



OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

“Enhancing Public Trust in Government”

ANNUAL REPORT

October 1, 2011 through September 30, 2012

Presented to the Citizens of Palm Beach County

December 14, 2012



Office of Inspector General Palm Beach County

Sheryl G. Steckler
Inspector General

"Enhancing Public Trust in Government"

Citizens of Palm Beach County:

I am pleased to present the Fiscal Year 2012 Annual Report covering the activities of the Office of Inspector General (OIG) for the period of October 1, 2011 through September 30, 2012. This is the second annual report since the OIG doors opened in June 2010. The information provided summarizes our activities and achieved results that were designed to protect taxpayers, inform government policymakers, and further the office's mission of ***"Enhancing Public Trust in Government"***.

We issued a total of 35 reports during the year that resulted in \$4.3 million questioned and identified¹ costs and 119 recommendations for improvements. Governmental entities within our jurisdiction recovered \$224,216 in restitution and implemented, or are in the process of implementing, 110 (92%) of the recommendations we made. We processed 1,993 telephone calls and 433 written correspondences, representing a 35% and 41%, respectively, increase over the number of calls and correspondences handled during the prior reporting period (June 28, 2010 through September 30, 2011).

The Palm Beach County Inspector General Ordinance specifies that the inspector general develop and adhere to written policies in accordance with Commission for Florida Law Enforcement Accreditation, Inc. (CFLEA) accreditation standards. I am proud to report that on February 23, 2012, we received accreditation from CFLEA. The assessors found our office to be in 100% compliance with the applicable standards. The assessors further reported that the OIG's file review was "exceptional and flawless" and further noted that the office "has embraced their responsibilities to the citizens of Palm Beach County in a genuine fashion... Everything they do, including seeking accreditation, is done to further the public's trust in government."

The municipal lawsuit challenging the funding of our office has had an effect on our operations. The lawsuit essentially reduced our fiscal year 2012 budget capacity by 40%. However, the Board of County Commissioners committed to funding a portion of the deficit and we ended the year having spent \$2.7 million, 72% of our approved budget. When compared to the county population of 1.3 million citizens, the cost per citizen was \$2.

We implemented prevention and reform strategies that were identified in collaboration with citizens and business stakeholders. One element was to enhance our outreach, which we accomplished by establishing a Citizens Initiative program; creating a training video for

¹ Questioned Cost is a cost that is questioned because of a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. Identified Costs are those dollars that have the potential of being returned to offset the taxpayers' burden.

government employees; and, delivering 54 speeches/presentations/trainings to the public, business community, and County and municipal governments, reaching a total of 1,930 attendees. We also continue to enhance our website as a tool for communicating to the citizens. One new feature is the Dashboard that highlights correspondences, calls, and questioned and identified costs. For more detailed information about our operations and results, please visit our website at: <http://pbcgov.com/OIG/>.

We continue to make transparency and accountability a hallmark of the OIG operations. As always, I encourage you to do your part in eliminating fraud, waste, mismanagement, and/or abuse in government operations – continue to send your complaints to our office. Our work can only go so far without the help of Palm Beach County residents, employees, and vendors. Do not hesitate to alert our office if you have suggestions for improvement in any of the 42 jurisdictions or our OIG operations.

I thank you for the privilege and opportunity to serve as the first Inspector General for Palm Beach County. I will remain steadfast in my commitment to champion ethics reform.

Yours Truly,



Sheryl G. Steckler
Inspector General

“Enhancing Public Trust in Government”

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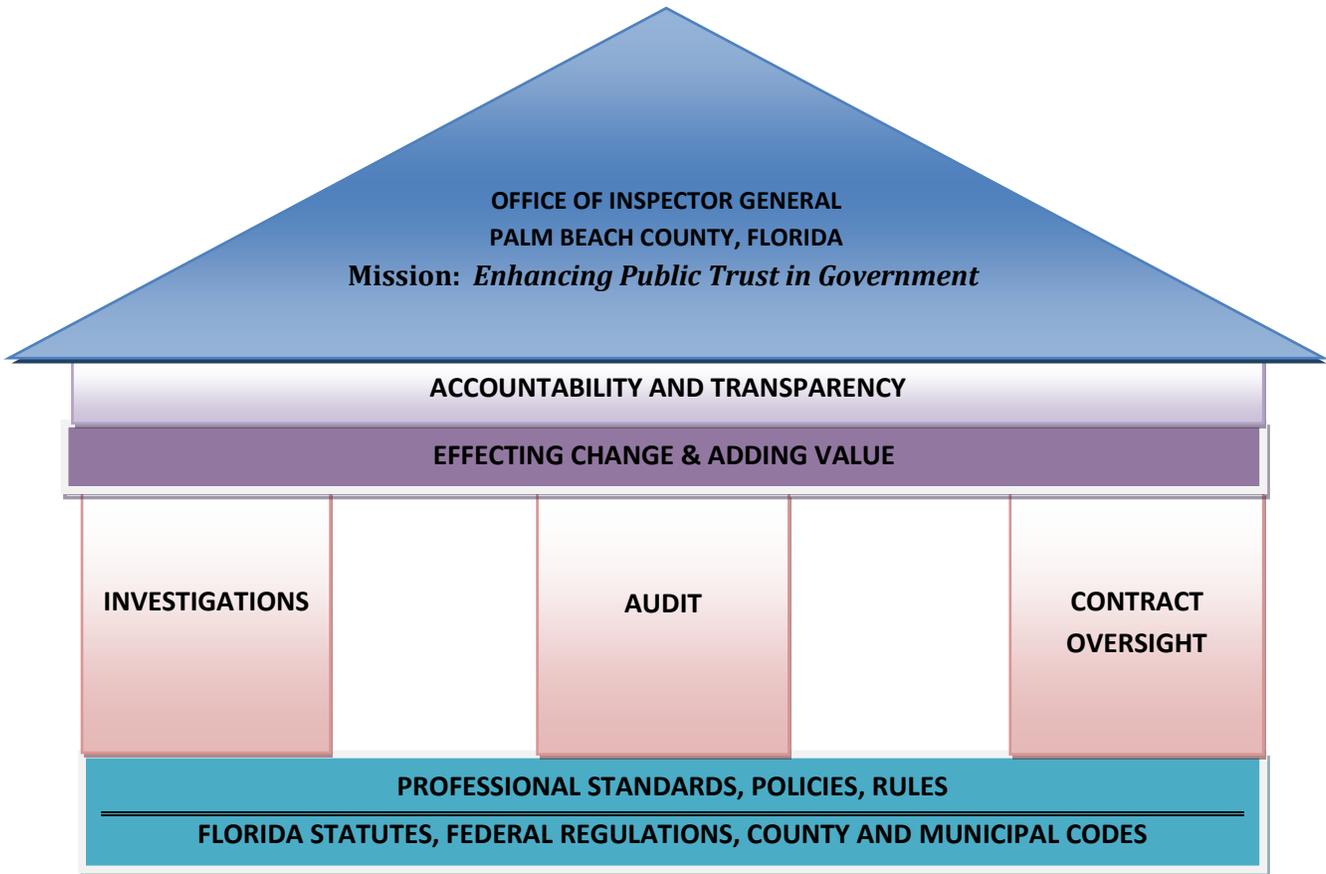
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Section A: Introduction



CORE VALUES:

Our core values contribute to the Office of Inspector General foundation:

- **Leadership:** We lead by example, demand excellence from ourselves, work with commitment to the mission, remain humble, and always treat people with dignity and respect.
- **Professionalism:** We are governed by standards and a code of ethics. We ensure high quality of service and conduct ourselves with honor and integrity.
- **Accountability:** Our commitment is to deliver value added service and to accept full responsibility for our actions.
- **Communication:** We convey our findings and recommendations clearly, concisely and with fact finding support.
- **Sense of Urgency:** We recognize and act on issues that require immediate attention. We are proactive in our actions and flexible in our thinking.
- **Teamwork:** We challenge each other cooperatively to make progress every day. We work together at all levels in developing and continually improving our processes.
- **Innovative:** We strive to be creative and bring new ideas in performance of our duties.

HISTORY

The Office of Inspector General, Palm Beach County, Florida (OIG) was established after a grand jury report issued in early 2009 cited repeated incidences of corruption among multiple members of the Palm Beach County Board of County Commissioners and the West Palm Beach City Commission. In response to that report, Palm Beach County began a comprehensive effort to develop an ethics initiative aimed at restoring public trust in government and establishing a more transparent operating model for its citizens. In December 2009, the Palm Beach County Board of County Commissioners adopted an Ordinance that established the OIG to oversee Palm Beach County government. In November 2010, 72% of the voters approved a countywide referendum to amend the County Charter and permanently establish the OIG. At the same time, a majority of voters approved an expansion of OIG jurisdiction to cover each of the 38 municipalities within the county.

The Inspector General Committee selected Sheryl G. Steckler as the county's first Inspector General in June 2010. Since that time she has established the OIG pursuant to requirements of the enabling legislation, inspectors general and government standards, and the will of the people of Palm Beach County.

BUILDING THE FOUNDATION

The OIG enabling legislation, known as the Inspector General (IG) Ordinance, was drafted in 2011, by the IG Drafting Committee comprised of representatives from the municipalities, County, League of Cities, citizens appointed by the County, and the Inspector General. Once completed, the IG Ordinance was unanimously approved by the Board of County Commissioners with an effective date of June 1, 2011. The duties and responsibilities of the Inspector General, county and municipal officials and employees, contractors and others are outlined in the IG Ordinance which is available on our website at: <http://pbcgov.com/OIG/>. Some of the functions, authority, powers and mandated requirements include:

- **The Inspector General (IG)**

The IG has the authority to make investigations and publish the results; review and audit past, present and proposed county or municipal programs, accounts, records, contracts, change orders and transactions; and, prepare reports and recommendations to the boards of entities within the IG's jurisdiction. The IG's jurisdiction includes all projects, programs, contracts or transactions funded in whole or in part by the county or any municipality or other public entity under IG jurisdiction. The IG can require the production of documents from and receive full and unrestricted access to records. The IG can require affected parties to provide statements, produce documents, records and other information. The IG has the power to subpoena witnesses and administer oaths.

The IG shall notify the appropriate law enforcement agency where he/she suspects a possible violation of any state, federal, or local law. The IG shall have the power to receive, review and investigate any complaints regarding any municipal or county funded projects, programs, contracts or transactions. The IG shall establish a "hotline" to receive complaints. The IG shall be "an appropriate local official" for purposes of whistleblower protection.

Section A: Introduction

- **County and Municipal Officials and Employees, Contractors and Others**

All elected and appointed officials and employees, county and municipal agencies, contractors, their subcontractors and lower tier contractors, and other parties doing business with the county or municipality and/or receiving county or municipal funds shall fully cooperate with the inspector general in the exercise of the inspector general's functions, authority and powers.

The county administrator and each municipal manager, or administrator, or mayor where the mayor serves as chief executive officer, shall: 1) promptly notify the inspector general of possible mismanagement of a contract, fraud, theft, bribery, or other violation of law which appears to fall within the jurisdiction of the inspector general; and, 2) coordinate with the inspector general to develop reporting procedures for notification to the inspector general.

Transparency

Transparency is a way of doing things that allows others to know exactly what you are doing. It is a fundamental principal in good governance. To further our mission of ***“Enhancing Public Trust in Government”***, the OIG strives to ensure that all relevant and applicable information is made available to the County, municipalities, other covered entities and the public in a reader/user-friendly manner. Our website is continuously updated to include recent OIG activity and reports. The homepage includes only the most recent information, but the Reports page includes every OIG report issued from inception. Please visit our website at: <http://www.pbcgov.com/OIG/>.

The OIG website is continuously updated to provide citizens and governmental entities under the OIG jurisdiction with information pertaining to OIG activity. All OIG reports are posted to the site as well as links for employees, citizens and contractors to report fraud, waste, or abuse. The site also includes answers to frequently asked questions; brochures, speaker requests and training videos; descriptions of each of the OIG units; what to expect when contacted by staff from Audit, Investigations or Contract Oversight; and, the OIG Dashboard that includes quarterly statistics such as number of correspondences received and questioned and identified costs.

The OIG Dashboard was established during fiscal year 2012 and can be found on our homepage. It is an informative portal into OIG activity and outcomes. It provides the public with information (on a quarterly basis) such as questioned and identified costs resulting from OIG activities since inception (June 2010). Although summarized, users can drill down to more detailed information that identifies the actual OIG report associated with the reported costs with a link to each online report. It also outlines trending information relating to the correspondences² received to date.

OIG Automation

The Inspector General Information Management System (IGIMS) is an automated, paperless case management system that incorporates the OIG's three sections; Investigations, Audit and Contract Oversight. Each of the three modules streamlines the entry of data and provides OIG management with an enhanced tool to track OIG activity. The Investigative module includes an Intake process that enhances our ability to track the volume and nature of the correspondences received. The Contract Oversight module provides a number of benefits which include improved efficiency in the management of contract oversight activities and projects and paperless workflow. In addition,

² A Correspondence is a written allegation of waste, fraud or abuse, and public records request received by the OIG.

Section A: Introduction

this system has enhanced our ability to identify and track County and Municipal contracts. The Audit module provides the capability of performing our audit work in an automated environment. It provides for audit planning, staff assignments, and tracking of audit milestone dates as well as creation of automated workpapers.

Who Watches the Office of Inspector General?

On February 23, 2012 the OIG received accreditation through the Commission for Florida Law Enforcement Accreditation, Inc. (CFLEA). Every three years thereafter, the OIG will undergo an onsite assessment to maintain its accreditation status. This program has been recognized as a means of maintaining the highest standards of professionalism for law enforcement agencies and Inspectors General in Florida.

The OIG Audit Unit will undergo a peer review every three years as well. A peer review is a process performed by an independent body of one's peers to ensure it meets specific criteria. The Audit Unit's peer review will evaluate whether OIG audits are performed in accordance with Generally Accepted Government Audit Standards (Yellow Book) and/or International Standards for the Professional Practice of Internal Auditing (Red Book).

Citizens' Initiative

On April 26, 2012, the Inspector General held the first "Citizen Volunteer Training" in order to better inform interested citizens of the structure and laws governing local and county governments in the sunshine and the role of the OIG. This initiative is for those citizens who attend, or plan on attending, board/council meetings and desire to make a difference. Our training session provides a brief overview of our office functions; describes a typical board agenda; reviews key terms such as contract amendment and change orders; and, what to do when an item not on the agenda is discussed and voted on.

Current participants are primarily citizens of Delray, Loxahatchee Groves, Ocean Ridge, Palm Beach Gardens, West Palm Beach, Riviera Beach, Royal Palm Beach, Palm Springs, and Boca Raton. During this reporting period, the Citizen Initiative participants were instrumental in identifying potential issues in their communities. Any citizens interested in participating in this initiative should contact our office at (561) 233-2350.

Expansion of OIG Jurisdiction

Two independent special districts, established by Palm Beach County voters, voluntarily entered into agreements for the provision of OIG services. OIG oversight of the Health Care District of Palm Beach County and the Children's Services Council of Palm Beach County became effective January 1, 2012. The Health Care District, with an annual budget of \$267 million, provides an array of health care services such as: trauma system, school health, health coverage, hospital and skilled nursing care. The Children's Services Council, with an annual budget of \$114 million, plans, develops, funds, and evaluates programs which benefit children. The OIG jurisdiction now includes 42 entities: the County, 38 municipalities, Solid Waste Authority, Health Care District and Children's Services Council.

Section A: Introduction

Comparison of OIG Operating Cost per Citizen

The organization and administration of the OIG has been established in the spirit of the enabling legislation that states, in part, that the OIG is created to promote economy, efficiency and effectiveness. Wherever possible, the OIG saves taxpayer dollars by using existing services such as the County's Information System Services, Graphics and Human Resources, and as a result keeps the OIG budget and expenses to a minimum. The OIG operating cost for FY 2012 totaled \$2,651,652. When compared to the county population of 1.3 million citizens, the cost to operate our office was \$2 per citizen.

