

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DIVISION  
PUBLIC WORKS WATER DIVISION  
A U D I T R E P O R T

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
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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 Public Works Water Division was conducted by the Internal Audit Department for the audit period October 1, 1996 through September 30, 1997. 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 Water Division is under the Utilities Operations of the Public Works Department, and consists of the following sections:

- The Water Treatment and Purification Section provides customers with economical potable water through constant improvements in operations, maintenance and water quality.
- The Water Transmission and Distribution Section maintains the integrity and condition of the water distribution system including appurtenances such as valves and hydrants.
- The Maintenance and Field Force Section provides in-house maintenance and quick response to emergencies in the Utilities Division.
- The Utility Location Section provides field location of utility lines in order to protect the County's underground utilities, provides quality control and testing of new infrastructure for Manatee County Public Works, and maps, plats and utility services for use by the general public and County departments.

Additionally, this Division is responsible for Watershed Land Management by providing security, operational monitoring, maintenance, and reforestation of the County-owned watershed.

## **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 Public Works Water Division.
- 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 Public Works Water Division'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 Public Works Water Division.
- To evaluate operational efficiency and effectiveness.

**SCOPE:**

The financial audit scope consisted of a review of accounts, financial transactions, and reports of the Water Division for the period October 1, 1996 through September 30, 1997.

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 Water Division for the period October 1, 1996 through September 30, 1997.

The operational audit scope consisted of a review of the Water Division's internal controls and the effectiveness and efficiency of the operations during the audit period October 1, 1996 through September 30, 1997. Management controls were also reviewed to identify significant weaknesses that may have contributed to deficient performance.

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**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:**

No indications of irregularities, abuse, or illegal acts were discovered during the audit that could affect the Public Works Water Division for the audit period ended September 30, 1997 .

**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 Public Works Water Division and other applicable laws and regulations.

**STATEMENT ON INTERNAL CONTROL STRUCTURE:**

In planning and performing our audit of the Public Works Water Division for the period ending September 30, 1997, we considered its internal control structure in order to determine our auditing procedures for the purpose of our report on the Public Works Water Division. 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 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.

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#### **MANAGEMENT SUMMARY:**

**Internal Audit reviewed the operations of the Public Works Water Division. Based on our review, overall operations appear to be meeting the needs of Manatee County residents. The Water Treatment and Purification Section, responsible for providing customers with economical potable water and complying with water quality standards, appears to be performing an exceptional job, complying with all the requirements under the Florida Safe Drinking Water Act. In addition, the Water Transmission and Distribution Section appears to be well managed in maintaining the integrity and condition of the water distribution system. They also respond to water emergencies in an efficient and professional manner. Overall, the Water Division is staffed by responsible individuals who are knowledgeable in the water industry. Our audit identified several areas where improvements can be made; although reportable, we consider these relatively minor in significance in relations to the overall operations of the Water Division. We commend the Water Division for its excellent operations.**

**One of the areas that may be improved is in the Utility Location Section, which is responsible for calculating and invoicing fees for the inspections of water and sewer lines. The Section is not currently tracking the status of the invoices to ensure the accuracy and timeliness of billings. In this report, we recommend management establish procedures to track invoices for inspections fees, reconcile billings, and encourage the use of the IFAS billing system as an alternative billing of inspection fees. (See details on page #7)**

**Improvement is also recommended on the controls over repair and maintenance revenue of privately maintained water lines. Currently, the rates used to charge owners are different than the rates approved by the Board of County Commissioners. In addition, the Division has not been seeking Board approval to waive the maintenance/repair fees when the responsible parties can not be identified. In this report, we recommend management either comply with the Board approved rates or obtain Board approval on a new rate. In addition, we recommend the Division obtain approval from the Board of County Commissioners in all instances when fees are waived. (See details on page #8)**

**Improvement is recommended in compliance with the terms and condition of the Montgomery Watson Grant. It appears that the Grant has expired, with no evidence of written extension, and**

payment has not been received as specified in the details in the Grant. We recommend management comply with all the terms of the Grant agreement and obtain approval from the Board of County Commissioners on any changes to the conditions of the original agreement. (See details on page #9)

Improvement is recommended on budget controls over the work performed by the Maintenance and Field Force Section. With the exception of the Project Management assignments, this Section currently performs work without written authorizations and budgets. In addition, Project Management assignments include budgets that are not being compared to the actual time spent on projects. Budgets can provide management with information to evaluate staff assignments and measure productivity of the work force. In this report, we recommend management provide written authorizations and budgets for all major work assignments, In addition, we recommend procedures be developed that require budgets to be monitored regularly. (See details on page #10)

