

**SEMINOLE COUNTY
ECONOMIC AND COMMUNITY
DEVELOPMENT SERVICES
PLANNING AND DEVELOPMENT DIVISION**

**SPECIAL REVIEW OF
PLANNING AND DEVELOPMENT (P&D)
INTAKE PROCEDURES**

REPORT NO. 092712

SEPTEMBER 2012

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

September 27, 2012

The Honorable Brenda Carey,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear ~~Madam~~ Chairman:

I am very pleased to present you with the attached special review of Planning and Development (P&D) Intake Procedures.

Corrective actions plans are being implemented that will address the recommendations noted in the report.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this review. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

cc: Mr. Bob Dallari
Mr. Carlton Henley
Mr. John Horan
Mr. Dick Vanderweide
BCC Records

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SPECIAL REVIEW OF SEMINOLE COUNTY
PLANNING AND DEVELOPMENT INTAKE PROCEDURES

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**Seminole County
Economic and Community Development Services**

**Special Review of
Planning and Development (P&D) Intake Procedures**

The Office of the Clerk of the Circuit Court was requested by county management to evaluate the adequacy of the internal controls over application intake procedures.

PURPOSE

The review was performed to determine if the internal controls over the processing of fees for new project applications was adequate and operating effectively. Also, if the process to account for the cash proceeds was adequate and complied with county policy.

BACKGROUND

In February 2012, an employee in Planning & Development found that a customer cash payment had: (1) not been recorded in the county record keeping system (Naviline); and, (2) had not been deposited into the county's bank account.

This was brought to the attention of management. As a result, a more in-depth review found that many other customer payments were not accounted for in the county financial records; over \$10,000 was unaccounted for the period January 2009 through February 2012.

Instead of processing a payment immediately upon receipt, it was generally the practice to give customers a hand written receipt. Then, later in the day, payments were entered into Naviline. Only when a payment was physically entered into Naviline was an auditable trail created.

In the cases noted above, the missing money might have been collected by an employee but was clearly never recorded. When cash is collected by an employee and never recorded (skimming) it is very difficult to determine where the money went after receipt.

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Subsequent to this issue being discovered, management now requires the customer to be provided a computer generated receipt prior to leaving the County Services Building. This ensures that: (1) the transaction gets recorded in Naviline; (2) the money is deposited into the county bank account as it should be; and, (3) there is a complete auditable trail.

The report that follows addresses the adequacy of the policies, addresses compliance with the policy, and high-lights changes already made by management.

SCOPE OF WORK

This special review was limited to a review of the following:

- Daily General Ledger Transaction Reports and deposit slips compared to JD Edwards Transaction Reports;
- Code enforcement actions to determine if properly accounted for in the county records;
- Internal controls over cash receipt processing;
- Escrow account balances and written confirmations from customers;
- Audit trail of work performed;
- Manual cash receipts; and,
- Interviews of county personnel.

OVERALL EVALUATION

We agree with managements' initial assessment that money has categorically been lost and/or stolen. We have also confirmed independently that several thousand dollars (over \$10,000) are unaccounted for in the county records.

The internal controls did not provide assurance that payments made by customers could be accounted for in the recordkeeping system.

We also believe that transactions need to be verified regularly by management to make sure that they are processed timely, accurate and in accordance with

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policy. This provides the necessary checks and balances that the financial records are in balance with the monies (cash and/or checks) received and deposited into the county bank account.

The following findings are included in the report that follows:

- Payments not always posted;
- Transaction history not always complete; and,
- Some escrow accounts are inactive.

FINDING NO. 1

Payments not always properly posted.

Payments were not always posted to Naviline immediately upon receipt. By not posting the payment, there is not a record that the payment was actually received and deposited.

An employee notified her supervisor that a customer cash payment had not been recorded in the county record keeping system (Naviline).

Supervisory staff reviewed the transaction and found that not only had the transaction not been recorded in Naviline but also the money was never deposited into the bank. A more in-depth review by department supervision found that many other customer payments were also not accounted for in the county financial records.

For the period January 2009 through February 2012, we have found that over \$10,000 in funds are unaccounted for in the county financial records.