Lawsuit Challenging OIG Funding

In November 2011, fifteen of the 38 municipalities under OIG jurisdiction filed a lawsuit challenging the OIG's funding methodology (the village of Wellington has since withdrawn from the lawsuit). Citing the lawsuit's challenge of the IG fees, the Clerk and Comptroller discontinued collecting the IG fee from the municipalities, which essentially reduced our budget capacity by 40%. To lessen the impact of such a reduction, the Inspector General submitted a request to the Board of County Commissioners for their commitment of an additional sum of up to \$400,000. That request was unanimously approved. The lawsuit was not settled in fiscal year 2012, thus it continues to impact our ability to effectively carry out our mission. The uncertainty surrounding our funding has negatively impacted our ability to fully staff the OIG. Thirty-five percent of our approved positions are vacant: only 26 of 40 positions are filled. For the history and court filings visit our website at: <http://pbcgov.com/OIG/>.

INSPECTOR GENERAL COMMITTEE

The Inspector General (IG) Committee, authorized by Palm Beach County Charter, is comprised of the five members of the Commission on Ethics, the State Attorney and the Public Defender. The IG Committee is solely responsible for selecting the Inspector General. The Inspector General is responsible for: 1) meeting with the IG Committee every six months to review activities, plans and objectives; and 2) issuing an annual report summarizing the activities of the office no later than December 31st of each year.³ The individuals comprising the IG Committee are:

Manuel Farach, Esq., Chair

Mr. Farach is a real estate and business lawyer practicing in West Palm Beach. Mr. Farach is Board Certified by The Florida Bar in both Real Estate Law and Business Litigation. Mr. Farach has served as an arbitrator for the American Arbitration Association for over twenty years. Mr. Farach has also served in different capacities regarding the ethical practice of law, including Chair of the Fourth District Court of Appeal Judicial Nominating Commission, President of the Craig S. Barnard Inn of Court, President of the Palm Beach County Bar Association, and as an expert witness for The Florida Bar in lawyer disciplinary matters. Mr. Farach graduated the Florida State University College of Law cum laude. He graduated from Stetson University in 1981 with a dual major in English and Business.

³ Pursuant to Article XII, Section 2-428, Palm Beach County Code

Section A: Introduction

Robin N. Fiore, Ph.D., Vice -Chair

Dr. Fiore joined the University of Miami Ethics Program at the University Of Miami Miller School Of Medicine in 2010. Previously, she served as the Adelaide R. Snyder Professor of Ethics at Florida Atlantic University. Dr. Fiore specializes in biomedical ethics and professional ethics. Dr. Fiore has served as an ethics consultant or ethics advisory committee member for a number of governmental agencies, including the Florida Public Service Commission, Florida Department of Health, Florida Department of Corrections Bioethics Committee, Florida Department of Children and Families and Florida Developmental Disabilities Council. Dr. Fiore earned her Doctorate in Philosophy from Georgetown University in Washington, DC, after post-baccalaureate studies in religion and ethics at Drew University Graduate and Theological School in Madison, New Jersey.

Ronald E. Harbison, CPA

Mr. Harbison is the founder of Valuation Analysts, LLC; a business valuation and financial forensics firm, focusing on estate and gift, commercial litigation and family law. Mr. Harbison has provided forensic accounting services, been a consultant on mergers and acquisitions, and has served as an Agent for the United States Internal Revenue Service, where he conducted tax examinations of corporations, partnerships and high net worth individuals. He also has served as an Adjunct Professor of Accounting for Palm Beach Atlantic University and is currently the Chairman of the Ethics and Disciplinary Committee of the Institute of Business Appraisers. Mr. Harbison graduated from Florida State University with a Bachelor of Arts in Government/Pre-Law, and earned a Master of Science in Management/Accounting from Rollins College.

Daniel T. Galo, Esq.

Mr. Galo is an attorney with the law firm of Groelle & Salmon, P.A. in Wellington, practicing in the areas of first party property and insurance coverage matters. Prior to his association with Groelle & Salmon, P.A. Mr. Galo was an Assistant State Attorney with the Fifteenth Judicial Circuit in and for Palm Beach County for over twenty-one years. As an Assistant State Attorney Mr. Galo tried numerous high profile felony and homicide cases and held several supervisory positions. A graduate of the University of Florida with a BA degree in Economics, Mr. Galo received his Law Degree from the University of Florida College of Law with honors.

Patricia L. Archer

Ms. Archer is a former Vice Mayor of Delray Beach and served as a Delray Beach City Commissioner from 1999-2006. Ms. Archer has been a member of or served on the following boards: the Delray Beach Planning & Zoning Board, the Parking Management Advisory Board (founding member), the South County Regional Wastewater Treatment Board (former chair), the Regional Trans. Authority Citizens Advisory Committee (former vice chair), the Palm Beach County Metropolitan Planning Organization, the Florida League of Cities Inter-Government Affairs Committee, the Delray Beach Chamber of Commerce (former board of directors member), Chamber Government Affairs Committee (former co-chair), Rotary Club of Delray Beach (past president & member), AVDA (past president & member), Delray Beach Sister City Tanzania Committee (former member, lead first delegation to Tanzania), and the Sherwood Forest Home Owner's Association (former vice president).

Section A: Introduction

Carey Haughwout, Public Defender

Carey Haughwout is serving her third term as Public Defender of the Fifteenth Judicial Circuit. Ms. Haughwout took office in January of 2001 after working as a private criminal defense attorney in Tallahassee and Palm Beach County for 17 years. From 1985 to 1990, Ms. Haughwout worked as Assistant Public Defender in Tallahassee and Palm Beach County working her way from misdemeanor to capital cases. Ms. Haughwout started her career as an associate with a Tallahassee trial firm. Ms. Haughwout has been a member of the Palm Beach County, state and national Association of Criminal Defense Lawyers, the Criminal Justice Commission, Legal Aid Society and the Florida Association of Women Lawyers. In 1979, Ms. Haughwout earned a degree in economics and sociology from New College in Sarasota and graduated with High Honors from Florida State University College of Law in 1983. As Public Defender, Ms. Haughwout represents the community on the following committees: the Criminal Justice Commission, the Community Alliance, Judicial Information Systems, the Fifteenth Judicial Circuit Professionalism Committee, the Florida Public Defenders Association and the Inspector General Committee

Peter Antonacci, State Attorney

In March 2012, Governor Scott appointed Mr. Antonacci State Attorney of the Fifteenth Judicial Circuit. Mr. Antonacci began his legal career in the Tallahassee. He was later appointed as an Assistant State Attorney in the Second Circuit. Mr. Antonacci prosecuted numerous cases across North Florida, was twice appointed Special Assistant United States Attorney, and was appointed by Governor Graham as a specially assigned prosecutor throughout the State. During this period, Mr. Antonacci served on the Supreme Court's Rules of Criminal Procedure Committee and chaired the Forfeiture Law Committee of the Florida Bar. In 1988, Mr. Antonacci was appointed Florida's Statewide Prosecutor where he focused on complex white collar crimes including securities and insurance fraud, ponzi schemes and pyramid marketing schemes. From 1991 to 1997, Mr. Antonacci served as Deputy Attorney General of Florida. In addition, he was responsible for coordinating the State's legal representation with the Governor's Office, the Florida Legislature, and Cabinet officers.

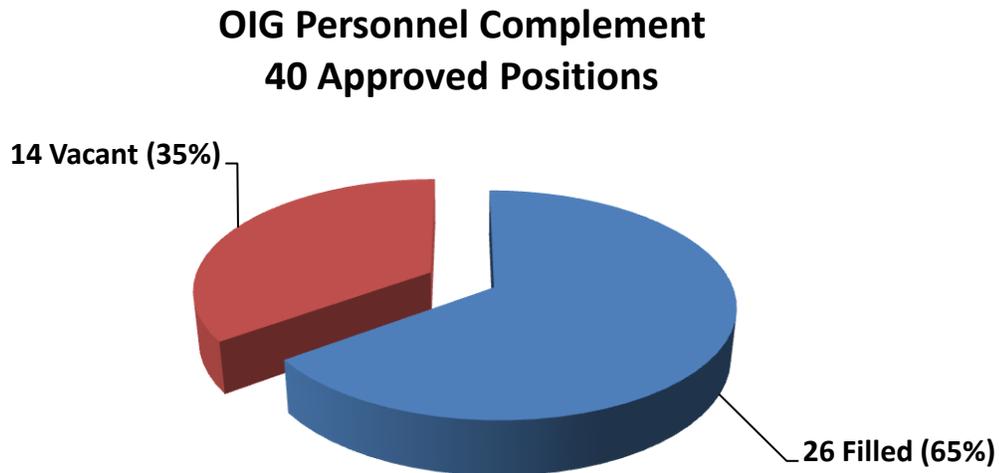
Judge Edward Rodgers (Ret), Former Chair – Resigned Effective July 2012

Judge Rodgers served as a Judge in Palm Beach County for 22 years in the Civil, Criminal and Probate Courts. His judicial tenure includes roles as Chief Judge for the Fifteenth Judicial Circuit and Administrative Judge in County and Circuit Court. Judge Rodgers has lectured extensively on many topics before lawyers and judges. Judge Rodgers graduated from Howard University with a Bachelor of Arts, and subsequently obtained his Juris Doctorate from Florida A&M University College of Law.

STAFFING THE OFFICE OF INSPECTOR GENERAL

To ensure success in accomplishing the mission of *“Enhancing Public Trust in Government”*, the OIG hires qualified individuals that not only reflect the diversity of the community, but also have the appropriate level of skills, abilities and experience necessary for their position on the OIG team. Staff members have backgrounds and/or academic degrees in accounting, auditing, financial analysis, financial administration, grant administration, business administration, engineering, law, public administration, law enforcement, and investigations. Employee professional backgrounds include Federal, State, County, local and private sectors. Staff members bring an array of experiences from Federal, State and City Inspector General Communities, Air Force Office of Special Investigations, Internal Revenue Service, Secret Service, Homeland Security, Federal Bureau of Investigation, US Postal Inspection Service, not-for-profit community based organizations, county and municipal government, insurance and banking industries, public and private accounting firms, and the construction industry.

The various certifications and licensures held by staff are as follows: Certified Inspector General(s), Certified Inspector General Auditor(s), Certified Inspector General Investigator(s), Certified Fraud Examiner(s), Certified Public Accountant(s), Certified Internal Auditor, Certified Information Systems Auditor, Member of the Florida Bar, Accreditation Manager(s), Accreditation and Peer Review Assessors, Certified Government Finance Officer, Chartered Global Management Accountant, Certified Protection Professional, Certified Forensic Interviewer, Certified Building Contractor, Certified General Contractor, Certified Plans Examiner Civil Engineer, and LEED AP Building Design & Construction Designation.



The allocation of staff resources to Investigations, Audit or Contract Oversight is based on the demonstration of need within the 42 entities (Palm Beach County, 38 Municipalities, Solid Waste Authority, Children’s Services Council and Health Care District) under the OIG’s jurisdiction. As of September 30, 2012, only **26** (65%) of the **40** authorized positions were filled.

OFFICE OF INSPECTOR GENERAL BUDGET FISCAL YEAR 2012

The OIG's funding methodology was developed by the IG Drafting Committee and approved by the Palm Beach County Board of County Commissioners. The source of funds, as specified in the OIG's enabling legislation, was to have been provided by the County and municipalities based on their contract activity. Additionally, contracts with the Children's Services Council, Health Care District and Solid Waste Authority have generated funds based on contract activity or a negotiated amount.

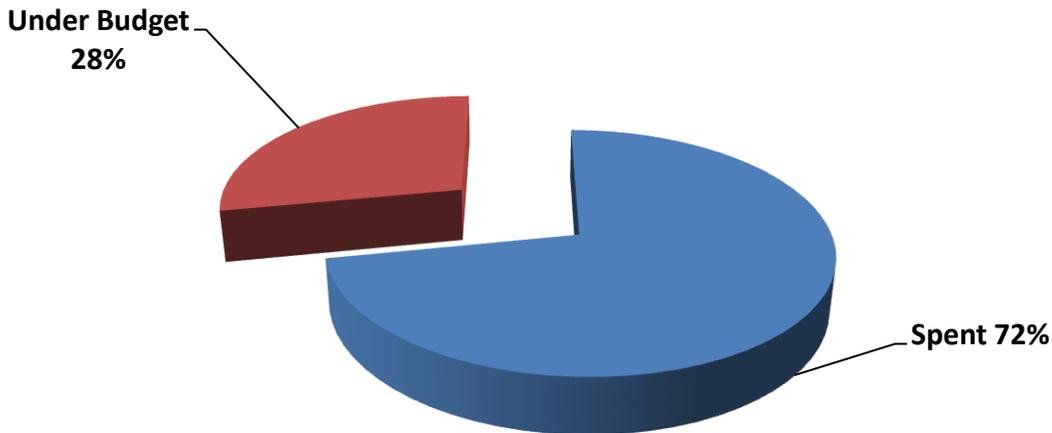
The OIG spent 72% of the approved fiscal year 2012 budget allocation. The County's actual contribution for the year included 100% of their calculated fee plus funds necessary to cover the municipal deficit. The Health Care District and Children's Services Council each contributed 100% of their calculated fee and as a result, unspent funds were carried over and available to offset their fiscal year 2013 contributions.

Allocated Budget	\$ 3,686,027	100%
Spent	\$ 2,651,652	72%
Under Budget	\$ 1,034,375	28%

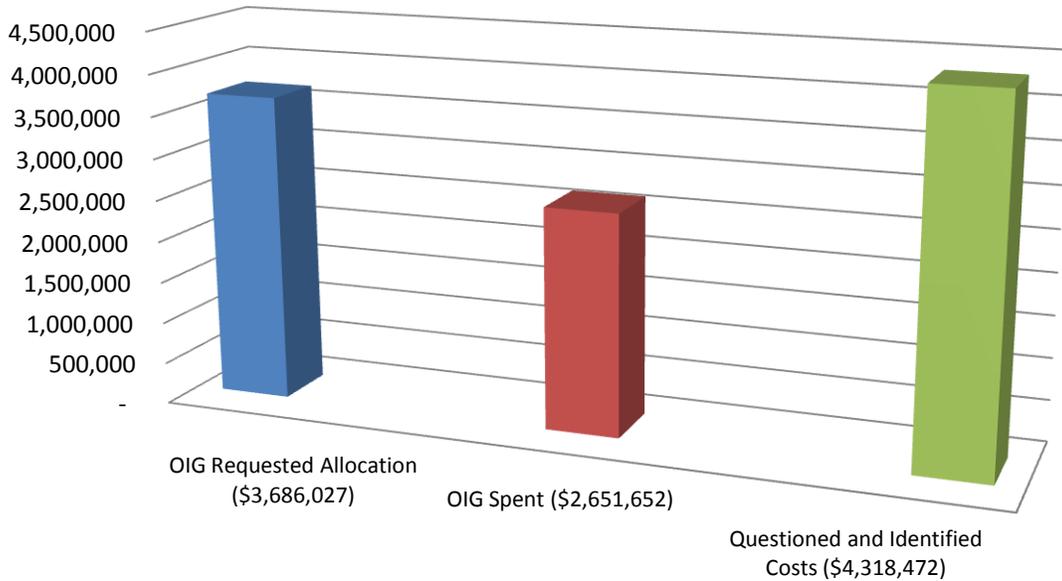
Jurisdictional Entity Budgets

County:	\$3.9 Billion
Municipalities:	2.0 Billion
<u>Other Entities</u>	<u>1.3 Billion</u>
TOTAL:	\$7.2 Billion

**OIG's Allocated Budget
\$3.7 Million**



OIG Budget Allocation, Expenditures and Questioned & Identified Costs - FY 2012



When the OIG exposes costs where the intended purpose is unnecessary or unreasonable and/or lacks adequate documentation, those costs will be reported as Questioned. When the OIG exposes costs that have the potential of being returned, those costs will be reported as Identified. Not all OIG activity results in the identification of Questioned and Identified costs; however, where applicable and determinable, those costs are included in OIG reports. Questioned and Identified Costs represent a monetary value that can be used as a benchmark for OIG operations and are representative of the value the OIG adds to local governments.

