

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DIVISION
COMMUNITY AFFAIRS/INTERGOVERNMENTAL
RELATIONS DEPARTMENT
A U D I T R E P O R T

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A U D I T R E P O R T

A financial, compliance, and operational audit of Manatee County's Community Affairs/Intergovernmental Relations (CAIR) Department was conducted by the Internal Audit Division for the audit period September 1, 1995 through December 31, 1996. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

BACKGROUND:

The Community Affairs/Intergovernmental Relations Department was established in October, 1993 with a mission to provide equal access to information relating to governmental services and activities, and stimulating revitalization, conservation and preservation of neighborhoods. The CAIR Department consists of the following two divisions: Intergovernmental Affairs, and the Housing and Community Development.

The Intergovernmental Affairs Division is responsible for providing information to the citizens, employees and agencies working with Manatee County Government. This includes the administration of the Manatee County Governmental Access (MGA) television channel, and publication of brochures, newsletters, news releases and the Annual Report. They also serve as an information clearinghouse for the press and other agencies seeking information. Revenue is generated through the collection of cable franchise fees for which the Section is responsible for monitoring and ensuring compliance with the terms of the cable franchise agreements.

The Housing and Community Development Division plans and implements the County's affordable housing activities, housing and community development and economic development functions. This includes the implementation of the Housing Partnership Program, Community Development Block Grant Activities, as well as county-wide housing and community development programs. Major sources of revenue are generated through Federal and State grants.

PURPOSE/OBJECTIVE:

The main audit objectives included, but were not limited to, the following:

- To verify accuracy and input timeliness of financial data, and reports processed and received by the Community Affairs/Intergovernmental Relations Department.

- To verify an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate evaluation of the Community Affairs/Intergovernmental Relations Department's objectives and responsibilities.

- To verify compliance with significant laws and regulations, including Florida Statutes, federal regulations, ordinances, resolutions, policies, and signed agreements or contracts related to the Community Affairs/Intergovernmental Relations Department.
- To evaluate operational efficiency and effectiveness.

SCOPE:

The financial audit scope consisted of a review of accounts, financial transactions, and reports of the Community Affairs/Intergovernmental Relations Department for the period September 1, 1995 through August 31, 1996.

The compliance audit scope consisted of a review of the policies and procedures, Florida Statutes, federal regulations, ordinances, resolutions, contracts, administrative orders and agreements related to the Community Affairs/Intergovernmental Relations Department for the period September 1, 1995 through December 31, 1996.

The operational audit scope consisted of a review of the Community Affairs/Intergovernmental Relations Department's internal controls and the effectiveness and efficiency of the operation during the audit period September 1, 1995 through December 31, 1996. Management controls were also reviewed to identify significant weaknesses that may have contributed to deficient performance.

METHODOLOGY:

Internal control evaluations were accomplished by flow charting key operations, discussions with management and staff, observations, and analytical and substantive testing of individual internal controls.

Risk analysis was used to establish priorities of audit objectives. Statistical sampling was used whenever appropriate to accomplish audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

During the audit two instances of irregularities were discovered that could affect the operational reporting integrity of the CAIR Department. 1) Doctored homeowners' signatures were discovered in the Parrish Project portion of the Community Development Block Grant (CDBG) administered by the CAIR Department. These falsifications were investigated and a memorandum report was issued to management and the granting agencies on January 27, 1997. 2) Notarization irregularities, illegal acts and errors were also discovered during the CAIR Department audit. A memorandum report was issued to management and the Office of the Governor - Notary Section. A copy of both memorandum reports are included in this report as Exhibits A and B.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls, and assessed control risk. Tests performed appeared to provide sufficient evidence to support an opinion on compliance and internal controls.

Except as noted in our audit report, tested items were in compliance with significant laws, regulations, and internal controls that included Florida Statutes, ordinances, resolutions, personnel policies, administrative orders, and other policies established by the Community Affairs/Intergovernmental Relations Department and other applicable laws and regulations.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing our audit of the Community Affairs/Intergovernmental Relations Department for the period September 1, 1995 through December 31, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of our report on the Community Affairs/Intergovernmental Relations Department. As a result, we noted in the audit report any significant matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure, that in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with the intent of management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, significant deficiencies in the design or

STATEMENT ON INTERNAL CONTROL STRUCTURE: (Continued)

operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

MANAGEMENT SUMMARY:

Internal Audit believes the Director of the CAIR Department to be highly skilled, knowledgeable, and responsible for increasing state and federal funding to levels that exceed other counties of similar size. The Director has instituted new programs that few of the counties have undertaken. These programs include construction of new homes which has increased involvement with private sector businesses. We noted, however, the CAIR Department continues to experience a high turnover in employees at both the staff and supervisor levels.

Internal Audit understands some of the pressures to "get the job done" under which the CAIR Department Director and staff perform their duties. We believe a pattern exists, based on the types and number of exceptions found during the audit, that requires a strengthening of the CAIR Department's "control environment". Additional work by other offices and departments is required to correct errors and irregularities produced by the CAIR Department. We believe that more effective planning, supervision, and review can significantly reduce short cuts taken by management and allow a more efficient and effective accomplishment of the goals and objectives of the department.

