Audit
of the
Use of
Transportation Impact Fees

Report by the
Office of County Comptroller

Martha O. Haynie, CPA
County Comptroller

County Audit Division

J. Carl Smith, CPA
Director

Christopher J. Dawkins, CPA
Deputy Director

Glenn R. Tingling, CPA, Audit Supervisor
In-Charge Auditor

Dexter J. Watts, Senior Auditor
Rhonda Haney, Auditor

Report No. 327
April 2003

TABLE OF CONTENTS

April 16, 2003

Richard Crotty, County Chairman
And
Board of County Commissioners

We have conducted an audit of the use of Transportation Impact Fees, as recorded in Orange County's Transportation Impact Fees Trust Funds. The period audited was October 1, 1999 through March 31, 2001; however, given the length of time it takes to complete road improvement projects, we reviewed certain expenditures that occurred outside this period. In addition, we reviewed total impact fee spending percentages through September 30, 2002. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Manager of the Public Works Engineering Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Public Works Department during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit M. Lalchandani, County Administrator
William P. Baxter, Director, Public Works Department
Johnny M. Richardson, Manager, Purchasing and Contracts Division
Randy Singh, Manager, Office of Management and Budget
James E. Harrison, Manager, Pubic Works Engineering

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the use of Orange County's Transportation Impact Fees (TIF). The audit was limited to a review of expenditures from the related trust funds established for the four benefit areas in accordance with Sec. 23-97 of the Orange County Code. The period audited was October 1, 1999 through March 31, 2001; however, given the length of time it takes to complete road improvement projects, we reviewed certain expenditures that occurred outside this period. In addition, we reviewed total impact fee spending percentages through September 30, 2002. Based upon the work performed, Orange County materially complied with the provisions of County Code Sec. 23-97, which established criteria for the use of transportation impact fees. However, in our opinion, the system of internal controls over expenditures from the trust funds was not adequate. During the course of our review, we noted the following:

The County funded the construction of a budgeted $5.5 million road described in the agreement as a "collector road;" however, County Ordinance No. 98-27 restricts the use of transportation impact fees to the funding of growth related arterial roads only. Subsequent to our review, Public Works prepared a memo documenting that this road met the requirements of an "arterial road."

There was no documentation to show the basis of allocating road improvement costs to Transportation Impact Fees Trust Funds (TIFTFs) and other funding sources. There were also no written procedures in use to determine funding allocation percentages. These are needed to ensure TIF are used only for road improvements associated with growth.

The County purchased 270.75 acres of wetlands known as the "Henson" tract in impact fee benefit area No. 3 for $1,985,746 with the use of TIFTFs. Funding was provided from benefit area No. 2 ($1 million) and benefit area No. 4 ($985,746). However, this purchase was not linked to any ongoing or future road project. In addition, there was no established mechanism to track future utilization of the property for mitigation purposes.

The County spent approximately $3.4 million for improvements to State Road (SR) 50 from TIFTFs. Records supporting the expenditure do not document what County roads were impacted by the improvements or where growth, based upon a study, requires the improvements to SR 50.

An interest free loan of $2,150,000 was made from the TIFTFs for Benefit Area No. 1 to the State to fund a project development and environmental study for SR 50 (West Colonial). This part of SR 50 travels through and between benefit areas No. 1 and No. 4; however, no costs were allocated to the trust funds for benefit area No. 4. Section 23-97 (b)(3) of the Orange County Code requires that impact fees "must be used exclusively within the benefit areas from which they were collected."

Designated allocation percentages of improvement costs to various funding sources at the inception of a project were intended to reflect a fair distribution of road improvement costs between existing residents and new developments. However, some actual funding allocations between TIFTFs and other funding sources did not reflect the original designated funding sources and allocation percentages established by the Division.

The scope and amount of the $750,000 contract for the East Orange County Transportation Needs Study was significantly amended. The $608,028 increase in the Contract, to accommodate the Roadway Conceptual Analysis (RCA) for Rouse Road, was done without competitive solicitation.

There were no written guidelines for the processing of payments for design work, surveying, and road construction.