PREVENTION & REFORM - STAKEHOLDERS

During this past year, citizens and members of the Palm Beach County Ethics Initiative were instrumental in assisting us with the development of performance measures relating to prevention and reform. The group met in December 2011, April 2012, and November 2012. They agreed that an overarching strategy in the area of prevention and reform must be to involve the public in the process. To that end, they focused on identifying strategies and performance measures relating to the OIG’s goal to inform and educate all affected persons and entities of the role, benefit and value of the OIG.

The group identified specific strategies that led to the creation of a Dashboard on the OIG homepage to report quarterly statistics. Other strategies include: engaging academia to embrace and incorporate OIG philosophy and practice into curriculum; assisting other community leaders in development of a centralized source for “best practices”; and, publication of “Top Ten Lessons Learned” as identified by OIG reports. The OIG has made strides in the implementation of these strategies and will continue its efforts towards prevention and reform.

Another important measure of prevention and reform is the monetary benefit of implementing OIG recommendations, known as Cost Avoidance. Beginning in fiscal year 2013, we will report Cost Avoidance to demonstrate the amount of costs that can be avoided for the three year period following issuance of an OIG report. Cost Avoidance is in addition to and separate from currently reported Questioned Costs and Identified Costs. It can represent savings or reduced costs that should occur by implementing recommendations such as the tightening of internal controls, increasing revenues, or competitive procurement strategies. For example, the OIG Management Review covering Riviera Beach's failure to properly bill a hospital for water services reported \$60 thousand in Identified Costs (dollars the city had already lost that could potentially be returned to the city). In addition to the \$60 thousand of Identified Costs, there was a Cost Avoidance of \$59 thousand which represents revenue the city will collect over the next three years by implementing the OIG recommendations to correct the billing system. Where applicable and determinable, each OIG report will identify Questioned Costs, Identified Costs and Cost Avoidance. These costs will also be reported on the OIG Dashboard on our homepage at: <http://www.pbcgov.com/OIG/>.

OUTREACH

Throughout the year, and to further the OIG's goal of informing and educating persons and entities as to the role, benefit and value of the OIG, staff attended meetings and gave presentations to business groups, citizen groups and government groups. In addition, we coordinated with County Human Resources to present an OIG orientation to their Leadership, Excellence in Supervision, and Preparing to Lead classes. The Inspector General and staff take every opportunity to make public speaking appearances in an effort to increase public awareness of the activities of our office. Additionally, OIG staff made similar presentations to several municipalities throughout the County during the fiscal year and will continue this outreach effort. During fiscal year 2012, OIG staff delivered **54** speeches/presentations/trainings to the public, business community and/or County and municipal governments, reaching a total of **1,930** attendees. Various media outlets contact the OIG on a regular basis. A total of **125** (news print – 94; television – 30; and radio – 1) media contacts were made to the OIG this reporting year.

Pursuant to the IG Ordinance, the Inspector General will coordinate with the county administrator and municipal managers or administrators to develop public awareness strategies to inform government officials and employees, as well as the general public, of the authority and responsibilities of the office of the inspector general. A draft policy was provided to the County, the League of Cities and all entities under the OIG jurisdiction for review and coordination with the OIG. This process is still on-going.

Section B - Administration

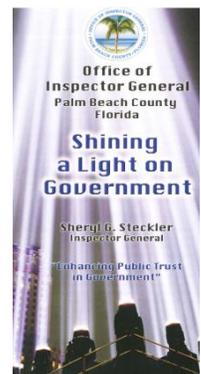
During the fiscal year, the Inspector General created an employee training video titled “Did You Know?” designed to increase awareness of the OIG. It includes information such as: responsibilities of the OIG; function, power and authority of the Inspector General; whistleblower protection and the process for making the determination; an orientation to the OIG website; and, an overview of the OIG’s jurisdiction. This video is less than twenty minutes and can be found on our website at <http://www.pbcgov.com/OIG/outreach/>.

Did You Know?



“Did You Know” posters were created and distributed to the County and all municipalities for placement in employee break rooms and other areas in the government buildings.

“Shining a Light on Government” brochures were created to provide the public and employees an overview of the Office of Inspector General.



GOALS AND OBJECTIVES

July 2013 will mark the start of the third year in operation for the OIG. The OIG Strategic Plan for the five year period of fiscal year 2012 through 2016 was completed and published on January 31, 2012. Goals and objectives that support the OIG's mission have been established. Notably, the Plan includes prevention and reform related strategies and measures developed in collaboration with citizens and members of the Palm Beach County Ethics Initiative. The four OIG goals are:

- 1. Conduct independent audits, reviews and investigations that detect, deter and prevent fraud, waste, mismanagement, misconduct, and other abuses; that increase efficiency and effectiveness; and strengthen internal controls in County and municipal government*
- 2. Maintain a high quality, effective and objective organization*
- 3. Provide OIG staff with the support and direction necessary to achieve the OIG mission*
- 4. Inform and educate all affected persons and entities as to the role, benefit and value of the OIG*

Strategies and action steps to achieve these goals, and related performance measures are outlined in the OIG Strategic Plan which can be found on the OIG's website on the Reports tab at: <http://www.pbcgov.com/OIG/>. The Plan was finalized midyear and strategies were implemented with anticipated completion dates of the related action steps. Successful attainment of goals is measured by the following related performance measures:

Goal 1 Questioned and Identified Costs: **\$4,318,472**

Number of Reports Issued: **35**

Number of Recommendations Made Compared to Number Implemented: **72/80 (90%)***

Number of Corrective Actions Made Compared to Number Implemented: **38/39 (97%)***

* Recommendations and corrective actions in the process of being implemented are reported as implemented.

Goal 2 Assessment of Employee Annual Performance Review: **100%**

Results of Accreditation and Peer Reviews:

Accreditation: **Achieved**

Peer Review: **Pending Completion of Three Year Cycle** (Jan 2012 – Dec 2014)

OIG Staff Survey: **Overall Satisfaction**

Goal 3 Percentage of Staff Completing Annual Ethics Training: **100%**

Number of Supplemental Budget Requests Made: **0**

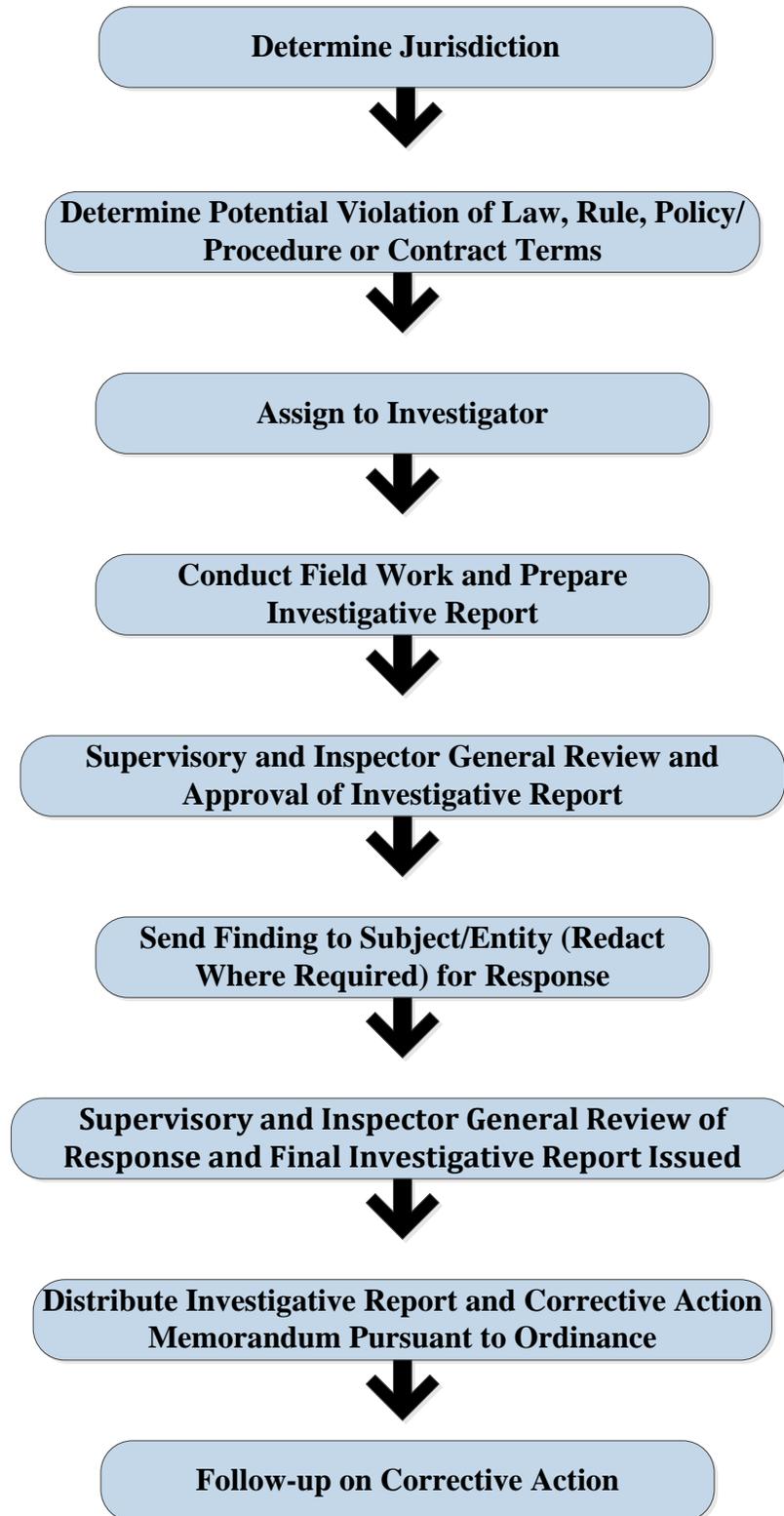
Percentage of Time Networks and/or OIG System Unavailable: **1%**

Goal 4 Number of Presentations and Trainings Provided: **54**

Increase in Number of Contacts/Interactions with Citizen Groups: **In Process** (FY 2012 is the base year for this measurement)

Increase in Citizens' Understanding of OIG's Value: **In Process** (FY 2012 is the base year for this measurement)

The Investigations Process



INVESTIGATIONS UNIT



We conduct our investigative work in accordance with the Principles and Standards for Offices of Inspectors General (Green Book) as developed and approved by the Association of Inspectors General (May 2004 revision) and the Inspector General Accreditation Standards issued by the Commission for Florida Law Enforcement Accreditation, Inc. (CLFEA). These principles are important as they guide the quality of our investigations.

While OIG investigations are administrative in nature, criminal violations are sometimes discovered during the investigative process. When a determination has been made that the subject of an investigation has potentially committed a criminal violation, those findings are coordinated with local law enforcement agencies or are referred directly to the State Attorney's Office or the US Attorney's Office for criminal investigation and prosecution.

The OIG Investigators and Director of Investigations received certification from the Association of Inspectors General (AIG) as Certified Inspector General Investigators. The certification followed extensive training in Principles and Standards for Offices of Inspectors General (Green Book) and the Inspector General Accreditation Standards.

INTAKE

Intake staff are responsible for handling all incoming calls, including those from the OIG Hotline, and reviewing all correspondences received by the OIG. Each correspondence received by Intake is processed within five days of being received. In coordination with the Director of Investigations, the correspondence will be sent as a Management Referral or Management Inquiry to the affected entity's management staff; referred to OIG Audit or Contract Oversight Unit; referred to other jurisdictions; filed as information; or, opened as an Investigation or Management Review.

Intake is also responsible for handling all public records requests received by the OIG, which includes processing, redacting (where necessary), and collection of related fees. Intake staff enhanced the effectiveness of the OIG Hotline function this year by reformatting the online message to illicit more specific information from callers, and also by adding a language option (English or Spanish). The OIG Hotline encourages all individuals to report instances of waste, fraud, or abuse and reminds them of their ability to remain anonymous.

Section C – Office of Inspector General Activities

Any individual may file a complaint with the OIG. He or she may do so in person, by telephone, fax, mail, or by completing the electronic complaint form found on our website. If desired, a complaint may be filed anonymously. The office’s contact information is as follows:

Office Mailing Address	Office of Inspector General Palm Beach County P.O. Box 16568 West Palm Beach, Florida 33416
Telephone	Toll Free Hotline (877) 283-7068
Fax	561-233-2375
Email Address	Inspector@pbcgov.org
Internet	http://www.pbcgov.com/OIG

Complaint forms are available on line in English and Spanish <http://pbcgov.com/OIG/rwfa.htm>.

COMPLAINT ASSESSMENT MODEL

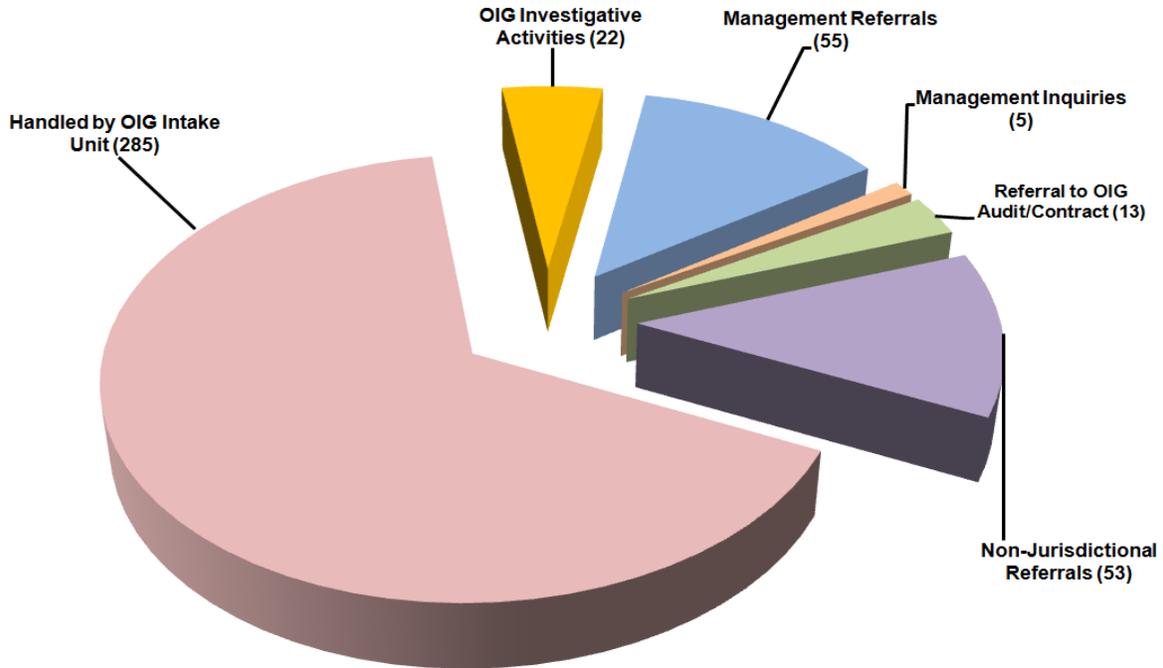


In addition to handling **1,993** telephone calls, Intake received and processed **433** correspondences containing **429** written allegations concerning a person(s) and/or entity, public records requests or other miscellaneous information. This represents a 35% increase over the 1,478 telephone calls received in fiscal year 2011 and a 41% increase over the 307 correspondences received in fiscal year 2011.⁴

⁴ Fiscal Year 2011 reporting statistics include the fifteen month period of June 28, 2010 through September 2011.

