

**WALTON COUNTY
BOARD OF COUNTY COMMISSIONERS,
CLERK OF THE CIRCUIT COURT, AND
USE OF FUNDS RELATED TO THE
DEEPWATER HORIZON OIL SPILL**

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

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

During the period October 2016 through October 2018, the following individuals served on the Walton County Board of County Commissioners:

<u>Board of County Commissioners</u>	<u>District No.</u>
William "Bill" Chapman, Chair from 12-12-17, Vice-Chair 11-22-16, through 12-11-17	1
Cecilia Jones, Chair 11-22-16, through 12-11-17, Vice-Chair through 11-21-16	2
Melanie Nipper from 11-22-16	3
Bill Imfeld through 11-21-16	3
Sara Comander, Chair through 11-21-16	4
Tony Anderson from 11-22-16, Vice-Chair from 12-12-17	5
Cindy Meadows through 11-21-16	5

Also, during that period, Alex Alford served as Clerk of the Circuit Court and Larry Jones served as County Administrator.

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

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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WALTON COUNTY BOARD OF COUNTY COMMISSIONERS, CLERK OF THE CIRCUIT COURT, AND USE OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL

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SUMMARY

This operational audit of the Walton County Board of County Commissioners (BCC) and Clerk of the Circuit Court (CCC) focused on the progress that the BCC and CCC had made, or were in the process of making, in addressing the findings and recommendations in our operational audit report No. 2017-123. This operational audit also included an evaluation, pursuant to Section 288.8018(2), Florida Statutes, of the County's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner during the period October 2016 through October 2018. Our audit disclosed that the BCC had corrected 3 findings (Findings 1, 5, and 6), partially corrected 5 findings (Findings 2, 3, 4, 7, and 9) and had not corrected 1 finding (Finding 8). The CCC had corrected 1 finding (Finding 10) and partially corrected 1 finding (Finding 11).

BACKGROUND

Walton County Board of County Commissioners. Pursuant to the State Constitution,¹ the Board of County Commissioners (BCC) is the governing body in Walton County (County), and State law² outlines the general duties and responsibilities of the BCC. The BCC is composed of five County Commissioners, and each County Commissioner is elected to a 4-year term by the voters in the geographical district in which he or she resides. The BCC approves the County budget, adopts local ordinances and resolutions, and establishes policies and procedures that govern the County and protect the health, safety, and welfare of the citizens.

Walton County Clerk of the Circuit Court. The State Constitution establishes the Walton County Clerk of the Circuit Court (CCC) as the auditor, recorder, and custodian of all County funds. In this role, the CCC serves:

- The County government by acting as accountant and auditor for the BCC, collector and distributor of statutory assessments, and guardian of public records, public funds, and public property.
- The court by ensuring that appropriate parties carry out the court's orders, judgments, or directives; maintaining the court's records; collecting and disbursing court-assessed fines, fees, and assessments; and collecting and disbursing court-ordered child support and alimony payments.
- The State by collecting and disbursing documentary stamps and intangible taxes to the State; collecting and disbursing other State-mandated fees and assessments to the State; providing

¹ Article VIII, Section 6 of the State Constitution.

² Chapter 125, Florida Statutes.

informational, financial, and statistical data to the State; and managing County funds in accordance with State law.

Funds Related to the Deepwater Horizon Oil Spill. On April 20, 2010, a gas release and subsequent explosion occurred on the British Petroleum (BP) mobile drilling platform Deepwater Horizon, located in the Gulf of Mexico approximately 130 miles southeast of New Orleans, Louisiana. Due to the threat posed to the State of Florida from oil leaking from the drilling platform and the well, the Governor declared a state of emergency for certain counties, including Walton County. To compensate for the impact of the explosion and oil spill, BP provided moneys to the State, certain local governments, and certain nonprofit organizations. During the period October 2013 through September 2014, the BCC received BP settlement awards of \$7.9 million³ for continuing damages to the local tourism economy. Of this amount, \$3.6 million was awarded to the BCC and \$4.3 million was awarded to the Walton County Tourist Development Council (TDC). During the 2016-17 and 2017-18 fiscal years, the BCC recorded BP Fund expenditures of \$2,586,461, and the TDC recorded BP Fund expenditures of \$4,100,421.

BOARD OF COUNTY COMMISSIONERS FINDINGS AND RECOMMENDATIONS

Finding 1: Comprehensive Plan and Land Development Code

Previously Reported

The Board of County Commissioners (BCC) Comprehensive Plan (Plan) and Land Development Code (Code) policies and objectives for development in Walton County could be improved. For example, the Plan and the Code contained undefined terms regarding proportionate share contribution (PSC) fees. Definitions for terms related to PSC fees would promote consistent treatment by Planning and Development Services Department (Department) personnel for similar situations.

We recommended that the BCC continue efforts to ensure that the Plan and Code policies and objectives for development in the County are clearly stated and provide for consistent interpretation and application of the Plan and Code provisions by Department staff.

Results of Follow-Up Procedures

The BCC corrected this finding. Our examination of BCC records and discussions with BCC personnel disclosed that in December 2018 the BCC approved amendments to the Plan and the Code to clearly state policies and objectives for development in the County and provide for consistent interpretation and application of the Plan and Code provisions by Department staff. For example, the Code was revised to clarify that the term “final building permit” refers to the certificate of occupancy and not the development order as building permits are issued after the development order. Additionally, the amendments to the

³ The BP settlement awards of \$7.9 million were net of legal and other fees totaling \$2 million.

Plan and Code clarified the allowable uses for land classified as “coastal center” and “neighborhood commercial.”

Finding 2: Proportionate Share Contribution

Previously Reported

The BCC assessed proportionate share contribution (PSC) fees to commercial or residential project developers for increased road use caused by the projects; however, the fees were based on outdated statutory provisions. Additionally, BCC personnel did not perform a cost-benefit analysis to determine whether it would be more economical for the County to assess developers a PSC fee or an impact fee, and BCC records did not always demonstrate the accuracy of PSC fee assessments or that fees were timely collected.