The term "control environment" is used to describe the atmosphere of internal control consciousness in an entity. When management believes that internal controls are important to achieving its goals and communicates that view to employees at all levels, internal controls are likely to function well. Conversely, if management views internal controls as unrelated to achieving its objectives, or even as obstacles, it is all but certain that this attitude will be communicated to staff at all levels, despite official statements or policies to the contrary. In such an environment, employees readily come to see internal controls as "red tape" that they can "cut through," as needed, to "get the job done." The key element in a favorable control environment is management's attitude, as demonstrated through its actions and example.

MANAGEMENT SUMMARY: (Continued)

There is a lack of financial and operational control over negotiations and approvals for cash and impact fee credits obtained from developers who destroy affordable housing during development.

In this report we recommend accountability be increased for the negotiations of settlements required under the Land Development Code. (See Detailed Audit Finding # 1, at pages 10 and 11)

We found that the CAIR Department inconsistently uses the County Attorney's Office for ordinances, resolutions, contracts, and agreements that have significant legal issues. In this report we recommend the CAIR Department more efficiently plan to allow time for review by the County Attorney's Office of documents containing significant legal issues. (See Detailed Audit Finding # 2, at pages 12 and 13)

The CAIR Department has not established procedures and does not adequately monitor receipt of cable franchise fee payments or assess penalties for late payments. In this report we recommend the CAIR Department monitor and enforce provisions of the cable franchise agreements and cable ordinances to assure timely receipt of franchise fee payments from the cable companies. (See Detailed Audit Finding # 3, at page 14)

Internal Audit reviewed the monitoring of compliance with cable franchise agreements and the cable ordinance. We found that the CAIR Department does not adequately monitor compliance with terms and conditions of the agreements and ordinance. This is the second internal audit of the cable area to address this issue, with little or no improvement noted. We again recommend monitoring procedures be improved by the CAIR Department to ensure compliance by the cable companies. (See Detailed Audit Finding # 4, at page 15)

Internal Audit found the CAIR Department does not monitor franchise fees for accuracy or completeness. We found various underpayment and overpayment of franchise fees by the cable companies that could be detected by review. This is the second internal audit of the cable area to address this issue, with little or no improvement noted. We again recommend that cable franchise fees submitted be reviewed for accuracy and completeness. (See Detailed Audit Finding # 5, at pages 16 and 17)

The CAIR Department does not monitor and enforce the receipt of audited financial statements from the cable companies which could be used to verify franchise fees paid. These audited financial statements that attest to the accuracy and completeness of franchise fee payments was added as a requirement after the last internal audit determined that verification of fees was not monitored. In this report we recommend enforcement of the requirement

for audited financial statements which can be used to verify the accuracy of franchise fees paid to Manatee County. (See Detailed Audit Finding # 6, at page 18 and 19)

MANAGEMENT SUMMARY: (Continued)

Internal Audit found that Time Warner has incorrectly coded, assessed and paid franchise fees for three large residential developments to Manatee County for customers living in the City of Bradenton. The City of Bradenton franchise fees are assessed at a higher rate than Manatee County's rates. In this report we recommend the CAIR Department develop procedures to monitor cable companies address listings. We also recommend that the CAIR Department work with Time Warner and the County Attorney's Office to negotiate a settlement. (See Detailed Audit Finding # 7, at page 20)

The CAIR has not developed policies and procedures to monitor and document compliance with the technical aspects of the cable ordinances and franchise agreements. The CAIR Department lacks qualified staff to perform these reviews. In this report we recommend evaluation be made to either hire or contract for these services. (See Detailed Audit Finding # 8, at page 21)

The CAIR Department has not fully developed policies and procedures to monitor and review follow-up for cable customers' complaints. Without policies and procedures, the CAIR Department is not monitoring the cable companies' compliance with the customer service and reporting requirements of the cable ordinance. We recommend the CAIR develop policies and procedures to assure compliance with the cable ordinance. (See Detailed Audit Finding # 9, at pages 22 and 23)

The CAIR Department allows Manatee Government Access Television (MGA) employees to borrow video production equipment for their own personal use in outside activities. This policy violates the Manatee County Personnel Policy. We recommend this policy be immediately discontinued. (See Detailed Audit Finding # 10, at page 24)

Internal Audit reviewed the HOME and SHIP housing program guidelines and found that local guidelines do not provide sufficient instructions to prevent program abuse or funding which is not consistent with the Board of County Commissioners' intent. In this report we recommend strengthening of local regulations to prevent abuse and provide additional guidelines. (See Detailed Audit Finding # 11, at pages 25 and 26)

MANAGEMENT SUMMARY: (Continued)

We found that the CAIR Department is paying for demolition of old homes prior to new construction of homes for recipients of housing assistance programs and adding this amount to the mortgages for potential repayment to the Local Housing Trust Fund. We could not find authority from the Board of County Commissioners for this recovery of funding to the Local Housing Trust Fund from general tax revenue. Internal Audit found some SHIP loans exceed the maximum limit set by management. We recommend the CAIR Department seek legal advise and obtain approval by the Board of County Commissioners for recovery of demolition funds to the Local Housing Trust Fund if the practice is continued. (See Detailed Audit Finding # 12, at page 27)

Internal Audit tested overtime, compensatory time, and extra hours worked by employees and found that the CAIR Department does not provide assurance that approval is obtained and documented in a substantial majority of the time. We recommend the CAIR Department comply with Manatee County policy and procedures for the approval and documentation of overtime, compensatory time, and extra hours worked by employees. (See Detailed Audit Finding # 13, at page 28)