CORRESPONDENCES

The 433 correspondences received during fiscal year 2012 were processed as follows:



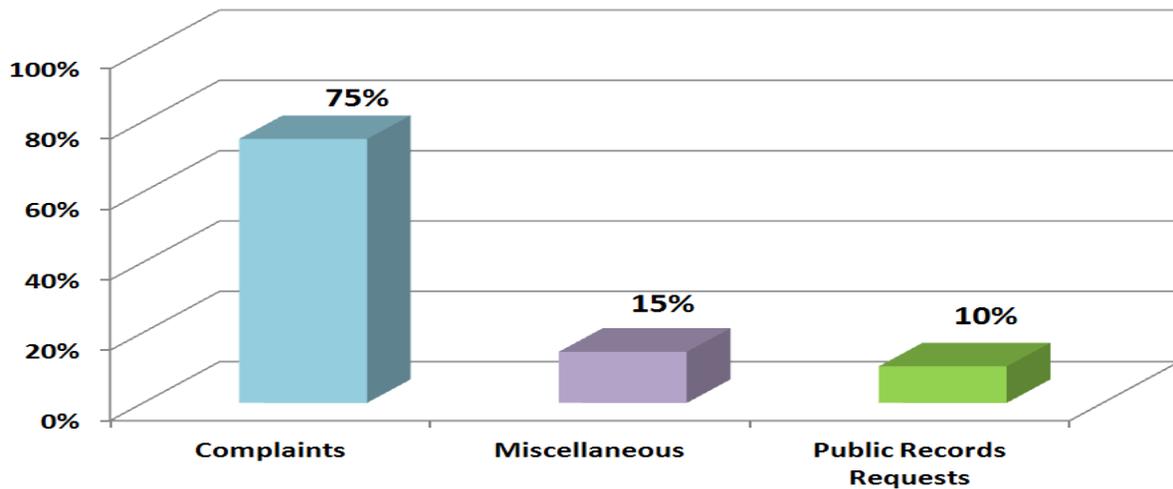
- **Handled by OIG Intake Unit (66%):** Correspondences that are handled by the OIG, Information Only, and/or Closed with No Action.
- **OIG Investigative Activities (5%):** Correspondences that are assigned to the Investigations Unit.
- **Management Referrals (13%):** Correspondences forwarded to respective Management for handling. No response to the OIG is required.
- **Management Inquiries (1%):** Correspondences forwarded to respective Management for review. Response to the OIG is required.
- **Referral to OIG Audit or Contract Oversight (3%):** Correspondences forwarded to OIG Audit and/or Contract Oversight Units for further review.
- **Non-Jurisdictional Referrals (12%):** Correspondences that do not fall within the jurisdiction of the OIG.⁵

⁵ During FY2012, the OIG received a total of 53 Correspondences related to entities not within the jurisdiction of the OIG (1-Sheriff's Office; 1-Property Appraiser; 1-Supervisor of Elections; 1-State Attorney's Office; 2-Clerk of Court; 2-Tax Collector; 7-School Board; 8-Commission on Ethics; 11-State Agencies; 19-Other [i.e., private organizations, homeowner's associations]).

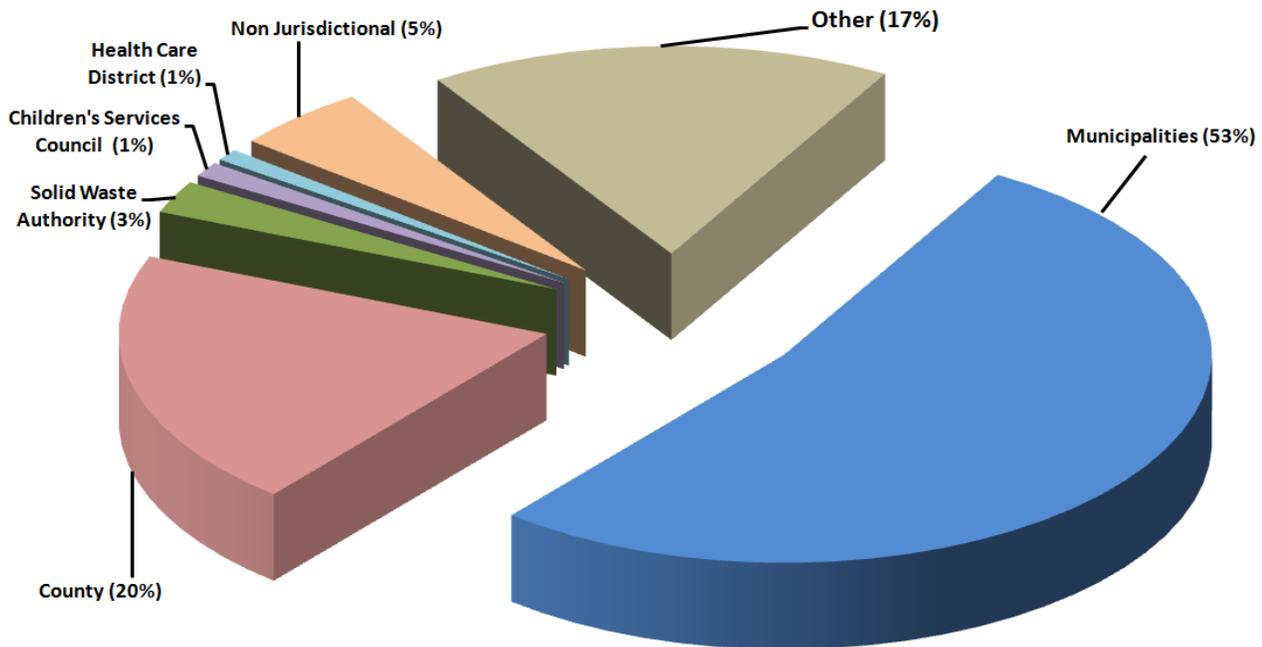
Section C – Office of Inspector General Activities

The 433 correspondences processed are categorized as follows:

- **325** Complaints
- **63** Miscellaneous⁶
- **45** Public Records Requests



The 433 correspondences processed related to the following entities⁷:

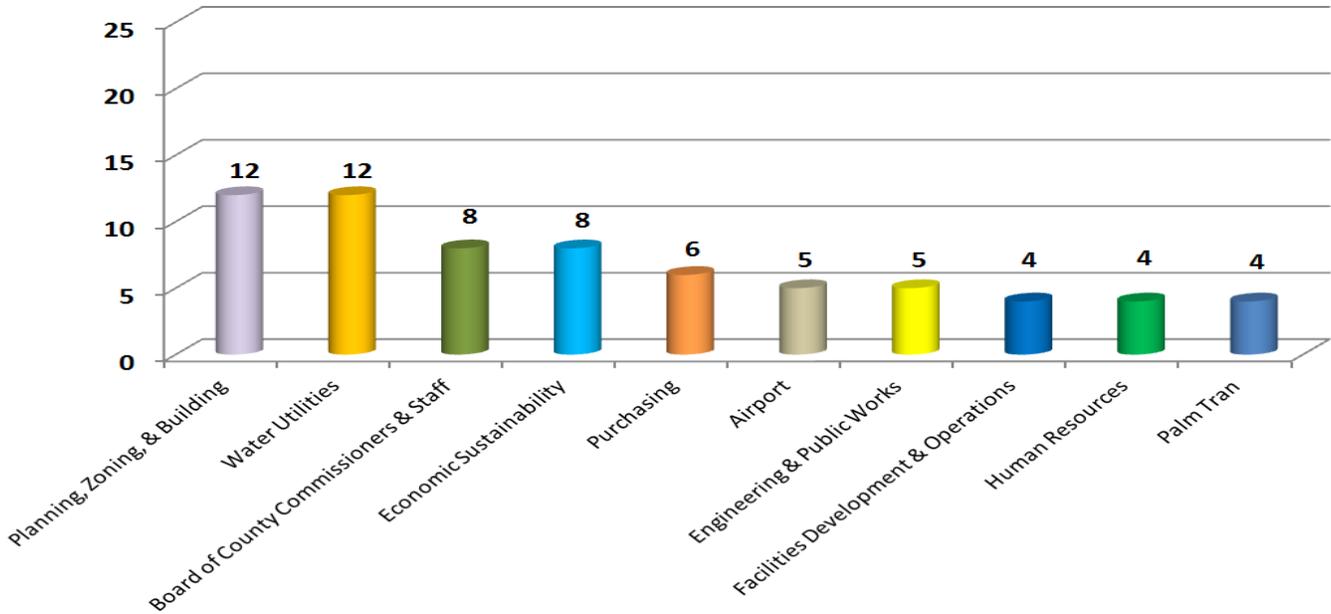


⁶ "Miscellaneous" refers to written correspondences categorized as "Information Only."

⁷ "Non-Jurisdictional" refers to correspondences concerning government entities not under the jurisdiction of the OIG. "Other" includes correspondences related to other entities such as private organizations, homeowner's associations, etc.

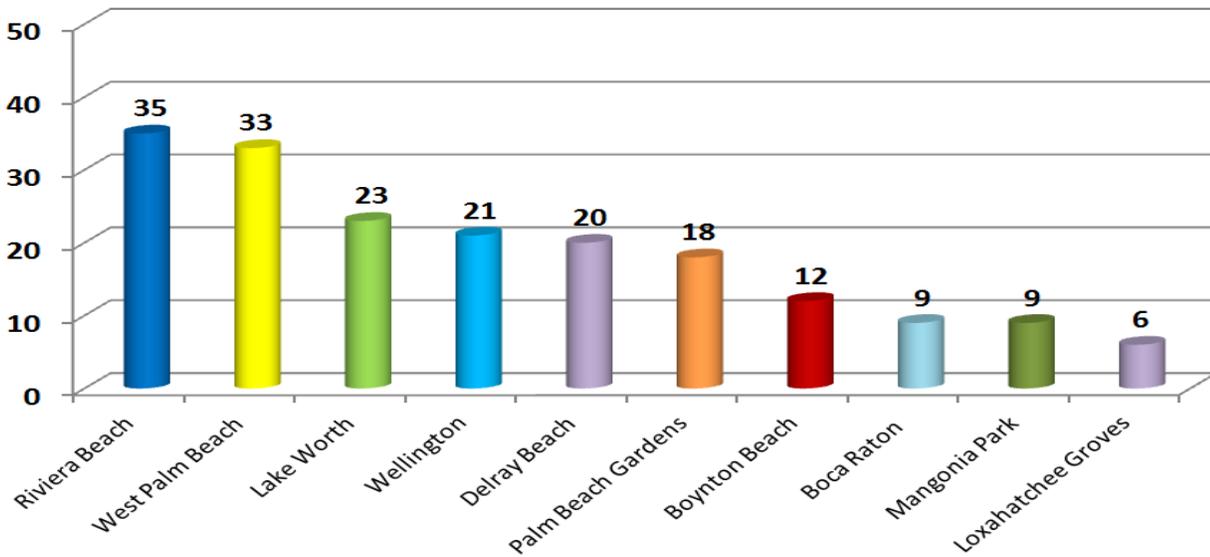
CORRESPONDENCES BY COUNTY DEPARTMENT (TOP 10)

Of the 433 correspondences processed, 87 involved County Departments. The following is a breakdown of correspondences by the **Top 10** County Departments.



CORRESPONDENCES BY MUNICIPALITIES (TOP 10)

Of the 433 correspondences processed, 228 involved Municipalities. The following is a breakdown of correspondences by the **Top 10** Municipalities.



Section C – Office of Inspector General Activities

ALLEGATION TYPES

Of the 433 correspondences processed, 325 were complaints which contained a total of 429 allegations of potential wrongdoing. Of those 429 allegations, 241 were identified in the following top eight categories:

ALLEGATION TYPES		ALLEGATION TYPES	
Employee Misconduct	107	Falsification, Omission, or Misrepresentation	11
Contract Improprieties	67	Theft	8
Financial Improprieties	25	Computer-Related Misconduct	5
Failure to Release Public Records	13	Misuse of property or Personnel (Non-Computer)	5

INVESTIGATIVE DISPOSITIONS

When there is reason to believe that a law, rule, policy, or procedure may have been violated, an Investigation or Management Review is initiated. When potential criminal violations are discovered, the OIG coordinates with local law enforcement agencies, the State Attorney's Office, or the US Attorney's Office. The nine Investigations and six Management Reviews issued in fiscal year 2012 resulted in **\$3,337,175** of identified and questioned costs, of which **\$44,185** in restitution has been recovered. An additional **\$180,032** associated with the prior year's identified costs was also recovered during fiscal year 2012 bringing the total recovered this year to **\$224,217**. The nine completed Investigations resulted in the following:

- **6 Arrests**
 - **4 Convictions**
 - **2 Pending Judicial Action**
- **1 Termination of Employment**
- **Identified Costs: \$41,827**
- **Recovered Costs: \$224,217⁸**

The six completed Management Reviews resulted in the following:

- **Questioned Costs: \$3,132,004**
- **Identified Costs: \$163,344**

Summaries of the OIG reports issued and corrective actions implemented can be found in the Appendix of this report. Issued reports, in their entirety, and subject responses are all posted to the OIG website at: <http://www.pbcgov.com/OIG/reports.htm>.

⁸ It is noted that \$180,031.71 of FY2012's Recovered Costs are associated with cases closed during fiscal year 2011.

RECOMMENDED CORRECTIVE ACTIONS

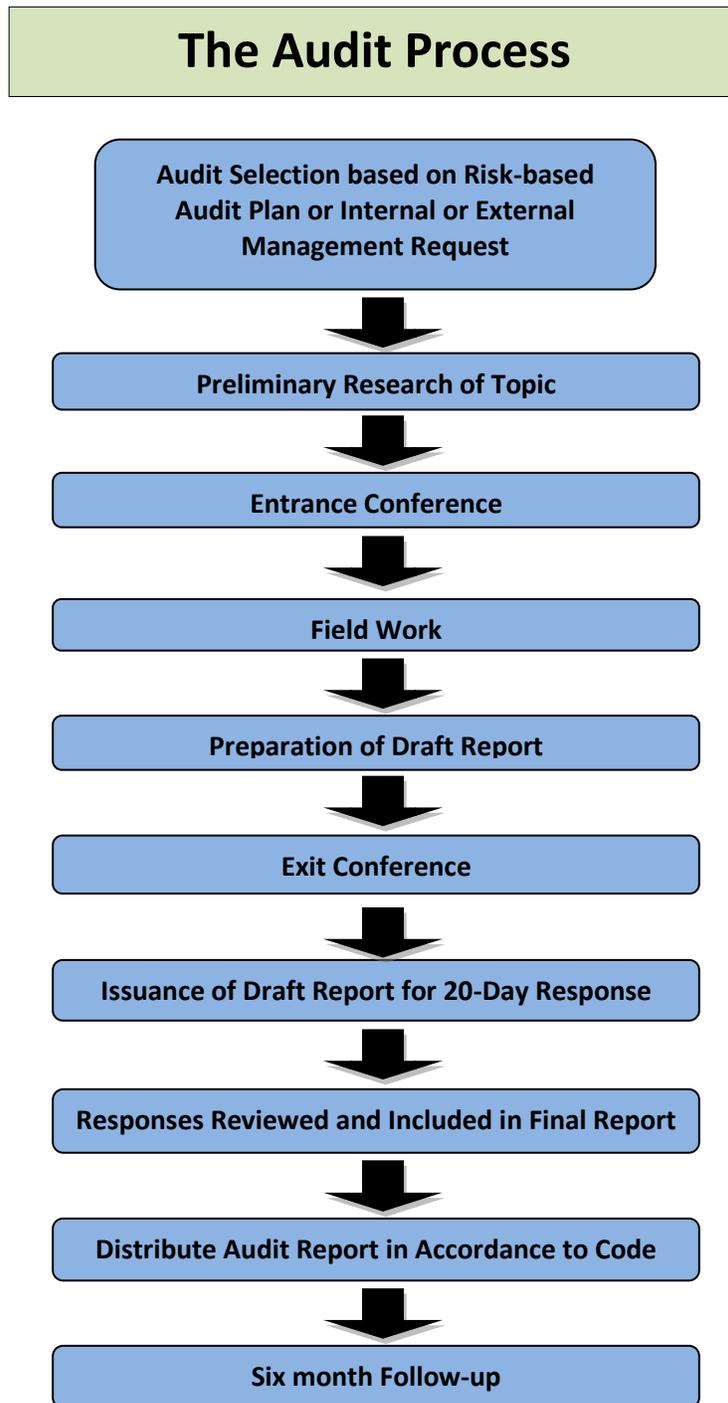
Corrective Action Plans (CAPs) are an important element to every Investigation and Management Review. Recommended CAPs are developed throughout each work product. Recommendations typically include taking appropriate personnel action or changing and/or creating policy and procedures in an effort to tighten controls and avoid future issues. The recommended CAPs are forwarded to the appropriate manager, administrator, etc. for their review and consideration. A response is requested from management, due within 20 days, identifying what actions have or will be taken. Subsequent follow-up occurs on an as-needed basis.

