locations for all culvert installations and to document that the culverts were installed on public land or, if installed on privately owned land, the specific BCC actions that contributed to the need for the culvert, that an easement was obtained, and the public purpose served for the culvert installations.

Follow-Up to Management's Response

Management indicated in the written response that sufficient information was provided to demonstrate the exact location of the 19 culvert projects. This information included maps containing specific locations of culvert projects that were not included in the project work files and were not otherwise provided to us during our audit field work. However, such maps would be helpful in documenting the exact location of culvert installations in the project work files and, therefore, we continue to recommend that the BCC develop and implement procedures requiring DPW personnel to identify and document such information for all culvert installations.

Finding 3: Construction Site and Construction Management Entity Selection

State law¹⁶ sets forth requirements for the procurement and contracting of construction management entity (CME) services for each project the basic construction cost of which is estimated to exceed \$325,000. For such contracts, State law requires the BCC to publicly announce a general description of the project and how interested CMEs may apply for consideration. During the competitive negotiation process the BCC is to negotiate with the most qualified CME the compensation which the BCC determines is fair, competitive, and reasonable. In making such determination, the BCC must conduct a detailed analysis of the cost of the professional services required in addition to considering the scope and complexity of the services.

Pursuant to State law,¹⁷ under the CME process, contractor profit and overhead are contractually agreed upon and the CME is responsible for all scheduling and coordination in both design and construction phases. The CME is also generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, the net cost savings, to be returned to the BCC.

Good business practice dictates consideration of geotechnical reports¹⁸ before proposed construction sites are selected and public announcements with requests for qualifications (RFQs) are issued for competitive negotiations with CMEs. These reports are prepared by engineer professionals to assist governmental entities in investigating and evaluating the suitability of sites considered for construction projects, contrasting the disparity in proposed sites, and making design and construction recommendations. The reports are also useful for evaluating whether prospective CMEs have the necessary capabilities, adequate personnel, past record, and experience for the project based on specific complexities associated with the proposed construction site.

Our inquiries of BCC personnel and examination of BCC records disclosed the following sequence of events associated with the BCC process to construct a new fire station:

- In April 2014, the BCC publicly announced an RFQ for CME services indicating a GMP of \$350,000, based on an architectural estimate, to construct a fire station on County-owned land.
- The BCC received responses from two firms and evaluated the firms based on a range of qualifications, including project understanding and experience with related projects.
- In May 2014, the BCC obtained a geotechnical report from an engineering firm that indicated substantial site work would be required to address wetlands on the site.
- In June 2014, the BCC selected a firm and approved a contract for CME services.
- To reflect the additional required site work identified by the geotechnical report, in January 2015 the BCC approved a \$670,350 GMP CME contract addendum, which was \$320,650 more than the \$350,000 GMP indicated in the RFP public announcement.

¹⁶ Section 255.103(2), 287.055, and 287.017, Florida Statutes.

¹⁷ Section 255.103(2), Florida Statutes.

¹⁸ United States Department of Transportation Federal Highway Administration *Checklist and Guidelines for Review of Geotechnical Reports and Preliminary Plans and Specifications*, August 1988.

We assessed the BCC process and determined that:

- The BCC had not established policies or procedures for evaluating the suitability of proposed construction sites. For example, before construction sites are selected, it is important that geotechnical reports of the proposed sites be required and considered. Because the BCC lacked established site evaluation and selection policies and procedures, the geotechnical report was not obtained before the fire station construction site was selected or the CME public announcement was made. In addition, the BCC did not reference the report during communications with prospective CMEs.

In addition to site evaluation and selection policies and procedures, the establishment of a site selection committee composed of knowledgeable individuals with expertise in land development, such as real estate brokers, design professionals, contractors, and other stakeholders would provide valuable assistance in the site selection process. Such a committee could:

- Rank sites using a property matrix comparing the prices of each site and each site's favorable and unfavorable features regarding location, zoning restrictions, and results of the site's geotechnical reports, along with consideration of the features associated with BCC-owned land and site work costs to prepare the land for construction.
- Recommend to the BCC the highest-ranked proposed site, whether an alternative land acquisition or BCC-owned property.

Without use of a site selection committee and timely consideration and use of a geotechnical report when selecting a construction site, soliciting RFQs, and negotiating CME compensation, BCC records did not demonstrate that the most effective process was utilized for the construction of the fire station.

- While State law provides for public announcements to include a general description of the construction project and how interested CMEs may apply for consideration, CME compensation is to be determined during negotiations with the CME determined most qualified. Accordingly, the BCC's original public announcement indicating a GMP amount of \$350,000 potentially limited the number of CMEs interested in responding to the RFQ.

In response to our inquiries, BCC personnel indicated that the BCC did not own property near the existing government complex, which was the location preferred by the BCC for the fire station site. BCC personnel further indicated that the BCC made an offer to purchase an alternate site but the asking price was considered to be excessive.

Recommendation: The BCC should establish policies and procedures for evaluating the suitability of proposed construction sites and preparing information to be included in public announcements for CME services. Such policies and procedures should require that:

- **Whenever possible and economically feasible, before proposed construction sites are selected and public announcements for CME services are made, geotechnical reports be obtained and considered in both the site selection and CME selection processes. Such reports should be considered when evaluating whether prospective CMEs have the necessary capabilities, adequate personnel, past record, and experience necessary for the project based on specific complexities associated with the proposed construction site.**
- **To assist with site selection recommendations, a site selection committee composed of knowledgeable individuals with expertise in land development, such as real estate brokers, design professionals, contractors, and other stakeholders be established.**
- **In accordance with State law, public announcements for CME services include a general description of the project, including information such as the results of geotechnical**

reports; instructions on how interested CMEs may apply for consideration; and exclude reference to a GMP amount.