We also reviewed transactions in earlier years (back to 2003) and found many other transactions with similar results. The full loss is not determinable as receipt records have since been destroyed.

Timely and accurate processing of funds received ensures that the transactions are processed correctly. Also, verifying compliance with policies minimizes financial exposure.

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Current Status

The following corrective actions have been implemented to address the finding noted above:

- Revised policy has been issued by director;
- Customers sign in on a sign in sheet with purpose of visit;
- Customers now must wait until a computer generated receipt is printed;
- No work done on application until county receives full payment; and,
- Signs have been posted advising customers that they must receive a computer generated receipt; and,
- Information Technology has activated an audit trail feature to the program.

The above corrective actions should improve the accountability.

FINDING NO. 2

Transaction history is not always complete.

Transaction history is not always complete. There are numerous customer files within Naviline with incomplete documentation as the actions taken by staff.

We found several instances where there are comments made in the notes section of the record that checks were received on a certain date, including the check number but the check was never entered into the payment application module and the check was never deposited.

According to staff the checks might have been returned to the customer because of a jurisdictional issue. The applicant initially paid for research and it was determined that another city had jurisdiction. There are no notes or annotation within the file that would indicate that the check was returned. When a staff member was asked they could only respond that "this might have been what has happened."

Moreover, there are many types of financial related actions that can be made to a customer's application file. To name just a few:

- Money received can be for a partial payment or full;
- A check can be received and later returned to the customer;
- A transaction can be voided
- A simple adjustment can be made to a customer's account;
- There is also a need to document the status of an application and to identify any related issues.

By not being able to see a complete history of what has transpired we have no other way of knowing whether work was completed and the customer did not pay or the check never got input into Naviline etc.

Recommendation

Policy should require that staff document the actions taken on each application so that there is a complete and auditable trail. Voids should only be authorized by management and justification indicated as well and by whom.

Finding No. 3

Some escrow accounts are inactive.

The Building Department has a business plan that allows developers to conveniently pay for their building permits and inspections with little or no interruption of construction. The process is as follows:

1. A developer establishes an escrow account by leaving a deposit to cover any costs associated with getting their project properly executed;
2. County staff transfers money out of the escrow account to cover inspection fees, re-inspections and other related costs; and,
3. Annually, if requested by developer, the Building Department will furnish an accounting of all activity as well as a current yearend balance.

As part of this audit, we sent confirmations to some business owners to test the reliability of the county's records. The confirmations were returned with no

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exceptions noted. However, some business owners requested refunds because they are no longer doing business with Seminole County.

We determined that some had simply forgotten they had money left over at the county and asked that the money be refunded. We notified the building department of these cases. However, based on the results of the sample, we believe that many more companies are no longer doing business with the county and it is our opinion that the county should take steps to return the funds.

Further, we reviewed the last activity of several of the accounts and found that some businesses have not done business with Seminole County for over 10 years yet we are still holding their money. For example, one plumbing contractor has not had any activity on his account since September 2000 and has a balance of \$305. Another landscaping contractor has a balance of \$220 with no activity since 2004. There are several of these types of accounts.

Inactive accounts should be reviewed annually to determine if the developers still want to maintain an escrow account and refunds should be issued as appropriate. We found that many either go out of business and/or forget that they have left a deposit with the county. In some instances money might be sitting idle for several years. The money in the accounts for several years with no activity should be refunded to the business owner.

Pursuant to Florida Statutes it appears the county is obligated to report unclaimed property to State of Florida pursuant to FS 717.117 Report of Unclaimed Property. The statute is as follows:

- (1) Every person holding funds or other property, tangible or intangible, presumed unclaimed and subject to custody as unclaimed property under this chapter shall report to the department on such forms as the department may prescribe by rule.

The statutes further defines the requirements including due dates of reporting and associated fines.

As of February 10th, 2012, Seminole County has a total of 255 escrow accounts with a balance. Some account balances have little or no activity for

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several years and action should be brought in to compliance with Florida Statute requirements.

Recommendation

1. The building department should research old outstanding balances and submit a formal letter to business owners asking about the funds on account.
2. Submit an accounting of unclaimed property in accordance with Florida Statute 717.117.