Management concurred with all of the recommendations made in this report and corrective action is either completed, planned, or underway.

ACTION PLAN

AUDIT OF THE USE OF TRANSPORTATION IMPACT FEES
ACTION PLAN

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.	X			X		We recommend the County ensures adequate documentation is maintained to show that road improvement projects that utilize TIFTFs meet the requirements for arterial roads.
2.						We recommend the following:
A)	X			X		Written procedures for the allocation of road improvement costs to new developments (to be funded from TIFTFs) and existing residents (to be met from other funding sources such as gas taxes) be developed and used; and
B)	X			X		Documentation of the methodology, input data and resultant allocation percentages for all projects funded with TIFTFs be prepared and retained.
3.	X			X		We recommend the County documents that funding for improvements to a State road is tied to growth in specific areas and the impact the improvement has on County roads when such funding is provided from TIFTFs.
4.	X			X		We recommend, when a project impacts more than one benefit area, the County makes appropriate allocation of costs to the benefit areas impacted.
5.	X			X		We recommend policies and procedures be established to ensure payments are made from the designated funding sources. In addition, the policies and procedures should detail the method to allocate individual payments so as to ensure conformance with the approved funding split established at the inception of a project. Any deviations from these funding sources and percentage allocations should be adequately documented and approved.

AUDIT OF THE USE OF TRANSPORTATION IMPACT FEES
ACTION PLAN

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
6.	X			X		We recommend the PWD Fiscal Administration works with the Divisions impacted in the payment process to develop written policies and procedures for the processing of pay instruments related to capital projects.
7.						We recommend the County ensures the following:
A)	X				X	Roadway Conceptual Analyses for specific roads are procured separately from Transportation Needs Studies that identify several roads as needing improvements.
B)	X				X	Improvement costs for specific roads identified by Transportation Needs Studies are accounted for under separate project specific organization numbers.
8.	X				X	We recommend County staff complies with County Ordinance No. 99-02 and ensures the fifteen-month report on the impact of the deferred method of collecting impact fees on the County's fiscal operations is completed and presented to the Board.
9.	X			X		We recommend that land purchases from TIFTFs for mitigation purposes be linked to specific road projects. If the land purchase is deemed for future mitigation, then a tracking mechanism should be established to account for the mitigation usages. Also, in the event the land is not used within a specified period of time, the fund should be reimbursed for the cost of the land.

INTRODUCTION

Background

The initial Road Impact Fee (Transportation) Ordinance (No. 85-34) was approved by the Orange County Board of County Commissioners (Board) on December 9, 1985 with an effective date of January 1, 1986. Since then, there have been several amendments. Based upon the September 1998 Road Impact Fee Update, a study conducted by Duncan Associates, a major amendment (No. 98-27), including a revision of the fees, was approved by the Board on October 20, 1998.

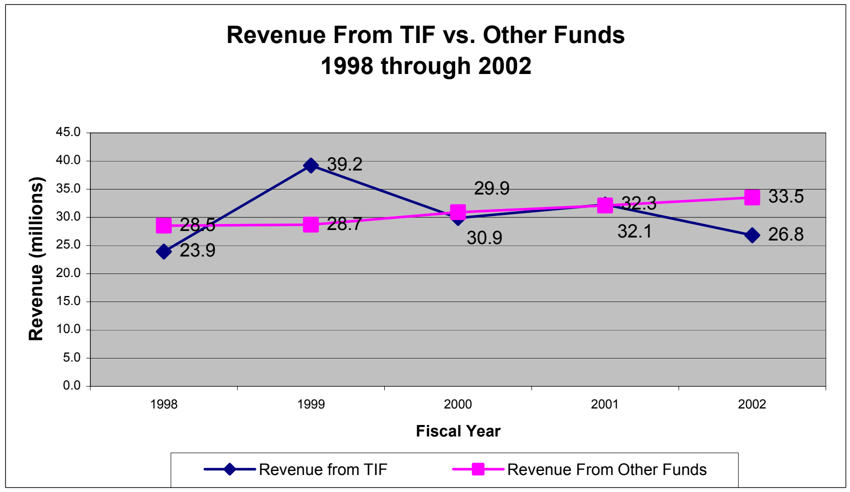
Orange County Code Chapter 23, Article IV, Road Impact Fees, addresses, among other things, the authority, intent, and purpose of the article, as well as the use of the fees collected. According to Sec. 23-87, "the purpose of the article is to enable the County to allow growth and development to proceed in the County in compliance with the adopted comprehensive plan, and to regulate growth and development so as to require growth and development to share in the burdens of growth by paying its pro rata share for the reasonably anticipated expansion costs of major road network system improvements." Sec. 23-88 defines 'Major Road Network System' as "all existing and committed arterial roads within the County."

