

# DIVISION OF INSPECTOR GENERAL



**SHARON R. BOCK**  
Clerk & Comptroller  
Palm Beach County

**Audit Services & Public Integrity Units**

**2014**

***ANNUAL  
REPORT***

**January 27, 2015**



**SHARON R. BOCK**  
Clerk & Comptroller  
Palm Beach County

January 27, 2015

The Honorable Sharon R. Bock, Esq.  
Clerk & Comptroller  
Palm Beach County

On behalf of the Division of Inspector General, I am pleased to present our 2013-2014 Annual Report. This report summarizes the objectives and accomplishments of the Division of Inspector General for the fiscal year ended September 30, 2014.

I would like to extend my appreciation to the entire Clerk & Comptroller team for their assistance and cooperation throughout this past year.

We will continue to promote accountability and integrity within the Clerk & Comptroller office. We look forward to continuing to assist the organization to operate as efficiently and effectively as possible.

Finally, I would like to acknowledge and congratulate the Inspector General staff for their professional support and accomplishments this past year!

Respectfully submitted,

Roger Trca CPA, CIG, CIA, MBA  
Inspector General  
Clerk & Comptroller Office  
Palm Beach County

**Division of  
Inspector General**

301 N. Olive Avenue  
9th Floor  
West Palm Beach, FL 33401

Phone: 561-355-2722  
Fax: 561-355-7050

[www.mypalmbeachclerk.com](http://www.mypalmbeachclerk.com)

# TABLE OF CONTENTS

	<i>Page</i>
<b>Introduction</b>	<b>4</b>
<b>Executive Summary</b>	<b>4</b>
<b>Background</b>	<b>5</b>
<b>Staffing, Organization and Training</b>	<b>6</b>
<b>Division's Adherence to Professional Standards</b>	<b>8</b>
<b>Operations</b>	<b>9</b>
<b>Audit Selection Process</b>	<b>9</b>
<b>Performance Results</b>	<b>10</b>
<b>Audits &amp; Reviews</b>	<b>10</b>
<b>Investigations</b>	<b>11</b>
<b>Ethics Hotline</b>	<b>13</b>
<b>Guardianships</b>	<b>14</b>
<b>Recoveries And Cost Avoidance</b>	<b>18</b>
<b>Highlights of Audit Findings</b>	<b>19</b>

# INTRODUCTION

## *Executive Summary*

The mission of the Division of Inspector General of the Clerk & Comptroller's Office of Palm Beach County is to provide independent, objective auditing and investigative services designed to add value, improve the Clerk & Comptroller operations and preserve public trust. The Division includes the Audit Services & Public Integrity Units.

The fiscal year ending September 30, 2014 was a period of continued productivity for the Clerk's Division of Inspector General. The Division issued a total of 21 reports, summarized below, which included audits, investigations, and guardianship reviews. These reports identified **\$1,409,968** in potential revenue recoveries and cost reductions as well as questionable guardianship expenditures and misreported assets impacting the Clerk's Office, County departments and citizens.

- The Audit Services Unit (ASU) issued seven audit reports, with 44 recommendations.
- The Public Integrity Unit (PIU) handled 40 tips received from our Ethics Hotline and a variety of other sources, which resulted in completing two investigative reports.
- The PIU Guardianship Section handled 102 fraud hotline tips and investigated claims of fraud, waste and financial mismanagement involving the County's most vulnerable residents: the elderly, minor children and incapacitated individuals in guardianships. We issued 12 guardianship audit reports and responded to 17 informational requests from the judiciary.
- We referred 21 cases to various law enforcement agencies and other Clerk's Office departments.

During this past year, our office was re-accredited by the Commission for Florida Law Enforcement Accreditation, Inc., which demonstrates our team's level of professionalism and commitment to continuing compliance with investigative standards and processes. Furthermore, we successfully completed an external quality assurance review of our Audit Services Unit, which validates our compliance with professional audit standards promulgated by the Institute of Internal Auditors.

# Background

The Clerk & Comptroller is an elected constitutional officer who derives her authority and responsibilities from constitutional and statutory provisions.

*The Constitution of the State of Florida, Article VIII, Section 1.(d), provides for the election of certain County Officers including a Clerk of the Circuit Court (Clerk). The latter part of this section specifies that, ". . . the clerk of the circuit court shall be ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds." Section 16, Article V, State Constitution, also specifies that the Clerk shall have the duties quoted above. One of the Clerk's responsibilities enumerated in law is to act in the capacity of Auditor.*

According to the legal authority and responsibility cited above, the Clerk established the Audit Services Division as an independent unit in 2005 to fulfill the responsibilities of the office as they relate to auditing functions.