Finding 4: Monitoring of Vehicle Usage

As of January 2016, the BCC maintained 38 motor vehicles and additional equipment for use by employees while conducting official business. Nine of the motor vehicles were assigned to specific individuals. The BCC has a vehicle use policy¹⁹ that allows for assigned drivers to conduct personal business on the way to and from work as long as such personal use does not exceed 10 minutes. The policy also provides, for employees who are assigned vehicles, that earnings statements include fringe benefits for the de minimis personal use of BCC vehicles of \$3 daily or \$15 weekly in accordance with Internal Revenue Service regulations.²⁰

Our review of BCC records and discussion with BCC personnel indicated that, as of October 2016 the BCC had not adopted policies and procedures for monitoring vehicle use and fuel consumption, such as maintenance of a usage log that records dates, locations, beginning and ending odometer readings, fuel consumption, and supervisory approval. The BCC pays costs associated with fuel, preventative maintenance, and repairs, and BCC Fleet Maintenance Department (FMD) personnel indicated that individual departments are responsible for monitoring vehicle use. However, while current mileage is recorded and used to determine whether the vehicle is due for preventative maintenance when a BCC-owned vehicle is fueled at a pump in the FMD depot, the mileage reading is not used to perform other monitoring or reconciliation procedures. For example, supervisor-approved daily usage logs could be used to provide a record of management's oversight for vehicle use to ensure that personal usage is within established limits and to monitor fuel usage so that the BCC does not incur additional costs for fuel and vehicle maintenance associated with unauthorized personal use of BCC-owned vehicles. Additionally, periodic comparison of usage logs to established mileage measurements for traveled routes, including to and from an employee's home, would strengthen controls over vehicle usage.

Recommendation: The BCC should develop policies and procedures to better monitor vehicle usage and fuel consumption. Such controls should include a daily usage log, supervisory review of such logs, and periodic analysis of fuel consumption and mileage.

Finding 5: Park Development Grant Agreement Compliance

State and Federal agencies establish grant agreements to document the basis for using grant funds in accordance with applicable State and Federal laws and program objectives. During the 2010-11 fiscal year, the BCC purchased two parks funded by three grants received that year. Two of the grants were State grants from the Florida Department of Community Affairs (FDCA) and the third was a Federal grant from the United States Department of the Interior (USDOI) passed through the Florida Department of

¹⁹ Section 4.10, *Putnam County Personnel Policies and Procedures Manual*, Updated February 15, 2015.

²⁰ *IRS Publication 15-B (2016), Employer's Tax Guide to Fringe Benefits, Commuting Rule.*

Environmental Protection (FDEP).²¹ The two State grants from the FDCA provided \$3.6 million and the Federal grant from the USDOJ provided \$163,527.

In the grant applications, the BCC made certain representations to provide park site enhancements and the State and Federal grant agreements included those representations. The site enhancements included a trail, picnic pavilion, horseshoe pits, boat ramp, observation deck, parking, and other related support facilities. While the State grant agreements did not establish a site enhancement completion date, the agreements required that the enhancements be included in a management plan as part of the grant approval process. The Federal grant agreement required completion of the enhancements within 3 years from the property purchase. As required, the BCC incorporated these enhancements as part of two management plans; however, as of January 2017, the BCC had not completed the site enhancements for either of the two parks.

In response to our inquiry, BCC personnel indicated that, because of limited financial resources, the BCC intended to apply for additional State moneys to complete the park site enhancements since it was unlikely that the enhancements could be completed without additional grant funding. During the 2014-15 and 2015-16 fiscal years, the BCC applied for two Florida Recreation Development Assistance Program grants through the FDEP with funding totaling \$400,000 to assist with the costs of the enhancements; however, as of November 2016, neither of the applications had been approved. Additionally, BCC personnel indicated that in January 2016 the St. Johns River Water Management District (District) verbally contacted the BCC expressing an interest to assume management responsibility of one of the parks. However, as of January 2017, the BCC and the District had not executed an agreement for the District to assume any management responsibility.

The State and Federal grant agreements provide the grantors with remedies should the BCC not substantively comply with the grant agreement terms. Specifically, the State agreements allow the BCC to transfer the land to another government or nonprofit organization, and the Federal agreement allows the BCC to repay the grant funds to the USDOJ. However, given the BCC position that local funds would probably not be available to enhance the parks, it is not apparent why the BCC made representations in the grant applications that it would undertake the site enhancements. Absent the site enhancements, the BCC did not comply with the terms and conditions of the grants and is not adhering in a timely fashion to the management plans.

Recommendation: Prior to applying for State and Federal grants, the BCC should ensure the availability of adequate resources to comply with all grant requirements. Additionally, the BCC should contact the State and Federal grantors to determine the appropriate remedy for noncompliance with the grant agreement terms and then timely take the required actions.

Finding 6: Budget Overexpenditures

State law²² requires the BCC to prepare, approve, adopt, and execute a budget showing expected revenues and expenditures detailed by organizational unit for each fund, and the budget must regulate

²¹ Florida Department of Community Affairs, Agreement Nos. 10-CT-D1-08-F8-J1-020 and 10-CT-D1-08-F8-J1-084, and United States Department of Environmental Protection, Agreement No. LW575.