Sec. 23-97 provides guidelines for the use of fees collected. Included in this provision is the creation of separate trust funds for four benefit areas with the stipulation that funds must be used exclusively within the benefit area from which they were collected. Also, funds were to be used "…solely for the purpose of acquisition, expansion and development of roads, streets, highways, and bridges determined to be needed to serve new development." This section also prohibits the use of trust funds for maintenance or repair of any roads.

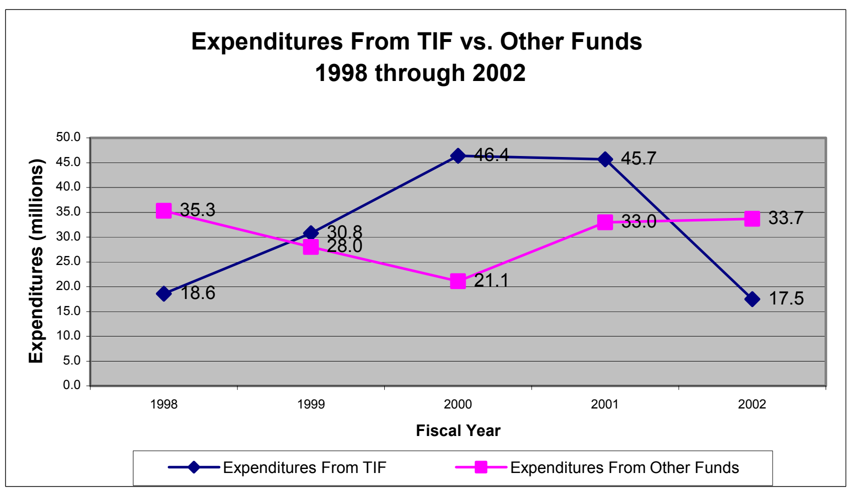
Funds collected from Transportation Impact Fees (TIF) for fiscal years 1998 through 2002 totaled $152 million. Other road improvement funding sources[1] for fiscal years 1998 to 2002 totaled $154 million. Yearly revenues are shown in the chart on the following page.

---

[1] Fund 1004-local Option Gas Tax, 1003-Cosntitutional Gas Tax, 1021-7th Cent Gas Tax, 3365 Ready Creek Road Projects



During the same period, expenditures were $159 million from TIFTFs and $151 million from the other sources noted. Yearly expenditures are shown in the following chart:



The Public Works Department (PWD), primarily through its Engineering Division, is responsible for the expenditures of the Transportation Impact Fees Trust Funds (TIFTFs). The Engineering Division is comprised of the following sections: Administration, Transportation Planning, Survey, Design, Right of Way Administration, and the I-Drive Transportation Program. The Division had 65 authorized employee positions for fiscal year 2002.

The Engineering Division has responsibility for transportation needs studies, project selection and budgeting, and design work. Design work is broken down into two specific phases: preliminary engineering studies, known as the Roadway Conceptual Analysis (RCA); and the final design. The RCA and final design work are performed by private contractors. The Engineering Division also works with the Purchasing and Contracts Division in the construction contract solicitation, selection and award processes. Administration of the construction contracts and supervision of actual construction are handled by the Highway Construction Division of the PWD. The PWD's Fiscal Administration is responsible for the review of payment requests prior to their submission to the County Comptroller's Finance Department for payment.

