



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## MEMORANDUM

To: John Osborne, Deputy County Administrator  
Jan Brewer, Financial Management Department Director

From: Lori Stephens, Inspector General *Lori Stephens*

Date: September 11, 2020

Subject: Impact Fee Expenditures Follow-up #2 Audit

The Division of Inspector General has completed a second follow-up audit of Impact Fee Expenditures based on the Clerk of the Circuit Court’s follow-up audit memorandum issued March 21, 2018, and the original audit report issued June 25, 2013. This follow-up audit consisted of reviewing and testing the management action plans included in the previous follow-up audit memorandum to ensure that corrective actions have been implemented. The scope of the follow-up audit included the period January 1, 2019, through December 31, 2019.

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: Law Enforcement, Libraries, Multimodal Transportation, Parks & Natural Resources, and Public Safety. The use of the impact fees is restricted by type, rationale, benefit district, and time period. The Impact Fee Administration Division, which reports to County Administration, and the Financial Management Department (FMD) are responsible for ensuring impact fees are expended as required.

We are pleased with the corrective actions taken by management to ensure that impact fees are spent in the proper or approved benefit district. In addition, management has improved the Capital Improvement Program process by ensuring the required documentation is obtained and the proper funding sources are identified, especially for those using impact fees. However, the follow-up audit testing did identify areas which still require management's attention. During the exit meeting on June 12, 2020, your management staff, together with the Division of Inspector General staff, 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 118 impact fee expenditure transactions was selected from a total population of 463 transactions for the period 1/1/19 through 12/31/19; this represented 34 impact fee funded capital improvement projects. Based on the testing performed, the following exceptions were identified:

#### Capital Improvement Program (CIP) Project Sheets

The documentation maintained to support the CIP is one of the main tools used by the County to budget for capital projects. Details, such as the project number, scope, rationale, funding strategy, and budget information, obtained from this documentation are included on CIP project summary sheets. In reviewing the project summary sheets and supporting documentation, we found that while the documentation was adequate to justify the use of impact fees, the CIP project summary sheet did not always clearly reflect this. Of the 34 projects tested, 7 did not contain adequate information on the project 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 as a funding source.

#### **Management Action Plan**

*Management will ensure that the CIP project summary sheets include sufficient detail on the portion of the project related to growth, and state that impact fees are a funding source. A final review of the CIP project summary sheets will be conducted by the newly hired Impact Fee Administrator. The anticipated implementation date is December 31, 2020.*

#### Use of Fees

Section 1108.1 of the LDC states that impact fees cannot be spent for "periodic or routine maintenance, rehabilitation or replacement" expenses. The current follow-up did identify several instances where general operating or maintenance-type expenditures were incorrectly charged to impact fee funds. Because the expenditures were related to the same project, all of the expenditures for the project that were charged to impact fees during the audit period were tested. Our testing found that \$82,366.05, or 9.5%, of the \$867,425.37 project expenditures charged to impact fees were ineligible for impact fee funding.

#### **Management Action Plan**

*Management will conduct annual training with those County personnel responsible for overseeing impact fee projects to ensure their understanding of allowable impact fee expenditures. Management has already corrected the ineligible expenses from the current fiscal year. For the ineligible expenses from the prior fiscal year, management is in the process of reimbursing the impact fee fund. The anticipated completion date is December 31, 2020.*

### Annual Report

The Impact Fee Administrative Procedures Manual states that “at least once during each fiscal year, the County Impact Fee Administrator will prepare and present an annual report to the Board of County Commissioners documenting impact fee collections and expenditures by type of infrastructure and Benefit District. The report will include end of fiscal year fund balances, showing cash available after deducting appropriations.” According to FMD Management, this report is prepared after the County’s Comprehensive Annual Financial Report (CAFR) is issued each year.

We requested a copy of the FY18 annual report and found that while it had been prepared, it contained several errors; it was still in an “unaudited” form as the final numbers had not been confirmed. The report was submitted to the County Administrator for review; however, it was not presented to the Board. Additionally, we found that the FY19 report has not yet been finalized and presented to the Board.

### **Management Action Plan**

*County Administration and FMD will work together to update and finalize the FY18 and FY19 reports by December 31, 2020, with plans to present them to the Board in January 2021 as part of the Impact Fee Study. Beginning with the FY20 report, the annual reports will be prepared by County Administration and FMD, reviewed by the CIP Workgroup for accuracy, and presented to the Board during the annual CIP presentations in May of each year. Additionally, the annual reports will be posted on the County’s website.*

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

LJS/BJW/MEG

cc: Angelina “Angel” Colonnese, Clerk of the Circuit Court and Comptroller  
Board of County Commissioners  
Cheri Coryea, County Administrator  
Karen Stewart, Deputy County Administrator  
Mitchell Palmer, County Attorney  
Kathy Cremaschi, Finance Department Director, Clerk of the Circuit Court