²² Sections 129.01(1) and 129.06(1), Florida Statutes.

the BCC expenditures. Additionally, State law²³ sets the fund as the legal level of budgetary control and specifies that the BCC may not expend or enter into a contract requiring expenditures in any fiscal year for more than the amount of appropriations in each fund's budget. However, as shown in Table 1, contrary to State law, the BCC 2014-15 fiscal year expenditures exceeded appropriations in 4 of the 30 nonmajor governmental funds.

Table 1
2014-15 Fiscal Year Budget Overexpenditures

Fund Name	Final Budgeted Expenditure Amount	Final Actual Expenditure Amount	Overexpenditure Amount
Fire Taxing Unit Fund	\$3,686,978	\$3,775,539	\$ (88,561)
Fishing Improvement Fund	109,500	158,476	(48,976)
Communication Improvement Fund	156,179	189,216	(33,037)
Miscellaneous Grants Fund	957,457	957,523	(66)
Totals	<u>\$4,910,114</u>	<u>\$5,080,754</u>	<u>\$(170,640)</u>

Source: BCC records.

In response to our inquiry, BCC personnel indicated that the nonmajor funds' expenditures exceeded appropriations due to BCC-approved unbudgeted expenditures for a boat launch facility, a department head overspending his budget on the construction of a new volunteer fire department station, and other expenditures exceeding available funds. Since the BCC no longer employed the employee responsible for monitoring the BCC budget, BCC personnel were unaware why the 2014-15 fiscal year budget was not amended to comply with State law.

Without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk that expenditures may not be effectively monitored to ensure compliance with the legal level of budgetary control and that expenditures may exceed available resources.

Recommendation: BCC personnel should enhance budgetary controls to ensure that expenditures are limited to BCC-approved budgeted amounts as required by State law.

Finding 7: Sales Surtax Meeting Public Notice

State law²⁴ provides that the governing authority in each county may levy a discretionary sales surtax of 0.5 percent or 1.0 percent pursuant to an ordinance enacted by a majority of the members of the county governing authority and approved by a majority of the electors of the county voting in a referendum on the surtax. The surtax may not be levied for more than 15 years and may be extended only by a majority of the electors of the County. The surtax proceeds, pursuant to State law,²⁵ are to be distributed by the Florida Department of Revenue to the county and the municipalities within such county in which the surtax was collected. State law²⁶ prescribes the authorized uses of the surtax proceeds which include, for example, servicing new bond indebtedness incurred pursuant to law.

²³ Section 129.07, Florida Statutes.

²⁴ Section 212.055(2)(a)1., Florida Statutes.

²⁵ Section 212.055(2)(c), Florida Statutes.

²⁶ Sections 212.055(2)(d) and (e), Florida Statutes.

The Sunshine Law²⁷ states that all meetings of any board or commission of any State agency or authority or of any agency or authority of any county, municipal corporation, or political subdivision, except as otherwise provided in the State Constitution, at which official acts are to be taken are declared to be public meetings open to the public at all times. Additionally, the Law requires the BCC to provide reasonable notice of all such meetings, and minutes of such meetings must be promptly recorded and open to public inspection.

In February 2015, the BCC held three meetings that included discussions on the extension of a discretionary surtax, locally referred to as the Better Place Plan (BPP) surtax that was to expire December 31, 2017. The three meetings included two regularly scheduled meetings, held on February 10, and February 24, 2015, and a special meeting held on February 17, 2015. Recorded meeting minutes indicated that the BCC discussed adding the surtax extension referendum to an April 7, 2015, special election ballot to fill the vacant Florida Senate District 6 seat. The meeting minutes also indicated that, by holding one special election rather than two, the BCC could save money and would have a longer planning period for contingencies in the event the surtax was not renewed.

BCC records indicated that the local newspaper advertised the February 10, and February 24, 2015, meetings 7 days in advance. However, for the February 17, 2015, special meeting, the BCC only gave 27.5 hours of notice by an e-mail sent to two news agencies, BCC members and other County officers, and certain other individuals who had previously requested to be e-mailed agenda items. Because the BCC meeting minutes did not specifically mention the meeting notice discussion, we requested and were provided an audio recording of the February 17, 2015, meeting. According to the audio recording, the BCC scheduled the special meeting on short notice because the Supervisor of Elections informed the BCC of a State law²⁸ requiring overseas and active service member absentee ballots to be mailed 45 days prior to the election date and, therefore, the BCC would have to mail the absentee ballots for the April 7, 2015, special election no later than February 21, 2015. However, since the Florida Department of State announced the Florida Senate District 6 seat special election on November 10, 2014, it was not apparent of record why the BCC waited until February 2015 to discuss the addition of the surtax referendum to the special election ballot.

While the BCC February 17, 2015, special meeting notice did not specifically violate the Sunshine Law requirement to provide reasonable notice of the meeting, providing only 27.5 hours of notice may have limited public awareness of and attendance at the BCC meeting.

Recommendation: To provide more opportunity for public involvement, the BCC should better plan meetings regarding the addition of referenda to election ballots to allow for more advanced notice. To this end, the BCC should consult with the Supervisor of Elections regarding any election legal requirements early in the process.

Finding 8: Debt Maturity and Pledged Revenue Availability

Revenue pledges are often used by governments to secure debt. Similar to other restrictive covenants, a revenue pledge serves to make the bond issue less risky for bondholders. The Government Finance

²⁷ Section 286.011, Florida Statutes.

²⁸ Section 101.62(4)(a), Florida Statutes.

