



SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Memorandum

Date: August 20, 2018
From: Roger Trca, Inspector General
To: Shannon Ramsey-Chessman – Chief Operating Officer, Finance & Chief Operating Officer Acting
Subject: Limited Scope Review of Grants, Contracts & Compliance Unit

A. Background:

The Clerk & Comptroller's Audit Services Unit (ASU) of the Division of Inspector General has completed this management requested, limited-scope review of the Grants, Contracts & Compliance (GCC) Unit of the Clerk's Finance Services Department.

The Clerk serves as the Comptroller, Chief Financial Officer, Auditor and Treasurer for the County by monitoring the County budget, revenue, debt and spending. The Clerk & Comptroller pays all Palm Beach County's bills and maintains an accurate, complete set of financial records in order to produce all required financial statements and reports to comply with state and federal laws and Generally Accepted Accounting Principles (GAAP). As County Auditor, the Clerk & Comptroller is responsible for auditing the County's requests for disbursement of funds to ascertain and certify that the requests comply with laws and regulations, serve a public purpose, are within the County's budget, and are properly supported by evidence of receipt of goods and services.

The Clerk & Comptroller GCC Unit was segregated from the Payables Unit to create two distinct units. The GCC Unit is responsible for maintaining files and logs, and processing payment requests for executed vendor contracts and grant agreements, including payments for capital projects, non-profit agencies, tourism agencies, and various federal and state grants. The GCC Unit has one Assistant Manager and eight staff employees under the direction of Tracy Ramsey, Manager, who assumed her position on November 18, 2017.

B. Objectives, Scope and Methodology:

The objective of the management-requested, limited-scope review was to select a sample of payment requests handled by one prior GCC Unit employee and verify the payments

were processed in accordance with the grants' and contracts' terms and conditions as well as in accordance with GCC policies and procedures. Our scope included payment requests processed from March 1, 2016 through March 31, 2018.

In order to meet the objective, we conducted interviews, reviewed departmental policies and procedures, and performed testing of 25 payment requests totaling \$4,621,689.59. We focused our testing on the following four programs: Construction / Capital Projects Payments, Residential Rehabilitation Program, Community Services Financially Assisted Agencies, and Community Service Block Grant Public Assistance Payments. Sample items were judgmentally selected based on vendor's total balances and transaction volumes. The review was performed by Monica Alvarenga, Senior Internal Auditor.

C. Conclusion:

Our limited-scope review of a sample of 25 payment requests totaling \$4.6 million processed by one prior employee of the Grants, Contracts & Compliance (GCC) Unit determined that opportunities exist to strengthen the payment review process. Our review disclosed that one of twenty five payments sampled appeared to be based on an approved change order as the underlying rehabilitation contract between the contractor and homeowner was not available. Several notice to proceed forms were not received as required by contract and services were performed in some instances outside of contractual timeframes. In a few instances, GCC procedures were not updated or aligned with current departmental processes.

D. Observations

Our review of 25 payment requests totaling \$4.6 million submitted by various County departments to the Grants, Contracts & Compliance (GCC) Unit related to four programs identified the following observations.

- **Construction/Capital Projects**

These projects are financed with public funds to build, renovate, repair, and remodel buildings, parks, and other infrastructures for use as a public asset or for the benefit of the public. It includes the work of small to large businesses, consultants, engineers, architects and others. County departments initiate various documents (e.g., contract, change order, work order, notice to proceed (NTP)), which are submitted to Clerk's GCC Unit to support the payment requests.

Our review of 11 payments totaling \$4.03 million identified the following observations.

- Three payments (\$1,201,717.49) did not have the NTP as required by the contract. The NTP specifies the date in which the contractor can begin work subject to the conditions of the contract.
 - For one payment (\$194,928.65), the services were performed (February 16-27, 2017) prior to the NTP effective date (July 11, 2017). We noted that the NTP authorized the contractor to begin work on the project as of July 11, 2017 upon issuance of the written work order. However, GCC management stated that the NTP authorized work to begin upon issuance of written work orders (January 26, 2017) by the department regardless of the NTP effective date.
 - Two payments (\$1,307,683.29) had rate discrepancies between the price list in the contract and the invoiced amount, resulting in underpayments totaling \$18,400. There was no evidence to show that the discrepancy was reviewed.
 - Current GCC procedures require valid approval by the County engineer, project manager and the department signatory authority for contractual obligations. Our review of the 11 payments disclosed that all were properly approved by the department signatory authority. However, nine payments (\$2,812,925.81) did not include the County engineer's approval and four payments (\$1,298,826.63) did not include the project manager's approval. During the review, GCC management stated that procedures would be revised to enable payments to be made based solely by the authorized signatory who is the department representative granted fiscal authority approval.
 - GCC procedures require a calculation to confirm the total work performed, net amount earned on contract to date, and the balance due on the payment being requested. Four payments (\$1,629,012.34) did not include the required calculation notations to confirm these totals.
- **Residential Rehabilitation Program**