We found that the Manatee County Procurement Code was not always followed by the CAIR Department. Competitive quotes for purchases under \$500 were not always obtained and documented according to Manatee County's Procurement Code, and purchases above \$500 were occasionally ordered or delivered prior to Purchasing Department involvement. In this report we recommend that the CAIR Department comply with the rules of the Manatee County Procurement Code. (See Detailed Audit Finding # 14, at page 29)

Management does not always follow hiring policies for new employees. In addition, employee performance evaluations are not performed on a timely basis according to policies and procedures. In this report we recommend management follow the County's hiring policies and procedures, and perform employee performance evaluations timely. (See Detailed Audit Finding # 15, at page 30)

The Palmetto/North Manatee County Enterprise Zone Development Agency (EZDA) lacks compliance with the governing ordinances, resolutions, and Florida Statutes. The CAIR Department provides support and assistance to the EZDA. In this report we recommend the CAIR Department monitor and comply with laws and regulations. (See Detailed Audit Finding # 16, at page 31)

MANAGEMENT SUMMARY: (Continued)

The CAIR Department has not fully implemented or updated the components of the Manatee County Public Information and Marketing Program to reflect current operations. In this report we recommend implementation and updating of the program. (See Detailed Audit Finding # 17, at pages 32)

Contracts with outside providers of services to the CAIR Department are not monitored for compliance with terms of the agreement. We recommend proper monitoring of contracts. (See Detailed Audit Finding # 18, at page 33)

We examined the CAIR Departments policies and procedures manual and found that some key areas are not addressed and the manual itself lacks supervisory review to correct errors and misinformation contained in it. In this report we recommend the CAIR Department update the policy and procedures manual. (See Detailed Audit Finding # 19, at page 34)

As an efficiency comment, we question the need to fund two non-profit agencies to obtain applicants for housing assistance programs when management asserts a strong demand and backlog of applicants. We recommend the CAIR Department evaluate the need to contract with these agencies. (See Detailed Audit Finding # 20, at page 35)

AUDIT REPORT AUTHORIZATION:

Other minor findings, not included in this report, have been communicated with management or corrected during the audit. We would like to thank the Community Affairs/Intergovernmental Relations Department's personnel and management for the cooperation and courtesy afforded to our auditors throughout the audit.

This audit report has been reviewed and authorized by :

Richard J. Orienti, CIA, CFE R. B. "Chips" Shore

Director of Internal Audit Clerk of the Circuit Court

DETAILED AUDIT FINDINGS

Chapter 13 of the Land Development Code requires developers who remove or destroy affordable housing during development to either provide replacement units or provide payment to the Local Housing Trust Fund in an amount established by the Board of County Commissioners. The Land Development Code further requires that these settlements with developers must be approved by the Board of County Commissioners.

The CAIR Director has been given the responsibility to negotiate with individual developers for the replacement of affordable housing units or settlement payments to the Local Housing Trust Fund. We did not find any policies and procedures developed for the process of negotiation and approval by the Board of County Commissioners. A lack of internal control over settlements resulting from the negotiation process creates a lack of accountability for cash, impact fee credits, or other items of value received. Without accountability, negotiations and settlements can be reached without Board of County Commissioners' approval and awareness, which could result in misappropriation of funds.

A specific example included the negotiation of a settlement for the destruction of affordable housing associated with the Wal-Mart development in east Manatee County. The responsibility to negotiate was approved as a stipulation in the preliminary site plan approved by the Board of County Commissioners. The CAIR Director negotiated a settlement that included \$40,000 in cash and the transfer of \$37,963.80 of impact fee credits for the affordable housing units that were destroyed during construction. The settlement was not approved by the Board of County Commissioners as required by the Land Development Code. As a result, we noted the following:

- a) No record of this settlement was recorded in the Board of County Commissioners' official minutes.
- b) No formal settlement agreement between Manatee County and the developer was made.
- c) No account receivable was established by the Finance Department of the Clerk of the Circuit Court's Office.

DETAILED AUDIT FINDINGS

- d) The check for \$40,000 was received but not deposited for approximately one month from the date of the check.
- e) The impact fee credits have been assigned to Manatee County by the developer, however, these credits have not been formally accepted or transferred by the Board of County Commissioners as detailed in the Land Development Code.

Without internal controls over this process, including a formal settlement agreement, it is unclear whether other similar settlements have been reached and it is unclear as to the inventory and amount of impact fee credits that are available for use by the CAIR Department.