Officers Association recommends that sufficient revenues be available to meet ongoing debt payments and that the type of revenues pledged to support the debt be understood.²⁹

Two revenue bond issues, including Series 2008A with an original issue amount of \$2.05 million and Series 2008B with an original issue amount of \$4.27 million, mature on September 1, 2048, and have annual debt service requirements of approximately \$114,000 and \$228,000, respectively. The United States Department of Agriculture purchased both bonds as part of its Water and Waste Disposal Systems for Rural Communities Program. This Program provides loans and grants to rural communities building water and waste disposal systems.

The bonds were secured by a pledge of two revenue sources: future water system revenues and BPP surtax revenues. Future water system revenues constitute the primary pledged revenue source; however, the bonds mature subsequent to the expiration of the secondary pledged revenue source, the BPP surtax,³⁰ which the voters approved in September 2002, and subsequently extended through December 2032, for various capital outlay projects. The BCC resolution³¹ for the two bond issues established \$275,000 as the maximum annual amount of the sales surtax that could be used for debt service. Subsequent to the expiration of the secondary pledged revenue source, the bonds will only be secured by water system revenues, which may be insufficient to meet the debt service requirements of the bonds.

The bond issues are accounted for in the East Putnam Water Fund. For the fiscal years ended September 30, 2013, 2014, and 2015, the East Putnam Water Fund incurred operating losses of \$484,308, \$332,964, and \$846,053, respectively. Due to these recurring losses, BCC personnel transferred \$500,000 from the BPP Fund to the East Putnam Water Fund in each of the 2012-13, 2013-14, and 2014-15 fiscal years. Additionally, BCC personnel transferred \$152,952, \$152,952, and \$150,000 from the General Fund to the East Putnam Water Fund for the 2012-13, 2013-14, and 2014-15 fiscal years, respectively.

In response to our inquiries, BCC personnel indicated that, for the 2014-15 fiscal year, the transfer from the BPP Fund was primarily to assist in making debt service payments, with any excess going toward allowable capital outlay costs, and the transfer from the General Fund was used to assist with operating costs. Notwithstanding this response, although we requested, BCC records were not provided to specify the amount of the BPP Fund transfer used for debt service and the amount used for capital outlay.

In response to our inquiries in December 2016 regarding whether the BCC plans for the water system to be self-sustaining, BCC personnel indicated that no long-term water system revenue and expenditure projections had been performed. Additionally, BCC personnel further indicated that the same information was unavailable for a planned water system expansion because the expansion will require additional State funding for construction. BCC personnel believed it unlikely that such funding would be provided in the 2017-18 fiscal year State budget. BCC personnel also indicated that the BCC was aware that the bonds' maturities occurred beyond the expiration date of the pledged BPP moneys and that the BCC

²⁹ *Debt 101 (Volume 1) – Issuing a Bond*, Government Finance Officers Association.

³⁰ The BPP surtax was originally authorized by Putnam County Ordinance No. 2002-33. BCC Resolution 2004-116A, as amended by BCC Resolution 2008-103, pledged the BPP surtax proceeds authorized by Ordinance No. 2002-33 as security for the Series 2008A and 2008B bonds through December 31, 2017, the date that Ordinance No. 2002-33 expires.

³¹ BCC Resolution No. 2004-116A, as amended by BCC Resolution 2008-103.

intended to continue funding the payment of debt service with water system revenues, General Fund revenues, or a combination of the two, given the uncertainty of future BPP surtax revenues. Notwithstanding this response, although we requested, BCC records were not provided to evidence that the BCC had adopted a formal plan for using water system revenues and General Fund revenues to make required future debt service payments.

Although the bondholders agreed to the terms, the uncertainty regarding the timeline for which the East Putnam Water Fund revenue will be sufficient to meet current operating needs and future debt service obligations, combined with the expiration of the BPP pledged revenue prior to debt maturity, increases the risk that the BCC may have to use General Fund revenues to meet future debt service obligations to avoid default. Additionally, the inability of the pledged revenue sources to meet debt service requirements could adversely affect the BCC's credit rating which, in turn, could potentially increase the cost of future debt.

Recommendation: For future debt issues, the BCC should ensure that projected pledged revenues are adequate to meet debt service requirements and that debt maturities do not extend beyond the expiration dates of such pledged revenues. For the Series 2008A and 2008B bond issues, the BCC should develop a plan of record to ensure that the debt service requirements are met in the event that water system revenues continue to be insufficient and the BPP surtax is not extended by voters beyond December 2032.

Finding 9: Anti-Fraud Policy

Appropriate policies for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Incident reporting procedures allow individuals to anonymously report known or suspected fraud and provide an appropriate process for communicating and reporting known or suspected management fraud directly to those charged with governance or to an entity's legal counsel.

Anti-fraud policies are also necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damaging reputations of persons suspected of fraud but subsequently found innocent.

Our review of BCC policies disclosed that as of September 2016, the BCC had not developed or implemented an anti-fraud policy. BCC personnel indicated that they were in the process of revising various BCC policies and were considering adding an anti-fraud policy. Absent appropriate anti-fraud policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

Recommendation: The BCC should develop and implement an anti-fraud policy to aid in the mitigation, detection, and prevention of fraud.

Finding 10: Mechanism for Addressing Citizen Concerns

As a matter of good business practice, many governmental agencies have a mechanism to address citizen concerns. An ombudsman is one such mechanism used by governmental agencies. “Ombudsman” is defined as a position typically appointed by a legislative body to represent public concerns about a governmental agency.³² Ombudsmen are independent from management and act in an impartial manner to assist in locating information, answering questions, processing records requests, and reporting citizen concerns.