We recommended that the BCC:

- Analyze, of record, whether it would be more economical to assess developers a PSC fee or an impact fee. If it is more economical to continue assessing and collecting PSC fees, the BCC should update the calculation spreadsheet based on current data and ensure that the calculation method complies with State law provisions
- For commercial projects, continue efforts to ensure that PSC fees are collected before the Building Department issues a certificate of occupancy.
- Continue efforts to ensure that PSC fees are supported by transportation concurrency review letters and timely collected.

Results of Follow-Up Procedures

The BCC partially corrected this finding. Our discussions with BCC personnel and examination of BCC records disclosed that in August 2016 the BCC contracted with a consultant to evaluate the transportation concurrency management system and PSC fee. In March 2017, the consultant issued a memorandum recommending that the BCC consider replacing the PSC with a mobility fee,⁴ an alternative transportation funding system authorized by State law.⁵ In October 2017, the consultant gave a presentation at a public BCC meeting that included several qualitative reasons for discontinuing the PSC and adopting a mobility fee. For example, the consultant asserted that the mobility fee:

- Supports multimodal transportation, such as transit, bicycle, and pedestrian, rather than PSC fees that were solely based on motor vehicles.
- Provides more transparency and certainty to developers. For example, within a mobility fee district, the BCC could establish a fixed fee per unit developed, which would allow a developer to easily calculate the fee based on the number of units proposed for development rather than not knowing the PSC fee amount until calculated by the BCC consultant.
- Is less data intensive than the PSC fee, which relies on current and accurate data to determine the developer’s impact on the roadways and to calculate a fee based on that impact. Compiling PSC fee data is a complex and labor-intensive process requiring the BCC to continuously monitor

⁴ According to a memorandum prepared by the Planning and Development Services Department for the BCC, mobility fees are a transportation system charge on development that allows local governments to assess the proportionate cost of transportation improvements needed to serve the demand generated by development projects.

⁵ Section 163.3180, Florida Statutes.

development activities and committed motor vehicle trips associated with active developments, service levels of the existing transportation network throughout the County, new development orders, traffic counts, and road capacity for every segment within the County roadway network. In contrast, mobility fees are charged based on a fee per unit determined by a mobility fee study, and rather than being updated continually, the mobility fee program is typically reviewed and updated on an annual basis to ensure that the goals and projects are meeting BCC objectives for the fees.

Based on the consultant's report presentation and a recommendation from the Planning and Development Services Department Director, the BCC voted at that meeting to cease assessing a PSC fee and instead assess a mobility fee with an estimated implementation date of October 2020.

Although the consultant report provided several qualitative reasons for adopting the mobility fee, neither the report nor any other BCC records documented consideration of the differences in projected revenue that could be generated by the PSC, mobility, and impact fees, or the differences in costs to administer each of these fee programs. In response to our inquiries, BCC personnel indicated that, due to the compelling qualitative reasons provided by the consultant, a cost-benefit analysis was unnecessary. Notwithstanding this response, and without documenting the ongoing economic impact of discontinuing the PSC fee and implementing a mobility fee, BCC records did not demonstrate that BCC made an informed decision that the PSC fee program was more economically beneficial to the County.

Additionally, due to the decision to replace the PSC fee with the mobility fee, and the expense and staff demands associated with changing fee structures, the BCC did not fully update the PSC formula. The BCC only updated the PSC formula inputs for committed and background traffic but did not update the cost per trip or the annual average daily traffic inputs. In response to our inquiry, BCC personnel stated that they could update the PSC formula for these items; however, because the BCC is transitioning from the PSC fee structure to the mobility fee structure in October 2020, the BCC did not want to incur additional consultant costs and increase staff workloads to update the PSC formula.

To determine whether PSC fees were timely collected before the Building Department issued the certificate of occupancy and supported by transportation concurrency review letters, we examined BCC records supporting PSC fees totaling \$1.8 million collected during the period October 2017 through October 2018 for 18 development projects (11 commercial and 7 residential projects). Our examination disclosed that the PSC fees were timely collected before the Building Department issued the certificates of occupancy and were supported by transportation concurrency review letters.

Recommendation: We continue to recommend that the BCC document a cost-benefit analysis demonstrating whether it would be more economically beneficial to assess developers a PSC, mobility, or impact fee.

Finding 3: Preservation Fees

Previously Reported

Preservation fees were not always correctly calculated or supported by documented, independent review and approval. As a result, certain fees were over assessed and others were under assessed. In addition, preservation fees were not always timely collected.

We recommended that the BCC continue efforts to require and ensure the proper calculation, accurate assessment, and prompt collection of preservation fees. Such efforts should include the documented independent review and approval of the fee calculations and related assessments and ensure that due dates for fee remittances are specified and that the remittances are timely made. In addition, the BCC should refund the \$32,626 over-assessed fees to the applicable developers and seek payment from the applicable developers for the under-assessed preservation fees totaling \$11,535.

Results of Follow-Up Procedures

The BCC partially corrected this finding. In our report No. 2017-123, we identified over-assessed preservation fees of \$32,626 and, as discussed in Finding 4, under-assessed recreational plat fees of \$31,979. The over-assessed preservation and under-assessed recreational fees were for the same developer and the BCC netted the amounts, resulting in a net preservation fee over assessment of \$647. Notwithstanding, the BCC did not have any policies or procedures that required the timely refund of over-charged or collection of under-charged preservation fees. Before our inquiries in May 2019, BCC records did not evidence any action to remedy either the \$647 over assessment or \$11,535 under assessment.