In 2009, the office expanded its roles and responsibilities. The Clerk & Comptroller's Audit Charter was revised to add a Public Integrity Unit (PIU). The PIU and Audit Services then joined to form the Division of Inspector General (IG). The PIU conducts investigations into Clerk & Comptroller affairs and for that purpose makes inquiries as necessary, compels the production of books and papers, and implements appropriate investigative techniques.

To provide for the independence of the Division, the Inspector General reports functionally and administratively to the Clerk & Comptroller. As an independent elected official, the Clerk & Comptroller is directly responsible to the citizens and taxpayers of Palm Beach County. The Division has no direct responsibility or authority over any area subject to its audit, review and investigation. Therefore, the Division is organizationally independent from those areas within the Clerk & Comptroller's Office. Employees in the Division report to the Inspector General.

# Staffing, Organization and Training

The Clerk's Division of Inspector General is comprised of four staff including:

- ✦ Roger Trca CPA, CIG, CIA, MBA - Inspector General
- ✦ Michael Bodle CIGA, CIGI, CFE, CIA, MBA - Senior Internal Auditor
- ✦ Charles Mansen CIGA, CIA, CFE, BS – Senior Internal Auditor
- ✦ Anthony Palmieri CIA, CCSA, JD – Senior Internal Auditor

The Division is subdivided into the following units:

- Audit Services Unit (ASU)
- Public Integrity Unit (PIU), which includes the:
  - Investigations Section
  - Guardianships Section

The Division conducts audits, reviews, investigations and other projects. In fulfilling our responsibilities, we comply with the following auditing and investigating standards:

- *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (IIA).
- *Principles and Standards for Offices of Inspector General* of The Association of Inspectors General (AIG).

These standards collectively prescribe how our audits and investigations are performed.

## Professional Certifications

Staff members of the Clerk's Division of Inspector General hold the following professional certifications:

- ❖ Certified Inspector General (1);
- ❖ Certified Inspector General Auditor (2);
- ❖ Certified Inspector General Investigator (1);
- ❖ Certified Public Accountant (1);
- ❖ Certified Fraud Examiner (2);
- ❖ Certified Internal Auditor (4); and,
- ❖ Certification in Control Self-Assessment (1).

## **Professional Development & Training**

The Clerk's Division of Inspector General recognizes that the quality and effectiveness of its work products are dependent upon a professionally trained staff. To this end, the Division allocates a portion of its resources to ensure continuing professional education as a key requirement of the aforementioned standards. The Division devoted 3.8% of its time in FY 2013-2014 to staff training, which included activities sponsored by:

- The Institute of Internal Auditors, Inc.;
- The Association of Inspectors General;
- The Association of Certified Fraud Examiners;
- Florida Government Finance Officers Association; and,
- The Association of Local Government Auditors.

Training is vital to our function as it keeps us abreast professionally and current on auditing techniques, accounting and reporting practices, risk assessment, internal controls, information technology, investigative techniques, ethics, legislative changes, managerial effectiveness, and best practices.

## **Professional Organization Affiliations**

Staff members of the Clerk's Division of Inspector General are affiliated with the following professional organizations:

- The Association of Inspectors General;
- Florida Chapter of The Association of Inspectors General;
- The Institute of Internal Auditors, Inc.;
- Palm Beach County Chapter of Internal Auditors, Inc.;
- The Association of Certified Fraud Examiners;
- Association of Local Government Auditors;
- American Institute of Certified Public Accountants; and,
- Various national, state and Palm Beach County Guardianship Associations.

## Division's Adherence to Professional Standards

In February 2011, our office became the second Clerk's Office in the state of Florida to be awarded status as an Accredited Office of Inspector General by the Commission for Florida Law Enforcement Accreditation (CFA). Being an accredited agency signifies that our work product meets or exceeds the highest professional standards promulgated for Offices of the Inspector General. The benefits of accreditation include improved agency transparency, enhanced consistency and quality of investigations, well-defined procedures, improved accountability, and statewide recognition that our office has achieved its accreditation status. Having an accredited IG team within the Clerk's Office provides another layer of protection for the public – ensuring taxpayer dollars are protected.



The CFA requires re-accreditation every three years to ensure ongoing compliance. In November 2013, the CFA assessment team performed a comprehensive re-evaluation of our Division's policies and procedures, management, personnel, investigations and work product to determine compliance with Inspector General standards. On February 6, 2014, the CFA provided official notification of the Division's reaccredited status. Our office was commended for its continued diligence, professionalism, and commitment in maintaining the highest recognition among Florida's law enforcement community.