This program meets the housing needs of the very-low, low and moderate income households in Palm Beach County. The Housing and Economic Sustainability (HES) Department administers the program and the County Administrator or HES Director

performs ministerial functions such as evaluating and approving funding to property owners in accordance with program policies.

Our review of seven payments totaling \$126,336.90 disclosed the following observations.

- One payment (\$22,535.00) did not have the owner's rehabilitation contract and NTP. This payment was approved based on a signed change order. Therefore, we were unable to determine if the original contracted amount on the change order was accurate and that the service date was appropriate. It should be noted that for this program, contracts are signed by the homeowner and contractor. The County's role is to approve funding to property owners based on program requirements.
 - Two payments (\$67,032.90) had different addresses on the owner's supporting documentation. For example, the address in the NTP was different from the address in the contract or mortgage deed. There was no evidence (e.g., communication with department and/or vendor) to show that research was conducted to ascertain that the correct address was used.
 - For five payments (\$50,577.90), the rehabilitation services were performed after the construction completion date had expired as specified in the NTP. Change orders documenting changes were not noted.
- **Community Services Financially Assisted Agencies (FAA) Program**

Palm Beach County supplements its own services mix by providing financial assistance to community-based organizations. FAA is a program within the Administrative section of the Department of Community Services. Funding is given by the Board of County Commissioners to local health and human service program agencies throughout Palm Beach County.

Our review of five payments totaling \$464,386.43 identified the following observations.

- For three payments (\$360,647.99), the signature cards' authorized approving official (Mary Lou Berger, County Commissioner) was the same as the authorized signee on the card. Someone other than the authorized signee

should approve the signature card. GCC is not responsible for verifying proper signatures on contracts.

- Two payments (\$321,746.04) were noted in which the invoiced amount in the Monthly Allocation Worksheet was not accurately calculated, resulting in small underpayments (\$5.00).

- **Community Service Block Grant Public Assistance Program**

The program's objective is to provide assistance to low income families (e.g., payment of past due utility bills) through the Community Action Program in Palm Beach County.

Current procedures require that the utility company name, residence address and account number on the invoice properly match the utility bill. Our review of two payments totaling \$295.14 disclosed that the required information properly matched the utility bills. One minor observation was that the service dates on the utility bill did not match the authorization and billing invoice from Community Action. GCC management stated that the review of the service dates (from/to) is not part of GCC's review process.

Recommendations:

1. Ensure that supporting documentation (including contracts) is maintained as part of the payment request files. Also, ensure that deviations from grant and contract terms (e.g., amounts, dates, addresses, and names) are reviewed and documented in the files.
2. Obtain the notice to proceed (NTP) form, when required by contractual terms, which specifies the approved dates of commencing and completing the contracted services. Ensure payment request dates and service dates are appropriately aligned with the NTP prior to disbursing payments.
3. Ensure that the GCC procedures related to the four areas of our testing performed are updated, relevant to the programs' requirements, and aligned with departmental processes to provide adequate guidance to staff.

Management Responses:

1. Document protocols within current department policies and procedures by December of 2018 to ensure all supporting documentation is maintained as a part of the payment request file and deviations are documented when applicable.
Target Completion Date: 12/31/2018
2. Conduct a refresher training at the September staff meeting, addressing the importance of the Notice to Proceed (NTP) document when processing construction related payments. NOTE: A three-session construction training was conducted in June 2018-July 2018 for department staff, which included this information.
Target Completion Date: 9/30/2018
3. Under new management and with the creation of several new positions, addressing department policies and procedures is a priority. Update department policies and procedures related to the four areas tested under the limited-scope review by December of 2018.
Target Completion Date: 12/31/2018

cc: Sharon R. Bock, Esq., Clerk & Comptroller
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Darlene Malaney, Director – Finance Services
Hampton Peterson, Esq. – Legal Counsel & Ethics Officer
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