In response to our inquiry, BCC personnel indicated that, due to the time span since the fees were assessed and uncertainty whether legal remedies could enforce collection, no collection efforts were made. Subsequent to our inquiries in May 2019, the BCC issued a \$647 refund to the developer for the over-assessed preservation fees and notices of underpayment totaling \$11,535 to the applicable developers with under-assessed preservation fees. In September 2019, the BCC collected \$5,506 of the under-assessed preservation fees. When errors are identified in the calculation of preservation fees, the timely refunding of over-assessments and attempts to collect under-assessments inspires public confidence that developers are being charged the correct amounts based on BCC policies.

In addition, our examination of BCC records and discussions with BCC personnel disclosed that in March 2016 the BCC established policies and procedures that require an employee, independent of the initial preservation fee calculation, to recalculate the fee and sign a certification that the fees are correct, and also require the prompt collection of preservation fees. In that month, Planning and Development Services Department personnel began recalculating the fee and signing to certify the accuracy of the calculation. In addition, the fee calculation review and approval process was further clarified in June 2018 with the adoption of the *Preservation Fee Calculation Policy*, which requires use of a preservation fee worksheet to reduce the likelihood of calculation errors, and an additional calculation review by Financial and Administrative Services Division personnel.

To determine whether BCC personnel complied with the policies and procedures by appropriately calculating, reviewing, approving, and timely collecting preservation fees for the period October 2017 through October 2018, we examined BCC records supporting all nine preservation fees collected totaling \$246,530. We found that BCC records evidenced compliance with the BCC policies and procedures.

Recommendation: **The BCC should establish policies and procedures that require the timely refunding of over-assessed and collection of under-assessed preservation fees. Additionally, the BCC should continue efforts to collect the \$6,029 under-assessed preservation fees.**

Finding 4: Recreational Plat Fees

Previously Reported

Recreational plat fees were not always calculated correctly, resulting in net fee under assessments totaling \$31,840.

We recommended that the BCC continue efforts to require and ensure the documented independent review and approval of recreational plat fee calculations and the related assessments. Additionally, we recommended that the BCC revise the Code to specify the Property Appraiser assessed value to use in the calculations or consider alternative methods and factors to utilize for the assessment of recreational plat fees. Also, we recommended that the BCC refund the \$139 over-assessed fees to the applicable developer and seek payment from the applicable developers for the under-assessed fees totaling \$31,979.

Results of Follow-Up Procedures

The BCC partially corrected this finding. As discussed in Finding 3, our report No. 2017-123 disclosed over-assessed preservation fees of \$32,626 and under-assessed recreational plat fees of \$31,979 for the same developer. After the BCC netted these amounts, there remained a net preservation fee over-assessment of \$647 and the BCC had not established policies or procedures that required the timely refund of over-assessed or collection of under-assessed recreational plat fees.

Our examination of BCC records and discussions with BCC personnel disclosed that in February 2016 the BCC implemented a process requiring the Finance Director's documented review and approval of recreational plat fees. In June 2018, the fee calculation review and approval process was further clarified with the adoption of the *Recreation Fee Calculation Policy* (Policy), which was subsequently amended in August 2018. The Policy, as amended:

- Clarifies that Planning and Development Services Department personnel should use the Property Appraiser's assessed value for vacant land or land value for improved land.
- Requires Planning and Development Services Department personnel to calculate fees using the recreation fee calculation worksheet, which contains separate signature fields for the preparer and approver, to help reduce errors and identify those responsible for the accuracy of the worksheet.
- Specifies how the independent review should be documented. For example, the Policy requires Planning and Development Services Department personnel to send an e-mail of the recreational plat fee calculation to the Finance and Administrative Services Division for review and approval and requires Finance and Administrative Services Division personnel to send an e-mail back to the Planning and Development Services Department to evidence approval.

To determine whether BCC personnel complied with the Policy and appropriately calculated, reviewed, and approved recreational plat fees for the period October 2017 through October 2018, we examined BCC records supporting all nine recreational plat fees collected totaling \$463,217. We found that, although the recreational plat fees were supported by documented review and approval, one of the fees for \$31,146 was calculated based on the value of platted land considering improvements, contrary to the

Land Development Code (Code).⁶ As a result, recreational plat fees were over assessed by \$11,428. According to BCC personnel, they did not have sufficient online access to the Property Appraiser's records to identify the improvement values and remove such from the total assessed values. Subsequent to our inquiries, in July 2019 the BCC refunded the \$11,428 over-assessed recreational plat fee and the \$139 over-assessed recreational plat fees cited in our audit report No. 2017-123.

Without appropriate access to the Property Appraiser online records and an appropriate understanding of the information included in the records, there is an increased risk that BCC staff will not accurately identify and calculate the assessed value of unimproved land, causing inaccurate recreational plat fees. In addition, upon identification of miscalculated preservation fees, timely actions to refund or make additional assessments inspires public confidence that the public is being charged the correct amount based on the Policy.

Recommendation: The BCC should ensure that BCC staff have necessary access to Property Appraiser records and have an appropriate understanding to determine the assessed value of unimproved land. In addition, the BCC should establish policies and procedures that require the timely refund of over-assessed or collection of under-assessed recreational plat fees.

Finding 5: Consultant Study

Previously Reported

In 2004, a comprehensive study (Beeman Study) of Planning and Development Services Department operations identified numerous improvements that could be made; however, as of September 2016, the Department had not implemented several of the improvements recommended.

We recommended that the BCC continue efforts to implement the Beeman Study recommendations or document, of record, explanations for why the implementation of a recommendation would not be feasible or necessary.

Results of Follow-Up Procedures

The BCC corrected this finding. Our examination of BCC records and discussions with BCC personnel disclosed that the BCC implemented the Beeman Study recommendations. In October 2016, the BCC contracted with a consultant to provide software that allows online submission of permits and plans with supporting documentation that can be distributed to appropriate BCC personnel for review and approval. The software was made available to the public in April 2018 and, to assist the public with the new software, the BCC posted several videos on the BCC Web site to instruct the public on how to use the software and complete the online forms. In addition, as discussed in our results of follow-up procedures for Findings 1 through 4, the BCC clarified and enhanced policies and procedures related to Planning and Development Services Department fees.