During the period December 2015 through September 2016, we received approximately 200 communications from individuals relating to allegations or asking questions about BCC practices. Our audit procedures found that some of the communications appear to have resulted from either a miscommunication or a lack of communication between BCC personnel and the concerned individual. For example, we received a communication alleging that BPP surtax moneys were being spent on parks rather than for infrastructure as intended. However, our review of the BCC ordinance that established the BPP surtax disclosed that parks are an allowable use of BPP surtax moneys. In instances like this, an ombudsman could have timely and effectively responded to the citizen concern and clarified any misconceptions.

In response to our inquiries, BCC personnel indicated that they respond to citizen inquiries as appropriate and that the County lacked funding to pay for an ombudsman position. Notwithstanding this response, an ombudsman position, even in a voluntary capacity, could ensure more timely, consistent, and impartial responses to citizen concerns. Absent an ombudsman or an alternative mechanism to effectively address citizen concerns, individuals must typically address such concerns directly to the BCC at public meetings and workshops, which may not provide the BCC the ability to timely and adequately research a response.

Recommendation: We recommend that the BCC document consideration of various mechanisms to better promote open communication between the BCC and the general public. One such mechanism could be the establishment of an independent ombudsman position that reports directly to the BCC and assists in providing timely, consistent, and impartial responses to citizen concerns.

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 November 30, 2015, meeting, directed us to conduct this audit.

We conducted this operational audit from March 2016 through September 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

³² International Ombudsman Association Web site: www.ombudsassociation.org.

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.
- 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.
- To 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 for the audit period October 2014 through January 2016, and selected transactions taken 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, and County ordinances, policies, and procedures, and interviewed County personnel to gain an understanding of the County's processes. We also evaluated whether:
 - The County had established reasonable written policies and procedures for major County functions, such as procurement, finance, and human resource management.
 - The BCC had established an anti-fraud policy.
 - The BCC had established, or had considered of record, an effective mechanism for addressing citizen concerns.
- Examined BCC meeting minutes for the audit period to determine the propriety and sufficiency of actions taken related to topics included in the scope of this audit.
- Reviewed the implementation and use of Better Place Plan (BPP) surtax moneys. Specifically, we:
 - Evaluated whether adequate notice, in accordance with the Sunshine Law, was given to the public for the BCC ordinance to add to the April 2015 special election ballot a referendum for extending the BPP surtax for an additional 15 years.
 - Determined whether the BCC's expenditures of BPP surtax moneys for parks was allowed by the BCC ordinance.
 - Evaluated the maturity of debt issuance secured by BPP surtax moneys for reasonableness considering the length of time that the BPP surtax moneys will be available per the authorizing voter referendum.
- From the population of Drayton Island Ferry grant³³ expenditures for the period March 2014 through September 2015, examined records supporting all expenditures totaling \$410,615 to determine whether the expenditures were allowable and incurred within the grant's period of availability.
- From the population of Dog Branch Canal grant³⁴ expenditures for the period January through May 2016, examined records supporting all expenditures totaling \$83,600 to determine whether the expenditures were allowable and incurred within the grant's period of availability.
- For all four grants received directly from, or indirectly through, the Florida Department of Law Enforcement during the period October 2013 through September 2015, examined records supporting the four grant applications to determine whether crime statistics on the applications were accurate.
- Examined BCC swimming pool records for the period October 2014 through January 2016 to determine whether:
 - BCC personnel followed established procedures for reported harassment incidents.
 - Lifeguard time sheets were signed by the lifeguards and their supervisor.
 - Lifeguards were paid for all hours worked.
 - Exercise equipment was properly accounted for.
- From the population of 12 contracts totaling \$6.2 million, executed during the audit period, examined records supporting the contracts to determine compliance with applicable County

³³ The Drayton Island Ferry grant funding was provided by the United States Department of Transportation and the Florida Department of Transportation.

³⁴ The Dog Branch Canal grant funding was provided by the Florida Department of Environmental Protection.

ordinances, policies, and procedures. Additionally, we examined records supporting 3 contracts totaling \$1.2 million, executed prior to October 2014, to determine compliance with applicable County ordinances, policies, and procedures.

- Evaluated BCC's site selection procedures related to construction of a new fire station.
- From the population of 352 purchase orders individually exceeding \$25,000, totaling \$87.4 million, and issued during the audit period, examined records supporting 30 selected purchase orders totaling \$38.5 million to determine whether the purchase orders were executed in accordance with applicable BCC ordinances, policies, and procedures. Additionally, for two contracts totaling \$1,030,750, awarded in April 2013 and June 2014, we determined whether the contracts were awarded to the most responsive lowest bidders in accordance with applicable BCC ordinances, policies, and procedures.
- From the population of 39 construction contract change orders executed during the audit period, examined records supporting 20 selected change orders totaling \$1.4 million to determine whether the change orders were reasonable and complied with applicable BCC ordinances, policies, and procedures. We also examined 12 additional change orders totaling \$6 million executed during the period July 2012 through July 2015 to determine whether the change orders were reasonable and complied with applicable BCC ordinances, policies, and procedures.
- From the population of 113 Edgar Johnson Senior Center expenditures totaling \$12,031 during the audit period, examined records supporting 24 expenditures totaling \$4,011 to determine whether the purchases complied with applicable BCC ordinances, policies, and procedures and were reasonable.
- Evaluated the Edgar Johnson Senior Center procedures for acquiring and maintaining accountability over tangible personal property items.
- From the population of 3,861 expenditures totaling \$4.5 million made by the Emergency Operations and Preparedness Department and the Emergency Fire and Emergency Medical Services Department during the audit period, examined records supporting 30 selected expenditures totaling \$1.8 million to determine whether the expenditures complied with applicable BCC ordinances, policies, and procedures and were reasonable.
- From the population of 53 culvert installations with costs totaling \$192,532 that were performed during the audit period, examined BCC records supporting 20 selected installations with costs totaling \$57,330 to determine whether the culvert installations served a public purpose.
- From the population of BCC picture frame expenditures totaling \$14,300, identified by BCC personnel and our scan of BCC expenditures, for the period May 2015 through July 2015, examined records supporting the purchases to determine whether purchases were appropriately preapproved, subjected to a competitive procurement process, and served a public purpose.
- Examined BCC records, statements of financial interests, and property tax bills to determine whether each BCC Commissioner resided within County boundaries.
- Evaluated BCC policies and procedures for maintaining County right-of-way property.
- Examined BCC records for the audit period to determine whether the salary payments totaling \$664,767 to Putnam County Library Services Department employees complied with applicable BCC ordinances, policies, and procedures.
- Evaluated the effectiveness of the BCC procedures for monitoring vehicle usage and complying with applicable BCC ordinances, policies, and procedures.
- Reviewed BCC records to determine whether the BCC authorized the simultaneous employment of two attorney positions during the period September 2015 through March 2016.

