



OFFICE OF INSPECTOR GENERAL

UPDATE AND LESSONS LEARNED FROM RECENT PROJECTS

October 2018

John A. Carey, Inspector General

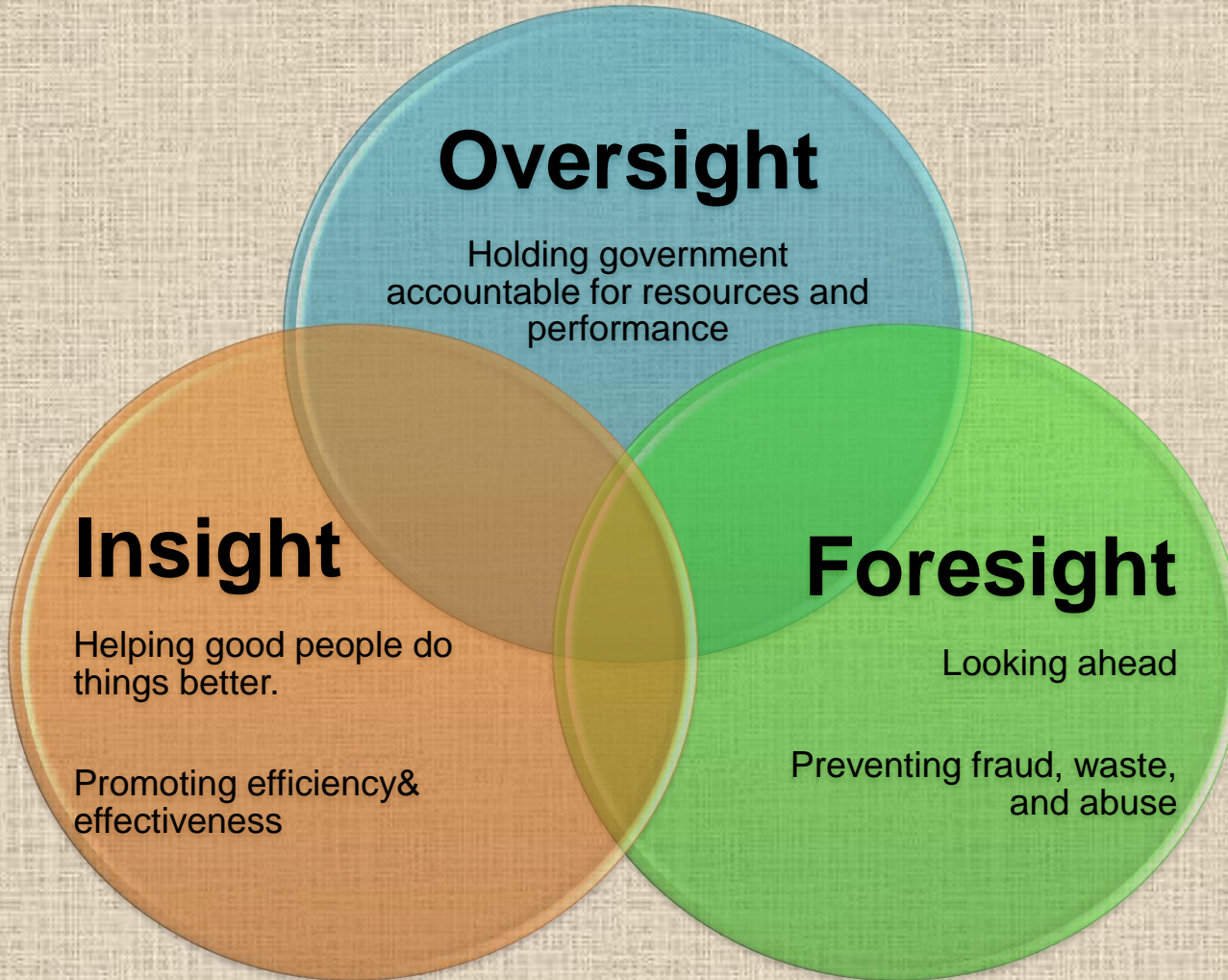
“Enhancing Public Trust in Government”