⁶ Land Development Code 11.03.03 requires that recreational plat fee calculations be based on the value of platted land without improvements.

Finding 6: Letters of Credit and Surety Bonds

Previously Reported

The BCC had not established written policies or procedures for safeguarding securities submitted to ensure satisfactory completion of infrastructure projects.

We recommended that the BCC and Clerk of the Circuit Court (CCC) establish written policies and procedures for the proper safeguarding of securities submitted to ensure the satisfactory completion of infrastructure projects.

Results of Follow-Up Procedures

The BCC corrected this finding. Our examination of BCC records and discussions with BCC personnel disclosed that in October 2018 the BCC implemented a letter of credit (LOC) policy to require that securities, which are submitted to ensure the satisfactory completion of infrastructure projects, are properly safeguarded. According to BCC personnel, the Development Order Inspector⁷ (DOI) in the Planning and Development Services Department is responsible for verifying, before the final plat is approved, that the developer provided assurance that the infrastructure will be completed. To ensure a consistent process, the LOC policy requires the DOI to deliver the original LOC to the CCC within 3 business days of being issued. Once delivered, the DOI receives a date-stamped copy marked as received by the CCC. The date-stamped copy is then scanned and e-mailed to the Public Works Department and the Finance and Administrative Services Division, and the date-stamped copy is filed in the Planning and Development Services Department's files. Periodically, but no less than quarterly, Public Works Department personnel reconcile the LOC copies on-file to the LOCs in the CCC vault to verify that the CCC vault includes all required LOCs, and the Financial and Administrative Services Division reviews and maintains a copy of the completed LOC reconciliations.

To determine whether BCC personnel complied with the LOC policy and timely submitted original LOCs to the CCC, we examined the two LOCs totaling \$262,356 issued since the LOC policy was implemented in October 2018 through the date of our inquiry in April 2019. Our examination disclosed that the BCC complied with the LOC policy and timely delivered the original LOCs to the CCC for safekeeping.

Finding 7: Tourist Development Tax Administrative Charges

Previously Reported

The BCC had not adopted written policies or procedures for calculating indirect administrative charges to the Tourist Development Council (TDC) based on actual BCC services performed for the TDC.

We recommended that the BCC adopt an appropriate methodology and establish written procedures for calculating indirect administrative charges to the TDC. Such charges could be based on the methodology developed in the consultant cost allocation plan study and adjusted, as necessary, depending on the actual BCC services performed for the TDC.

⁷ The Development Order Inspector is tasked with ensuring that development projects have the required infrastructure in place.

Results of Follow-Up Procedures

The BCC partially corrected this finding. Our examination of BCC records and discussions with BCC personnel disclosed that in June 2017 the BCC established policies and procedures for the calculation of indirect administrative charges to the TDC. The policy states that no less than every 3 years the BCC will obtain a cost allocation plan in conformity with generally accepted accounting principles based on the most recent audited costs. The indirect administrative costs are charged to the applicable funds, including TDC funds, for the 3 years following completion of the cost allocation plan in amounts not to exceed the actual costs included in the indirect cost allocation study. For example, the indirect administrative costs applied to the 3-year period for the 2015-16, 2016-17, and 2017-18 fiscal years were based upon a cost allocation plan prepared using the 2013-14 fiscal year audited costs.

Our evaluation of the BCC indirect cost allocation plan methodology disclosed that, while the use of historical cost patterns are useful in estimating indirect administrative costs, the estimated amounts charged should periodically be adjusted for actual costs. For example, the TDC was charged \$874,631 in the 2017-18 fiscal year based on the 2013-14 fiscal year actual expenditure data because the 2013-14 fiscal year data was used to assess indirect administrative charges to the TDC for the 2015-16, 2016-17, 2017-18 fiscal years. However, no adjustments were subsequently made in the 2015-16 through 2017-18 fiscal years for actual costs.

In response to our inquiry, BCC personnel indicated that the use of the 2013-14 fiscal year cost allocation plan to allocate costs for the 2015-16 through 2017-18 fiscal years is a materially correct and reasonable method to allocate costs, and there is no process in place to adjust for the differences between the indirect administrative charges based on the current year's expenditure data and the historical expenditure data used in the cost allocation plan. Notwithstanding the BCC's response, the amounts charged to the TDC may not accurately reflect the actual cost of BCC services for the TDC in the fiscal years that the charges apply.

Recommendation: We continue to recommend that the BCC periodically adjust indirect administrative charges to the TDC to reflect the actual cost of BCC services provided for the TDC.

Finding 8: Employment Practices and Personnel Records

Previously Reported

BCC records did not always evidence that employees met the education and experience requirements for their positions.

We recommended that the BCC enhance procedures to ensure that, before individuals are selected to fill position vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and that documentation of the verifications is maintained in the appropriate personnel files. Such documentation should include the documented review of official transcripts received directly from educational institutions and evidence of an equivalent combination, as necessary, of training and experience consistent with the BCC-adopted position descriptions.

Results of Follow-Up Procedures

The BCC did not correct the finding. Our examination of BCC records and discussions with BCC personnel disclosed that in May 2017 the BCC approved an updated *Personnel Policy and Procedure Manual (Manual)*. The *Manual*⁸ requires that for all positions requiring college degrees the candidate must request that an official, sealed transcript be mailed directly from the educational institute to the Human Resources Department as part of the pre-employment process, and upon a conditional employment offer, reference checks (including verification of prior employment) will be performed on the selected candidate.