During this reporting period, **39** CAPs were recommended by the Investigations Unit. The status of those recommendations are as follows:

- **33** CAPs (85%) were implemented.
 - **15** Policy or procedural changes were either created and/or updated.
- **5** CAPs (13%) were accepted for implementation, but are pending approval by their respective boards, unions, etc.
- **1** CAP (2%) was not implemented (Management Review 2011-0013).

PUBLIC RECORDS REQUESTS

The Intake staff process all public records requests for the OIG. During fiscal year 2012 a total of **45** public records requests were processed. A total of **\$1,962** was collected from the requestors to offset the costs of complying with the public record requests.



AUDIT UNIT



The Audit Unit is responsible for providing independent audits and reviews of the operations and activities of the County, municipalities and other government entities within the OIG's jurisdiction. Our audits are intended to add value by helping management strengthen internal controls, prevent fraud, waste and abuse and identify opportunities to operate more efficiently and effectively. All audits are performed in accordance with Generally Accepted Government Audit Standards and the International Standards for the

Professional Practice of Internal Auditing.

All audit staff received certification from the Association of Inspectors General (AIG) as Certified Inspector General Auditors. The certification followed extensive training in both Generally Accepted Government Auditing Standards (Yellow Book) and the International Standards for the Practice of Internal Auditing (Red Book). In addition, the Director of Audit successfully completed the AIG's Certified Inspector General course.

We also continually look for ways to increase our staff's audit capabilities through use of automated tools. This year we began using an audit data analysis tool that enables us to download large transactional data files and perform data analysis and audit sampling. We have utilized this software on several audits and we recently used it to assist our Office of Investigations to extract samples from several large data files.

HIGHLIGHTS OF COMPLETED AUDITS

During the past year we issued four reports with total identified and questioned cost of **\$67,705**. Three of the four were as a result of information received from the OIG Investigation's Intake process. The four audits involved the County's Palm Tran Connection, two municipality purchasing and fuel card programs, and at the request of the Children's Services Council, a review of their audit and compliance function.

Collectively these four reports contain **59** recommendations to strengthen internal controls and improve the efficiency and effectiveness of operations. Management has implemented or is in the process of implementing **58** (98%) of our recommendations. **One** recommendation included in the Audit #2012-A-0002 was not implemented. The reports and management's response can be found at <http://www.pbcgov.com/OIG/reports.htm>. A brief summary of the findings and recommendations are also contained in the Appendix of this report.

AUDITS IN PROCESS

In addition to the four completed audits, there are five audits in process. We are completing a comprehensive audit of the OpenSky Public Safety Radio System run by the Municipal Public Safety Communications Consortium, a non-profit government corporation. We initiated this audit after a series of media reports indicating concerns by the City of West Palm Beach regarding the cost and performance of OpenSky. *(Report issued November 30, 2012 and will be covered in our next annual report)*

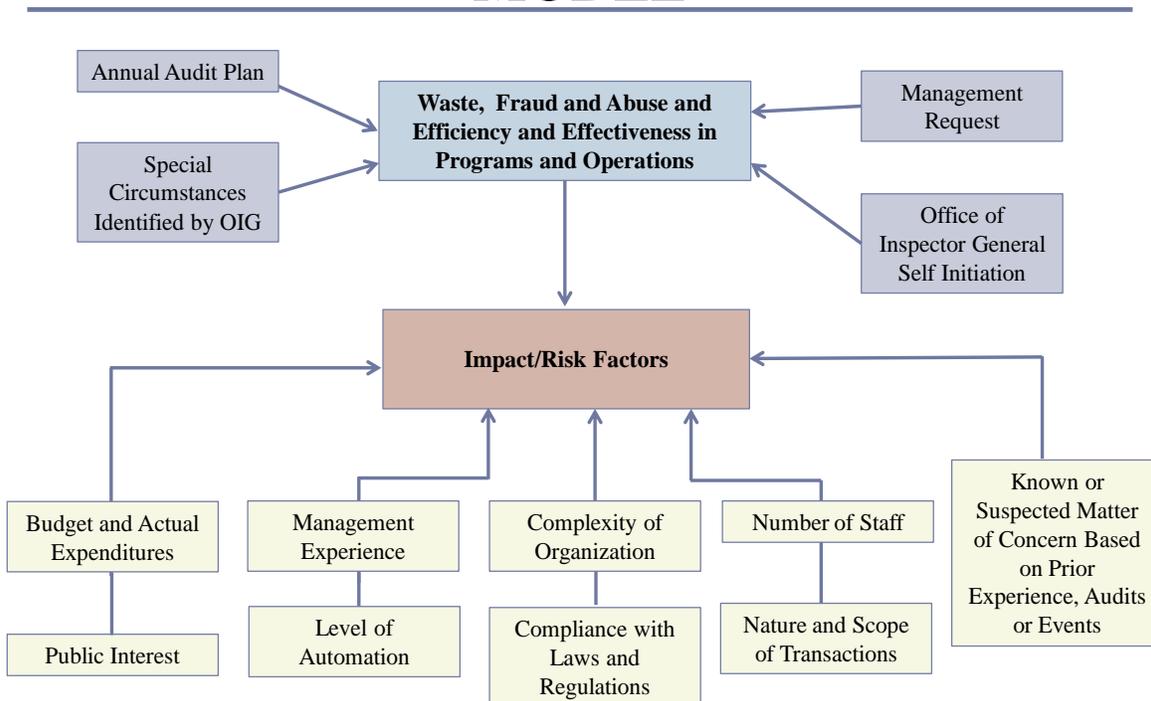
Section C – Office of Inspector General Activities

We are also conducting audits at all three Special Districts under our jurisdiction. Current audits include the Health Care District's Coordinated Care Recipient Eligibility Program; Solid Waste Authority (SWA) Franchise Agreement with a waste hauler (*Report issued December 3, 2012 and will be covered in our next annual report*); and Children's Services Council expenditures of selected Agency providers. Finally we initiated two audits of purchase card activities at two more municipalities after performing a risk analysis on the level of purchase card and fuel card activity in the local governmental entities under our jurisdiction.

AUDIT RISK ASSESSMENT

As we continue to become more familiar with the operations of the County, municipalities and special districts through our audit work and research, we will begin to develop a risk assessment profile of programs, and operations under our jurisdiction. As part of that process, we have established our risk assessment model that will guide our assessment of audit risks and will assists us in establishing our priorities for our Annual Audit Plan. We will continue to update and refine the model as we gain more knowledge and experience with the operations under our jurisdiction. The following flow chart depicts our risk model.

OIG AUDIT RISK ASSESSMENT MODEL



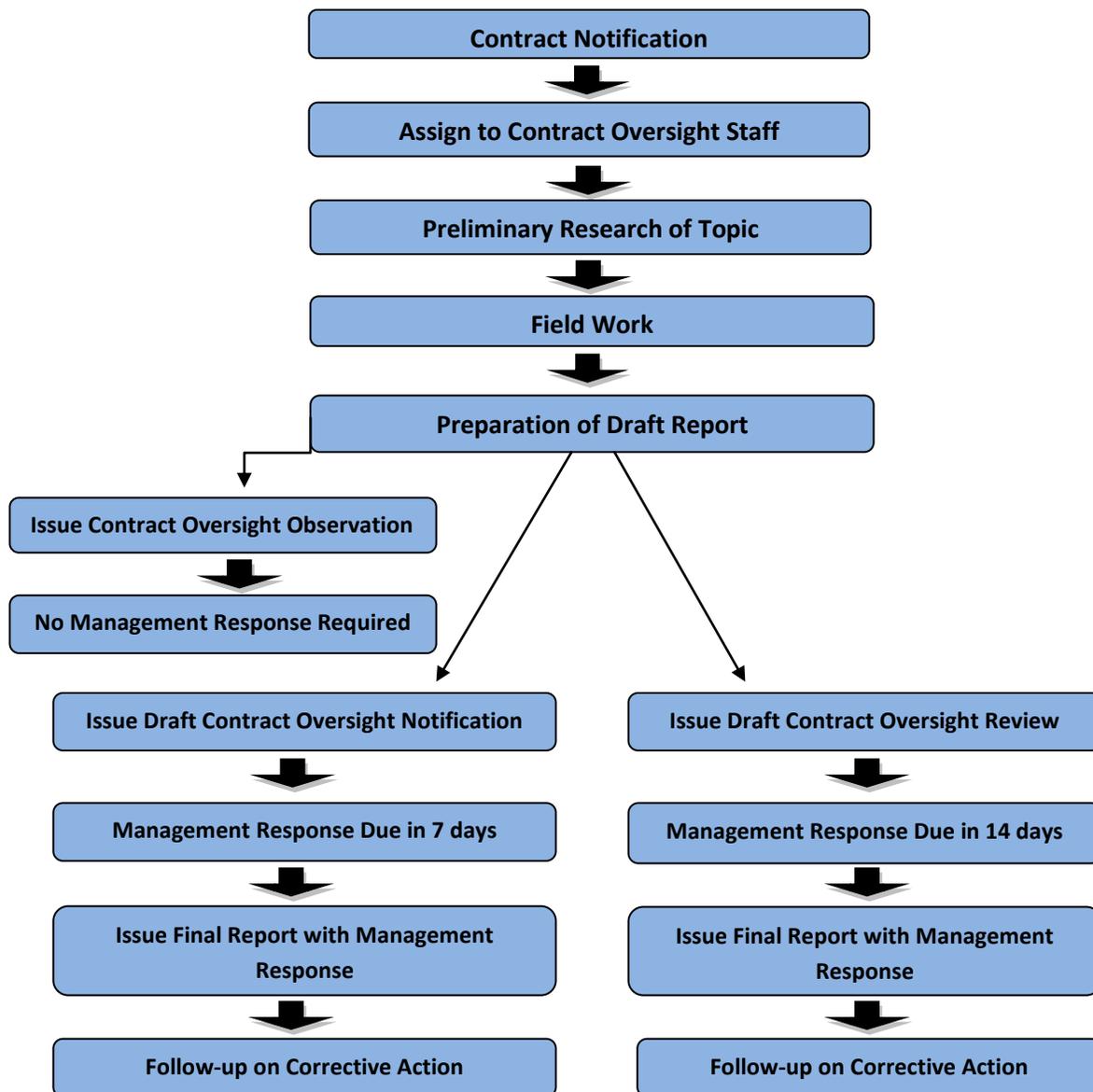
ANNUAL AUDIT PLAN

Over the next year, in addition to completing the audits in process we will continue to focus our audit resources on areas of high risk for fraud, waste and abuse, as well as areas where costs can be reduced or revenue increased. Areas under consideration include: control and disposition of fixed assets; telecommunication costs; monitoring and use of grant funds; management of revenue contracts; and, assignment and use of take home vehicles. We will also be evaluating information security controls at several entities under our jurisdiction.

OTHER ACTIVITIES & OUTREACH

The Audit Unit continues to coordinate their audit activity with the Palm Beach County Internal Auditor and attends the quarterly Audit Committee meetings. The Audit Director has also participated with the Inspector General in several outreach presentations, to discuss the role of the Inspector General and the Audit function, including one at Florida Atlantic University and one for the Palm Beach County Chapter of the Institute of Internal Auditors. The Director of Audit and the Inspector General are also participating as part of a focus group on an initiative to improve the Institute of Internal Auditors delivery of programs and services specifically aimed at the government auditing sector.

The Contract Oversight Process



CONTRACT OVERSIGHT UNIT

The Contract Oversight unit is responsible for reviewing procurement and contracting activities of the County and municipalities and other government entities within the OIG's jurisdiction. The goal of the Contract Oversight Unit is to promote accountability, integrity, and efficiency throughout the procurement and contracting processes. To that end, we:



- Initiate, conduct, supervise and coordinate oversight activities to detect, deter, prevent and eliminate fraud, waste and abuse in county and municipal government procurement;
- Periodically attend contract selection meetings and provide feedback, where appropriate;
- Conduct contract oversight reviews of an entity's procurement process which may result in recommendations to address shortcomings, irregularities and/or opportunities for improvement;
- Conduct procurement and fraud awareness training for county and municipal employees and vendors/contractors; and
- Promote full and open competition and arm's-length negotiations with vendors and contractors so that public funds are used in the most efficient and effective manner.

The County Code, Article XII, Sec 2-423 (8) requires the Inspector General to be "notified in writing prior to any duly noticed public meeting of a procurement selection committee (sealed bids or negotiations) where any matter relating to the procurement of goods or services by the County or Municipality is to be discussed." Notifications are sent to igcontracts@pbcgov.org.

Contract Oversight staff currently certified as Fraud Examiners also received certification from the Association of Inspectors General (AIG) as Certified Inspector General Investigators. The certification followed extensive training in Principles and Standards for Offices of Inspectors General (Green Book) and the Inspector General Accreditation Standards. In addition, the Chief of Operations successfully completed the AIG's Certified Inspector General Auditor course.

CONTRACT OVERSIGHT REPORT TYPES

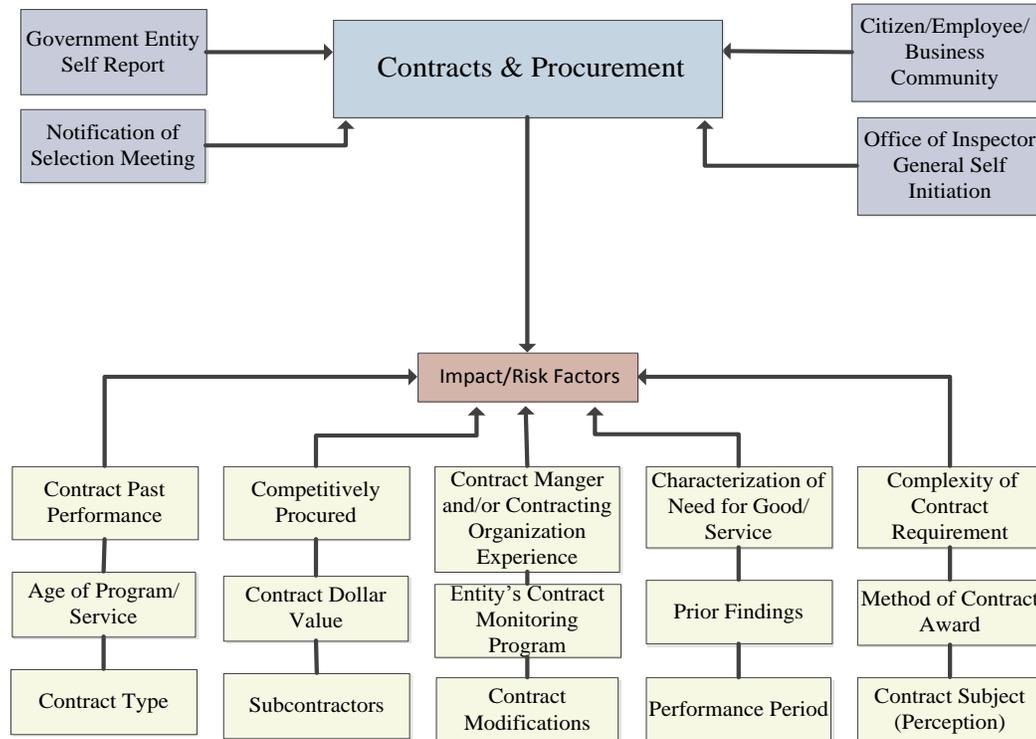
Contract Oversight results are reported to management in one of the following formats:

- ***Contract Oversight Observation*** – a letter to management identifying activities in the procurement process that do not comply with established policy and procedures. A response to the OIG is not required as OIG recommendations are not made.
- ***Contract Oversight Notification*** – an official notification to management identifying material weaknesses in the procurement process that may, or may not, comply with established policy and procedures. The OIG will make recommendations and request a response from management.
- ***Contract Oversight Review*** – a detailed report based on an in-depth review of one or more procurement process/activity/area that identifies risk(s) and irregularities, and opportunities for improvements. These may be initiated in response to a complaint or expressed concern; at the request of management as a tool for program improvement; or, as a result OIG staff's risk assessment. The OIG will make recommendations and request a response from management.