Internal Audit recommends that internal controls be established to ensure accountability for settlements made with developers, that include at a minimum:

- a) All settlements be approved by the Board of County Commissioners and documented in the minutes.**
- b) A formal settlement agreement be made between the Board of County Commissioners and the developer.**
- c) The County Attorney's Office be involved in the development and review of formal settlement agreements.**
- d) The Finance Department of the Clerk of Circuit Court be formally informed to allow proper recording of settlements.**
- e) All cash or checks be promptly deposited in Manatee County's account.**
- f) Impact fee credits be timely transferred and accepted by the Board of County Commissioners.**

DETAILED AUDIT FINDINGS

Internal Audit noted that the CAIR Department inconsistently seeks review by the County Attorney's Office for ordinances, resolutions, contracts, and agreements which often have significant legal issues. As a result, in some instances considerable effort to correct deficiencies could have been prevented by legal review. Some of the examples include, but are not limited to, the following:

- a) The Enterprise Zone Ordinance 95-50 was approved by the Board of County Commissioners without review by the County Attorney's Office. This Ordinance included legal conflicts which required subsequent County Attorney's Office review and correction necessitating the passing of Ordinance 96-39.
- b) Resolutions R-96-111 and R-96-227 address funding of new construction for housing built by developers and funded in part by the CAIR Department. No review was made of these resolutions by the County Attorney's Office despite significant legal issues regarding contracts, procurement and funding. These contracts are currently under County Attorney's Office review.
- c) Purchase of video production equipment was made on behalf of Education Helps, Inc., a non-profit agency, without legal review of the County Attorney's Office. The CAIR Department prepared and had the Board of County Commissioners approve a non-profit services agreement between Manatee County and Education Helps, Inc. The service agreement has expired and the CAIR Director does not intend to renew the agreement. Using a service agreement to purchase assets with the intent to donate the assets to a non-profit agency creates lingering legal issues of ownership of the equipment now that the service contract has expired.

Internal Audit believes that ordinances and other documents with significant legal issues should be reviewed by the County Attorney's Office. More efficient planning by the CAIR Department can minimize difficulties encountered due to the time needed for such review. Corrections resulting from a lack of legal review can involve substantially more time and effort to remedy.

DETAILED AUDIT FINDINGS

Internal Audit recommends that the CAIR Department improve planning to allow for ordinances, resolutions, contracts, and agreements that involve significant legal issues to be submitted for review by the County Attorney's Office. We further recommend that the County Attorney's Office be contacted to resolve the issue of ownership of the equipment and possible recovery of County assets currently in the possession of Education Helps, Inc.

DETAILED AUDIT FINDINGS

Internal Audit reviewed franchise fee payments received by Manatee County for the service period from January of 1994 through June of 1996 to confirm timely receipt of payments as specified in the cable ordinance. We found that the CAIR Department checks only to verify that payments are made. Procedures for the review of timeliness of payments to assess late charges have not been developed. Twenty percent (5 out of 25) of the payments were not received by the specified due date, and interest charges were not applied to any of these late payments. The amount of lost interest revenue is estimated at approximately \$300.

Interest penalties are required when adjustments made to franchise payments exceed ten percent of total payments made during the year. US Cable's adjustments for underpayment of franchise fees due in prior

years were in excess of ten percent, but US Cable was not assessed interest penalties. The lost interest revenue is estimated at \$1,800.

Internal Audit recommends that the CAIR Department establish procedures to monitor payments from the cable companies and assess the interest penalty stipulated in the cable ordinance for late payments and adjustments that exceed ten percent.

DETAILED AUDIT FINDINGS

Internal Audit reviewed the department's procedures for monitoring compliance by the cable companies with the terms of their franchise agreements and the cable ordinance. We found that the monitoring procedures are not adequate to identify areas of non-compliance. This is the second internal audit of the cable area to address this issue, with little or no improvement noted. Areas of non-compliance by the cable companies include, but are not limited to, the following:

- a) In seventy-six percent (19 out of 25) of the payments reviewed, the cable companies did not report the current number of subscribers on the system as required by the ordinance.
- b) The CAIR Department does not always obtain and review copies of the supporting documentation for payments received and deposited by the Finance Department.
- c) The performance bond and security deposit from Comcast Cablevision which was due at the time of their franchise renewal in November 1993, was not obtained by the CAIR Department. During the audit Comcast provided the required items which were submitted to the Board of County Commissioners for acceptance.
- d) The performance bond from Cablevision Industries and dated September 13, 1993 was never presented to the Board of County Commissioners for acceptance. The performance bond was found in a file in the CAIR Department.
- e) Universal Cablevision was governed by Ordinance 85-22, however, the CAIR Department required compliance with some requirements contained in the cable Ordinance 91-24.

We recommend the CAIR Department improve monitoring procedures to address terms and conditions of the franchise agreements and the cable ordinance to ensure cable companies' compliance.

DETAILED AUDIT FINDINGS

Internal Audit tested the accuracy and completeness of the franchise fee payments made to Manatee County by obtaining detailed supporting financial information from each of the cable companies. This testing revealed errors made by the cable companies in calculating their adjusted gross revenue and franchise fees as required in the cable ordinance. This is the second internal audit of the cable area to address this issue, with little or no improvement noted. The exceptions noted include the following:

COMCAST CABLEVISION -

Internal Audit recalculated computations of adjusted gross revenue and franchise fees and found that Comcast had overpaid \$24,698.14 and underpaid \$17,884.82 resulting in a net overpayment of \$6,813.33

for a three-year period ending December 31, 1996. These errors in the franchise fee payments can be traced to the following items:

- a) An incorrect franchise fee rate of five percent, rather than the required three percent, was assessed to subscribers and paid to Manatee County in 1996.
- b) Programming fees and copyright costs were deducted from gross revenues for 1994 and 1996 which is not allowed under the cable ordinance.
- c) Late charges on customer accounts were not reported as revenue and certain "Other Revenues" were not properly allocated to Manatee County for the period 1994 to 1996.
- d) Clerical errors made by Comcast added programming fees and copyright costs to the calculation of adjusted gross revenue for the first half of 1996. An adjustment was made in the second half of 1996 which resulted in a net underpayment of franchise fees.