Scope, Objectives, and Methodology

The audit scope included a limited review of the use of transportation impact fees. The initial audit period was October 1, 1999 to March 31, 2001; however, given the length of time it takes to complete a road project, we reviewed certain expenditures that occurred outside this period. In addition, we reviewed total impact fee spending percentages through September 30, 2002.

The objective of our review was to determine whether the County complied with County Code (Sec. 23-97) and applicable Florida Statutes' requirements for expenditures from the TIFTFs.

To determine whether the County complied with these requirements, we selected a sample of road improvement projects that were either partially or fully funded by TIFTFs and verified that:

- Projects qualified under Sec. 23-97 of the Orange County Code for partial or full funding from TIFTFs;
- Where projects qualified for partial funding, that amounts allocated to TIFTFs were appropriate; and
- Projects and related budgets were properly authorized.

We also reviewed a sample of payments to ensure they were: properly authorized; charged to the correct project, benefit area and designated accounting line; properly computed; and adequately supported. In addition, for judgmentally selected projects, we scanned payments for duplicate invoices, P. O. Box addresses that could be an indication of fictitious vendors, delivery addresses to ensure that goods and services were being delivered to the applicable project, and any unusual information that might indicate inappropriate payments.

Overall Evaluation

Based upon the work performed, Orange County materially complied with the provisions of County Code Sec. 23-97. In our opinion, the system of internal controls over expenditures from the TIFTFs was not adequate. Recommended improvements are noted herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Adequate Documentation Should Be Maintained to Show That Road Improvement Projects Utilizing Transportation Impact Fee Trust Funds (TIFTFs) Meet the Requirements of an Arterial Road

Road improvements funded by TIFTFs should be identified as arterial

During our review, we noted that $3.4 million from a budget of $5.5 million of TIFTFs was used (as of June 28, 2001) to fund construction of Avalon Park Boulevard, segments A, B, & C. A tri-party agreement between the Board, the Orange County School Board and Avalon Park Associates, approved by the Board on July 11, 2000, describes Avalon Park Boulevard as a "collector road." The agreement states, "…the County has approved the construction of a four-lane urban collector road network…"

County Ordinance No. 98-27 and County Code Sec. 23-87 and Sec. 23-88 restrict the use of TIFTFs to "arterial roads" only. We noted no documentation in the file indicating this road was an arterial road. Documentation that a road, particularly with conflicting descriptions, meets the requirements of an arterial road should be prepared and retained. Subsequent to our review, Public Works prepared a memo documenting that this road met the requirements of an "arterial road."

We Recommend the County ensures adequate documentation is maintained to show that road improvement projects that utilize TIFTFs meet the requirements for arterial roads.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. Written Standard Operating Procedures have been developed which stipulate the preparation of an Arterial Determination Memorandum to file at the inception of each project. This memorandum will reflect the determination of the County Engineer that the road in question has been determined to be an arterial roadway in accordance with County Ordinance No. 98-27 and County Code Sections 23-87 and 23-88.

In accordance with this new procedure, an Arterial Determination Memorandum for the Avalon Boulevard project was prepared and filed. A copy of the Arterial Determination Memorandum for this particular project is attached for your review and file.

2. The Basis of Allocating Road Improvement Costs Between TIFTFs and Other Funds Should Be Adequately Prescribed and Documented

There was no documentation to show the basis of allocating road improvement costs to TIFTFs and other funding sources for the fifteen projects that we reviewed. This review also indicates there were no written procedures in use to determine funding allocation percentages. As shown by the table below, actual allocation percentages ranged from three to 100% of TIFTFs.