Section C – Office of Inspector General Activities

In addition to being notified of procurement selection committee meetings that have been publicly noticed, the Contract Oversight Unit also reviews meeting agendas and minutes to identify areas or situations where the integrity of the procurement process may be at risk. When an indication of such risk occurs, staff reviews the situation to determine the significance and probability of the risk. The following Contract Oversight Assessment Model outlines the factors that are considered:

Contract Oversight Assessment Model



CONTRACT OVERSIGHT REPORTS ISSUED

The Contract Oversight Unit issued **16** reports during fiscal year 2012; **4** Observations, **11** Notifications, and **1** Review. The 16 reports included questioned and identified cost of **\$913,592** and **21** recommendations for improvements, of which, **14** (67%) have been implemented or are being implemented and **7** (33%) have not been implemented. The following Contract Oversight Notifications include recommendations that have not been implemented: **2011-N-0006, 2012-N-0002, 2012-N-0003, 2012-N-0004, and 2012-N-0007.**

Section C – Office of Inspector General Activities

The most frequent recommendation, occurring 7 out of 21 times, was for the entity to adhere to its own policy and procedures pertaining to procurement of goods and/or services. The detailed reports and management’s responses can be found at <http://www.pbcgov.com/OIG/reports.htm>. A brief summary of the findings and recommendations are also contained in the Appendix of this report.

Procurement personnel working for the entities within OIG jurisdiction have articulated that OIG presence helps to ensure the integrity of the selection process and assists them in facilitating more efficient and equitable selections. During fiscal year 2012, we proactively observed **197** procurement/contracting related activities. These activities included such things as: selection committee meetings, contract review committee meetings, pre-construction meetings and construction site visits.

• County Selection Committees	41
• County Contract Review Committee	31
• County Meetings	38
• Municipal Selection Committees	18
• Municipal Meetings	19
• Other Covered Entities – Selection Committees	17
• Other Covered Entities - Meetings	<u>33</u>
TOTAL	197

Sound effective selection processes mitigate the risks of bid protests which can be costly to entities and vendors.

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**INVESTIGATIVE ACTIVITIES COMPLETED – COUNTY DEPARTMENTS
(October 1, 2011 thru September 30, 2012)**

Summary of Limited Reviews Completed

Case Number

2012-0017 Water Utilities Department – Overpayment

The County Administrator requested the OIG review a potential overpayment to a County vendor totaling \$89,482.00. The OIG review subsequently determined the following:

The total overpayment to the County vendor was \$11,917.00 in labor costs associated with the installation of two pieces of equipment that was actually completed by Department staff.

Corrective Action:

1. Recoup the overpayment totaling \$11,917.00 in labor costs paid to Carter|VerPlanck for installation services actually performed by WUD staff related to the rectifiers.

On March 1, 2012, Carter|VerPlanck agreed to refund the overpayment to the County (via payment credit) in the amount of \$11,917.00.

2. Review WUD internal policies and procedures to ensure that appropriate contract monitoring is being conducted.

During the course of the OIG's review, WUD issued an internal policy (WUD PPM-L-020) addressing the payment and administration of construction contracts. It states that "...it is the responsibility of the requestor to schedule, follow, and track all contracted services. The requestor must report any irregularities or issues to WUD procurement."

3. Review WUD PPM-L-020 as it pertains to the "payment and administration of construction contracts" and consider other language that would not limit the scope to construction contracts.

WUD left PPM-L-020 as is to stay in line with County PPMs that differentiate Construction and Non-Construction contracts. PPM WUD-L-004 was updated per recommendation.

Summary of Management Reviews Completed

Case Number

2012-0016 Human Resources – Leadworker Pay

County employees are erroneously receiving Leadworker pay even though they do not meet the specific requirements outlined in the Palm Beach County Payroll Policy.

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Corrective Action:

1. Review Leadworker status of those employees identified as not eligible based on PBC Payroll Policy and take appropriate corrective action.

The County's review of Leadworker status of the identified employees is still pending.

2. Ensure compliance with PBC Payroll Policy prior to approval of leadworker status.

A new policy has been drafted and is pending approval.

3. Implement a policy which requires an ongoing review of an employee's continued eligibility to receive Leadworker pay.

The new policy will require re-certification of Leadworker every 6 months and new software is being implemented in 2013 that will enhance management's ability to monitor Leadworker pay.

Summary of Investigations Completed

Case Number

2011-0010

Facilities Development & Operations – On Call Policies and Vehicle Crash

Whistle-Blower

A Fleet Maintenance Division Automotive Technician violated County policy by handling an “on-call” emergency over the telephone, even though he was not physically located within the County, in order to receive overtime pay. **Not Supported**

A Fleet Maintenance Division Fleet Operations Supervisor failed to make the appropriate notifications after being involved in an accident in his County-issued vehicle. **Not Supported**

A Fleet Maintenance Division Fleet Operations Supervisor and Director authorized the repair of an employee's vehicle with knowledge that it had been involved in an accident and that it had not been properly reported. **Not Supported**

Corrective Action:

1. FMD develop a written procedure that addresses the roles and/or duties in an “on-call” status, to include procedures that outline requirements for primary and secondary responders, as well as specify what constitutes being “in the area.”

FMD developed a new policy addressing the OIG recommendation; however, implementation is pending Union negotiations.

2. Once written procedures are developed, FMD should ensure that all employees receive a copy of and acknowledgement of their understanding.

Implementation is pending Union negotiations.

3. FMD develop a procedure to document daily operator's checks of assigned County vehicles, to include documented inspections of the vehicle exterior, by both the operator

Section D – Appendix

and their supervisor.

FMD updated their procedures to include documentation that must be completed by the user before and after using a vehicle.

2012-0020 Airports Department – Purchasing

A County Airports Department Supervisor’s personal relationships with a **Not** provider(s) were a potential conflict of interest that resulted in financial **Supported** benefits to the vendor(s) and/or himself.

Corrective Action:

1. Consider enhancing existing Airports procurement procedures that require the inclusion of a written justification when procuring goods and/or services that are not on a Master Agreement.

A new procedure was implemented (during the course of the investigation) requiring detailed information and Director approval for all purchases not on a Master Agreement.

Summary of Criminal Investigations Coordinated with Law Enforcement

Case Number

2011-0001 Housing & Community Development – Provider Fraud

Guardian Financial Network, Inc. (a for-profit mortgage brokerage company) representatives advised County clients that prior to release of County funds, “donations” would have to be made to Real Estate Education and Community Housing, Inc. (REACH), a non-profit company acting as a liaison between the County and the Client during the application process.

Following a criminal investigation, it was disclosed that in at least 11 out of 20 applications submitted to the County by REACH, Guardian fraudulently obtained at least \$16,640.00 in additional fees from clients, which were not legally authorized.

Corrective Action:

1. Take immediate action to review all pending applications submitted by REACH.

HCD worked with all applicants (where Guardian was involved) to provide assistance.

2. As the Florida Office of Financial Regulation has executed an Emergency Suspension of Guardian’s license, as well as the licenses of the aforementioned individuals, take immediate action to review all pending applications involving Guardian, regardless of whether or not the applications were submitted by REACH.

HCD reviewed all files and worked with the County Attorney’s Office and OFR to fund pending Guardian loans where the purchaser would be homeless, at risk of homelessness, or financially harmed. Proceeds that would normally be paid to REACH will be placed in escrow, pending legal actions.

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3. In an effort to protect the applicant, consider implementing a process to ensure that the applicant understands what are considered allowable and appropriate charges and where those charges appear on the closing documents and/or HUD statement.

HCD requires homebuyer applicants to participate in an eight hour Homeownership Counseling program, which includes discussions about allowable and appropriate charges concerning HUD statements. Additionally, HCD is staffed with both Spanish and Haitian Kreole speaking staff for applicants whose primary language is not English.

Five Guardian employees were arrested and charged with Grand Theft, Organized Scheme to Defraud, and/or Money Laundering. Upon arrest, the Florida Office of Financial Regulation (OFR) suspended the licenses of the five individuals. Four of the five individuals have been convicted, while one is awaiting trial. Revocation of licensure is still pending OFR decision.

INVESTIGATIVE ACTIVITIES COMPLETED – MUNICIPALITIES (October 1, 2011 thru September 30, 2012)

Summary of Limited Reviews Completed

Case Number

2011-0013 Loxahatchee Groves (Town) – Computer Access and City Expenses

The Town Manager requested the OIG's assistance in reviewing a former Town employee's access to the Town's computer database and whether or not the Town was continuing to pay for storage of that same employee's belongings. The OIG subsequently determined the following:

- a. The employee continued to have access to the Town's computer database because her access was not terminated at the time of departure. The employee denied deleting or changing any files and that she only accessed and copied a publicly available file.
- b. The employee advised that there was an oral contract with the building owner and that the Town has never paid for her personal storage unit. The building owner confirmed that information.

Corrective Action:

1. Create and implement computer security policies, which include, but are not limited to a policy that addresses immediate termination of access to the Town's computer systems and/or databases upon the conclusion of a staff member's employment.

The Town advised the OIG that it believes that many policy actions are needed, but at this time the policy related to immediate termination of access at the conclusion of a staff member's employment would be addressed in the future.

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2012-0013 South Bay (City Manager) – Statutory Limitations on Lump Sum Payments

An anonymous complainant requested that the OIG review a recent lump sum payment, as well as recent provisions added to the City Manager’s employment contract(s). The OIG subsequently determined the following:

Effective July 1, 2011, Florida Senate Bill 88 removed provisions from Section 166.021(7), Florida Statutes, that previously allowed municipalities to provide for “an extra compensation program, including a lump-sum bonus payment program, to reward outstanding employees whose performance exceeds standards...”

Furthermore, Senate Bill 88 amended Section 215.425, Florida Statutes, to require units of local government to include in all employment agreements (or renewing an existing agreement) that certain severance pay provisions include language that limits the amount of severance pay to a maximum of 20 weeks.

- a. Because § 166.021(7), F.S. did not go into effect until July 1, 2011, the previously agreed-upon lump sum payment did not appear to be a violation.
- b. The City Manager’s updated Employment Agreement contained new provisions that were in conflict with the recent changes to Florida Statutes regarding the length of severance pay and performance-based bonus compensation.

Corrective Action:

1. Section III.a. of the Updated Employment Agreement, dated August 2011, should be changed to not exceed the amount of severance pay allowed by Florida Statutes.

The City updated the Employment Agreement to comply with Florida Statutes.

2. Section IV.c. of the Updated Employment Agreement should be changed to remove “an extra compensation program, including a lump-sum bonus payment program, to reward outstanding employees whose performance exceeds standards...” to be in accordance with Florida Statutes.

The City updated the Employment Agreement to comply with Florida Statutes.

Summary of Management Reviews Completed

Case Number

2011-0007 Lake Worth (City) – Lease Agreements

The City did not execute and/or monitor their lease agreement with a lessee, which resulted in the loss of utility revenue to the City.

The City leased its own property to non-profit entities at reduced rates, while at the same time the City leased commercial property to house City employees at substantially higher rates.

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Corrective Action:

1. The City take appropriate measures to address the situation with the Community Development Corporation (CDC) to determine the desired lease terms and ensure that all contracts/leases are properly executed, effectively monitored, and in the best interest of the City and its taxpayers. Further, identify methods implemented that all contracts/leases are properly executed, effectively monitored, and in the best interest of the City and its taxpayers.

The City negotiated lease terms with the CDC, to include the CDC's responsibilities for rent and utilities. The City also implemented a new policy regarding leasing of City Facilities, which included the OIG's recommendations.

2. If the City approves a lease agreement with the CDC, measures should be implemented whereby accurate billing information regarding CDC's utility costs can be determined.

The City notified the OIG that the CDC's building had already been metered for electric service and that the Water Utilities Department would install a separate water meter to capture the CDC's actual water and sewer usage.

3. Based on the City's executed lease agreements with the CDC, seek reimbursement for utility costs incurred by the City on behalf of the CDC.

The City billed the CDC for the 2012 calendar year. Because there was no initial reading, it was not possible for the City to determine with any accuracy what the bills for prior periods would be.

4. Prior to any leasing of commercial space for its employees, the City conduct a cost/benefit analysis of leasing commercial property versus using City-owned property.

The City ended the practice of housing City employees in commercially leased spaces. The City also implemented a new policy regarding the leasing of City facilities.

2012-0012 Riviera Beach (City) – Utility Services and Procurement

The City failed to properly bill a business for water services resulting in a loss of revenue to the City.

The City contracted with a Professional Engineer without a competitive procurement.

Corrective Action:

1. Recoup payment for unbilled water services to the Hospital.

The City collected \$32,267.89 as payment in full from the Hospital.

2. Create inter-departmental procedures specifically addressing the establishment of billing accounts and the responsibilities for each department.

The City implemented a program whereby Department heads are required to sign a form indicating that all necessary requirements for new businesses have been completed, including billing, to ensure that this does not occur in the future.

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3. Terminate Mr. Samadi's contract and enter into a contractual relationship for such services, if needed, in accordance with § 287.055, Florida Statutes (CCNA) and City Code.

Mr. Samadi terminated his contract with the City.

2012-0014 Boynton Beach (Utility Department) – Security

A lack of physical security and inventory controls at the City of Boynton Beach Utility Department resulted in an environment susceptible to theft(s) of City-owned equipment and/or property by an employee.

A lack of policies and procedures at the City's Utility Department resulted in an environment susceptible to theft(s) of City-owned scrap metal by an employee.

Corrective Action:

1. The City take appropriate measures to ensure that all security devices are functioning properly.

Prior to the OIG's involvement, the City initiated appropriate measures.

2. The City take appropriate personnel action.

The employees are no longer employed by the City.

3. The City ensure that all City-owned equipment and/or property in all facilities is appropriately accounted for and/or inventoried.

The City completed this action and notified the OIG that a sign-in/out system has been in place since 2007 and will continue to monitor for use.

4. The City implement a policy outlining procedures for staff related to the removal and/or disposal of scrap metal from City property, specifically addressing the removal and/or disposal of both large and small scrap metal items.

The City implemented a policy in accordance with the OIG's recommendations.

5. The City consider implementing a procedure requiring employees assigned to remove City-owned property, which includes scrap metal, provide attestation to the removal and/or disposal of all items.

The City implemented a procedure in accordance with the OIG's recommendations.

2012-0015 West Palm Beach (City Attorney) – Policies and Procedures

The City failed to promptly notify the OIG concerning allegations of possible time and attendance theft by City employees.

The City failed to develop and implement procedures to comply with its obligations under Section 2-423, Article XII, Palm Beach County Code of Ordinance.