In accordance with the Institute of Internal Auditors (IIA) standards, an external quality assurance review was performed of our Audit Services Unit during the first week of October 2013. The objective of the external review was to assess the Division's compliance with the IIA's *International Standards for the Professional Practice of Internal Auditing* (the Standards). The external review reported that the Division's "internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards". Also, the external review reported that:

*"We were impressed with:*

- *The high credentials and professional certifications your staff holds.*
- *Staff's demonstration in audit workpapers of their understanding of how the federal, state, local laws and regulations apply to the audits.*
- *The risk assessment process used for the engagements is very comprehensive and provides a great framework for ensuring that staff resources are focused in areas that are auditable and important."*

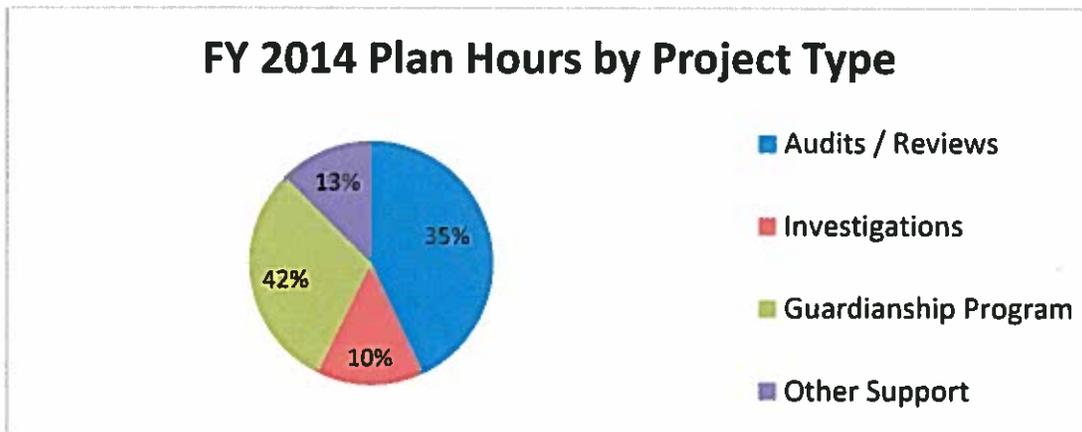


# Operations

## Audit Selection Process

To ensure the most efficient and effective utilization of resources, it is essential that areas selected for audit be carefully considered. An annual audit plan is prepared by the Division to identify planned audits. Because of the large number of possible areas to audit and limited staff resources to audit them, a strategic risk-based audit selection process is in place. The audit plan is the result of the development of a risk model to assess risks of various operations for the purpose of indicating the need for audit. As a part of the audit selection process, we also solicit input from the Clerk, Clerk's officers and management.

The following graph depicts the types of projects that were performed in FY 2013-2014 using the available hours for the IG staff. As seen in the graph, audits/reviews (35%), investigations (10%) and the guardianship program (42%) collectively accounted for 87% of our time utilization.



# PERFORMANCE RESULTS

## *Audits & Reviews*

The objective of these projects within the Audit Services Unit (ASU) is to provide auditees with an independent appraisal of whether desired results and objectives are achieved economically, efficiently and in accordance with prescribed laws, regulations, and policies and procedures. Our opportunities for improvement represent our philosophy to work with management to improve the delivery of government service to citizens.

During FY 2013-2014, the Division issued seven audit reports and memos with:

- 21 Opportunities For Improvement containing,
  - 44 recommendations, which identified \$584,616 in potential revenue recoveries, cost savings and avoidance, and other enhancements.

Recommendations are an integral part of our audits and reviews, as this is where an opportunity for change or improvement takes place. Management has proactively committed to implementing the agreed upon actions to address the recommendations provided. We monitor management responses to our recommendations and track the responses to ensure final completion and closure. Of the 44 recommendations issued, 42 were concurred to by management and were either implemented or in the process of being implemented.

The following chart shows the status of all audits on the Annual Audit Plan for FY 2013-2014. Each audit falls into one of four status categories:

- *Completed* – audit completed and report issued.
- *In Progress* – audit is in-progress and the report will be issued.
- *Risk Reassessed* – As part of our continuous monitoring of the annual audit plan, some scheduled audits may have risk factors re-evaluated causing a change in the current year's audit plan.
- *Rescheduled* – audit was rescheduled to a future fiscal year.

AUDIT / REVIEW	STATUS	REPORT ISSUED
Human Resources Health & Benefit Plans Administration (carryover)	Completed	12/20/13
Clerk Contract Compliance	Completed	3/25/14
Public Service Gas Tax Collections (five different vendors)	Completed	6/12/14
Payroll Processing – County & Palm Tran (carryover)	Completed	6/13/14
Cash Management	Completed	9/19/14
County's Planned Time & Attendance System – Regulatory Compliance Inquiry (added)	Completed	9/25/14
North County Branch	Completed	9/30/14
Recording Bonds Processing	In Progress	
Citrus County Guardianship Program (added)	In Progress	
Payroll – Clerk	Rescheduled	
Foreclosures	Rescheduled	
Customer Service Call Center	Risk Reassessed	
Banner-Showcase System Civil Data Conversion	Rescheduled	
Showcase System Interface With PeopleSoft Financial System	Risk Reassessed	

## *Investigations*

The objective of these projects within the Public Integrity Unit (PIU) is to determine whether allegations of fraud, waste, abuse and ethical misconduct can be substantiated. Projects that uncover administrative wrongdoing typically identify violations of policies or regulations. These investigations also identify the individuals responsible for the violations and make recommendations for administrative action. Equally important to the investigative process is the identification of internal control weaknesses.