Improvement is recommended on the controls over payments to the Water Treatment Plant Sludge Hauler. The Water Treatment Plant is not currently tracking the number of truckloads transporting sludge from the Plant. Since the Hauler is paid based on the amount of sludge transported, accuracy of payments can not be assured. In this report, we recommend management establish procedures for the Water Treatment Plant Section to track the number of truckloads transported from the Plant. (See details on page #11)

Improvement is recommended in complying with the Manatee County Procurement Code's Direct Expenditure Voucher Procedures; and Human Resources Personnel Policies, Rules, and Procedures relating to stand-by hours, scheduled extra hours, and sick leave requirements. In this report, we recommend management comply with the requirements included in the Procurement Code and the Human Resources policies and procedures manuals. (See details on page #12 and 13)

Some of the functions within the Water Division provided employees with adequate policies and procedures manuals; however, improvement is recommended in establishing written guidance for personnel within the Utility Location Section, Maintenance and Field Force Section, and Distribution Section. In this report, we recommend management establish written policies and procedures for these sections. (See details on page #14)

#### **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 Public Works Water Division'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:

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

Director of Internal Audit Clerk of the Circuit Court

AREA FOR IMPROVEMENT

**Subject: Controls Over Utility Location Section Inspection Fee Revenues**

The Utility Location Section is responsible for calculating fees for its inspections of water and sewer lines, and creating invoices for those fees. The invoices are forwarded to the Public Works Accounting Section for manual billing to the customers. Inspection fee revenues for the fiscal year ending September 30, 1997 totaled approximately \$60,000. Internal Audit estimates that 5.6% or \$3,360 of the inspection fee revenues that should have been invoiced and billed by the Utility Location Section, were not actually billed by the Accounting Section. The Utility Location Section does not currently track the status of invoices once they are sent to Accounting. By tracking invoices, management can reconcile its records of inspections with the Accounting Section's billings to ensure they are accurate and timely.

**Internal Audit recommends management establish procedures to track invoices for inspection fees. We also recommend a reconciliation be performed with the Accounting Section's billings to ensure the accuracy and timeliness of the inspection billings. In addition, we encourage management to consider having the Utility Location Section use the IFAS billing system, as an alternative to having the Accounting Section bill for the inspection fees.**

AREA FOR IMPROVEMENT

**Subject: Controls Over Privately Maintained Water Line Repairs and Maintenance Fee Revenues**

The Distribution Section of the Water Division is responsible for repairs and maintenance of County owned potable water lines. Some distribution water lines are privately maintained, where the owners of the lines are responsible for any repair or maintenance. Resolution R-95-219 established a rate of "cost plus 20%" to be charged when the Distribution Section repairs a privately maintained system. The Distribution Section, however, has been charging labor and equipment rates that have not been approved by the Board of County Commissioners.

The Public Works Utility maps do not clearly identify the private water line systems to ensure that when maintenance or repairs are required for the non-County lines, or water line break emergencies occur, the appropriate party performs the necessary work, or is billed for the County's services. Management stated that in approximately six instances a year, maintenance/repair fees are absorbed by the Water Division. While the Water Division is justified in preventing the loss of County water that flows through these private water lines, the Division has not been seeking approval from the Board of County Commissioners to waive the maintenance/repair fees when the responsible parties can not be identified.

**Internal Audit recommends management comply with the rate schedule established in Resolution R-95-219 when charging for repairs and maintenance to**

**private water line systems. If those rates are not appropriate, we recommend management develop and obtain approval from the Board of County Commissioners on a new rate schedule to reflect current labor and equipment rate standards. We also recommend the Division obtain Board approval in all instances when fees are waived.**

#### AREA FOR IMPROVEMENT

**Subject: Compliance with the Montgomery Watson Grant Terms and Conditions**

In 1994, the Board of County Commissioners approved a grant agreement in the amount of \$73,860 between Manatee County and Montgomery Watson. Terms of the Grant required a \$6,667 payment to the County at the execution of the contract, and quarterly payments thereafter. All work under the Grant was to be completed by August 1996, and documentation was required for any extension past the completion date. The project, however, is one and one-half years beyond the estimated completion date and no payments, including the initial payment, have been received. While staff indicates that verbal extensions were given, no documentation is on file authorizing extension of the grant beyond the August 31, 1996 deadline. In addition, a decision was made to receive all of the money at the end of the contract, however, no evidence was found to indicate the Board of County Commissioners approved the delay of payment.

