



Angelina "Angel" Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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MEMORANDUM

To: John Osborne, Infrastructure & Strategic Planning Official
Jan Brewer, Financial Management Department Director

From: Angelina "Angel" Colonnese, Clerk of the Circuit Court and Comptroller

Date: March 21, 2018

Subject: Impact Fee Expenditures Follow-up Audit

The Internal Audit Department has completed a follow-up audit of Impact Fee Expenditures based on the Clerk of the Circuit Court's Audit Report issued June 25, 2013. This follow-up audit consisted of reviewing and testing the management action plans included in the original audit report to ensure that corrective actions have been implemented. The scope of the follow-up audit included the two-year period ending August 31, 2017.

Impact fees are one-time charges that are collected when new homes or businesses are built, or when existing homes or businesses are expanded, in the unincorporated areas of Manatee County. The fees are used by the County to help pay for building or acquiring County capital facilities necessary to accommodate the new development. Under the provision of Chapter 11 of the County's Land Development Code (LDC), five types of impact fees are assessed: Parks & Natural Resources, Libraries, Law Enforcement, Public Safety, and Multimodal Transportation. The use of the impact fees is restricted by type, rationale, benefit district, and time period. The Impact Fee Administration Division, which reports to the County's Infrastructure & Strategic Planning Official (County Administration), and the Financial Management Department are responsible for ensuring impact fees are expended as required.

We are pleased with the corrective actions taken by management to update and clarify the language in Chapter 11 of the LDC and ensure that County practices are consistent with the provisions of this chapter. In addition, procedures have been implemented to ensure that when debt service payments are made using impact fees, the methodology used for calculating the percentage of impact fee contributions is consistent with the Impact Fee Study and is properly supported with documentation. However, the follow-up audit testing did identify areas which still require management's attention. During the exit meeting on February 14, 2018, your management staff, together with the Internal Audit Department, discussed areas where further improvements are needed, and agreed on the following corrective action plans:

"Pride in Service with a Vision to the Future"

Clerk of the Circuit Court - Clerk of Board of County Commissioners - County Comptroller - Auditor and Recorder

Impact fee expenditures were reviewed to ensure they were expended in accordance with the LDC for the following impact fee types: Law Enforcement, Library, Parks, Public Safety, and Transportation. A statistical sample of 138 impact fee expenditure transactions was selected from a total population of 1,630 transactions for the period 9/1/15 through 8/31/17; this represented 30 impact fee funded capital improvement projects. Based on the testing performed, the following exceptions were identified:

Capital Improvement Program (CIP) Records

The documentation maintained to support the CIP is one of the main tools used by the County to budget for capital projects. Impact fees cannot be expended on a capital project unless the funds have been previously budgeted. Each project included in the CIP is supported with a CIP project summary sheet which includes information such as the project number, scope, rationale, funding strategy, and budget information. In reviewing the CIP summary sheets and supporting documentation for the 30 projects tested, we found that 7 did not contain adequate information on the summary sheets to support that the projects were impact fee eligible and/or that impact fees were being used as funding. In these instances, either growth/additional capacity was not listed as part of the project's rationale, or impact fees were not listed on the sheets as a funding source.

Management Action Plan

Management has already revised the CIP process to ensure more documentation is required for initiating a project and for justifying the funding sources. This revised process includes additional layers of review by the Infrastructure & Strategic Planning Official and County Administration to ensure that capital projects, for which impact fees are requested, meet the requirements of the LDC. For the impact fee projects, management will also ensure that the CIP project summary sheets provide sufficient detail on the amount of the project related to growth and state that impact fees are a funding source. Additionally, management will have Financial Management personnel test a sample of impact fee expenditures on a quarterly basis to monitor impact fee use. The anticipated completion date is February 28, 2019.

Benefit Districts

Section 1104.2 of the LDC states that impact fees "may be spent on improvements located outside the Benefit District in which the Impact-Generating Land Development that paid the Impact Fees are located if the Board first makes a written determination that such expenditure will sufficiently benefit the Impact-Generating Land Developments located with the Multimodal Transportation Benefit District..."

For 2 of the 30 projects tested, impact fees were used from a benefit district outside of the benefit district from which the Impact Fees were collected. Both of the projects identified were related to the construction of the Ft. Hamer Bridge, and as of 8/31/17, the total amount expended out of district on these projects was approximately \$561,700. Documentation supporting that the Board approved the out-of-district spending for the Ft. Hamer Bridge could not be located.

Management Action Plan

Management will request direction from the County Attorney's Office regarding the corrective measures needed for the out-of-district impact fees identified during testing, as well as an overall policy for obtaining written Board approval for projects using impact fee funds from a neighboring benefit district. The anticipated completion date is February 28, 2019.

We would like to thank you and your staff for the attention given to the audit findings and the assistance given to the Internal Audit staff. Another follow-up audit will be scheduled after implementation of the management action plans.

AMC/LJS/MEG

cc: Board of County Commissioners
Ed Hunzeker, County Administrator
Dan Schlandt, Deputy County Administrator
Cheri Coryea, Deputy County Administrator
Mitchell Palmer, County Attorney
Dan Wolfson, Chief Financial Officer, Clerk of the Circuit Court