Therefore, the reports frequently make specific recommendations to:

- Correct the identified deficiencies;
- Provide guidance on the applicable laws and regulations; and,
- Strengthen the internal control environment.

When investigative findings are indicative of criminal conduct, they are presented to the appropriate law enforcement authorities for further action.

The investigation disposition falls into one of three categories:

1. *Substantiated:*

- The allegations are validated and there are sufficient case supporting materials to justify a reasonable conclusion that the actions occurred and there were violations of law, policy, rule or contract. A report is prepared.

2. *Not Substantiated:*

- There are sufficient case supporting materials to justify a reasonable conclusion that the alleged actions did not occur or there were no identified violations of law, policy, rule or contract. A report is generally prepared.

3. *Neither Substantiated nor Refuted:*

- The allegations are not validated and there are insufficient case supporting materials to prove or disprove the allegations. A report may or may not be prepared.

During FY 2013-2014, the Clerk's Division of Inspector General handled 34 tips involving allegations from a variety of sources. The sources included citizens, County departments and agencies, Palm Beach County Office of Inspector General, Clerk management and employees. These tips resulted in the completion of two investigations as well as the referral of nine cases to various law enforcement agencies and other Clerk departments.

For the two completed investigations, memos were issued with five recommendations provided to management. In one case, one of the two allegations was substantiated. In the second case, three of the six allegations were fully or partially substantiated.

## *Ethics Hotline*

The Ethics Hotline was established to promote honesty and efficiency in government and to uphold the public's trust in our governmental agency. The hotline is managed by an independent third party reporting agency – Ethical Advocate. Clerk & Comptroller management and employees are urged to immediately report, anonymously if desired, any suspected instance of fraud, waste, abuse or ethical misconduct.

Reports may be made in several convenient ways.

- |  |
|--|
| <ul style="list-style-type: none"><li>• Online: Create a report at <a href="http://www.mypalmbeachclerk.com">www.mypalmbeachclerk.com</a>. Click on "Employee Information &amp; Ethics Hotline" at the bottom of the page.</li></ul> |
| <ul style="list-style-type: none"><li>• Phone: Dial 1-888-WARN-PBC.</li></ul>  |
| <ul style="list-style-type: none"><li>• Walk-In: Government Center, 9<sup>th</sup> Floor, 301 N. Olive Avenue, West Palm Beach, Florida 33401.</li></ul>   |

The ethics and fraud reporting program is critical to our efforts to combat fraud, waste, abuse and ethical misconduct. Hotline reports received provide the ability to generate leads from multiple sources. Investigations are initiated upon the receipt of credible information alleging an act of fraud, waste, abuse or ethical misconduct that falls within the Division's jurisdiction.

During FY 2013-2014, the Division handled six Ethics Hotline reports. These reports resulted in one investigation (in progress) as well as the referral of one case to a Clerk department.

# *Guardianships*

We accelerated our efforts to investigate allegations or indications of fraud, waste and financial mismanagement by anyone exploiting the County's most vulnerable residents: elderly, minor children and incapacitated individuals who are served by Florida Guardianship Law. This program supplements the Clerk of the Circuit Court in supporting the Court's oversight process applicable to the protection of wards' assets according to Chapter 744 of the Florida Statutes and the related Administrative Order of the Fifteenth Judicial Circuit (No.: 6.306-12/10). There are more than 2,750 open guardianship cases in Palm Beach County, which control an estimated \$500 million in assets.

The Public Integrity Unit conducts varying levels of assessments and audits of Guardianship activities, which may originate from a variety of sources including but not limited to the: Guardianship Fraud Hotline, Clerk Guardianship auditors, judiciary, and Clerk's IG analyses. An assessment is the initial phase for all requests, reviews, and audits (though Level 1 Audits as described below are handled separately). Upon completion of the assessment, the Clerk's IG may discontinue any further review, prepare a memo to the judiciary, or proceed with a Level 2 or Level 3 audit.

## Level 1 Audit:

- A Level 1 audit consists of the Clerk's IG review of the Clerk's Guardianship auditors' desk worksheet review to ensure guardianship reports are prepared timely, completely and accurately. If significant discrepancies or concerns are identified, the Clerk's IG staff review the documents and determine if a more detailed review (Level 2 or Level 3 audit) is warranted.

## Level 2 Audit:

- A Level 2 audit consists of a Clerk's IG examination of the guardianship report and the attempted verification of selected questionable items. Limited inquiries and/or requests for supporting documentation may be necessary to resolve issues.

