



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



May 9, 2022

JD Peacock, Clerk of Circuit Court and Comptroller
101 E James Lee Blvd
Crestview, FL 32536

Clerk Peacock,

Please find attached the report on our audit of Complex and Calculated Payments.

Our work served as a review of the examination of potential issues arising from calculated payments within the Clerk's Finance Department.

I want to thank Ron Adamov and his staff for the cooperation and accommodation they afforded us. Should you have any questions in the interim please do not hesitate to call me at (850) 689-5000 Ext. 3424.

Respectfully,

A handwritten signature in blue ink that reads "B. Embry".

Brad E. Embry, Inspector General

CC: Ron Adamov, Chief Financial Officer

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



REPORT ON THE AUDIT OF COMPLEX AND CALCULATED PAYMENTS

REPORT NO. COC 22-01

REPORT ISSUED MAY 9, 2022

ISSUED BY: BRAD E. EMBRY, INSPECTOR GENERAL

Background

In October 2021, our office became aware of a payment issue related to calculated contractual payments to Waste Management. A revenue account was incorrectly debited resulting in an overpayment to Waste Management of approximately \$1.6 million over a five-year period. In December 2021, Waste Management remitted the overpaid amount to the County. Our office performed an administrative review of the problem to determine the cause and make recommendations for correction. As a result of the review, our office commenced an audit of complex and calculated payments in general to identify any other potential issues of a similar nature.

Objective

The objective of our audit was to identify complex and calculated payments, verify correct calculation and reporting and to examine the calculation processes for efficiency, recommending improvements as needed.

Scope & Methodology

The scope of covered all calculated payments during Fiscal Year 2021 (exclusive of Water & Sewer Waste Management collections) and processes in place as of December 1, 2021. Audit methodology included interviews with responsible parties, identifying risk, process walkthroughs, and substantive tests of County payments and calculation methods.

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 these objectives. This audit was conducted in compliance with Principles & Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practices Framework issued by the Institute of Internal Auditors.

Testing

We queried OnBase for all checks issued by the Okaloosa County Board of County Commissioners during Fiscal Year 2021 and applied analytical methods to identify recurring payments. We tested all payment processes where the County paid a specific vendor more than \$100,000 in total during the scope period, and processes under \$100,000 where the County issued 20 or more checks to a specific vendor during the scope period. We did not identify any calculated or payments that would present an issue similar to that of Waste Management; however (as detailed in the Conclusion below), we identified several areas for follow-up.

We examined accounting records in Pentamation to identify debits occurring in revenue accounts. We did not discover any debits outside of properly approved and supported adjustments.

Conclusion

Our audit did not identify any complex or calculated payment issues. Almost all reoccurring payments are based on properly approved contracts, and are fixed amounts or performance based. All other payments were completed either through properly approved purchase orders facilitated by the Okaloosa County Purchasing Department or with County-issued credit cards (commonly referred to as P-cards).

During our examination of County payments, we identified several opportunities for follow-up and/or future audit engagements.

- Transit Department
- Payroll Deductions
- Department of Health
- Airport Contracts (scheduled on 2021 Audit Plan)

Because we did not identify any issues similar to the one that led to this audit, and because the County and Clerk have taken effective steps to correct those issues, we are not reporting any findings. However, we are presenting the following recommendation to address an outstanding source of potential risk.

Recommendation: Clerk Finance should develop formal written procedures for processing specific types of payments

Our office's prior administrative review discovered that certain processes in Clerk Finance are not formalized and are either passed down through employee turnover or redesigned by each new employee. We acknowledge that many processes are documented by policies in the Clerk's PowerDMS system, however, we recommend that any reoccurring process involving a calculation should be documented in formal written instructions. This would reduce the risk of an error or omission when responsibility for a process is passed to a different employee.

Management Response

We agree with your recommendation and plan to formally document the recurring payments process during the annual review of all finance P&P to be completed by 6/30.

Response received via email from Ron Adamov, Chief Financial Officer, on May 5th, 2022