OUTLINE

- **UPDATE ON RECENT OIG ACTIVITIES**
- **COURT RULING ON COMPLAINTS TO OIG**
- **LESSONS LEARNED FROM OIG PROJECTS**
- **PLANS, OBJECTIVES, & INITIATIVES**
- **SUMMARY OF MAJOR ACCOMPLISHMENTS**
- **MANAGEMENT REQUIREMENTS**

OUR OIG APPROACH

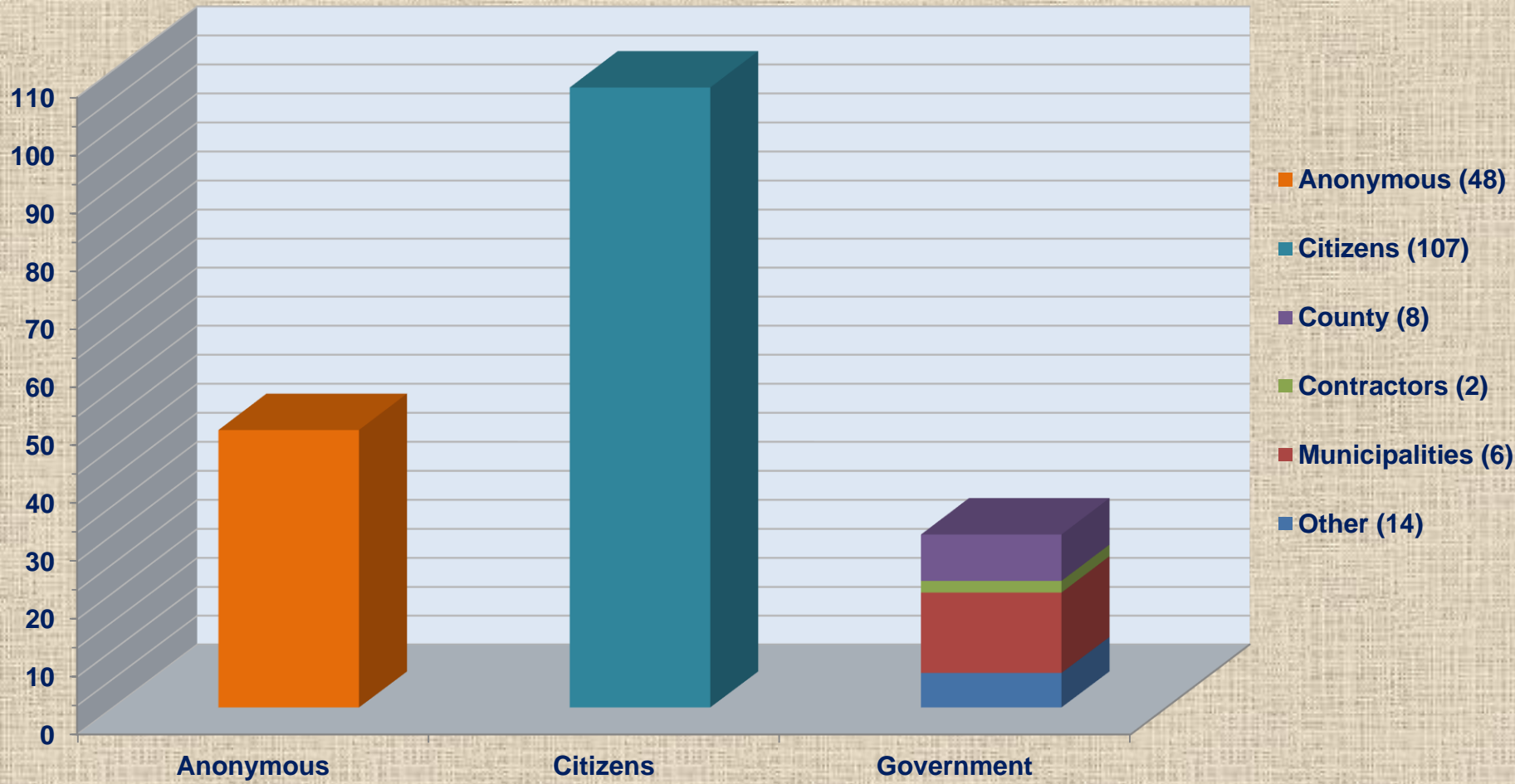


COMPLAINTS AND REPORTING SOURCES

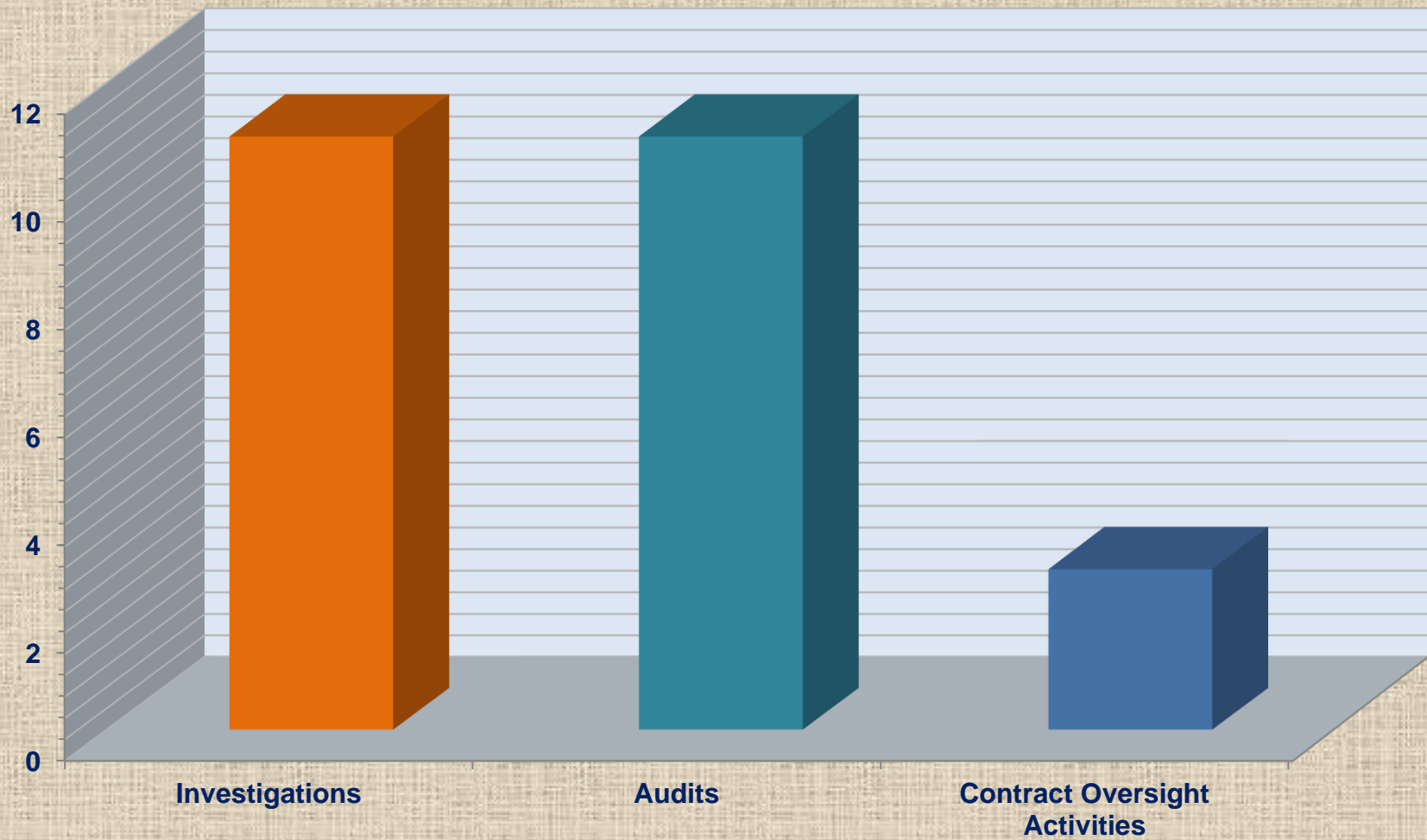


October 1, 2017 – August 31, 2018

185 Complaints from 260 Correspondences



CURRENT/ON-GOING/OPEN PROJECTS





COURT RULING ON COMPLAINTS TO OIG

ISSUE: On March 13, 2018, a citizen filed a Petition asking the Court to order the OIG to provide him with a copy of a complaint relating to an open investigation and award him costs, including attorney's fees, under the Florida Public Records Law.



Citizen argued that an initiating complaint is not exempt from disclosure by section 119.0713(2)(b), Florida Statutes.