## Level 3 Audit:

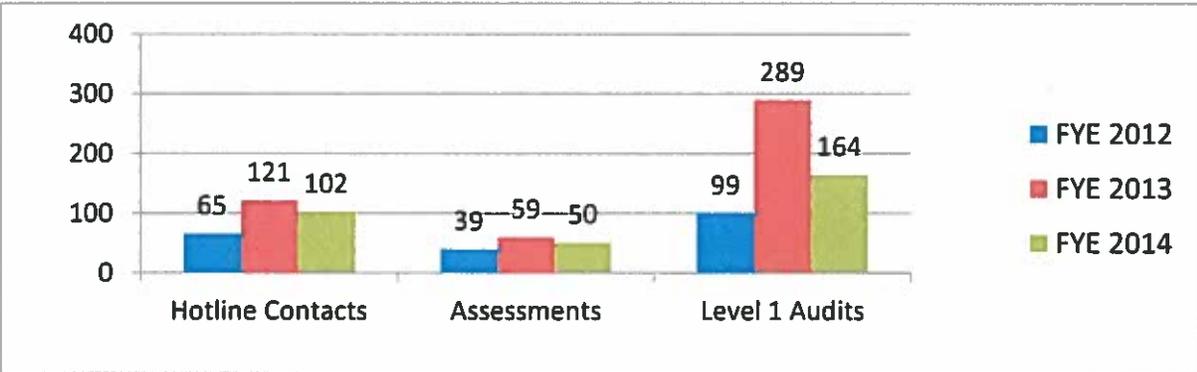
- A Level 3 audit consists of a Clerk's IG comprehensive examination and attempted verification of all significant items pertinent to the guardianship report.

The Clerk’s IG PIU Guardianship Section prepares reports for Level 2 and Level 3 audits for the Court but does not issue reports for Level 1 audits. Assessments may result in the issuance of a memo to the Court, depending on the results.

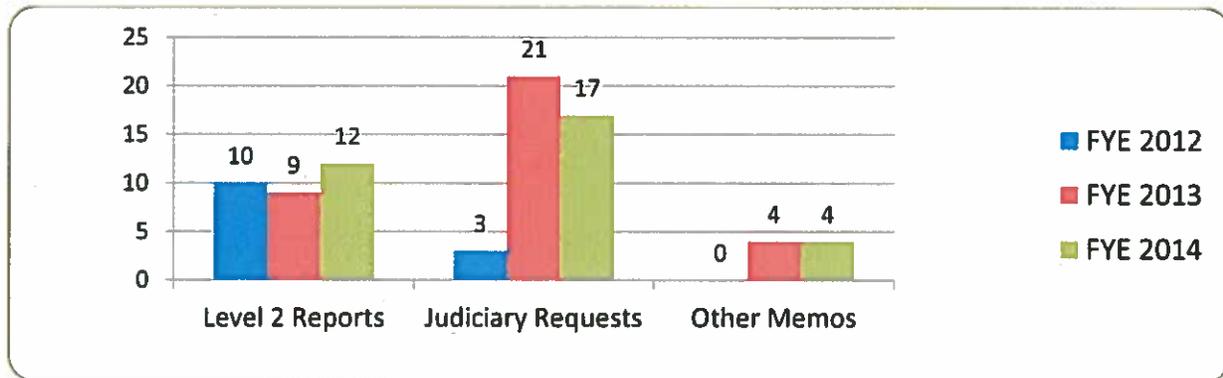
A Guardianship Fraud Hotline is in place to enable anyone suspecting fraud, waste or financial mismanagement of a ward’s property and assets to report such concerns, anonymously if desired. Reports may be made in several convenient ways.

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|--|
| <ul style="list-style-type: none"> <li>• Online: Create a report at <a href="http://www.mypalmbeachclerk.com/fraud">www.mypalmbeachclerk.com/fraud</a>. Click on “File a report now” in the middle of the page.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Phone: Dial 1-561-355-FRAUD</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Email: Send email to “<a href="mailto:fraud@mypalmbeachclerk.com">fraud@mypalmbeachclerk.com</a>”</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Mail: 301 North Olive Avenue, 9<sup>th</sup> Floor, West Palm Beach, Florida 33401</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Walk-In: Government Center, 9<sup>th</sup> Floor, 301 North Olive Avenue, West Palm Beach, Florida 33401</li> </ul>   |

During FY 2013-2014, we received 102 Guardianship Fraud Hotline contacts, of which 53 contacts required further review and investigation, and seven were referred to the appropriate agencies (e.g., Department of Children and Families, Palm Beach County Sheriff’s Office, and Florida Department of Law Enforcement). While the number of hotline contacts received this year declined, the number of actionable contacts increased over last year, resulting in an improved yield and enhanced quality of our hotline program. In addition, we conducted 50 assessments and 164 Level 1 audits. Trends over the past three fiscal years are presented below.