DETAILED AUDIT FINDINGS

TIME WARNER COMMUNICATIONS -

Time Warner is computing their adjusted gross revenue based on cash receipt totals from their customer billing system. During audit testing we identified non-cash revenue from advertising trades with media outlets and other outside agencies which was not being reported by the company. Internal Audit identified unreported revenue of \$205,746.69 and calculated unpaid franchise fees of \$6,172.40 for the three-year period ending December 31, 1996.

UNIVERSAL CABLEVISION - and U.S. CABLE OF LAKE COUNTY -

Universal Cablevision and U.S. Cable of Lake County had minimal misstatements in revenues that could have been eliminated by proper review. The discrepancies were deemed to be minimal due to their limited subscriber base.

Internal Audit recommends that the CAIR Department establish procedures for monitoring and verifying franchise fees payments submitted to Manatee County. We also recommend that the department work with the cable companies and the County Attorney's Office to address any correcting payments or credits that may be due to the County and/or the cable service subscribers.

DETAILED AUDIT FINDINGS

Internal Audit examined the annual financial information provided to the CAIR Department by each of the cable companies and found that the reports did not meet the requirements specified in the Manatee County Cable Ordinance. Section 2-7-13(d) of the ordinance states:

" A franchisee must file within three (3) months of the end of its fiscal year a statement of computation of adjusted gross revenue used to calculate the franchise fee for the preceding year. This statement of computation must be certified by an independent certified public accountant or accompanied by a letter of attestation by an independent certified public accountant attesting to the completeness and accuracy of the accounts and amounts contained in the statement of computation."

The statements provided by the cable companies did not satisfy this section of the ordinance, and were usually consolidated financial reports for the entire company. Without detail on the local franchise area, verification of the accuracy of the fees paid to the County is impossible. Time Warner did provide a letter of attestation for the schedule of cash receipts used to compute its franchise fees, but it only included cash receipts as reported by their customer billing system. The fact that non-cash revenue from advertising trades was identified during the audit of Time Warner would indicate that this attestation is incomplete and does not meet the requirements of the ordinance. US Cable and Comcast Cablevision did not provide any form of statement of computation as stipulated by the ordinance, but only the consolidated financials for their company as a whole.

Department personnel report that Universal Cablevision's franchise is still governed by the previous cable ordinance (85-22). Under this ordinance the cable company was to provide copies of various financial statements audited by an independent certified public accountant to the County. The statements provided by the company were not audited, but were only compilations prepared by their accountant without an opinion. Additionally, the statements included financial information for two areas not covered by the franchise agreement making verification of the franchise fees paid nearly impossible. Once Universal Cablevision's franchise is renewed it will have to provide the same statement required of the other cable companies.

DETAILED AUDIT FINDINGS

Because there are currently no procedures to confirm the accuracy and completeness of the franchise fees paid to the County, The CAIR Department is not monitoring or evaluating the financial information provided by the cable companies to ensure that it is in compliance with the requirements of the cable ordinance and adequate for franchise fee verification. This is the second internal audit of the cable area to address this issue, with little or no improvement noted.

Internal Audit recommends that the CAIR Department implement procedures to review all financial information provided by the cable companies and enforce the requirement to provide the certified or attested statement of computation of adjusted gross revenue as stipulated in the cable ordinance.

DETAILED AUDIT FINDINGS

Internal Audit tested the assignment of addresses by Time Warner to verify payment to the correct franchising authority. We found that three major residential developments on State Road 64; including Carlton Arms Apartments, River Isles, and Braden River Lakes, were listed as being in the unincorporated area when in fact they are all located within the City of Bradenton. Customers in these areas have been charged the three percent franchise fee rate, which was paid to Manatee County instead of the City of Bradenton's five percent rate.

Internal Audit recommends that the CAIR Department develop procedures to review and monitor cable companies' address listings to verify proper coding, charges and payment to Manatee County. We also recommend that the department work with Time Warner and the County Attorney's Office to negotiate a settlement.

DETAILED AUDIT FINDINGS

The cable ordinances enacted by the Board of County Commissioners establishes technical standards, minimum facilities and services. Administering the cable ordinances often requires specialized knowledge and technical abilities to allow management to make proper decisions regarding compliance of the cable companies.

Internal Audit found that policies and procedures necessary to monitor compliance with technical requirements of the cable ordinances and agreements have not been developed. Our review further revealed that the CAIR Department personnel have neither the knowledge and expertise nor the necessary training to design or implement policies and procedures to verify technical compliance. It was also found that the CAIR Department has not requested any performance or system testing reports from the cable companies that could serve as a monitoring tool. We did not find evidence that management has analyzed the costs and benefits of contracting these services compared to creating a position with the appropriate expertise.

Management informed the Internal Auditors that past attempts to create a position to allow hiring of a person with appropriate technical knowledge have not received approval from the Board of County Commissioners.

Internal Audit recommends that the CAIR Department perform an analysis of the costs and benefits of having the technical compliance services performed by County employees or by contracted services. Once this determination is made, management can either again seek approval from the Board of County Commissioners to create a new position or begin the process of contracting for these services. We also recommend that management request copies of performance or system testing reports performed by the cable companies for possible review and monitoring.