- Interviewed BCC personnel and reviewed BCC records for the audit period to evaluate the reasonableness of equipment rentals.
- Examined BCC ordinances to determine whether the County Administrator had the authority to contract with an attorney to assist the BCC in exploring the sale of the County landfill, and read BCC meeting minutes to ascertain whether Commissioners were aware that the attorney had been contracted.
- Examined BCC expenditure and budgetary records and evaluated the adequacy of controls designed to limit expenditures to budgeted appropriations.
- Examined BCC records to determine whether funding appropriated to the Edgar Johnson Senior Center was expended for authorized purposes.
- Reviewed BCC records to determine whether BCC procedures were adequate to ensure that Municipal Service Benefit Units (MSBU) moneys were not expended for the same purposes that BPP surtax moneys were expended.
- Reviewed BCC records to determine whether MSBU moneys were expended for the purposes allowed by the MSBU special assessments.
- Evaluated the BCC's animal shelter staffing levels and employee training requirements for compliance with Section 828.27(4), Florida Statutes, and Florida Animal Control Association recommendations.
- For operation of the County wastewater and water treatment facilities, analyzed the costs and benefits of obtaining contractor assistance or employing additional personnel.
- Examined documentation to determine whether the BCC complied with the recreational facilities construction requirements of two State grants and one Federal grant, totaling \$3.8 million, provided to the BCC for the purchase of two parks and related site enhancements.
- Examined Clerk of the Circuit Court (CCC) records to determine whether bail bond forfeitures were being reported to the Florida Department of Financial Services and the Office of Insurance Regulation as required by Section 903.27, Florida Statutes.
- Examined CCC records for three foreclosure properties that had sale prices greater than the judgment amount during the audit period to determine whether the CCC complied with Section 45.031, Florida Statutes, by reporting the surplus to the owner; hiring a surplus trustee, if required; and remitting the surplus to the Florida Department of Financial Services.
- From the population of 194 Sheriff's Office travel expenditures totaling \$50,572 during the audit period, examined Sheriff's Office records supporting 10 selected expenditures totaling \$12,689 to determine whether the expenditures complied with applicable County ordinances, policies, and procedures and were reasonable.
- Examined records supporting the four BCC motor vehicle purchases totaling \$113,805 during the period April 2015 to May 2016, and the two Sheriff motor vehicle purchases totaling \$45,220 in August 2012 to determine compliance with applicable County ordinances, policies, and procedures and good business practice.
- Examined Sheriff's Office records to determine whether selected vehicle towing service providers were approved by the Florida Highway Patrol.
- 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 response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General



PUTNAM COUNTY

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BOARD OF COUNTY COMMISSIONERS

BILL PICKENS
District 1

CHIP LAIBL
District 2

TOMMY STILWELL
District 3

LARRY HARVEY
District 4

BUDDY GODDARD
District 5

March 10, 2017

Honorable Sherrill F. Norman
Auditor General
Claude Denson Pepper Building
Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

(Via E-Mail: flaudgen_audrpt_lg@aud.state.fl.us)

Re: Putnam County Board of County Commissioners' Response to Preliminary and Tentative Audit Findings

Dear Ms. Norman,

Attached hereto please find the Putnam County Board of County Commissioners' response to the findings set forth in your office's Preliminary and Tentative Audit Findings dated February 10, 2017. The County's response contains a written statement of explanation, including actual or proposed corrective actions where applicable, for each of the ten (10) findings and is further categorized according to those subsections set forth in the preliminary findings. The County's response (including attachments and this cover letter) is 181 pages in length. If pages are missing, or you should have any questions regarding this response, please contact the County Attorney, Stacey Manning at (386) 329-1903, stacey.manning@putnam-fl.com, or 2509 Crill Avenue, Suite 200, Palatka, Florida 32177.

Respectfully,

BOARD OF COMMISSIONERS
PUTNAM COUNTY, FLORIDA

A handwritten signature in black ink, appearing to read "Larry Harvey", is written over the printed name of the Chairman.

Larry Harvey, Chairman

³⁵ Management's response refers to attachments that are not included in this report but are public records that may be obtained from the County.