Written procedures are needed for the allocation of road improvement costs between TIFTFs and other funds

No.	Project ID	Name of Project	Inception of Project to March 31, 2001	Funding	
				Allo-cated to TIFTF	Allo-cated to Other Sources
1.	3097	All American Blvd.	$ 6,187,633	77%	23%
2.	3094	SR 50 (East)	3,250,000	100%	0%
3.	2929	Orange Ave.	23,090,479	89%	11%
4.	3007	Curry Ford Rd.	16,718,010	100%	0%
5.	3019	Apk. Vine. Rd.	10,277,904	86%	14%
6.	5026	SR 50 (West)	2,150,000	100%	0%
7.	3099	Sunflower Tr./ Avalon Park Blvd.	2,231,635	100%	0%
8.	2755	Conway Rd.	1,000,000	100%	0%
9.	2766	Gen. Right of Way Acquisitions	5,262,174	38%	62%
10.	3020	Dr. Phillips Blvd.	3,820,886	78%	22%
11.	2722	Intersections Improvements	8,079,204	3%	97%
12.	2752	New East/West Rd.	371,204	83%	17%
13.	3002	Hiawassee Rd.	4,965,777	27%	73%
14.	3038	Clarcona-Ocoee	2,660,827	4%	96%
15.	5024	Econ. Trail	9,680	100%	0%
	TOTAL		**$90,075,413**	**74%**	**26%**

We were informed that a number of factors are taken into consideration in determining funding allocation percentages. Generally, the funding of improvement costs are split between TIFTFs and other funding sources based upon the increase in the volume of traffic and the percentage of the development that occurred since the initial transportation impact fee study in 1985. Also, a committee consisting of senior Public Works management determines the funding splits on a case-by-case basis every two to three years when they update the long-term plan.

Orange County Code Section 23-87(d) states, "This article will only partially recoup the governmental expenditures associated with growth. Under this article, existing residents also shall pay a fair share of the cost of needed improvements to the major road network system." Accordingly, written procedures should be established to ensure the fair sharing of road improvement costs between existing residents and new developments.

We Recommend the following:

A) Written procedures for the allocation of road improvement costs to new developments (to be funded from TIFTFs) and existing residents (to be met from other funding sources such as gas taxes) be developed and used; and

B) Documentation of the methodology, input data and resultant allocation percentages for all projects funded with TIFTFs be prepared and retained.

MANAGEMENT'S RESPONSE:

A) Concur. We concur with this recommendation. The Orange County Road Impact Fee Update, September 1998, as adopted by County Ordinance No. 98-27, Section 23-90 and County Code Section 23-90, sets forth a written, defined methodology for the allocation of road improvement costs to growth and new development. Written procedures to document this methodology will be developed.

B) Concur. We concur with this recommendation. Written procedures have been developed which stipulate the preparation of a Funding Memorandum to file at the inception of each project. This memorandum will reflect the calculated funding splits, and reference the calculations in accordance with appropriate County Ordinances and Codes.

3. Documentation Should Be Prepared to Show Growth Impact from Funding State Roads with TIFTFs

The County funded expenditures of approximately $3.4 million for improvements to State Road (SR) 50 from TIFTFs. SR 50 is a state road and as such, roadway improvements are not a local government responsibility. The County provided the funding to help encourage the State to begin road-widening improvements. Further, it is also possible and likely that widening or improving a state road in the County will allow the County to forgo or postpone widening or building a nearby road to alleviate roadway over-crowding due to growth. As such, providing a small amount of the funding for a State road may save the County millions of dollars of road building costs.

The funding of improvements to state roads should be tied to growth in specific areas

However, records supporting the expenditure do not document what County road(s) were impacted by the improvement or where growth, based upon a study, requires the improvements to SR 50. Standard operating practices require that expenditures from TIFTFs be supported with traffic engineering studies demonstrating road deficiencies attributable to growth. The Engineering Division's records only conclude that funding for this portion of SR 50 (Semoran to Old Cheney Highway) should be split 30 percent to impact fees and 70 percent to other sources. There was also no documentation for this allocation.

We Recommend the County documents that funding for improvements to a State road is tied to growth in specific areas and the impact the improvement has on County roads when such funding is provided from TIFTFs.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. Written procedures have been developed which stipulate the preparation of a Funding Memorandum to file at the inception of each project. When the project involves funding of a State Road, this memorandum will reflect a determination that the improvements to the State Road are tied to growth in specific areas of the County, and the impact the improvement may have on County roads. As with other projects, the memorandum will also reflect the calculated funding splits, and reference the calculations in accordance with appropriate County Ordinances and Codes.