DETAILED AUDIT FINDINGS

Internal Audit reviewed the process for handling cable-related complaints received by the CAIR Department. The cable ordinance requires the CAIR Department to accept, investigate and negotiate correction of cable subscriber complaints. The current policies and procedures have not been fully developed to ensure that all complaints were properly received, investigated, and a correction negotiated by the department. There is no central log or serial numbering of complaints received. Additionally, there is no apparent numerical or date order to the placement of complaint forms in the department's central file. The CAIR Department has developed a cable complaint form to standardize the information taken and permit other departments to forward any complaints received in their area. The form does not, however, contain a designated area for documentation of complaint investigation and negotiation of correction, or for recording the actual time the complaint was initially received. A review of some of the complaints on file revealed inconsistent handling and documentation by the department personnel.

We also reviewed the department's practices for monitoring cable company compliance with the customer service and reporting requirements of the cable ordinance. While the monitoring practices do appear to address a significant portion of the requirements in the ordinance, the following exceptions were noted:

- a) Discontinuance of annual visits to each cable company to assess customer service facilities and inquire about their response capabilities to system malfunctions.
- b) No inquiry of the cable companies regarding the retention of customer service complaint records to ensure proper handling according to the ordinance.
- c) Updated system maps were not requested by department personnel as part of the annual reporting requirement.

DETAILED AUDIT FINDINGS

Internal Audit recommends that the CAIR Department develop complete and adequate procedures for processing cable-related complaints. We recommend that appropriate revisions be made to the cable complaint form for complete documentation of complaint resolutions. We also recommend that procedures be developed to address all sections in the cable ordinance.

DETAILED AUDIT FINDINGS

Internal Audit inquired about the policies that had been established regarding the use of Manatee Government Access Television (MGA-TV) equipment for outside productions to verify that they were adequate and being properly administered by department personnel. We found that there are currently no written policies or procedures in regards to the use and operation of MGA-TV production equipment and facilities. We also found that an informal policy exists that allows employees to use equipment for personal use as long as the project did not involve making money. Section XVI., 13. of the Manatee County Personnel Policy clearly states that, "No County personnel, equipment, facilities, vehicles or other property may be used by employees while engaged in outside activities." This personal use of County equipment, whether or not it is for profit, is a violation of the personnel policy.

We recommend that the CAIR Department immediately discontinue the practice of permitting personal use of MGA-TV production equipment. We also recommend that written policies and procedures be established for the use and operation of MGA-TV production equipment and facilities in order to provide adequate guidance to all employees.

DETAILED AUDIT FINDINGS

The Home Investment Partnerships Program (HOME) and the State Housing Initiatives Partnership Program (SHIP) are federal and state programs that provide general guidelines for the use of federal and state funds. The federally funded HOME program provides a deferred loan requiring repayment when the assisted home is sold or transferred, or the recipient dies. The state funded SHIP program allows the county to determine repayment terms. Internal Audit requested administrative findings, interpretations and pronouncements from the Florida Housing Authority on HOME and SHIP programs and we were provided with conflicting statements regarding eligibility from this agency. Manatee County has, through Ordinance 93-22 and various resolutions, set up general local requirements for the SHIP loans and grants. Without more detailed local guidelines, abuse can occur and funding priorities intended by the Board of County Commissioners may be circumvented.

Internal Audit noted weaknesses of existing regulations that require strengthening that include, but are not limited to, the following:

- a) State and local guidelines do not provide sufficient information to target funding priorities addressing multiple persons on the deeds (co-owners). Currently we can determine eligibility for funding based on the income level of one person on the deed without considering income of other people on the deed. Under this policy, co-owners who are not income eligible can benefit from co-owners who are income qualified, who apply for and receive funding.
- b) State and local guidelines do not provide sufficient information regarding residency requirements of co-owners. Three co-owners signed mortgage documents that stated they intended to reside in the house or that the mortgaged property was their residence. The CAIR Department was aware that the non-resident owners did not intend to reside in the assisted household.

c) The CAIR Department has not filed mortgages for SHIP assistance given to "very low income" applicants. Without recording a mortgage, the CAIR Department will not know or be able to prevent a "very low income" recipient from immediately selling or transferring the home to a non-qualified individual. Eleven SHIP recipients, totaling \$91,784 in funding, did not have mortgages recorded.

DETAILED AUDIT FINDINGS

d) A State approved HOME mortgage form has been modified, without legal review, for use in the SHIP program. This modified form places liens on properties that do not expire after a number of years as the SHIP program intends. This modified form was used in approximately sixteen percent (9 out of 54) of mortgages examined.

Internal Audit recommends management adopt local regulations to strengthen the housing program requirements that would allow for these and other deficiencies to be corrected or prevented. We further recommend the CAIR Department involve the County Attorney's Office in development of forms to be used with local programs.

DETAILED AUDIT FINDINGS

A maximum amount of \$25,000 has been established by management for the SHIP rehabilitation and construction programs. Internal Audit found approximately nine percent (5 out of 54) of recorded SHIP mortgages examined exceeded the \$25,000 limit due to inclusion of demolition funds. One other recipient out of the 54 recorded SHIP mortgages received direct SHIP funding of \$27,665 which exceeds the limits established by management.