To determine whether the BCC appropriately documented the verification of employee education credentials and relevant work experience, we requested for examination the personnel records for five individuals hired during the period October 2017 through October 2018, including four new hires and a rehired individual who had previously worked for the BCC. We found that:

- BCC records did not document verifications of relevant work experience for the four new hires, contrary to the *Manual*. In response to our inquiry, BCC personnel indicated that they do not verify outside employment experience other than prior government experience and experience for director-level positions because it is easier to verify prior government work experience (public information) than private sector work experience. As a result, the BCC relies on the prospective employee's application or resume to accurately represent prior experience and do not attempt to contact the private employers. Although we requested, BCC personnel did not provide records to document prior attempts to contact private employers to support the BCC assertion that private employers are not responsive to reference verification attempts.

In instances that an applicant has prior government experience, BCC personnel indicated that they contact the relevant government office and verify the date of employment shown on the prospective employee's application. One of the four new hires had prior government work experience in addition to private sector work experience. According to BCC personnel, they could not recall whether they contacted employment references and that, if employment references were contacted by telephone, the telephone calls were not logged to evidence the contact attempts. Consequently, BCC personnel did not maintain records indicating that they verified the employee's prior government work experience.

- The job descriptions for the positions filled by the five individuals included specific educational requirements. Although we requested, BCC records were not initially provided to evidence that the official transcripts for the individual rehired were obtained and verified. In response to our inquiry, BCC personnel indicated that the BCC should have obtained a copy of her transcripts and, subsequent to our inquiry in December 2018, Human Resources Department personnel obtained and provided for our examination in April 2019 the official transcripts that supported the employee's education credentials.

Documented verifications of minimum education requirements using official transcripts received directly from educational institutions and documented verifications of individuals' relevant work experience provide critical information for making personnel decisions and assurances that individuals selected for hire meet position requirements.

Recommendation: The BCC should enhance procedures to ensure that, before individuals are selected to fill position vacancies, documented verifications are performed and maintained to evidence that the individuals meet the education and experience requirements for the positions.

⁸ Chapter 4, Section A(1)(g), *Walton County Personnel and Policy Manual*.

Finding 9: Competitive Selection Process

Previously Reported

BCC controls over the competitive selection of certain professional services could be enhanced.

We recommended that when procuring services that require use of a request for qualifications (RFQ), the BCC:

- Follow the BCC-established competitive selection process, which requires that review teams be formed to review and evaluate RFQ responses and make recommendations to the BCC for respondent presentations or for negotiation, or, alternatively, adopt a resolution when the process is amended.
- Clarify in the BCC policies and procedures the specific circumstances that would allow BCC members to serve as a review team to directly evaluate and select professional services.
- Revise the BCC policies and procedures to require use of detailed descriptions of rating criteria and instructions for reviewing and evaluating RFQ responses and explanations when evaluator scores vary significantly for a specific criterion.

Results of Follow-Up Procedures

The BCC partially corrected the finding. Our examination of BCC records and discussions with BCC personnel disclosed that, in February 2017, BCC policies were revised to:

- Allow the BCC, based upon a majority vote during a regularly scheduled meeting, to serve as the review team.
- Require that RFQ evaluation factors include a brief explanation defining the rating criteria to ensure uniform interpretation of the factors.
- Require that the review team advisor follow up on significant scoring variations between reviewers to ensure each reviewer clearly understood the items to be evaluated.

To determine whether the BCC complied with the revised policies, we examined BCC records supporting the 17 Requests for Proposals (RFPs) and RFQs submitted during the period October 2017 through October 2018. The BCC did not serve as the review team for any of the 17 RFPs and RFQs. Our examination disclosed that 12 of the 17 RFPs and RFQs did not contain an explanation of the rating criteria. In addition, although we requested, BCC records were not provided to define what would constitute a significant scoring variation. Also, we noted that review team members sometimes scored criteria significantly different and the review team advisor did not always follow up to ensure each reviewer clearly understood the items to be evaluated.

For example, for the “past record of performance” criterion with a predetermined range of 0 to 20 points for a construction, engineering, and inspection service RFQ, the team members were not provided an explanation of the rating criteria to ensure uniform interpretation of the factors. In addition, while two review team members scored the respondent 18 points and 15 points, respectively, for the criterion, the third review team member scored the respondent 0 points. Although we requested, BCC records were not provided to evidence that the review team advisor followed up on these variations to ensure each reviewer clearly understood the items evaluated. In response to our inquiry, BCC personnel indicated that the rating criteria is listed in detail in the body of the RFP and RFQ and, as of March 2019, they are

in the process of making a change to add a detailed description of the rating criteria. BCC personnel also indicated that minutes are taken when review team members meet to discuss applicable discrepancies and suggested that the minutes may include explanation for significant scoring variances. However, although we requested, the minutes of the review team meeting were not located and provided for our examination.

While some variations in scores are normal and expected, significant variations may be because evaluation committee members were not informed through written instructions how to appropriately score the criteria. Since consistent approaches are essential when scoring proposals against predetermined criteria, documented explanations for significant variances in criteria rating scores would provide more transparency in the competitive selection process.

Recommendation: We continue to recommend that BCC procedures be enhanced to document detailed descriptions of rating criteria and instructions for reviewing and evaluating RFP and RFQ responses. In addition, BCC personnel should comply with established policies that require the review team advisor to follow up on review team member scores that vary significantly for a specific criterion and retain documentation to ensure each team member clearly understood the items to be evaluated. Also, the BCC should define what would constitute a significant variance for specific criterion, which should be used to prompt review team advisors to follow up with applicable team members to ensure each reviewer clearly understood the items to be evaluated.

CLERK OF THE CIRCUIT COURT FINDINGS AND RECOMMENDATIONS

Finding 10: Tourist Development Tax Administrative Costs

Previously Reported

The Clerk of the Circuit Court (CCC) had not developed a cost allocation methodology to support the administrative costs charged for administering the tourist development tax.

