



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



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

Dear Mr. Hofstad,

Enclosed is our follow-up review of the 2017 report related to Capacity Expansion Charges (CECs) at Okaloosa County Water and Sewer (OCWS).

The purpose of the follow-up review is to revisit the recommendations outlined in the initial report and ensure proper corrective actions were made to address the findings. OCWS management continues to be dedicated to the idea of firm internal controls and responsive to input provided by our office related to such matters. We greatly appreciate the cooperation and professionalism extended to us by OCWS during this process.

Feel free to contact our office should you have any questions or concerns.

Respectfully,

Brad E. Embry, Inspector General
Okaloosa County Clerk of Circuit Court
602 B North Pearl Street
Crestview, FL 32536
Phone: (850) 698-5000 ex 3424
Email: bembry@okaloosaclerk.com

CC: Jeff Littrell, Director OCWS
Mark Wise, Deputy Director OCWS
Kathy Fix, Utilities Administrative Manager OCWS

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



FOLLOW-UP OF OKALOOSA COUNTY WATER AND SEWER CAPACITY EXPANSION CHARGES AND RELATED RECOMENDATIONS

**ORIGINAL REPORT NO. INV 17-01
REPORT ISSUED: DECEMBER 6, 2018**

ISSUED BY: BRAD E. EMBRY, INSPECTOR GENERAL

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Background

On October 31, 2017, our office issued a report (INV17-01) related to an investigation at Okaloosa County Water and Sewer (OCWS). The original report was generated as a result of billing irregularities discovered by an OCWS employee. The billing irregularities related to the assessment of residential Capacity Expansion Charges (CECs) and Cost of Construction (COCs).

Our office reviewed approximately 347 accounts from 64 separate contractors and individuals occurring over a 9-year period. We identified CEC billing irregularities associated with eighty-three locations involving four contractors.

Our work resulted in substantiated county ordinance violations committed by a former OCWS employee as well as five recommendations related to internal control weaknesses, electronic processes, policies and procedures, software user rights and accounting transaction codes.

This report serves as a follow-up to our initial work and to document corrective actions made by Okaloosa County Water and Sewer.

Recommendations

1. Assessment of Capacity Expansion Charges Segregation of Duties.

Recommendation: The process for the assessment CECs should be segregated from the actual collection and receipting of funds. We recommend documented supervisor review of all CEC assessments prior to any payments being received or builder's letters being issued.

Corrective Action: OCWS implemented solutions related to the issues identified by our office prior to the original report being issued. The assessment of CECs is now completely segregated from the collection and receipting of funds. Currently, a Senior

Customer Service Representative (SCSR) is responsible for researching CECs associated with residential properties, with assistance from OCWS Engineering for a commercial project or development. In addition to the assessment of CECs, OCWS Maintenance develops a cost of construction estimate for the work requested. The SCSR applies all charges to the Naviline account associated with the property. All supporting information is collected and submitted to the Customer Solutions Supervisor (CSS) for review. The CSS reviews the supporting information and the charges on the account for accuracy, and then signs a fee breakdown letter which is provided to the builder. Payments for CECs are collected by a Customer Service Representative. An electronic receipt is issued for the transaction from the Naviline system and provided to the builder. A copy of the receipt is provided to the SCSR. Growth management is notified via email of the payment of CECs. By implementing this process, OCWS has successfully segregated duties and eliminated the issuance of hand written receipts and builder's letters.

2. Utilizing Existing Software to Full Capability.

Recommendation: Steps should be taken to eliminate the current manual process associated with the issuance of hand-written receipts and manual generation of reconciliation spreadsheets. Based on our conversations with OCWS IT staff and review of the Naviline software, we believe OCWS has the capability of generating electronic receipts through Naviline. We also believe that Naviline has the capability to generate electronic reports with all information required by OCWS Finance for reconciliation between the two accounting systems. Hand written receipts should be issued only when the Naviline system is not available. OCWS Management may want to seek the advice of a software consultant to assist in improving the efficiency or operations between customer service and finance.

Corrective Action: As discussed earlier, OCWS has eliminated the issuance of handwritten receipts. OCWS is in the process of obtaining a software upgrade which

would allow for more complex data mining / reporting capabilities. The current software upgrade is budgeted for the Fiscal Year 2019.

3. Documented Employee Review of Written Policies and Procedures.

Recommendation: Management should establish a system for electronically organizing and storing policies and procedures related to customer operations. The system should be easily accessible for all employees and include documented employee review of all policies and procedures associated with their position. There are software solutions currently on the market for storing, disseminating, and documenting review of policies and procedures.

Corrective Action: The policies and procedures related to customer operations are currently organized and stored electronically in an area that can be accessed easily by all employees. OCWS management has begun the process of reviewing and revising all related policies and procedures. To improve upon this system, Okaloosa County has taken steps to expand the use of document management software, Power DMS, throughout the county. Implementation of this software requires advanced training for administrators.

4. Software User Rights and Roles.

Recommendation: It is imperative that management, with the assistance of Customer Service Supervisors and IT staff, identify and define the various user groups within Naviline and properly limit user rights to the identified groups. The ability to edit and/or delete existing MLM notes should be restricted to management personnel or at a minimum require management approval. Likewise, the reuse of location identification numbers was accomplished by simply changing an address. The ability to edit or alter an address should be restricted.

Corrective Action: OCWS management has restricted the ability to edit or delete an existing Miscellaneous Location Message (MLM) note, and the ability to edit or alter an address, to management personnel only. Currently, users are assigned individual

rights. OCWS staff is in the process of generating user groups, which will assign user rights based on job function / title. These changes are expected to occur in FY2019.

5. Utilization of Defined Transaction Codes in Naviline.

Recommendation: The utilization of well-defined transactions codes is essential to operations and maintaining accurate accounting records. Administration should work with finance, customer service and IT to establish clearly defined transaction codes to be utilized when billing customer accounts.

Corrective Action: Transaction Codes have been updated and OCWS staff are trained on the utilization of proper transaction codes.