The CAIR Department uses general tax revenue of the County to pay for demolition costs for old houses found to be unsafe, prior to the construction of new homes. The demolition amount, in approximately seven percent (4 out of 54) of the SHIP mortgages examined, was combined with the recipient's SHIP funds and recorded in the mortgage documents. SHIP mortgages require residency or repayment as a condition of the funding. No authority was found to allow the CAIR Department to recover demolition funds, nor to allow depositing these recovered funds into the Local Housing Trust Fund.

Internal Audit recommends management adhere to the \$25,000 maximum for SHIP funds and not include demolition funds in the recorded mortgage documents. We also recommend management consult with the County Attorney's Office regarding the authority or approvals necessary to mortgage and recover general tax revenues used for demolition of unsafe structures.

DETAILED AUDIT FINDINGS

Internal Audit reviewed the CAIR Department's compliance with Manatee County's Personnel policy requiring written approval of overtime, compensatory time and scheduled extra hours. The policy requires documentation of approval by management on forms entitled "Manatee County Government Assignment of Extra Work Hours" (hereafter referred to as "Extra Hours Form"). Approval of extra hours compensated and accrued for compensation at later dates is a valuable management tool to control costs of operations.

Internal Audit reviewed information from the payroll files to CAIR Department records for the following payroll periods:

Housing and Community Development Division: Records were examined for a one year period consisting of payroll periods beginning July 29, 1995 through August 2, 1996.

- An "Extra Hours Form" was not approved in seventy-seven percent of the time (59 of 77 instances examined) for overtime and compensatory time paid or accrued by employees.

- An "Extra Hours Form" was not approved in eighty-three percent of the time (20 of 24 instances examined) for extra hours worked by employees.

Intergovernmental Affairs Division: Records were examined for a one year period consisting of payroll periods beginning August 26, 1995 through August 23, 1996.

- An "Extra Hours Form" was not approved in fifty percent of the time (22 of 44 instances examined) for overtime and compensatory time paid or accrued by employees.

- An "Extra Hours Form" was not approved in eighty-two percent of the time (46 of 56 instances examined) for extra hours worked by employees.

Internal Audit recommends compliance with Manatee County's Personnel policy regarding approval of overtime, compensatory time and scheduled extra hours.

DETAILED AUDIT FINDINGS

Internal Audit found that the CAIR Department does not always comply with the Manatee County Procurement Code. The following instances were noted:

a) Approximately eight percent (3 out of 38) of cable related purchases judgmentally sampled that were greater than \$500 were purchased without the Purchasing Department's knowledge or approval. A confirming purchase order was obtained after the goods were ordered and/or services were received.

b) Three (3) purchases of \$499.76 each, totaling \$1,499.28, were made within five months to the same vendor for the identical items (desks) in violation of Direct Expenditure Voucher (DEV) policy.

c) The cost of printing color pages for a housing annual report, totaling \$1,173.38, was split between two printing companies on three DEVs.

d) Approximately forty-two percent (8 out of 19) cable related purchases judgmentally sampled did not list three quotes as required for DEV purchases.

e) Approximately twenty-six percent (10 out of 38) cable related purchases judgmentally sampled did not provide a reason why no quotes were obtained, such as being a sole source.

f) Pins of appreciation were ordered without required prior approvals and the providing of meals for the Volunteer Appreciation Program/Luncheon are in conflict with the Ordinance and Resolution controlling such expenditures.

Internal Audit recommends the CAIR Department comply with the Manatee County Procurement Code for all purchases.

DETAILED AUDIT FINDINGS

The CAIR Department does not always comply with the Manatee County Personnel Policy in the recruitment and hiring of employees. Internal Audit found that two student interns were hired for training and entry level work in the MGA-TV production facilities. A conditional offer of employment was signed on February 12, 1996, which was the same date of a memo from the CAIR Department Director to the County Administrator requesting a waiver of public advertising and pre-employment physical examinations for these positions. The applications were dated January 30, 1996 and the Human Resources Department did not receive them until February 14, 1996, after the conditional offer of employment was signed. County policy provides for waivers to be approved by the Human Resources Director and applications to be received by the Human Resources Department before hiring is done.

Resolution R-93-240 implemented the Manatee County Government Performance Evaluation Program. This program requires that management performs and document employee performance evaluations for every employee annually and at three and six months from hire date for new employees. Internal Audit reviewed evaluations of employees for the period September 1, 1995 through August 31, 1996 and found the following:

Housing and Community Development Division: Eighty-five percent (6 of 7) of employees requiring completed Employee Performance Evaluation forms were not completed timely as required by the employee evaluation program approved by the Board of County Commissioners.

Intergovernmental Affairs Division: Sixty-six percent (2 of 3) of employees requiring completed Employee Performance Evaluation forms were not completed timely as required by the employee evaluation program approved by the Board of County Commissioners.

Employee performance evaluation is a continuous process that should be occurring daily between employees and supervisors. The Manatee County Government Performance Evaluation Program was implemented to provide employees with a consistent and fair written evaluation of performance. Without providing timely employee evaluations, employees are being denied a formal process that recognizes the importance of employee performance.

Internal Audit recommends that management comply with hiring policies and procedures. We also recommend the CAIR Department comply with the Manatee County Government Performance Evaluation Program.