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A City official was not aware of the requirements under Sections 112.3187-112.31895, Florida Statutes (the “Whistle-blower’s Act”).

Corrective Action:

1. The City should coordinate with the OIG to develop a reporting procedure for promptly notifying appropriate matters to the OIG, in accordance with the Ordinance.

The City has met with the OIG and is in the process of final approval from the City’s Policy Working Group review.

2. The City should develop a procedure which addresses potential “Whistle-blowers,” to include to whom such reports should be filed. While the Inspector General, Palm Beach County, is designated in the Ordinance as an “appropriate local official” for Whistle-blower complaints, if the City wishes to designate an additional “appropriate local official,” it should specify that option in its policy.

The City has met with the OIG and is in the process of final approval from the City’s Policy Working Group review.

3. If the City designates an “appropriate local official,” in addition to the Inspector General, Palm Beach County, it is recommended that the policy include the procedures by which their “appropriate local official” will determine whether a reporting individual qualifies for the protections provided by the Whistle-blower’s Act. Included in that policy must be measures that will be employed to protect the confidentiality of the complainant’s name and identity, as required in Sections 112.3187-112.31895, Florida Statutes.

The City has met with the OIG and is in the process of final approval from the City’s Policy Working Group review.

4. Upon implementation of Recommendations #1-3, the City should ensure that all employees are informed of their rights and responsibilities, to include their right to report information directly to the OIG.

The City has met with the OIG and is in the process of final approval from the City’s Policy Working Group review.

2012-0018 Riviera Beach (City Council) – Procurement

The City Council failed to follow City procurement rules, as well as the criteria set forth in Request for Proposal #246-09, in awarding a contract for solid waste services.

The City Council’s request for monetary donations deemed “community benefits,” prior to the approval of the solid waste services contract, gave the appearance that the contract award was based on the amount of community benefits obtained by the City Council.

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Corrective Action:

1. Although the City Council has the ultimate authority to award contracts, in order to maintain an equitable process, the City Council should adhere to its own advertised evaluation criteria contained in the RFP. In the event that the City Council disagrees with such criteria or subsequent rankings, the City Council should consider restarting the process.

The City Council advised the OIG that it would endeavor to restart the RFP process when needed.

2. In order to maintain impartiality and the integrity of a contract award process, it is recommended that the City implement the recommendation of the Palm Beach County Grand Jury regarding “slush funds” by eliminating requests and/or acceptance of funding similar to “community benefits” as part of the awarding of contracts.

The City Council advised the OIG that it would no longer ask for community benefits as part of the award process.

Summary of Investigations Completed

Case Number

2011-0014 Riviera Beach (Utility District Board) – Procurement

A City Utility District Board member persuaded other Utility District Board member(s) to vote in a particular manner, prior to and outside of a public forum, concerning a Utility District Board agenda item. **Not Supported**

Corrective Action:

No corrective action was warranted.

2012-0024 Town of Palm Beach (Planning, Zoning, & Building) – Misuse of Position

A Town Official misused his position to steer contractors in need of certain services to a company, which resulted in financial benefits to himself and/or the company and its associates. **Not Supported**

Corrective Action:

1. Conduct periodic audits of all private provider inspections pursuant to Florida Statutes.

The Town established a procedure for conducting periodic audits of private provider inspections and has initiated such an audit.

2. In order to continue the Town’s goal of avoiding the appearance of a conflict of interest, maintain employee’s separation from matters involving the related company.

The Town concurs with this recommendation and will continue to maintain the employee’s separation from the related matters.

3. Review the Eden system and ensure that all levels of access are appropriate to the

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assigned user.

The Eden system was reviewed to ensure that all levels of access are appropriate to the assigned user and further ensured that access by non-employees (i.e., contractors) is restricted to view-only.

4. Implement a written policy or procedure that addresses the termination of access to the Town's computer systems immediately following the departure of a Town employee or contractor.

The Town currently has a policy in place for terminating employees' computer access upon separation from the Town. The Town has instituted an additional protocol requiring the Department to notify Information Systems for contractual employees or private providers.

Summary of Criminal Investigations Coordinated with Law Enforcement

Case Number

2012-0028 West Palm Beach (Water Utilities Department) – Property Theft

A City employee pawned City-owned equipment.

The employee was arrested and charged with Grand Theft, Dealing in Stolen Property, and False Verification of Ownership of Pawned Items. Judicial proceedings are pending.

Corrective Action:

1. Review the current inventory control methods in place and implement a tracking system for all WUD equipment.

The City implemented inventory control methods that utilize a system of sign-in/out sheets, as well as supervisor auditing. The City also extended the inventory control methods to include all City departments.

**AUDIT REPORTS COMPLETED
(October 1, 2011 thru September 30, 2012)**

Summary of Audits Completed

Audit Report

2012-A-0001 Palm Tran – Employee Theft

On August 5, 2011 Palm Tran Management discovered and reported to our office, an alleged theft of three toner cartridges by the Palm Tran Connection (PTC) Senior Secretary. With the assistance of the Palm Beach County Sherriff's Office, it was determined that the alleged theft consisted of 162 items valued at \$18,934 stolen over a three year period. Our subsequent audit identified a number of internal control weaknesses including lack of segregation of duties and several physical control weaknesses. During the audit, we noted that the Senior Secretary was also the payroll "timekeeper" for PTC and we expanded our scope to review the payroll function at PTC. We identified a number of internal control deficiencies related to the payroll function. This audit resulted in questioned costs of \$7,737.55

Recommendation:

1. Management needs to ensure that appropriate segregation of duties are maintained in Advantage and are carried out in practice. The individual with authority to initiate purchases should ensure those purchases are necessary and the individual with authority to certify receipt should verify that goods have been received.

Implemented

2. PTC purchasing procedures should include a review of the purchasing trends for consumable supplies.

Implemented

3. Palm Tran Connection should maintain a documented inventory of spare parts and toner cartridges and those items should be stored in a secure environment.

Implemented

4. The inventory should be reviewed periodically to ensure that the minimum number of items needed is maintained and excess items are disposed of in keeping with "best business practices".

Implemented

5. Redacted pursuant to 119.071 (3) F.S. due to findings involving physical security.

Implemented

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6. Redacted pursuant to 119.071 (3) F.S. due to findings involving physical security.

Implemented

7. Redacted pursuant to 119.071 (3) F.S. due to findings involving physical security.

Implemented

8. Redacted pursuant to 119.071 (3) F.S. due to findings involving physical security.

Implemented

9. PTC Management needs to review the approval process for the use of overtime, especially in situations where it is combined with the regular use of vacation leave.

Implemented

10. Palm Tran management should complete the current efforts underway to establish a policy to require formal approval of outside employment for its employees similar to Palm Beach County Merit System Rule 10, Outside Non-County Employment.

Implemented

11. Considering the TMS System will address several control deficiencies identified in this report, we recommend that management conduct a follow-up review of the TMS system to ensure that the key internal controls are working as intended and to evaluate the effect of the locking of files procedure prior to implementing the automated upload of payroll data to Time Server.

Implemented

12. Palm Tran Management needs to ensure that agreed upon audit recommendations are implemented timely.

Implemented

2012-A-0002 Village of Wellington – Purchasing/Fuel Card Programs

Although we found that overall the Village had an adequate system of internal controls for purchase cards (p-card), we did identify 330 transactions totaling \$28,597 where we questioned the public purpose and public benefit for those transactions. This included: meals at local restaurants for employee meetings; food purchased for office meetings and training; meals, and other items purchase for a year-end holiday party, a birthday lunch and a retirement party; and, snacks, refreshments and coffee provided year-round for Village employees. We recommended that the Village re-evaluate whether to allow these type of expenditures using public funds. In all we made 11 recommendations to strengthen

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controls over purchase card and fuel card activities. This audit resulted in questioned costs of \$28,597 and identified costs of \$915.61.

Recommendation:

1. The Village should re-evaluate the use of p-cards to purchase items that do not have a clear public purpose. This should include enhancing the current p-card policies and procedures to identify additional items that are prohibited and, if appropriate, who has authority to approve exceptions.

Pending

2. The Village should require reimbursement for all p-card purchases that do not have a clear public purpose.

Not Implemented

3. The Village where cost effective, should follow-up on the recovery of sales taxes previously paid.

Pending

4. The Village should conduct refresher training for all p-card users addressing the Village's policies on p-card use for prohibited purchases, required supporting documentation, and exemption from sales tax and tipping guidelines.

Implemented

5. Monthly cardholder statement reviews should include a determination that there is adequate supporting documentation detailing the reason/purpose, attendees, and detail of meals and beverages purchased. The supporting documentation should be retained so that it is readily available for post transaction reviews.

Pending

6. The threshold and security requirements for the master p-card should be specified in the approved Village p-card policy. Procedures should be included regarding physical custody of the master p-card in the event a card is reacquired.

Pending

7. Given that the master p-card limits have been raised, the Village (Wellington) should consider more frequent or random supervisory review of the master p-card activity above the monthly reviews currently performed.

Pending

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8. The Village (Wellington) should explore the feasibility of establishing a separate account for the master p-card that can provide the Village more flexibility to further that account.

Pending

9. The Village management should develop written policies and procedures for the fuel card program. The policy should include procedures to address issuance, monitoring and use of fuel cards; limits for small equipment and asset cards; and formalizing monitoring and reporting activities that identify patterns/trends of anomalies in fuel card transactions such as: holidays, weekends, and before/after normal work hours.

Pending

10. The Village (Wellington) should amend the law enforcement services agreement with PBSO to stipulate access to and customary billing for fuel.

Implemented. An amended agreement was not needed since the PBSO has ceased using the Wellington pump stations except in cases of emergency.

11. The Village (Wellington) should develop written policies and procedures for charging and billing internal and external customers.

Pending

2012-A-0003 City of Pahokee – Fuel Card & Credit Card Programs

We found that an absence of policies and procedures, poor practices in the use of fuel cards and insufficient transaction monitoring created a weak control environment and significantly increased the risk that fraud and abuse could occur and go undetected. We identified 390 out of 1886 transactions (21%) that were conducted in a manner that bypassed the controls established to ensure accountability over the City's fuel program. We also identified six City take home vehicles assigned to employees with no information supporting the need. Control over credit card activity was adequate, although we did identify the need to improve documentation supporting credit card transactions. We made 18 recommendations, including eleven designed to significantly improve controls over the fuel program. This audit resulted in questioned costs of \$30,143.40 and identified costs of \$311.66.

Recommendation:

1. The City should develop a comprehensive fuel program policy and related procedures to address:
 - Authority and conditions for the issuance of fuel asset cards, small equipment cards, and employee fuel user cards;
 - Employee training and acknowledgement of responsibilities;
 - Operational use of the cards;
 - Recordkeeping, termination of a card (asset card, small equipment card and

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employee fuel user card); and Management monitoring of consumption and operating procedure compliance.

Pending

2. Train all employees on the City fuel program, including how to properly complete a fuel transaction, and implement sanctions for failure to adhere to the policies and procedures recommended under Finding 1.

Implemented

3. Require all employee fuel card users to sign an acknowledgement that they understand the prescribed procedures, obligations, and stewardship responsibilities of being an authorized employee fuel user.

Implemented

4. Issue employee fuel cards to each employee who is authorized to use a City fuel card as part of their required duties.

Implemented

5. Store fuel asset cards securely in or on the respective asset to minimize the possibility of an employee using an incorrect fuel asset card in the dispensing process.

Implemented

6. Within two days of the acquisition of a new asset, request that PBC Facilities-Fleet Management Division promptly issue a fuel asset card to the City in order to allow the recording of all fuel transactions associated with the asset.

Implemented

7. Repair broken or malfunctioning odometers on City asset vehicles as soon as possible or take the vehicle out of service until repairs can be completed.

Implemented

8. Activate the “Prompt-Validate” feature available through PBC Facilities-Fleet Management Division.

Pending

9. Request that PBC Facilities–Fleet Management Division provide the monthly detailed usage and analytics reports to the City. Ensure that the City Manager or his designee follow-up on any fuel transactions identified as exceptions.

Pending

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10. The City should review the justification for assigned take home vehicles including the City's needs and the associated costs for fuel, maintenance cost, depreciation in value, and potential liability for property damage and personal injury, and document the results of the analysis.

Implemented

11. Determine the tax compliance responsibilities and appropriate fringe benefit valuations, if required, based on IRS Regulations and references such as The Taxable Fringe Benefits Guide, created by the Internal Revenue Service Office of Federal, State and Local Governments (FSLG), and consultation with advisors.

Pending

12. Periodically, management needs to re-emphasize to cardholders the City policy that requires submission of receipts or other supporting documentation and the Finance staff need to ensure that supporting documentation is provided in a timely manner or that a completed lost receipt affidavit is submitted.

Implemented

13. Establish sanctions in the credit card policy and procedures for non-compliance with the prescribed documentation requirements (i.e. suspending card privileges).

Pending

14. The City Commission should consider whether any non-overnight meals serve a public purpose or benefit and require the City Manager to enhance existing policies concerning unallowable expenditures.

Implemented

15. The City Manager should consider requiring reimbursement for the cost of the identified meals and fuel that do not appear to have a clear public purpose.

Implemented

16. Re-establish a comprehensive travel policy that is consistent with expenditure control objectives and in compliance with applicable Florida Statutes, including the following minimum elements:

- Responsibility for budgeting, submitting, reviewing, approving travel requests, travel allowance, travel advances and reimbursement of allowable travel expenditures;
- Documentation requirements; and
- Travel expenditure reporting requirements.

Pending

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17. The City should request reimbursement from the vendors for the \$34.80 in sales tax paid.

Implemented

18. The City should periodically re-issue tax exemption forms to all credit cardholders, and implement effective controls to ensure that in the event state sales taxes are paid, the monies are recovered.

Implemented

2012-A-0004 Children's Services Council – External Quality Review

At the request of Children's Services Council (CSC) senior management we performed an external quality review of CSC's Audit and Compliance Department (ACD). ACD is responsible for performing contract compliance audits for 36 provider agencies which are funded at over \$80 million. We identified a number of opportunities for ACD to improve their approach to auditing provider agency compliance, including adopting a more risk based audit approach, developing a more robust program to review "Lead Agency" service providers and improving sampling methodologies for testing agency expenditures.

Recommendation:

1. For each agency audit, document the risk factors that ACD considered, the resulting audit planning conclusions reached, and audit procedures to be performed based on those conclusions.

Pending

2. Periodically apply a similar approach as in Recommendation (1) to developing a schedule of audits that includes risk-based reviews, to supplement the current approach to performing cyclical audits.

Pending

3. Due to the high relative importance of agency program performance, ACD should provide each agency audit plan to the CSC Program Division Director for review prior to commencing the audit to ensure that the audit will appropriately address agency program performance.

Pending

4. Develop a robust, documented audit approach to Lead Agency audits. We recommend that the approach include periodic audits of subcontractors to verify the quality of Lead Agency monitoring controls.

Pending

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5. Perform a stratified sample, selecting more expenses for review in the first and last month of the program year as those months are considered higher risk, and performing a random sample across the entire period. Note: any specific risk areas identified according to Recommendation (1) should also be included in the selection of expenses to review in detail.

Pending

6. As noted in the “Background” section of this report, agency audits are performed on a 14-16 month cyclical basis, therefore the audits are a “look back” over an extended period. Given that agency expenditure data is readily available to ACD through each agency’s monthly submission of data to CSC Finance, via the internet-enabled fiscal reporting system that CSC requires agencies to use (the “SAMIS” system), we recommend that ACD management direct continuous audit procedures over certain elements of contract compliance, such as payroll and operating expenses, in order to capture non-compliance and instruct corrective agency action on a more timely basis.

Pending

7. The ACD Director should develop a policy on the nature and extent of audit documentation that should be required in the work papers to support the conclusions reached. This may include, for example, spreadsheets detailing what was reviewed and conclusions reached, copies of original agency documents etc.