We recommended that the CCC develop and document a cost allocation methodology to support the costs for administering the tourist development tax (TDT) and withhold from the Tourist Development Council (TDC) only those amounts related to the actual administrative costs.

Results of Follow-Up Procedures

The CCC corrected this finding. According to CCC personnel and examination of CCC records, the CCC developed a cost allocation methodology whereby the number of full-time employees who work solely on TDT functions was divided by the total number of full-time employees then multiplied by the salaries and benefits of employees in a supervisory or administrative capacity to support the administrative costs charged for administering the TDT. The CCC began use of the methodology for the 2016-17 and 2017-18 fiscal years and retained \$232,406 and \$391,182, respectively, for administrative costs based on that methodology.

To determine whether the the cost allocation methodology accurately reflected CCC costs incurred to administer the TDT, we examined CCC records supporting the items included in the methodology for reasonableness and verified that the calculations used for the applicable items for the 2017-18 fiscal

year. Based on our evaluation of CCC records supporting the methodology, the amounts charged to the TDC for administrative costs related to administering the TDT were reasonable and correctly calculated.

Finding 11: Internal Audit Function

Previously Reported

The CCC Internal Audit Department (IAD) did not comply with the IAD charter and professional standards by obtaining required quality assurance reviews. In addition, the IAD did not comply with the IAD policies and procedures requiring the performance of a follow-up review of prior audit findings.

We recommended that the CCC ensure that the IAD undergo a quality assurance review in accordance with *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and *Government Auditing Standards (GAS)*. In addition, we recommended that the CCC enhance procedures to specify what constitutes a “reasonable amount of time” for audit follow-up purposes and ensure timely follow-up of previously issued internal audit findings.

Results of Follow-Up Procedures

The CCC partially corrected this finding. Our examination of CCC records disclosed that in December 2018 the CCC revised the IAD *Policies and Procedures Manual*⁹ to require follow-up audits to start within 12 months after the Board has accepted the original audit report. Because the policies were recently revised and will be applied prospectively to new audits, as of March 2019, no follow-up audits had been conducted.

In addition, pursuant to our recommendation in the previous audit report, the IAD obtained a quality assessment review in accordance with *IIA Standards* and *GAS* and, in February 2019, the CCC received the results of the review. The results of the review graded:

- 4 compliance categories as “generally conforms.”
- 7 compliance categories as “partially conforms.”
- 1 compliance category as “does not conform.”

The “does not conform” grade given to the Quality Assurance and Improvement Program (QAIP) category cited that the IAD did not have a formal QAIP, contrary to the IAD’s Charter, which requires adherence to *IIA Standards*.

According to the *IIA* standards, a QAIP includes an ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity, assesses the efficiency and effectiveness of the internal audit activity, identifies opportunities for improvement, and evaluates conformance with *IIA* standards and the *IIA* Code of Ethics. Absent a QAIP, the IAD has less assurance that internal audits are conducted efficiently and effectively in accordance with the *IIA Standards* and the *IIA Code of Ethics*.

In response to our inquiry, CCC personnel indicated that they developed a management action plan to respond to the deficiencies identified by the quality assessment review but had not established a timeline

⁹ IAD *Policies and Procedures Manual*, Procedure IA 30.09.

for completing the plan. CCC personnel also indicated that they will implement corrective actions as time permits and that, since their priority is helping County staff and giving taxpayers competent audit reports, their obligation is to their taxpayers not the Institute of Internal Auditors. Notwithstanding this response, without prompt implementation of a formal QAIP, the CCC lacks independent assurance that the CCC risk management, governance, and internal control processes are operating effectively to improve and mature the County's business practices.

Recommendation: The CCC should establish a timeline for correcting the deficiencies noted in the IAD's quality assessment review, including establishment of a QAIP.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the Board of County Commissioners (BCC) and Clerk of the Circuit Court (CCC) and issued our report No. 2017-123 in March 2017. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of that report, appropriate follow-up procedures to determine the BCC and CCC's progress in addressing the findings and recommendations contained within report No. 2017-123.

Additionally, State law¹⁰ provides that, every 2 years, the Auditor General shall conduct an operational audit of a local government entity's funds related to the Deepwater Horizon oil spill to evaluate the local government entity's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner. The audit is to include any funds the County receives or expends related to the Deepwater Horizon oil spill, including any funds under State law¹¹ or Federal regulations.¹²

We conducted this follow-up audit from November 2018 to June 2019 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

¹⁰ Section 288.8018(2), Florida Statutes.

¹¹ Section 288.8017, Florida Statutes.

¹² Title 33 United States Code, Section 1321(t).

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of October 2016 through October 2018, and selected BCC and CCC actions taken prior and subsequent thereto. Our audit included the examination of pertinent BCC and CCC records and transactions, inquiry of BCC and CCC personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning the relevant population value or size and quantifications relative to the items selected from examination.

Specifically, we:

- Reviewed applicable laws, rules, regulations, BCC ordinances, BCC and CCC policies, and interviewed BCC and CCC personnel to gain an understanding of the BCC and CCC processes. We also evaluated whether the BCC and CCC had established or enhanced policies and procedures for major functions, such as planning and development services, procurement, human resources management, and assessment of tourist development tax administrative costs.
- Evaluated the BCC Comprehensive Plan and Land Development Code (Code) provisions to determine whether the BCC took action to clarify Plan and Code provisions.
- Determined whether the BCC had performed a cost-benefit analysis as to whether it would be more economical to assess developers a proportionate share contribution (PSC) fee or an alternate type of development fee.
- Examined BCC records to determine whether the BCC had updated its PSC formula to reflect changes in current law, changes in the road conditions, and changes in traffic patterns.
- Examined BCC records supporting the 18 projects (11 commercial and 7 residential) with PSC fees totaling \$1.8 million that were collected during the period October 2017 through October 2018 to determine whether the fees were supported by a transportation concurrency review letter and collected prior to the issuance of a certificate of occupancy for commercial projects or an affidavit of recorded subdivision for residential projects in accordance with BCC policies and procedures.
- Examined BCC records to determine whether the BCC had adopted policies and procedures to require the review and approval of preservation fee calculations, establish a due date for those fees, and ensure timely collection of the fees.
- Examined BCC records supporting the nine projects with preservation fees totaling \$246,530 that were collected during the period October 2017 through October 2018 to determine whether the fees were assessed and collected in accordance with BCC policies and procedures.