Finding 1:

Management will follow competitive procurement procedures and make purchases based on valid written contracts, when applicable. However, management notes that the County's current procurement code allows for waiver of competitive solicitation procedures by the BCC when determined by them to be in the County's best interest. This was often implied in the past when such purchases were approved by the BCC based on prior due diligence completed by the County. Management also notes that it is currently drafting an updated procurement code for BCC consideration and has already adopted a practice requesting that the BCC expressly waive the competitive solicitation requirements when applicable. In the future when competitive solicitation requirements are waived, the public purpose of the waiver will be documented in the public record. Staffing changes have been made and enhanced procedures will continue to be implemented to ensure purchases are made on valid written contracts and when utilizing another organization's competitively procured contract, the purchases of goods and services conform to the contract provisions.

Health Insurance - The preliminary findings imply that a county should competitively bid its insurance before renewing its current contract. However, there may be sound, logical, rational reasoning as to why it is not in the County's best interest to do this on an annual basis. The Human Resources Department is tasked with securing group insurance for the County and has been successful in recent years in negotiating favorable renewals. Furthermore, surveys were conducted of the surrounding cities and counties in Florida and those who responded overwhelmingly stated that it is typical to renew health insurance contracts. The burden to go out to bid each year is not practical, nor required, as indicated on the memorandum provided by the County Attorney to the BCC dated August 2, 2016 (see Attachment A). In fact, the state of Florida has been with Blue Cross/Blue Shield and has not gone out to bid for at least seven (7) years as they renew the contract each year as well. Therefore, we contend that we have not violated the Florida Statute Section 112.08(2)(a) as renewals are not addressed and therefore not prohibited.

Workers Compensation - This is an excess workers compensation policy issued by Midwest Employers & Casualty Company through its agent, Arthur J. Gallagher & Company. Putnam County BCC is self-insured for workers compensation and is not in privity with Arthur J. Gallagher & Company. As the County and Arthur J. Gallagher monitor the markets, the BCC continued to renew this policy via implied waiver of the competitive solicitation requirements of the County Procurement Ordinance, which is an allowable exception to the competitive solicitation requirements.

Fire Trucks – The FSA contract from which the fire trucks were purchased had contract pricing for base units. The ordering instructions per the contract advised agencies to obtain add/delete option pricing directly from the vendor (See Attachment B). From past experience, County staff knew that it would be less expensive to purchase a two door base unit and add/delete options to get a four door unit. To demonstrate this, the County has obtained an after-the-fact quote starting with a four door base unit incorporating add/delete options (See Attachment C). To further ensure that the County was being the best possible steward of taxpayer dollars the County investigated

cooperative purchasing by “piggybacking” an outright bid done by St. Johns County (See Attachment D). By comparing the three purchasing methods: (1) Two Door with upgrades for \$313,671, (2) St. Johns County Bid for \$317,527 and (3) Four Door with upgrades for \$415,450, it is clear the County made the most prudent purchasing decision.

Ambulances – The ambulances were also purchased using the FSA contract. The contract price for two ambulances with upgrades in FY2015 was \$537,398 (provided during audit) and in FY2016 was \$565,986 (See Attachment E). By separating the FY2015 purchase into chassis and box and ordering the chassis in FY2015, the County was able to obtain FY2015 pricing for the purchase at considerable savings.

Four Vehicles - The County does not dispute the finding that the acquisition of four vehicles did not receive the explicit approval of the BCC. It must be noted that the amounts paid were equivalent to prices provided for in Florida State Contract pricing and that the purchases were made locally.

Fuel Products - As stated in the report, fuel products were bid in 2000, and the bid was awarded by the BCC to a local vendor. Bids for fuel products are based on the vendor’s costs (upcharge prices) for operations, delivery, usage of equipment and various other services and profit. The fuel price itself is based on the “Oil Price Information Service” (OPIS), which is the local market cost for various fuel products. This local market cost is published weekly, so the costs of the various fuel products fluctuate with the market values.

Since 2000, the BCC has revisited the contract at the appropriate intervals and decided that it was in the best interest of the County to extend the contract at the original bid prices. The contract itself has not lapsed during this time period. The County is still paying the vendor the same price for its services that it bid in 2000. In 2014, prior to the most recent County contract with the vendor, an analysis was conducted reviewing the fuel service costs for surrounding counties and it was demonstrated that the County was paying less for those same services. If the service was rebid, the costs would rise and thus not be in the County’s best interest.

The County does not dispute that when the contract was renewed or extended over the years that the BCC action didn’t specifically include waiving competitive solicitation per the sections of the procurement policy which provide the authority of the BCC to do so when it is in the best interest of the County. To enhance transparency, the County has now implemented the practice of including the appropriate “waiver” language in BCC agenda items that call for such language.

Road Services - The County acknowledges that there was not a valid written contract between the contractor and the County from the period November 2009 through January 2016. There was a contract between the U.S. Forest Service and the contractor that established the rates for service. The County and the contractor operated under all terms of that contract. In order to comply with the finding and recommendations of the Audit, the County proposes the following:

Management will recommend to the BCC that the County not perform any additional work on the Forest Roads (as these are owned by the State) except through limited piggyback of the state contract and upon written thirty (30) day notice to the Forest Service, these roads will be maintained by the Forest Service and not the County.

Cadaver Transportation Services – The County does not dispute the verbiage in the preliminary findings regarding this service, but additional information may be enlightening as to the County's position during this period. This service was bid in March 2004. At that time, the County received bids from Provider #1 (who previously performed the service for the County) and Provider #2. The bid was awarded to Provider #2. In December of 2004, Provider #2 voluntarily terminated its contract and the County entered into an emergency contract with Provider #1 to resume the service (which was within the County Administrator's purchase limit authority). Beginning then, and for a number of years thereafter, no other providers expressed to the County any interest in rendering this service. In 2013, other parties began to express an interest in this service, and it was bid in February 2014. Two bidders responded, but one withdrew its bid prior to consideration of the award. Ultimately, the contract was awarded to a new Provider.