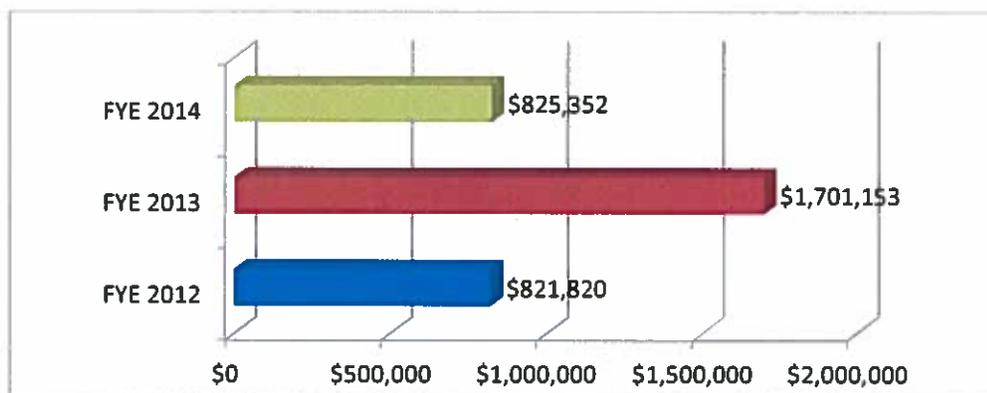


During FY 2013-2014, we issued 12 Level 2 audit reports, which included 10 recommendations. In addition, we issued 17 other memos to the judiciary to satisfy research assistance requests received as well as four memos to law enforcement and other agencies to provide additional relevant information on open guardianship cases.



These audit reports and memos are not available to the public per Florida Statute and Administrative Order of the Fifteenth Judicial Circuit (No.: 6.306-12/10). The reports are issued to the Court for their review and any actions deemed appropriate.

The guardianship work performed identified unsubstantiated and questionable expenditures as well as misreported assets totaling \$825,352 during Fiscal Year 2013-2014, and a combined total of over \$3.3 million over the last three years as detailed below.



Two guardianship cases were referred to local law enforcement for further review of possible criminal charges. In addition, our office assisted local law enforcement on two other guardianship cases, for which criminal investigations were already in progress, by verifying no additional information was required.

## Education & Awareness

One of our goals is to educate the community and increase public awareness of guardianship fraud, waste, abuse and exploitation. Our team attends meetings and makes presentations to professional organizations and community groups. During the past year, our PIU Guardianship Section has been very proactive in sharing best practices and audit techniques at conferences and training programs hosted by various guardianship associations and related agencies at the national, state and local levels. For example, presentations were provided at the following venues:

- ❖ National Adult Protective Services Association Annual Conference
- ❖ National Aging and Law Institute Annual Conference
- ❖ 3<sup>rd</sup> World Congress on Adult Guardianships
- ❖ Florida State Guardianship Association Annual Conference
- ❖ Florida Court Clerks and Comptrollers Summer Conference
- ❖ Real Property, Probate and Trust Law Section of The Florida Bar Executive Council Meeting
- ❖ Public Assistance Fraud Regional Workshop
- ❖ HCE Arden Court Memory Care Support Group
- ❖ Century Village Gun Club
- ❖ Cypress Lakes Christian Club

The PIU Guardianship Section is committed to disseminating information through a variety of channels to shine the spotlight on guardianship awareness, such as:

- ❖ Coordinating efforts with the Clerk's Communications Department to generate media coverage (television, newspapers, and magazines).
- ❖ Co-authoring an article published by the American Bar Association Bifocal.
- ❖ Attending events sponsored by a variety of organizations dedicated to supporting guardianship programs.

## Legislation

Since 1989, Florida's Clerks have been directed by state statute (Chapter 744) to audit guardianship reports and advise the court of their audit findings. In 2011, we initiated the current program, tailored after Pinellas County, to perform enhanced audits through an administrative order of the Chief Judge of the Fifteenth Judicial Circuit.

Additional legislation passed in the State of Florida became effective July 1, 2014. The legislation broadened the definition of an audit to be more consistent with professional auditing standards and gave Florida Clerks' offices additional tools to create a more successful program. Our office provided support and subject matter expertise to legislators, legislative committees, organizers, and various other stakeholders. We were privileged to play a role in acting as a consultant and provide public testimony at a Florida Senate committee meeting. The overriding desire is to enhance independent guardianship auditing practices to detect mismanagement or fraudulent use of the ward's assets.