RULING: On August 28, 2018, Court ruled that the complaint was “information received, produced, or derived from an investigation” and was therefore exempt from disclosure until the investigation was complete.

Citizen filed a Notice of Appeal on September 19, 2018.



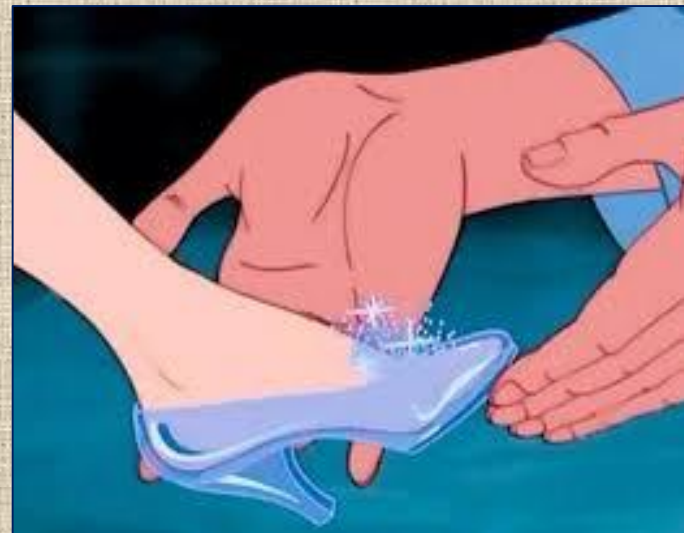
LESSONS LEARNED

Preface

“Words to the wise.”



“If the shoe fits, wear it.”





LESSONS LEARNED

Trends

What are the trends we have observed?

More or enhanced internal controls are needed:

- **Written policies and procedures**
- **Management review and oversight**
- **Sufficient documentation for expenditures**

LESSONS LEARNED



Lessons Learned from Audits



LESSONS LEARNED

Policies and Procedures

We found that an entity did not have written policies and procedures regarding utility operations.

Results:

- An improper inter-fund loan was made and loan terms not upheld.
- Utility contributions to the General Fund were improper.
- Fees were not properly collected.
- Inventory was improperly issued.



LESSONS LEARNED:

- You may lose revenue without proper controls.
- Creating and complying with policies would facilitate consistent operations.
- There should be clear tracking for inventory usage to prevent loss or theft.



LESSONS LEARNED

Revenue posted to expenditure account

A town did not follow State uniform accounting practices and improperly posted revenue into an expenditure account.



Results:

- Revenue was understated and expenditures were overstated.
- Violation of Florida Statute requirement for annual financial audit completion/submission.

LESSONS LEARNED:

By posting revenues in expenditure accounts, it increases the risk of :

- Incorrect account balances.
- Inaccurate financial statements.
- Non-compliance with regulations.

BEWARE



LESSONS LEARNED

Periodic Capital Asset Impairment Review

A city did not perform periodic capital asset impairment review of its capital assets. GASB Statement 42 requires evaluation of prominent events or changes in circumstances affecting the capital assets to determine whether impairment of a capital asset has occurred.



Results:

- Inaccurate annual financial statements.
- Loss of time and efforts by city staff to locate items.

LESSONS LEARNED:

By not performing a periodic asset impairment review, it increases the risk of :

- Loss of capital assets.
- Incorrect and/or outdated records.
- Inaccurate financial statements.
- Non-compliance with requirements.



LESSONS LEARNED

Credit Card Rebate Program

Municipalities did not procure a competitive rate for the credit card rebate (i.e. cash back).



Result:

- Lost potential annual rebate revenue.

LESSONS LEARNED:

When procuring a purchasing card or credit card consider:

- Piggy-backing the contract off another government entity's contract.
- Developing and implementing written guidance to help manage and control the credit card rebate program.



LESSONS LEARNED

Cross-Connection Control Program

We found non-compliance with the implementation of the Safe Drinking Water Act.



Results:

- No active cross-connection program.
- No written policies and procedures.
- No testing or monitoring.
- No list of sites or testable devices.

LESSONS LEARNED:

- Cross-connection programs are required by the Safe Drinking Water Act.
- Non-compliance increases the potential for water contamination which may cause a potential health risk to the water users.