Finding 2:

The County purchases a myriad of goods and services. The County's position is that each and every purchase made by the County is for a public purpose. It is not reasonable to expect the County to document the purpose for each cost incurred during the course of business. The County will affirm in its updated procurement code that all purchases are for a public purpose and direct the General Services Director to document the public purpose in instances of waived competition, purchases from a sole source, and work performed by the County on non-public property.

Culverts –Sufficient information was provided to demonstrate the exact location of the 19 culvert projects. Although the information was provided, it may not have been clear that each culvert was, in fact, in County-owned rights of way on County roads and served a public need to facilitate and improve drainage throughout the County. This information is included in Attachment F.

Picture Frames - This item references the acquisition of picture frames for fifty-two pieces of donated artwork. Eighteen pieces of this artwork were donated to the Health Department (which is not an agency that operates under the purview of the County). The County does provide financial support to the Health Department which is allocated in twelve equal monthly installments. At the request of the Health Department, and as a courtesy to that agency, the County reduced the allocations to the Health Department in the months of May and June 2015 in the grand total amount of \$4,950 to pay for framing, plexiglass and anti-theft hardware. The payments were made directly to the artist who did the framing. The County does not procure materials or supplies on behalf of the Health Department.

The remaining thirty-four pieces of art were donated to the County. The artist offered customized framing, and inasmuch as the artwork was still in the possession of the

artist, the County considered this a sole source acquisition and made the decision to proceed in the amount of \$9,350. This art is deemed an asset of the County, and the expenditure of funds to frame it, protect it with plexiglass and secure it from theft with anti-theft hardware is considered a public purpose expenditure.

Finding 3:

Each situation is unique. The site was selected because the County did, in fact, own the land. The Bostwick Branch Library was located there, the County-owned Community Center was also there, some recreation amenities were in place, parking was available and the old Bostwick VFD station was on the outer fringes of the property. Additionally, the citizens of the community, represented by the Bostwick Community Action, Inc. organization and its president (acting as an ad hoc site selection committee that obtained and submitted a site plan for the area), expressed their desire to have the new VFD station constructed in that location.

Additionally, an important factor in site location selection is consideration of ISO ratings on home owners and commercial businesses in the area. Selection of an alternate location would more likely than not have dramatically increased insurance costs and/or the ability to obtain insurance.

It is not feasible financially nor is it practical to obtain geotechnical reports prior to narrowing site selection. Ownership or contract to purchase each potential site that is being considered would be required in order for the County to conduct due diligence testing on privately-owned property. In this particular instance, the County's preliminary budgeted amount for this project was included because it had been requested in prior projects. Exclusion of the County's budgeted amount for a project is not required by State law. What is prohibited is selection of CME based on the price that they quote for completion of the project. Of note, the contractor's actual final cost was \$555,351, which was \$114,999 under initial bid award.

Finding 4:

The County does not dispute this finding. The County trusts its employees to operate vehicles assigned to them consistent with the verbal instructions provided, but a policy regarding maintenance of a daily usage log will be developed.

Finding 5:

The acquisitions were made at the direction of the BCC. At the time, the availability of additional grant funding was anticipated for compliance with grant requirements. Unfortunately with the downturn of the economy, grant resources became scarce and local funding was not available. Fortunately, the County has the ability to amend management plans by requesting an extension of time to fulfill the grant requirements. The County plans to amend the management plans for each of these acquisitions during the 2016-17 fiscal year. Prior to applying for future grants, the County will endeavor to ensure the availability of adequate resources necessary to comply with all grant requirements.

Finding 6:

The County does not dispute the finding as it relates to the over-expenditure in four nonmajor governmental funds during the 2014-15 fiscal year. Funding was available and budget amendments could have been done. Due to staff changes, the County has no explanation for why they were not prepared at the time. This finding also includes comments about the transition from one County Attorney to another, the unbudgeted overlap of expenses associated with the transition, and the lack of formal BCC approval for the overlap even though BCC discussions about the overlap were shared indicating tacit, if not explicit approval. The overlap was always a planned part of the transition of duties discussed with the BCC. Not noted by the auditors, even though they continued seeking information about other findings through February 2017, was BCC action taken in September 2016 to formally amend the budget, to provide funding for and formally establish the positions (See Attachment G). Furthermore, see Attachment H, which is a copy of Putnam County BCC Policy 1.02 "Recruitment and Selection". Exception "C" therein expressly provides that a Department Director may fill a position while the department incumbent is still in the position, when the Director determines that overlap is necessary and upon approval of the County Administrator.

Finding 7:

The County consulted with the Supervisor of Elections and complied with all legal notice requirements throughout the sales surtax referendum process. In the future, the County will aspire to provide more opportunity for public involvement and to provide as much notice as is reasonably possible.

Finding 8:

The County does not dispute this finding regarding the lack of a plan to meet debt requirements beyond 2032. A written plan will be developed that will identify revenue sources beyond the date of the pledged revenues.

Finding 9:

The County does not dispute this finding. A draft Anti-Fraud Policy has been prepared and will be presented for BCC consideration in the near future.

Finding 10:

County departments and County personnel make a conscientious effort to respond to citizen concerns to the best of their ability in a reasonable period of time. The information may not always be well received and sometimes it may not be sought from the proper department, which can contribute to citizens' frustration. Good customer service is encouraged and poor quality service should be reported to the appropriate departmental personnel by citizens. In future workshops, the BCC will discuss a Financial Advisory Task Force, an Inspector General and an Ombudsman.