



DEPARTMENT OF INSPECTOR GENERAL
OKALOOSA COUNTY, FLORIDA
JD PEACOCK II, CLERK OF CIRCUIT COURT AND COMPTROLLER



March 3, 2023

John Hofstad, County Administrator
Okaloosa County Administration Building
1250 N Eglin Pkwy, Suite 102
Shalimar, FL 32579

Mr. Hofstad,

Please find attached the report on our audit of the Airports Department Contract and Lease Compliance

Our work served as a review of the Department's process for monitoring agreements and vendor compliance with agreements.

I want to thank Tracy Stage, Allyson Oury, and their staff for the cooperation and accommodation they afforded us. Should you have any questions please do not hesitate to call me at (850) 689-5000 Ext. 3424.

Respectfully,

Brad E. Embry, Inspector General

CC: Tracy Stage, Airports Director
Allyson Oury, Airports CFO
JD Peacock, Okaloosa County Clerk of Courts

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



REPORT ON THE AUDIT OF THE AIRPORTS DEPARTMENT CONTRACT AND LEASE COMPLIANCE

REPORT NO. BCC 23-01

REPORT ISSUED MARCH 3, 2023

ISSUED BY: BRAD E. EMBRY, INSPECTOR GENERAL

Background

The Airports Department is an Okaloosa County Enterprise Fund, generating significant revenue through operations of multiple airport locations within the County. These include Bob Sikes Airport in Crestview, Destin-Fort Walton Beach Airport on Eglin Air Force Base, and Destin Executive Airport in Destin. The Department of Inspector General's annual work plan for the year of 2023 included an audit of the Airport contracts and lease agreements based on the significant number of active agreements in the operation of the 3 separate locations.

Objective

The objective of our audit was to evaluate vendor compliance with existing lease and contract agreements and to examine Airports Department procedures for monitoring these agreements.

Scope & Methodology

The scope of our examination included a review of all active contracts and leases managed by the Airports Department during FY 22. Examination methodology included interviews with the Airport CFO to gain an understanding of the department's processes in managing lease and contract agreements, review of the Airport policy and procedure related to lease and contract management, assessment of the workflow process and detailed review and evaluation of specific lease and contract revenue or payments made to/from the County. Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to the objectives. This review was conducted in compliance with Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practice Framework issued by the Institute of Internal Auditors.

Process

Contracts and leases are signed indicating agreement on terms and fees for various services, ground leases, and other agreements. The terms, fees, and timeframes are entered into the Airports' contract, lease and concession management software program (Yardi) for tracking purposes. Airports staff issue invoices per the timeframes and terms of the agreements and receive payment on those invoices. Incoming invoices are reviewed by Airports staff and coded with the appropriate general ledger accounts based on the agreement. These are reviewed by the assigned Airports contract manager. Tracking percentage of completion and task order work is completed by Airports management. Percent of revenue contract and lease agreements that require support by audited financial statements are reviewed by the Airports CFO. Final approval is made by the Airports Director. The final process sends the invoices to Clerk finance for review, entry into the County financial accounting system (Pentamotion), and payment. If the invoice involves a grant, these are reviewed by Grant Department staff before being sent to Clerk finance for payment. Agreements that are non-performing or no longer have a valid use are provided via email to the Purchasing department for the purpose of closing the contract in OnBase. Purchasing is the gatekeeper of the contract status and is the department responsible for updating OnBase.

Testing

We queried the County document storage and management system (OnBase), to obtain all active Airport lease and contract agreements during calendar year 2022. We reviewed all contracts that involved an exchange of funds, excluding the bailment agreements which involved only physical possession of property. Our testing of the contracts and leases involved review of the original agreement and any subsequent amendment to the original agreement, tracing the last invoicing and payment made in 2022 on the agreements in OnBase and Pentamation, to verify compliance with the terms of the agreement. We evaluated how the Airports contract, lease and concession management software (Yardi) tracked the terms and subsequent changes of the agreements. Finally, we verified significant agreements that included a percent of revenue were supported with audited financials provided by the Vendor.

Conclusion

Our audit verified that the Airports processes for managing contract and lease agreements are appropriately controlled and provide tracking for the terms and subsequent changes to the agreements. While our audit found one minor instance of non-compliance with contract terms by a Vendor, it involved an emergency repair where time was of the essence. There is a high likelihood of continued Vendor compliance with agreement terms based on the Airports monitoring procedures in place.

Management Response

The Airports Department takes conscious and continuous steps to develop and maintain an effective system of internal controls, including necessary ongoing evaluation, tracking and strengthening, when and where needed. The implementation of the Yardi software program in November 2021, to enhance the department's resources in the area of contract and lease management, is an example of these ongoing efforts.

The Airports Department is accountable not only to County leadership and the Board of County Commissioners but to numerous regulatory agencies. Established financial policies and procedures, which often exceed the requirements of the related County policies, help to ensure Airports' records are accurate, compliant and well-maintained. Clean audits and reviews, both internal and external, are evidence of the department's goals which include strong internal controls, solid financial management, informed strategic planning and accurate financial reporting. The Airports Department is appreciative of the review conducted by the Inspector General's Office and is pleased with the report that has been issued.

Received by email 3/1/2023