DETAILED AUDIT FINDINGS

A joint agreement between the City of Palmetto and Manatee County resulted in the approval of the Palmetto / North Manatee County Enterprise Zone Development Agency (EZDA), in 1995. The Application Certification document for EZDA was not formally presented to the Board of County Commissioners for acceptance into the official Board minutes. As a result, this document is not available for public record review.

Internal Audit also found non-compliance with Ordinances 95-50 and 96-39, resolutions and Florida Statutes which govern EZDA. These instances included the following:

a) A Financial Services Agreement between Manatee County and Barnett Bank, approved by the Board of County Commissioners on October 15, 1996, provides for the deposit of \$142,500 of county funds. The request for the deposit of the funds has not been initiated by the department.

b) The by-laws adopted by the EZDA required by the ordinances are not adequate to fulfill the requirements of by-laws because they do not provide for elections, appointments of officers, term limits, or the rights and obligations of the various officers.

c) Quarterly reports to the Board of County Commissioners have not been made.

Internal Audit also discovered that Ordinance 96-37 was passed by the Board of County Commissioners to create the Cortez Enterprise Zone; however, the required 10 days notice to the public was not made. The ordinance was sent to the State for recording and had to be withdrawn from the State once this defect was known. Public notice was then properly provided, public input increased, and the ordinance was not passed.

Internal Audit recommends the CAIR Department monitor and comply with ordinances, resolutions, and Florida Statutes regarding EZDA.

DETAILED AUDIT FINDINGS

In June of 1993 the County Administrator approved a Public Information and Marketing Program to be administered by the CAIR Department. Internal Audit found several sections in the program which have not been adequately addressed or updated by the CAIR Department to reflect current operations. These include the following:

- a) A Manatee County Government Services Guide has not been produced for distribution.
- b) A Manatee County data packet of information has not been produced by the CAIR Department.
- c) A speakers' bureau has neither been formally instituted nor promoted.
- d) A Corporate Graphics Standards Report has not been produced.
- e) The Public Information Officer position was eliminated and the related decision to decentralize media inquiries to the individual departments has not been updated.
- f) The section for promoting county government awareness in the local school system, including elimination of certain programs has not been updated.
- g) The mailing lists, included in the program, have not been updated for accurate and complete contact information.

Internal Audit recommends the CAIR Department implement, revise and update the Public Information and Marketing Program.

DETAILED AUDIT FINDINGS

An agreement with Stevenson Architects, Inc. for \$10,751.33, provided for inspecting of ten houses, estimating probable construction costs, evaluating the cost effectiveness of rehabilitation, and assisting in obtaining bid information. The CAIR Department did not monitor the work performed which did not fulfill

the terms of the agreement. This resulted in unnecessary work by the Purchasing Department having to duplicate services that should have been provided under this agreement.

The funding agreement with the Manatee Educational Television Consortium (METC) provides for Manatee County's use of the METC facilities in the event of an emergency. The agreement also requires METC to provide current insurance certificates prior to funds being disbursed. The lack of monitoring of this contract has resulted in the CAIR Department not obtaining insurance certificates for 1995 and 1996. In addition, a plan has not been established to guide employees in an emergency.

Internal Audit recommends management provide adequate monitoring of contractual agreements to assure compliance with the terms of the agreements. We also recommend the adoption of a formal plan with the Manatee Educational Television Consortium to address emergency uses of the METC facilities.

DETAILED AUDIT FINDINGS

Internal Audit reviewed the policies and procedures manual of the CAIR Department and found sections in the manual that do not adequately address some of the departmental functions. The manual has not been updated to correct misinformation and errors that include the following:

- a) The recording of all Requests for Legal Services is neither current nor complete.
- b) The section on cable television administration does not contain adequate guidelines for effective implementation of this program.
- c) The procedure, related to the cable financial reporting statement, has not been updated to include provisions of Ordinance 93-30(B) that requires attestation by an independent certified public accountant.
- d) No written procedures exist to handle media inquiries. A log to record inquiries is available but does not appear to be used.
- e) An incorrect reference is made to a requirement of the Purchasing Department to obtain two quotes for DEV purchases, when three quotes are required by the Manatee County Procurement Code.
- f) The manual contains instances that require clarification or correction due to spelling, grammar, or policy statements.

Internal Audit recommends the CAIR Department update the policies and procedures manual to include written procedures on cable television administration and the handling of media inquiries, and to correct outdated procedures. We also recommend that a detailed, periodic review of the manual be performed to ensure accuracy and consistency of the information.

DETAILED AUDIT FINDINGS

Internal Audit noted that two non-profit agencies, Memphis Area Community Development Corporation (CDC), Inc. and Suncoast Center for Independent Living are being paid to obtain new applicants for the housing programs. The Memphis Area CDC contract for \$24,800 provided for a payment of \$3,100 for each of eight applicants processed through the CAIR Department. The Suncoast Center for Independent

Living contract totaling \$10,000 provides \$3,333.33 for each of three applicants fully processed. The CAIR Department's management has stated that requests for assistance exceed funding capability for Manatee County's housing programs and the department has incurred additional costs to correct and verify information obtained from the non-profits.

As an efficiency comment, Internal Audit recommends management evaluate the need to contract with non-profits for obtaining and processing applicants for programs having a backlog of applicants.

Management Responses are not included. For a copy, please call (941)749-1800 extension 4170.