**Internal Audit recommends approval from the Board of County Commissioners be obtained to amend any conditions of the grant agreement. Furthermore, we recommend management comply with all terms of the agreement.**

#### AREA FOR IMPROVEMENT

**Subject: Budget Controls Over Work Directives and Work Performed by the Maintenance and Field Force Section**

The Maintenance and Field Force Section performs construction and repairs on water lines, maintenance on the Utilities Complex, work on Project Management directives, and provides support on special projects requested by Public Works management and other departments. With the exception of Project Management assignments, written work authorization and budgets are not prepared and obtained for the jobs performed. The Section does, however, compile information relating to the material and labor costs associated with each job performed. Written work directives, including budgets, are received for all Project Management assignments. The budgets, however, are not being compared to the actual time spent on projects. Budgets are valuable tools which can provide management with information to evaluate the status of assignments and measure productivity of the staff.

**Internal Audit recommends the Maintenance and Field Force Section be provided with written authorizations and approved budgets for all major work assignments. We further recommend management develop procedures that require budgets be monitored regularly to control costs and evaluate staff efficiency.**

AREA FOR IMPROVEMENT

**Subject: Payment Control Over the Water Treatment Plant Sludge Hauler**

The Water Treatment Plant Section has a contract with S & R Excavating to haul waste by-products from the Water Treatment Plant to the Landfill. Under the terms of the agreement, the truckers are required to prepare truckload tickets that contain the number of cubic yards transported. The tickets are submitted with Landfill scale receipts to the Water Treatment Plant for payment. The hauler is paid based on the total cubic yards transported. County employees at the Water Treatment Plant do not verify the number of truckloads transported from the Plant. Without written confirmation from the Water Treatment Plant to verify the number of truckloads transported and the origin of the load, the accuracy of the billings can not be assured.

**Internal Audit recommends management establish procedures for the Water Treatment Plant Section to track the number of truckloads transported from the Plant. This will give management the ability to reconcile the Water Treatment Plant records with the hauling company's statements to ensure accurate payments are made.**

AREA FOR IMPROVEMENT

**Subject: Compliance with the Purchasing Department's Direct Expenditure Voucher Procedures**

The Manatee County Procurement Code requires that purchases of \$500 and under, using Direct Expenditure Vouchers (DEVs), be competitively shopped with a minimum of three quotes. Documentation is required to support that competition was obtained. The Code also allows, under some circumstances, for purchases to be made without obtaining competitive bids. These circumstances, however, require the Department Director or his designee to certify in writing the reasons why competitive quotes were not obtained. The Water Division did not adequately document either of these types of purchases. Without evidence of competition or reasons why competitive bids were not obtained, the County is not assured that they are receiving the best price on purchased goods.

**Internal Audit recommends the Water Division comply with the Manatee County Procurement Code for all purchases.**

AREA FOR IMPROVEMENT

**Subject: Compliance with Human Resources Personnel Policy**

The Human Resources Department's Personnel Policies, Rules and Procedures Manual requires prior approval by the supervisor and department head for employees to obtain Stand-by and Scheduled Extra Hours. The Manual also requires employees having Sick Leave in excess of forty consecutive work hours to provide the Department with a doctor's note. The Water Division did not obtain adequate approval for the use of Stand-by Hours and Scheduled Extra Hours and did not obtain proper documentation from the employees whose sick hours exceeded the forty hour requirement.

**Internal Audit recommends management comply with the Human Resources Personnel Policies, Rules and Procedures Manual by documenting advance approval of Stand-by Hours and Scheduled Extra Hours, and requiring a doctor's note from employees with Sick Leave in excess of forty consecutive work hours.**

AREA FOR IMPROVEMENT

**Subject: Water Division Policy and Procedures Manuals**

The Water Treatment Plant Section appeared to have adequate policies and procedures manuals; however some of the functions within the Distribution, Utility Locations, and Maintenance & Field Force Sections did not have any written policies or procedures. Policies and procedures provide guidance to employees in the performance of their duties and assist in the training of new employees.

**Internal Audit recommends management establish written policy and procedure manuals for the Utility Locations Section, Maintenance and Field Force Section, and Distribution Section to ensure appropriate written guidance for all its personnel.**

Management's Response

**MEMORANDUM**

**DATE:** May 20, 1998

**TO:** R.B. "Chips" Shore, Clerk of the Circuit Court

**FROM:** John Zimmerman, Water Manager

**SUBJECT:** Water Division Draft Audit Report

The Public Works staff has reviewed the Draft Audit Report for the Water Division and provides the following written comments addressing the Audit recommendations included in the "Areas of Improvement" section as requested. Staff acknowledges that the identified areas were correctly classified by Internal Audit as areas for improvement.