LESSONS LEARNED

Periodic “Hands-on” Asset Review

A town did not perform periodic hands-on review of its capital assets.



Results:

- Capital assets on inventory records did not exist.
- Capital assets existed but not on inventory records.
- Inaccurate annual financial statements.

LESSONS LEARNED:

By not performing a periodic hands-on asset review, it increases the risk of:

- Loss of capital assets.
- Incorrect and/or outdated records.
- Inaccurate financial statements.
- Non-compliance with regulations.



LESSONS LEARNED

Monitoring and Oversight

Our survey found that 28% of municipalities with Purchasing Card Programs have not had an external or internal audit/review for their programs.



- 17% of municipalities do not have written policies or procedures.
- FY 2017 expenditures varied from \$1,500 to \$9,187,373.
- Management and oversight of the programs varies.

LESSONS LEARNED:

- Audits help ensure programs have proper monitoring and oversight, and help determine if controls are adequate.
- Entities should seek to benchmark and compare their programs to best practices and other entities.



LESSONS LEARNED

Monitoring and Oversight

We found that 58% of municipalities with Economic Incentive/Development Programs have not had an external or internal audit for their programs, grants, or agreements.

LESSONS LEARNED:

- Monitoring and oversight are key controls to promote compliance.
- Audits provide independent analysis of programs, grants, or agreements to improve controls.
- Audits help ensure controls are adequate.





LESSONS LEARNED

Alternative Fuel Credits, Rebates, and Tax Refunds

If an agency uses alternative fuels, it may be eligible for alternative fuel credits or rebates through:



- FL Department of Agriculture Office of Energy.
- State of Florida tax refund and incentive programs.
- US EPA programs and grants.
- IRS Alternative Motor Vehicle Credits and credits for taxes paid.

LESSONS LEARNED:

- Seek legal and/or tax guidance regarding alternative fuel credit and other government programs.
- Monitor legislative actions and explore opportunities to save taxpayer's funds through tax and other incentive programs provided by the government.



LESSONS LEARNED

Lessons Learned from Contract Oversight Activities



LESSONS LEARNED

Contract Monitoring

- Entities did not have a policies or procedures for maintaining contract files or for contract monitoring.
- They did not have a risk assessment tool being used so staff resources available for contract monitoring were not focused in an efficient and effective manner.



LESSONS LEARNED:

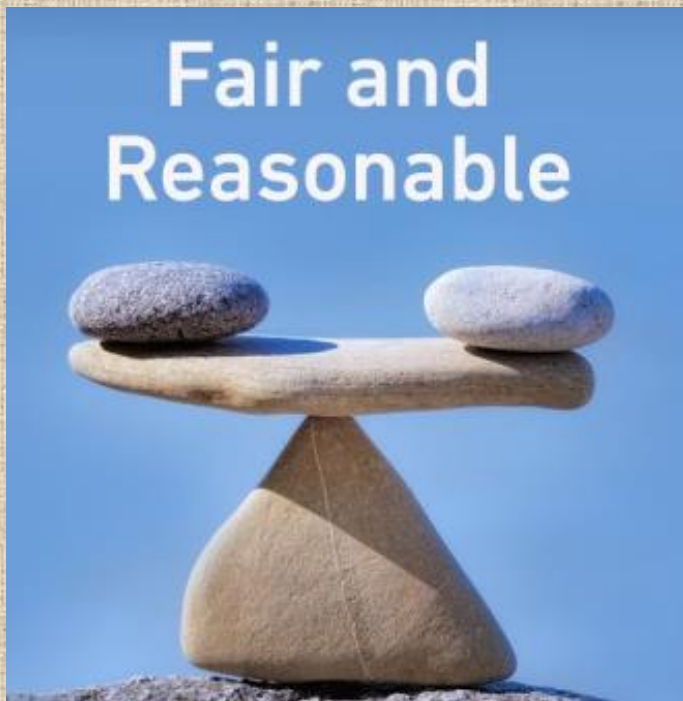
- Policies and procedures give staff the tools they need to effectively manage contracts and to ensure funds are spent appropriately.



LESSONS LEARNED

Bid Awards

A complaint alleged the procurement process was improper and unfair because there was only one bidder, the specifications limited competition, the vendor qualifications were too restrictive, and the price was higher than other public purchases of similar items.