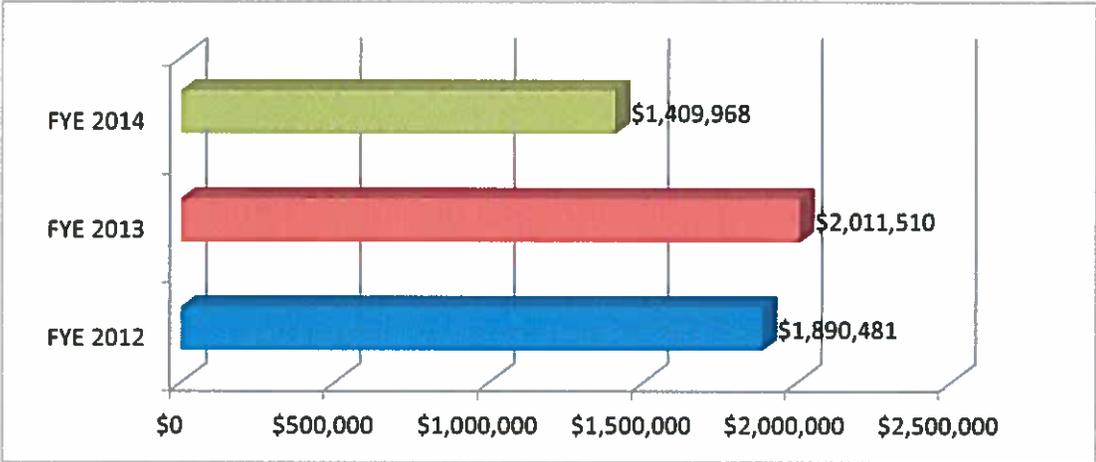
Further guardianship legislation is under consideration in the current session by the Florida House and Senate. The Clerk's Office is continuing to provide testimony, support and subject matter expertise to the subcommittees.

## *Recoveries and Cost Avoidance*

During FY 2013-2014, the audits, investigations, and guardianship reviews identified \$1,409,968 (as shown in following table) in potential revenue recoveries and cost avoidance to the Clerk's Office and County departments as well as unsubstantiated and questionable expenditures and misreported assets within guardianship audits.

PROJECT	REPORT ISSUED	POTENTIAL CLERK IMPACT	POTENTIAL COUNTY CITIZEN IMPACT	DESCRIPTION
Public Service Gas Taxes	6/12/14	--	\$6,401	Tax underpayments identified
Limited Inquiry of FLSA Regulatory Compliance	9/25/14		\$536,000	Potential expense reductions in County and Clerk's Office
North County Branch	9/30/14	--	\$42,215	Questionable Guardianship Case expenditures
Guardianships	Various		\$825,352	Unsubstantiated and questionable expenditures and misreported assets
	<b>SUB-TOTAL</b>	--	\$1,409,968	
	<b>TOTAL</b>		\$1,409,968	

Over the past three years, as shown below, the Division of Inspector General has identified a total of over \$5.3 million in potential revenue recoveries and cost avoidance to the Clerk’s Office and County departments as well as unsubstantiated and questionable expenditures and misreported assets within guardianship audits.



The Division’s importance extends beyond just the financial considerations. The impact of maintaining transparency and preserving public trust in local County government is invaluable. The Division of Inspector General strives to ensure taxpayers get a fair and honest accounting of their money.

## *Highlights of Audit Findings*

The following are highlights of audits issued by the Clerk’s Division of Inspector General during the fiscal year ending September 30, 2014. If you would like to read the entire reports, please visit the Division’s website at [www.mypalmbeachclerk.com](http://www.mypalmbeachclerk.com), and click on “Inspector General & Audit”.

### Human Resources Health & Benefit Plans Administration (Report issued December 20, 2013)

The Human Resources (HR) Department is responsible for administering the health and benefit plans for approximately 730 Clerk employees, 20 COBRA participants and 60 retirees. The Clerk’s health plan is self-insured, thereby avoiding state premium taxes

and allowing for a flexible plan design that targets the needs of its employees. For FYE September 30, 2013, actual claims paid totaled \$8.0 million.

The HR Department utilized several vendors to provide health and benefit plan coverage. The audit identified instances of non-compliance with the Clerk's contract policy as well as opportunities to strengthen contract terms. Enhanced oversight of CIGNA's claims administration, cost containment, and cost recovery performance was needed to reduce the risk of overpayment of member medical claims.

The Clerk's health and benefit plans are directed and guided by various federal and state laws and regulations. We noted certain practices were either not in compliance or required further research to determine if any procedural changes were appropriate. In addition, information technology (IT) security controls over system access to PeopleSoft and physical access to employee health and benefit plan information required strengthening. Opportunities exist to enhance policies and procedures, expand the reporting and performance measures used to monitor benefits administration functions, and further segregate benefit administration roles and responsibilities.

#### **Clerk Contract Compliance (Report issued March 25, 2014)**

Contracting responsibilities are dispersed throughout the Clerk's Office, with each department responsible for vendor solicitation, vendor proposal evaluation and selection, contract negotiation, contract development, and project management. The Clerk's Procurement function supports the process by reviewing contracts to ensure compliance with Clerk's policies and to help ensure contracts meet the requirements for competitive pricing. The Clerk's Legal Counsel supports the contract finalization process. The Clerk's Office issued approximately 170 contracts and agreements from January 1, 2012 through September 30, 2013.