**AREA FOR IMPROVEMENT:**

**Controls Over Utility Location Section Inspection Fee Revenues**

Comments: The Utility Location Section and Accounting Section will be working jointly to establish a reconciliation procedure to ensure the accuracy and timeliness of the inspection billings. Public Works is planning on the accounting section to continue to provide the actual billing using the IFAS billing system. But a reconciliation procedure will insure that all Locations Inspection fees are invoiced properly.

**Controls Over Privately Maintained Water Line Repairs and Maintenance Fee Revenues**

Comments: As recommended by the Audit all billing will be in accordance with the rate schedule in Resolution R-95-219 when charging for emergency repairs of non-county water lines. Actual cost will be established using BOCC approved rates for equipment and labor. As identified by Internal Audit the lack of billable parties is occasionally an impediment to successful billing. These repair orders and associated charges are planned to be provided to the Accounting Section for billing purposes. If Accounting cannot identify a billable party, the outstanding bill will then be included in the Bad Debt Write Off that is approved by the Board of County Commissioners.

**Compliance with the Montgomery Watson Grant Terms and Conditions**

Comments: Water Division Staff will prepare necessary amendments to the Grant Agreement for approval by the Board of County Commissioners as recommended by Internal Audit. As indicated in the audit, staff has been continuing to work under this grant, with verbal approvals and direction from the Grant agency (American Water Works Association Research Foundation) and Montgomery Watson. Public Works has received displeased with the work to date, and agrees with internal audit that the agreement should be amended to reflect the extended period of the grant and approve continued billing for the work being performed.

**Budget Controls Over Work Directives and Work Performed by the Maintenance and Field Force Section**

Comments: The Maintenance and Field Force Section has diligently began requesting written authorizations with estimated budgets for all major work assignments from requesting sections. Management does not want to restrict requesting sections. Management does not want to restrict emergency work pending such authorizations, therefore the Section will proceed on verbal authorization which are to be followed by the

recommended written authorizations in such situations. The section currently has a job costing system which will be used by management to evaluate staff performance and conformance to authorized work assignment budgets.

#### **Payment Control Over the Water Treatment Plant Sludge Hauler**

Comments: The Water Treatment Section would need to utilize temporary inspectors or assign personnel to observe and record the operation of the Sludge Hauling contractor and verify the landfill scale record to assure the accuracy of the haul billings. Currently the Water Treatment Section is planning on utilizing the in-house sludge bed stripping crew to provide the landfill haul now that a larger dump truck and front end loader is available to the section for that purpose. This would eliminate the contract haul and the potential for inaccurate billing.

#### **Compliance with the Purchasing Department's Direct Expenditure Voucher Procedures**

Comments: Division personnel are aware of the Direct Expenditure Voucher Procedures but do not always provide adequate documentation of exemptions to the competitive bid requirements as noted. The Internal Audit has reaffirmed to staff the importance of detailed documentation of exemptions and competitive bids. The Accounting section will also be continuing to provide quality control on these procedural requirements.

#### **Compliance with Human Resources Personnel Policy**

Comments: Section supervisors, key time card personnel, and staff in the Public Works personnel Section are currently working collaboratively to reconcile approvals for stand-by, overtime, and scheduled extra hours against time cards from the sections to assure all approvals are recorded prior to time cards being forwarded to payroll. This is also occurring for sick leave usage exceeding forty consecutive hours, which requires doctor verification. This more intense verification process has been implemented as a result of the record deficiencies identified by the Audit.

#### **Water Division Policy and Procedures Manual**

Comments: The development of Policy and Procedures manual by the sections has been a standing Public Works Directive since the first audit of Project Management. The Water Plant has been more successful than many of the other sections which are highly involved in field operations, i.e. supervisors and staff spend almost all of their working hours in the field. Management is reassessing the approach to the assignment in order to develop the recommend written policies and procedures manuals for the Utility Locations, Maintenance & field force, and Water Distribution Sections.

The staff of the Water division wish to thank Internal Audit for a comprehensive and thorough review of our operations, and for the productive exchange of information that occurred. Michael Riley is commended for working through the mass of information necessary to produce the level of audit provided. I also sincerely appreciate the courtesy provided by Richard Orienti in our pre and post interviews and the opportunity to provide these commends to the draft report.

JZ

Cc: Len Bramble

Dan Gray

David Brangaccio

Marilyn Ott