We Found:

The entity followed its purchasing ordinance and policies in this award to the sole bidder.

LESSONS LEARNED:

- Justifiable bid specifications and a proper vendor evaluation ensures a strong award determination.



LESSONS LEARNED

Importance of Contract Management

Concerns were reported about the processes used by an entity to acquire a consultant to assist in drafting an RFP for professional services.



We Found the Entity:

- Did not sufficiently document the unusual circumstances to justify waiving normal purchasing procedures.
- Staff exceeded their authority by extending the contract term without Board approval.
- Continued paying for services after the contract expired and in excess of the contract amount.

LESSONS LEARNED:

- Strong internal controls and effective contract management processes are needed for accurate contract payments, and complying with the terms of the agreement.



LESSONS LEARNED

Audit Selection Procedures

An entity contracted with an audit firm to complete its required annual financial audit. However, an audit committee had not been established by the governing body, as required by Florida Statutes.



Florida Statutes require an audit committee to establish evaluation factors to obtain a licensed, certified accounting firm to conduct an audit in accordance with Florida Board of Accountancy standards.

LESSON LEARNED:

- The Legislature required a process to select an auditor.
- The Audit Selection Task Force created Auditor Selection Guidelines which provides a best practice.

LESSONS LEARNED



Lessons Learned from Investigations



LESSONS LEARNED

Employee Misconduct

Employee used government equipment for outside employment activities during work time.



We Found the Employee Used:

- Government computer and email account for outside employment activities during work time.
- Government-owned vehicle and generator for personal use.

LESSONS LEARNED:

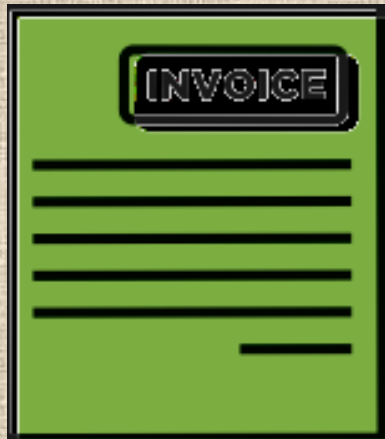
- Staff need to know organizational policies regarding personal use of government equipment and property.



LESSONS LEARNED

Contract Fees

A contracted firm did not invoice in accordance with its professional services agreements.



We Found the Town:

- Overpaid for services.
- Did not adequately review invoices to ensure proper payment.

LESSONS LEARNED:

- Establish internal controls and review of invoices submitted by vendors.
- Ensure that terms of professional service agreement and performance are clear and consistent.



LESSONS LEARNED

Vendor Compliance

A government contractor did not verify that invoices submitted by its sub-contracted vendors were accurate.



We Found the Contractor:

- Did not verify that sub-contractors billed per agreed-upon fees, lacked documentation, and did not know how amounts billed were calculated.
- Submitted unverified monthly reimbursement requests.

LESSONS LEARNED:

- Require contractors include itemized expenses in monthly reimbursements and reconcile information.
- Require contractors provide copies of all subcontracts and vendor agreements related to performance of deliverables.
- Ensure contracts identify disallowable costs.



THE WAY AHEAD


Plans, Objectives, and Initiatives



OIG FOCUS OF EFFORT


Focusing OIG limited resources:

- **Audit:** Execute Audit Plan.
- **Investigations:** Investigate highest risk/impact cases.
- **Contract Oversight:** Focus on outreach and prevention.
- **Outreach:** Continue rigorous training and outreach program.



OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

John A. Carey
Inspector General



Inspector General
Accredited

"Enhancing Public Trust in Government"

2019-AP-0001
Fiscal Year 2019
Annual Risk Assessment
and Audit Plan

September 4, 2018

Insight – Oversight – Foresight

INSPECTOR GENERAL'S SIX MONTH REPORT



**Audit Report 2019-AP-0001
Fiscal Year 2019 Annual Risk Assessment and Audit Plan**

Planned Audit Activities:

- **Revenue/Cash Intake**
- **Contracts**
- **Travel**
- **Accounts Payable/Cash Disbursements**
- **Water Utility – Cross Connection Programs**
- **Payroll**
- **IT Network Security**



MAJOR ACCOMPLISHMENTS

SUMMARY OF MAJOR ACCOMPLISHMENTS TO DATE



ACCOMPLISHMENTS TO DATE

\$43.7m

Questioned Costs incurred pursuant to a potential violation of law, regulation, or policy; lack of adequate documentation; or, where the intended purpose is unnecessary or unreasonable.