- Determined whether the BCC had taken appropriate action to refund the net over-assessed preservation fees of \$647 and collect the under-assessed fees of \$11,535 noted in our report No. 2017-123.
- Determined whether the BCC revised the Code and established policies and procedures to clarify the appropriate value to use to calculate recreational plat fees.
- Examined BCC records supporting the nine projects with recreational plat fees totaling \$463,917 that were collected during the period October 2017 through October 2018 to determine whether the fees were appropriately calculated, reviewed, and approved in accordance with BCC policies and procedures.
- Determined whether the BCC had taken appropriate action to refund the over-assessed recreational plat fees of \$139 and collected the under-assessed fees of \$31,979 noted in our report No. 2017-123.
- Evaluated the BCC's progress in implementing applicable recommendations from the 2004 consultant study of the Planning and Development Services Department operations.
- Examined BCC records to determine whether the BCC had established adequate policies and procedures that address letters of credit (LOCs) and surety bonds, including procedures to ensure that the LOCs and surety bonds are obtained when required and secured until the applicable projects are completed.
- Determined whether the two LOCs totaling \$262,356 required for two infrastructure projects during the period October 2018 through April 2019 were timely obtained and properly secured.
- For the five Planning and Development Services Department employees hired during the period October 2017 through October 2018, examined BCC personnel records to determine whether the records demonstrated that the employees had met the necessary education and work experience requirements of the BCC-adopted written position descriptions.
- Examined the BCC policies and procedures addressing the acquisition of professional services to determine if they provided specific circumstances that would allow for BCC members to serve as a review team to directly evaluate and select professional services. Additionally, we examined BCC policies and procedures to determine whether they required the use of detailed descriptions of rating criteria, instructions for reviewing and evaluating responses, and explanations when evaluator scores vary significantly for a specific criterion.
- Examined BCC records associated with acquisition of all 17 professional services acquired by requests for proposals and requests for qualification during the period October 2017 through October 2018 to determine whether the BCC used a competitive selection process in accordance with BCC ordinances, policies, and procedures, and good business practices.
- Determined whether the BCC had adopted policies and procedures that required an appropriate methodology for calculating costs for administering the tourist development tax (TDT) and charging those costs to the Tourist Development Council (TDC).
- Determined whether the CCC had adopted policies and procedures that required an appropriate methodology for calculating costs for administering the TDT and charging those costs to the TDC.
- Evaluated support for the BCC and CCC administrative cost charges, allowed by Section 125.0104(5)(a)4. and (10)(b)5., Florida Statutes, to determine whether such charges represented services benefitting the TDC and were reasonable, properly calculated, and solely and directly attributable to administering the TDT.
- Obtained the CCC's Internal Audit Department's (IAD) quality assessment review, examined the review results for any deficiencies noted, and evaluated sufficiency of the IAD's actions to correct those deficiencies.

- Examined BCC records to determine whether the BCC maintained separate accountability for the restricted oil spill moneys provided to and expended by the TDC.
- For the six projects totaling \$6,686,882 funded by proceeds of the Deepwater Horizon oil spill during the 2016-17 and 2017-18 fiscal years, evaluated management's performance in administering laws, policies, and procedures governing the expenditures of the funds.
- Examined BCC records to determine whether the BCC complied with reporting and performance requirements for funds received related to the Deepwater Horizon oil spill.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management responses are included in this report under the heading **MANAGEMENT'S RESPONSES**.

AUTHORITY

Pursuant to the provisions of Sections 11.45 and 288.8018(2), Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSES

WALTON COUNTY, FLORIDA Board of County Commissioners

William "Bill" Chapman, District 1, Vice Chair
Danny Glidewell, District 2
Melanie Nipper, District 3
Trey Nick, District 4
Tony Anderson, District 5, Chairman



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November 5, 2019

Ms. Sherrill F. Norman
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Enclosed is the Walton County Board of County Commissioners Management's response to the preliminary and tentative findings and recommendation for the Auditor General's operational audit of the Walton County Board of County Commissioners, Clerk of the Circuit Court, and Use of Funds Related to the Deepwater Horizon Oil Spill, Prior Audit Follow-Up.

If you have any questions or need additional information, please contact Melissa Thomason, Finance Director, at (850)892-8470 or thomelissa@co.walton.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry D. Jones".

Larry D. Jones
County Administrator

Finding 1: Comprehensive Plan and Land Development Code

Response: *The County agrees that the BCC has corrected this finding.*

Finding 2: Proportionate Share Contribution

Recommendation: We continue to recommend that the BCC document a cost-benefit analysis demonstrating whether it would be more economically beneficial to assess developers a PSC, mobility, or impact fee.

Response: *The BCC made a decision to pursue the adoption of mobility fees as a replacement of the proportionate fair share program. This decision was based on several non-quantitative factors including: administrative ease and transparency to the general public; statutory authorization of mobility fee programs (163.3180(5)(f), Florida Statutes); fairness and transparency to applicants; and desirable transportation outcomes that require having a multi-modal transportation funding source. In addition, a quantitative cost benefit analysis would require the County to estimate the mobility fee outside of an approved mobility plan which is required by Statute and make assumptions regarding the future collection of proportionate fair share payments. These assumptions include the number of projects, types of projects, location of projects and funding allocations for future road improvements. Due to the assumptive and predictive nature of this analysis and the desire for use of other non-calculative decision factors, a cost benefit analysis was not completed. As the County moves forward with mobility fee implementation, we will continue to assess the program's effectiveness in delivering desirable transportation improvements and its overall programmatic effectiveness including financial effectiveness.*

Finding 3: Preservation Fees

Recommendation: The BCC should establish policies and procedures that require the timely refunding of over-assessed and collection of under-assessed preservation fees. Additionally, the BCC should continue efforts to collect the \$6,029 under-assessed preservation fees.