Pending

8. The ACD Director or designee should cross-check between the audit plan/program and work performed prior to concluding the agency audit.

Pending

9. Document the ACD audit response to audit findings in agency audits to substantiate that audit comfort was gained, that the issue was isolated, or that additional audit procedures were needed in order to gain such assurance.

Pending

10. The ACD Director should document the supervisory review of audit work to substantiate completeness of the work performed and agreement with the conclusions reached.

Pending

11. The ACD Director should develop a documented system of quality control for ACD work, consistent with professional standards (Government Auditing Standards, Institute of Internal Auditor standards).

Pending

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12. Include management's response in agency audit reports, as this will help ensure the quality and value of audit findings, likelihood of implementation, and ability to periodically follow-up on the status. In addition, it reduces the risk that an issue deemed of significance by ACD is dismissed or neglected by others within CSC to whom the issue is passed for follow-up.

Pending

13. To ensure the quality, timeliness, and integrity of follow-up with the agency by the CSC Program Officer (typical relevant party) or other relevant CSC personnel, the CSC Program Division Director, and other relevant management of an area at issue, should attend the Post Audit Meeting where audit results and follow-up should be discussed and planned.

Pending

14. Issue a formal internal report/memorandum to a responsible CSC Director or above, simultaneously with the agency report, for matters discovered in an agency audit that relate to an opportunity to improve CSC internal processes and personnel performance in their monitoring roles.

Pending

15. Formally document professional certification and training goals, and track achievement. Encourage relevant professional certification and training development. Specialized certification and training would enhance staff skill sets used in assessing risks and conducting more complex and higher quality audits.

Pending

16. Implement metrics and compare results to benchmarks and trends to guide continuous improvement in key audit processes.

Pending

17. Use post audit surveys to aid in refining the ACD audit process.

Pending

18. The CSC General Counsel should consider reviewing this matter, and address any exposure that may be present or enhancements that could be realized.

Pending

**CONTRACT OVERSIGHT OBSERVATION REPORTS COMPLETED
(October 1, 2011 thru September 30, 2012)**

Summary of Observations Completed

Observations do not have recommendations

Case Number

2011-O-0005 Village of Wellington – Patriot Memorial

There were three design options presented to Village Council for the Patriot Memorial project; however, the original cost estimate of between \$70,000 and \$80,000 was not fully developed. Subsequently, the Village Council and Staff changed the scope of the Project by obtaining a significantly larger World Trade Center artifact that required additional features. Although the Village Council was continuously informed of, and approved, changes to the Project scope and cost, the total capitalized cost of the Project was \$509,612.

2012-O-0001 Town of Juno Beach – Waste Management Agreement

The Town of Juno Beach Town Council voted to continue negotiations with Waste Management Inc. for a new waste management contract that had not been competed since 1984, or 28 years. The Town Council used two factors to justify their reasoning in not competing the contract: 1) High quality and responsive service; and, 2) Concerns as to whether the Town's staff was capable of managing a Request For Proposals of this magnitude.

2012-O-0002 City of Palm Beach Gardens – Lack of Transparency Council Meeting

The City publicly announced in March 2012, that the solid waste contract with Waste Management, Inc. would be readdressed at Council's regularly scheduled May meeting, but then raised and approved the new contract without advance public notice during its regularly scheduled April meeting. In so doing, the Council arguably deprived the public of its right to be present and heard on this significant matter.

2012-O-0003 Town of Palm Beach – Insurance Agent Selection Committee

The Selection Committee was professional and diligent in their review and discussion of the proposals. The Purchasing Agent served as facilitator providing valuable and accurate information regarding the requirements of the RFQ and the procurement process. She also provided the committee with the information needed to make educated and well-informed decisions. The committee included an external subject matter expert who provided the committee with noteworthy perspective on the services being procured.

Summary of Notifications Completed

Case Number

2011-N-0004 City of Palm Beach Gardens – RFP Emergency Debris & Disaster Recovery Services

A City selection committee conducted a review of eight (8) proposals submitted in response to an RFP for emergency debris and disaster recovery services. All eight (8) of the proposals had been deemed responsive by the selection committee. However, one of the five (5) selection committee members did not assign points to one of the proposals they personally deemed non-responsive to the RFP. Although this jeopardized the validity of the proposal rankings, the outcome of the selection was not affected due to the other selection committee members' rankings.

Recommendation:

Strengthen City procurement procedures to include:

1. Developing and implementing policies and procedures for RFP solicitations and selection committee formation, duties and responsibilities, to include training; and

Implemented

2. Incorporate and describe the meaning of “responsive” and “responsible” in regards to a formal bid or solicitation.

Implemented

2011-N-0006 Town of Palm Beach Shores – Lawn and Landscape Maintenance Services

The Town advertised the Lawn and Landscape Maintenance Services contract as an Invitation to Bid (ITB); yet treated the solicitation as a hybrid procurement that appeared to be a cross between two standard types of source selections, sealed bidding, (typically an ITB) and sealed proposals, (typically a Request for Proposal). Although the Town Council ultimately awarded the contract to the low bidder; the low bidder withdrew from the contract citing the process to which they were subject which included Council's private discussions with each bidder and public comments favoring the incumbent vendor. The Town re-advertised the service with revised language and ultimately awarded the contract to the lowest bidder. Although the original bidders re-submitted bids, none of the three won the award, presumably since the original bids were now a matter of public record; thus providing other bidders a competitive price figure to use in submitting their bids.

Recommendation:

1. The Town should review their procurement policy and procedures to ensure they follow standard procurement processes when making competitive solicitations and awards.

The Town did not concur with this recommendation but took it under advisement.

2012-N-0001 City of Boynton Beach – Lift Station – Pence Park

The City solicited a contract to furnish, install and provide all labor, materials and equipment to complete the City's Regional Lift Station at Pence Park (Project) through an Invitation To Bid (ITB). The City included language within the ITB stating that lowest responsive, responsible bidder would not in all cases be awarded the contract or purchase order and, in addition to the bid evaluation criteria specified, other factors may be considered. The City's engineering consultant conducted "due diligence" evaluations to determine if bidders were "responsible". Based on this evaluation which essentially deemed the lowest bidder non-responsible, the second lowest bidder was awarded the contract. The low bidder protested and the City cancelled the bid with plans to re-issue a new solicitation when the City retained services of an engineer to oversee the project.

Recommendation:

1. The City should review their procurement policy and procedures to ensure they follow standard procurement processes when making competitive solicitations and awards.

Implemented

2012-N-0002 City of Delray Beach – Solid Waste, Vegetative Waste, and Recycling Franchise Agreement

In response to a complaint concerning open competition related to Delray Beach's Solid Waste, Vegetative Waste, and Recycling Collection Franchise Agreement, OIG staff found that the City had not competitively bid the solid waste services contract since 2001. Instead of competitively procuring the solid waste services contract when the contract option expired, the City continued to extend the contract, with adjustments, based on the incumbent vendor's proposals. The repeated amendments to extend the solid waste services contract appeared to conflict with the City's own competitive procurement requirements. Nonetheless, the City Council, despite opposition from citizens, ultimately approved a contract extension through 2021.

Recommendation:

1. The City should follow its own procurement policies and procedures by conducting a full and open competition for its Solid Waste Franchise Agreement, which has not been competitively bid for over 10 years.

City did not Concur.

2. The City should also periodically review and update its procurement ordinance and policies and procedures documents to ensure they are following best procurement practices as well as to ensure they are in agreement with each other.

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City failed to address recommendation; however in follow-up communications, the City stated they had initiated a review of their procurement ordinance and policies prior to the report.

2012-N-0003 Palm Beach County – Jail Expansion II (1)

A review of nine amendments to Palm Beach County’s contract with the Construction Manager at Risk for the Jail Expansion project revealed that the County paid \$370,067 in lump sum payments for travel and per diem expenses without requiring supporting documentation. The OIG also found that the County paid \$512,525 in lump sum payments for expenses not identified in the contract (undefined fees: Moving Allowance, Relocation Expense, Temporary Living Expense) based on the preconstruction estimate. Again, these lump sum payments were made without supporting documentation such as actual receipts.

Recommendation:

1. Apply the contract language (Article 7.4) to Travel and Per Diem in future CMAR contracts so full documentation of expenses to these line items are realized or move Travel and Per Diem Expenses to Article 8 - General Conditions where actual expenses are reimbursed.

Not implemented

2. When undefined fees are negotiated into the contract, every effort to protect public funds should be used. In this case, supporting documentation of receipts/invoices for Moving Allowance/Incentives, Relocation Expenses and Temporary Living Expenses should be required for payment.

Implemented

2012-N-0004 Health Care District – Program Management & Facilities Development

The Health Care District (District) entered into a Letter Agreement with Gates Management Group, LLC, (GMG) for program management and facilities development services. When the Agreement was signed, GMG’s managing member was a District employee, but resigned prior to the effective date of the Agreement. The OIG found that contrary to District policy, GMG’s services were procured without the benefit of a competitive procurement process; the District remitted payment for services performed after expiration of the Agreement; and the District remitted payment for services not included in the Agreement’s scope of service.

Recommendation:

1. Adhere to established Purchasing Policies when procuring goods and services, especially when estimated contract amounts would require a formal bid process.

Not Implemented

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2. Amend current Contract Policy and/or procedures to ensure adequate steps and controls are in place regarding amending, monitoring, and closing out contracts.

Not Implemented

3. Review purchasing policies and procedures to ensure adequate controls are provided for, wherein the risk of making payments without adequate authorization and approval is minimized to the greatest extent possible in a cost effective manner.

Not Implemented

2012-N-0005 Town of Jupiter – Audit Services

As a member of the selection committee, a Town Councilmember did not complete the required Request for Proposal (RFP) tabulation sheet as prescribed in the Town’s Purchasing Policy manual and did not score the proposals utilizing the weighted evaluation criteria as specified in the RFP. Moreover, the committee members who did complete the RFP tabulation sheets neglected to affirm their results by signing them. Using tabulation sheets to document the selection committee’s scores provides benefits to the proposer and the Town. The proposer receives feedback on the strengths and weaknesses of their bid, which is particularly useful to the unsuccessful bidders to help rectify deficiencies in subsequent bids and increase their opportunity for award. Also, the Town produces documentation that can be useful to defend against a bid protest.

Recommendation:

1. When procuring goods and services the Town of Jupiter should adhere to its established Purchasing Policy/Standard Operating Procedures and ensure Selection Committee Members score proposals in accordance with defined Request for Proposal criteria in the manner specified in the Request for Proposal document.

Implemented

2012-N-0006 Town of Palm Beach – Telemetry System Improvements

To comply with the new Federal Communications Commission (FCC) narrow banding mandate for their radio communication equipment, the Town of Palm Beach sought the assistance of an external consultant to develop the Request for Proposal (RFP), including equipment specifications. The OIG found that the consultant, in response to the Town staff’s convictions for Motorola, specified brand name equipment or equivalent and omitted specifications from the RFP. As a result, the RFP did not comply with the Town’s policy or the scope of work specified in the consultant contract for RFP development. Identification of the brand/model or equivalent – not the actual specifications – had the effect of limiting the competition. Moreover, the resulting activities and delays in the procurement process jeopardized project completion by the date set by the FCC.

Recommendation:

1. The Town should adhere to its established Purchasing Policy and Procedures Manual and ensure that RFP specifications are: a) complete, clear, concise, fair, and unrestricted; and, b) should define, the level of performance required rather than listing a specific brand name.

Implemented (The Town of Palm Beach Manager decided to rebid the project adhering to the Town's Purchasing Policy)

2012-N-0007 Town of Jupiter – Solid Waste Agreements

The Town of Jupiter violated its own policy by contracting with Waste Management, Inc. for solid waste services without the use of a competitive bidding process, first in 2006 and again in 2011. Furthermore, it had been at least 25 years since the Town had competitively procured their solid waste service contract. The latest contract renewal in May 2011 extended the franchise agreement through February 2017 for a combined franchise period of 30 years, the State's maximum time limit for franchise agreements.

Recommendation:

1. Town of Jupiter should adhere to established procurement policies and procedures when procuring goods and services, especially when contract amounts require competitive bid.

Town of Jupiter did not concur.

2012-N-0008 Solid Waste Authority – Waste-to-Energy Project Payment Application No. 14

The Solid Waste Authority established a comprehensive contract monitoring program for the \$688 million waste-to-energy construction project (WTE). One component of the program entails using an independent consulting firm to review and recommend approval of all payments to the WTE contractor. The OIG found shortcomings in the monitoring program that allowed payment of \$1.2 million to be made to the WTE contractor without full approval of the consulting firm. It is noted that the WTE contractor had completed the work and was due payment.

Recommendation:

1. Increasing the scope of Finance's review will strengthen the monitoring over the WTE project. To ensure the timely, appropriate and allowable disbursement of funds, it is recommended that participants in WTE project monitoring be more thorough in their review of applications for payment.

Implemented

Section D – Appendix

2012-N-0009 Children’s Services Council– Selection Committee Meetings

The OIG staff observed a number of Children’s Services Council selection committee meetings where they found instances where selection justification was lacking and at times not documented. Also, points/weight of identified evaluation sub factors had not been identified and selection committee members were left to individually determine the importance of one factor over another. The OIG staff also found that the determination of responsiveness to a solicitation was not consistent with policy.

Recommendation:

1. Establish documented procedures relating to Selection Committee responsibilities and activities as they relate to developing recommendations for award of contract(s) and documentation of same.

Pending

2. Update policy and procedures relating to the development of competitive solicitations to reflect the process whereby factor and sub factor points are determined and specified in the solicitation.

Pending

3. Update policy and procedures to reflect a process whereby proposals are reviewed for determination of responsiveness.

Pending

Summary of Reviews Completed

Case Number

2012-R-0001 Palm Beach County – FAA Contract Monitoring

A review of Palm Beach County’s Financially Assisted Agencies (FAA) contract monitoring program revealed that policy and procedures were outdated, limited in scope or lacking elements of a comprehensive contract monitoring system. The OIG findings include: 1) Outdated Policy and Procedure and limited in scope; 2) No documented procedure for contract disputes; 3) No documentation of factors used in development of monitoring plan; 4) No documented procedure relating to staff training; 5) Inconsistent use of monitoring tool; 6) Contract file format and document storage procedure limited in scope; 7) No documented procedure for corrective action plans; and, 8) No documented procedure for contract close out activities.

Recommendation:

1. Develop an FAA contract monitoring policy that meets the organizational strategies of the agency and establishes the direction and guidance for a comprehensive monitoring program.

Pending

2. Develop FAA contract monitoring procedures specifying the processes and steps required to effectively monitor FAA contracts. Procedures should address, but not be limited to;
 - Development of a contract monitoring plan
 - Use of a standardized monitoring guide
 - Corrective action plans
 - Resolution of vendor dispute
 - Staff training and qualifications
 - Access and storage of contract documents and files
 - Contract close outs

Pending

3. Implement contract monitoring based on revised policy and procedures for FY 2013 and conduct quality control measures across FY 2011 and FY 2012 of FAA contracts to identify and rectify any irregularities.

Pending



A copy of this report (Annual Report 2012) has been made available for public inspection at the Office of Inspector General, at County and municipal libraries, and is posted on the Office of Inspector General, Palm Beach County website at www.pbcgov.com/OIG. If you need any assistance relative to this report, please contact our office at 561-233-2350.

REPORT FRAUD, WASTE OR ABUSE

To report alleged fraud, waste, abuse, mismanagement or misconduct relative to county or municipal government, Children's Services Council, Health Care District or Solid Waste Authority, use one of the following methods:

- Complete complaint form on web site at www.pbcgov.com/OIG and send to Inspector@pbcgov.org
- Write to Office of Inspector General, Palm Beach County, P.O. Box 16568, West Palm Beach, Florida 33416
- Call the Office of Inspector General HOTLINE at: (877) 283-7068