\$23.7m

Potential Cost Savings identified for return to offset the taxpayers' burden or in the future if the OIG's recommendations are implemented.

141

Cases Referred to, or actions taken by, law enforcement, County, or State Commissions on Ethics.

719

Recommendations/Corrective Actions that the OIG recommends the entity take to improve operations, prevent fraud, waste and abuse, or address administrative misconduct.

6/28/2010 - 6/30/2018

OUTPUT: At the End of the Day, "Enhancing Public Trust in Government."



ACCOMPLISHMENTS TO DATE

Making Government Better



719

Recommendations

To improve government operations and to save taxpayer dollars.



10,000 (+)

Responses to citizens' calls and written correspondence voicing concerns, complaints, or requests for assistance.

OUTPUT: At the End of the Day, "Enhancing Public Trust in Government."



REMINDERS

PBC IG Ordinance Article XII, Section 2-422 and 2-423

Management's Requirements from County IG Ordinance





NOTIFICATION REQUIREMENTS

- ▶ **Fraud, theft, bribery.**
- ▶ **Possible contract mismanagement (misuse or loss exceeding \$5,000).**
- ▶ **Other violations which appears to fall within the OIG's jurisdiction ("mismanagement, misconduct, and other abuses").**

**HELP FIGHT
FRAUD.
WASTE.
ABUSE.**



WRITTEN LOCAL POLICIES

“The county administrator and each municipal manager, or administrator, or where the mayor serves as chief executive officer, shall ... coordinate with the inspector general to develop reporting procedures for notification to the inspector general.”



NOTICE OF PROCUREMENT SELECTION MEETINGS



“The *inspector general* shall be notified in writing prior to any duly noticed public meeting of a procurement selection committee where any matter relating to the procurement of goods or services ... is to be discussed ... as soon as the meeting has been scheduled.”

Please send notices to: igcontracts@pbcgov.org

The Contracts Oversight Division appreciates receiving copies of competitive solicitations when issued.



TRAINING/AWARENESS PROGRAMS

“Develop public awareness strategies to inform government officials and employees, as well as the general public, of the authority and responsibilities of the inspector general.”



TRAINING/AWARENESS PROGRAMS

Includes “a link to the office of inspector general’s website, publication of notices in government’s newsletters, and posting information about the OIG in government employee break rooms and other common meeting areas.”

TRAINING/AWARENESS PROGRAMS



We are **PROUD** of our work in local government. Integrity, transparency, and accountability in government is everyone's business.

REPORT FRAUD, WASTE OR ABUSE

REPORT ETHICS VIOLATIONS



Office of Inspector General
HOTLINE:
(877) 283-7068
www.pbcgov.com/oig



Commission on Ethics
HOTLINE:
(877) 766-5920
palmbeachcountyethics.com



Office of Inspector General
Palm Beach County, Florida

www.pbcgov.com/oig

Email Form to:
Inspector@pbcgov.org

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Office of Inspector General
P.O. Box 16568
West Palm Beach, FL 33416

Fax Form to:
(561) 233-2375

To speak with an **OIG** representative call:
877-283-7068

For additional information,
please visit our website at:
www.pbcgov.com/oig



For immediate access to our site, use your smartphone to read the QR Code above.



TRAINING/AWARENESS RESOURCES

- ▶ **Information on the OIG website**
(<http://pbcgov.com/oig/>)
 - **Tips and Trends**
 - **Lessons Learned**
 - **Common Issues Found**
 - **Guidance/Reference Materials**
- ▶ **Posters, Pamphlets, Hotline Cards**



TRAINING/AWARENESS RESOURCES

- ▶ **Training/Presentations/Briefings**
 - **OIG Overview/Role**
 - **OIG and Management Working Together**
 - **IG Orientation for New Supervisors**
 - **Lessons Learned from OIG Projects**
 - **Internal Controls**
 - **Red Flags that May Point to Fraud**
 - **Florida State's Whistleblower Act**



THANK YOU

For more lessons learned, tips, trends,
and best practices, visit our OIG website.

<http://pbcgov.com/oig/>

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