Response: *County staff has prepared a draft revision to the County's Cash Handling Policy to address a timeline for the refund of overpayments and collection of underpayments. This draft will be presented to the Board for approval in November 2019. Regarding the under-assessed preservation fees, contact has been made with the developer on multiple occasions regarding these fees, and staff has provided information regarding the calculation of these under-assessed fees to the developer. Staff will continue to pursue payment of these fees.*

Finding 4: Recreational Plat Fees

Recommendation: The BCC should ensure that BCC staff have necessary access to Property Appraiser records and have an appropriate understanding to determine the assessed value of unimproved land. In addition, the BCC should establish policies and procedures that require the timely refund of over-assessed or collection of under-assessed recreational plat fees.

Response: *BCC staff currently has access to the necessary Property Appraiser's data, and operating procedures have been documented to ensure staff has an appropriate understanding of the method to determine the assessed value of unimproved land. The County believes it has now effectively resolved this issue. In addition, staff has prepared a draft revision to the County's Cash Handling Policy to address a timeline for the refund of overpayments and collection of underpayments. This draft will be presented to the Board for approval in November 2019.*

Finding 5: Consultant Study

Response: *The County agrees that the BCC has fully corrected this finding.*

Finding 6: Letters of Credit and Surety Bonds

Response: *The County agrees that the BCC has fully corrected this finding.*

Finding 7: Tourist Development Tax Administrative Charges

Recommendation: We continue to recommend that the BCC periodically adjust indirect administrative charges to the TDC to reflect the actual cost of BCC services provided for the TDC.

Response: *On September 24, 2019, the BCC approved a change to the Indirect Cost Allocation policy to include calculation of the amount needed to adjust the indirect administrative cost allocation to actual for the years in between cost allocation studies. This adjustment amount will be charged or refunded as applicable to ensure allocated costs reflect the actual cost of indirect administrative services.*

Finding 8: Employment Practices and Personnel Records

Recommendation: The BCC should enhance procedures to ensure that, before individuals are selected to fill position vacancies, documented verifications are performed and maintained to evidence that the individuals meet the education and experience requirements for the positions.

Response: As previously mentioned in communications with the Auditor General's staff, the current HR Director was hired in April of 2018 and made the following changes after reviewing the BCC's hiring procedures.

- The BCC Human Resources Department adopted a standard operating procedure on Oct. 1st, 2018, for the hiring process to include receiving official transcripts which are reviewed and verified by the HR Director for any position that requires any type of degree prior to scheduling the candidate's orientation.
- The BCC HR Department created a spreadsheet of all positions within the BCC which includes a breakdown of any degree and/ or certification that is required to be able to easier identify which positions have minimum education requirements.
- The BCC HR Department created a Candidate Qualification Form on August 1st, 2018, which is included in the hiring packet and personnel file of any employee who qualified based on an equivalent combination of education and experience. The form lists the qualifications from the job description and the candidate's qualifications and is signed by the HR Director prior to any offers being made to candidates.

The BCC HR Department began conducting prior employment reference checks in April of 2019 to ensure candidates meet the years of experience as stated on the job descriptions. The BCC HR Department hired an additional staff member to assist in the verification process.

Finding 9: Competitive Selection Process

Recommendation: We continue to recommend that the BCC procedures be enhanced to document detailed descriptions of rating criteria and instructions for reviewing and evaluating RFP and RFQ responses. In addition, BCC personnel should comply with established policies that require the review team advisor to follow up on review team member scores that vary significantly for a specific criterion and retain documentation to ensure each team member clearly understood the items to be evaluated. Also, the BCC should define what would constitute a significant variance for specific criterion, which should be used to prompt review team advisors to follow up with applicable team members to ensure each reviewer clearly understood the items to be evaluated.

Response: The County will continue to work toward making rating criteria as detailed as possible to ensure consistent interpretation of evaluation criteria. An Evaluation Instructions template for each RFP and RFQ has been created and is now being sent to all review team members. At the review team meeting following the independent review period, the RFP and RFQ Review summary sheets completed by the review team advisor have been updated to require the advisor to follow up on any score that varies more than 25% from the next highest or lowest score for any rating criteria and verify that all reviewers understand the items to be evaluated.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

October 28, 2019

Sherrill F. Norman, CPA
State of Florida Auditor General's Office
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Pursuant to Section 11.45(4)(d), Florida Statutes, below are the Walton County Clerk of Circuit Court responses to the preliminary and tentative audit findings and recommendations made as a result of the follow-up audit of the Walton County Board of County Commissioners, Clerk of the Circuit Court, and Use of Funds Related to the Deepwater Horizon Oil Spill.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Alex Alford

Clerk of Circuit Court & County Comptroller

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Finding 10: Tourist Development Tax Administrative Costs

Response: The CCC agrees that this finding has been corrected.

Finding 11: Internal Audit Function

Recommendation: The CCC should establish a timeline for correcting the deficiencies noted in the IAD's quality assessment review, including establishment of a QAIP.

Response: The CCC Internal Audit Department (IAD) has corrected the required standards deficiencies noted in the quality assessment review. In addition, many of the recommendations have an annual review component. The IAD has developed a Checklist of annual requirements that are to be completed by March 31 of each year. The QAIP is a continuous process that ensures the IAD is complying with the IIA standards and code of ethics. This process will be continually monitored by IAD management to ensure compliance.