Our audit of the contracting process and detail testing of select contracts (including the \$2.4 million contract to replace the Official Records system) indicated that the Clerk's Office has successfully instituted a relatively robust contracting process, with several elements in place that are considered best practices based on available research. Improvement opportunities exist to further standardize, strengthen and document certain elements of the contracting process, including areas such as an overall contract management guide, vendor selection and related templates, vendor proposal evaluation, contract dispute resolution, and contract compliance monitoring.

### **Public Service Tax Collection Vendor Audits (Report issued June 12, 2014)**

Palm Beach County Ordinance 89-13 (codified in Chapter 17, Article VI of the Palm Beach Code) authorizes Palm Beach County to levy a public service tax on sales of metered and bottled gas in unincorporated areas of the County. The ordinance is based upon Florida Statute Chapter 166.231-234. At the request of County management, we conducted an audit of public service taxes paid by five vendors to determine if the vendors complied with the public service tax requirements. The five vendors selected included:

- President Supermarket #8, Inc. – 4645 Gun Club Road, Suite 3, West Palm Beach, FL 33415
- Aman Petroleum Inc (d/b/a Mobile On The Go)–2269 S. Military Trail, West Palm Beach, FL 33415
- The Most High Realty Group, Inc. – 2765 Forest Hill Blvd, West Palm Beach FL 33406
- Dona Petroleum Inc. – 2152 Okeechobee Blvd., West Palm Beach, FL 33409
- Kwik Stop LLC – 2213 South Military Trail, West Palm Beach, FL 33415

Our review of the transaction activity from January 1, 2011 to December 31, 2013 disclosed that all five vendors did not comply with the County ordinance. The 10% public service tax was not collected by the vendors at the time of sale nor was the required tax remitted to the County.

As a result, the five vendors did not pay public service taxes totaling \$5,521 during the three-year period. Interest owed as of May 31, 2014 totaled \$880 based on the allowable one percent monthly rate. Therefore, unpaid public service taxes and interest due totaled \$6,401. County ordinance permits penalties, ranging up to 100% of the unpaid tax, to be assessed for sellers willfully attempting to evade payment of the public service tax.

### **County & Palm Tran Payroll Processing (Report issued June 13, 2014)**

The Payroll Department, residing within the Finance function, is responsible for processing the bi-weekly payroll for approximately 6,200 County and Palm Tran employees. At the time of the audit, approximately 730 employees received hard copy payroll checks each pay period while the large majority received direct deposits. For the fiscal year end September 30, 2013, gross payroll payments totaled \$393 million.

The audit disclosed that the Payroll Department provided timely, accurate service to County and Palm Tran employees, with certain control weaknesses and improvement

opportunities noted. Information security controls and practices surrounding user IDs and passwords and storage of sensitive data required improvement. Employee roles and responsibilities were not adequately segregated. Given the existing environment of Payroll receiving exception-based time and attendance data through the Timeserver system and the reliance placed on County department heads for review and approval, opportunities exist to conduct periodic payroll audits to ensure accurate disbursements. Controls required strengthening over the distribution and delivery of the approximately 730 hard copy payroll checks to County and Palm Tran employees. Certain written procedures required update and enhancement, and performance measures were not fully in place.

### **Cash Management (Report issued September 19, 2014)**

Cash Management handles outgoing wire transfers and ACH payments for the Board of County Commissioners and Clerk & Comptroller's Office, ensures adequate funds are maintained to cover daily operating activities, and optimizes the consolidated account balance to maximize earnings credits and minimize banking fees. For fiscal year ended September 30, 2013, 1,573 outgoing wires and ACH payments were processed totaling \$3.67 billion.

Our audit disclosed that Cash Management provided timely and accurate service to its customers, who included the Clerk & Comptroller and County departments as well as various agencies and vendors who receive electronic payments. The audit identified control weaknesses and improvement opportunities related to revising approval authorities assigned to employees, enhancing the segregation of roles and responsibilities, and implementing various other general fraud prevention techniques to further minimize the risks inherent in handling significant transfers of monies through various electronic channels.

**North County Branch (Report issued September 30, 2014)**

The North County Branch provides a full range of Clerk services to customers including initiating and updating civil and criminal cases, processing payments, providing documents and court services to hearings and trials, and various other services. The Branch accepts Recording documents and related payments and forwards same to the Main Courthouse for processing. The Branch also operates a self service center from which customers can obtain legal forms and consultation with contracted attorneys.

The audit disclosed that the North County Branch operations were well-controlled, with only one observation reported. Guardianship accountings and inventories received were not audited within the 90 day timeframe required by Florida Statutes.