4. Applicable Loans from the TIFTFs Should Be Properly Allocated Between Benefit Areas Impacted

Road improvement expenditures should be allocated between benefit areas impacted

An interest free loan of $2,150,000 was made from the TIFTFs (Benefit Area No. 1) to the state to fund improvements to SR 50 (West Colonial). The purpose of the loan was to pay for a project development and environmental study on SR 50 West from the Lake County line to Pine Hills Road. Funding for this expenditure was provided only from impact fee benefit area No. 1. However, the road to be improved travels through and between benefit areas No. 1 and No. 4.

As stated in Recommendation No. 3 above, documentation for funding of state roads from TIFTFs should show how such improvements are tied to growth in specific areas and what County roads are impacted.

Sec. 23-97 (b)(3) of the Orange County Code requires that impact fees "must be used exclusively within the benefit areas from which they were collected." Since SR 50 West traverses through benefit areas No.1 and No. 4 intermittently, an appropriate allocation of the $2,150,000 should have been made between benefit area No. 1 and benefit area No. 4.

We Recommend, when a project impacts more than one benefit area, the County makes appropriate allocation of costs to the benefit areas impacted.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. Written procedures have been developed which stipulate the preparation of a Funding Memorandum to file at the inception of each project. When the project involves two or more separate impact fee areas, this memorandum will reflect an allocation between impact fee area funds and the basis for the calculation. As with other projects, the memorandum will also reference the calculations in accordance with appropriate County Ordinances and Codes.

Regarding West State Road 50, after the subject audit was performed and the draft report prepared the monies originally loaned from TIFTF No. 4 were refunded, with interest, to that TIFTF. A subsequent, and similar, payment for the same roadway is being made from both TIFTF No. 1 and No. 4, with the percentages from each calculated on the basis of benefit areas impacted. Memorandums have been submitted to file in accordance with the procedures mentioned above in Recommendations No. 3 and No. 4. Copies of those memorandums are attached for your review and file.

5. Policies and Procedures Should Be Established to Ensure Compliance with Designated Funding Sources and Individual Payments Allocated in Accordance with the Funding Splits Established at the Inception of the Projects

During our review of internal controls, we noted the following:

A) We were informed that the total expenditure for each phase of a project is sometimes charged to one funding source instead of being allocated to the designated funding sources based upon the predetermined percentage split established by management of the Engineering Division. For example, we noted that, as of March 31, 2001, total expenditures for each phase of the Hiawassee Road (Clarcona-Ocoee Road to S. R. 441) improvements project were charged to different funds, without any percentage allocation, as shown below:

DATE	PHASE	FUND		AMOUNT
09/26/95	Preliminary Design	1004	Local Option Gas Taxes	$626,786
03/31/98	Final Design	1031	TIFTF	$1,066,526
02/28/01	Construction	1003	Constitutional Gas Taxes	*$700,000

* The $700,000 charged to Constitutional Gas Taxes represents the first two payments of ($600,000 and $100,000) under a $9,125,905 construction contract.

As shown in the table, all the expenditures for the preliminary design were charged to one fund (Local Option Gas Taxes) instead of being split in accordance with a predetermined percentage between Local Option Gas Taxes and the other funds. Expenditures for the final design and construction were treated in a similar manner, but to different funds.

B) On November 19, 1998, the Engineering Division's memo to the Purchasing and Contracts Division requested Board approval of the RCA for Apopka Vineland Boulevard. Total cost was $489,331. The Engineering Division's designated funding sources and allocation were 67 percent to Constitutional Gas Taxes (Fund 1003) and 33 percent to Local Option Gas Taxes (Funds 1004). However, payments were split between three funding sources as shown on the following page:

DATE	TYPE	TRANS-ACTION	AMOUNT	ALLOCATION FUND 1003	FUND 1004	TIFTF FUND
12/06/99	Title searches	Payment	$3,180	50 %	0.0 %	50 %
07-11/99	RCA	Pymt #1-5	91,701	67 %	33 %	0.0 %
12/99-4/00	RCA	Pymt #6-10	70,022	68 %	32 %	0.0 %
05/22/00	RCA	Pymt #11	34,106	100 %	0.0 %	0.0 %
06-07/00	RCA	Pymt #12-13	79,909	68 %	32 %	0.0 %
08/24/00	RCA	Pymt #14	31,858	100 %	0.0 %	0.0 %
09/22/00	RCA	Pymt #15	25,001	43 %	30 %	27 %
10-12/00	RCA	Pymt #16-18	83,432	0.0 %	0.0 %	100 %
01/22/01	RCA	Pymt #19	21,185	68 %	32 %	0.0 %
TOTAL			**$440,394**	**$256,137**	**$92,557**	**$91,700**
Percent of Total				58 %	21 %	21 %

Funding from TIFTFs was not included in the original funding designation.

C) On August 31, 1999 the Board approved a budget of $1.6 million for the final design of Taft Vineland Boulevard. The Engineering Division's designated allocation was 17 percent to Constitutional Gas Tax (Fund 1003) and 83 percent to TIFTFs (Fund 1033). Under this budget, a contract for final design services was signed for $1,580,447. Payments under this contract were allocated as follows:

Written policies and procedures should detail the methodology of allocating individual payments from various funding sources

DATE	TYPE	TRANSACTION	AMOUNT	ALLOCATION FUND 1003	FUND 1033
7-10/00	Final Design	Payments #1-5	$251,746	50 %	50 %
01/03/01	Final Design	Payment #6	28,557	100 %	0.0 %
01/03/01	Final Design	Payment #7	95,242	29 %	71 %
01/25/01	Final Design	Payment #8&9	295,278	0.0 %	100 %
TOTAL	Payments		**$670,823**	**$182,500**	**$488,323**
Percent of Total				27 %	73 %

There was no written explanation for the use of the different funding sources and the various allocation percentages (as shown above) that differed from the original designations. Although in some cases future payments funding splits could be adjusted to bring the project in line with the approved funding allocation, there appears to be no standard method of allocating payments. Without a written policy detailing a methodology for funding splits, the risk that actual funding distributions will not equal designated funding allocations is increased. As a result, the costs applied to TIF would not reflect the extent of improvements attributable to growth.

We Recommend policies and procedures be established to ensure payments are made from the designated funding sources. In addition, the policies and procedures should detail the method to allocate individual payments so as to ensure conformance with the approved funding split established at the inception of a project. Any deviations from these funding sources and percentage allocations should be adequately documented and approved.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. Written procedures have been developed which provide that funding splits are monitored and complied with throughout the entire lifespan of a project. Although it may be necessary from time to time to pay a specific invoice using a different funding split, the Procedures set forth a process to assure that future payments can and are adjusted to bring the project into compliance with the approved funding split.

6. Internal Controls Over the Payment Process Should Be Strengthened

There were no written guidelines for the processing of payments to contractors, consultants and other vendors for design work, surveying, road construction, and the purchase of lands from TIFTFs and other funding sources except for pay requests received through the County Attorney's Office. (Requests for payments are usually received from Transportation and Planning, Design, Right of Way, Administration, Highway Construction, Real Estate Division, and the County Attorney's office.)

In addition to these observations, and those noted in Recommendation No. 5, our review noted the following:

A) Three (75%) of four payments for various design projects did not contain the initials of the Fiscal Coordinator as evidence of fiscal review.

B) Three (60%) of five payments over $500,000 for right of way (ROW) projects did not contain the signature of the Division Manager evidencing approval.

Written policies and procedures are needed to provide guidelines for the processing of payment requests from the various areas

Good internal controls require that procedures (including those relating to payments) are written, authorized by management, and maintained in an appropriate policy and procedures manual. Written procedures should include: specifics on the preparation, review and authorization of pay requests, invoices and other supporting documents at the requesting Divisions and PWD Fiscal Administration. Specific examples include: the types of request forms/memos and supporting documents required; various thresholds that require different levels of approvals; deadlines for submission and processing of pay requests; and, the duties and responsibilities of the preparers and reviewers.

Without a formal written policy and procedures manual, personnel may not conform to the standard operating practices that are considered to be in the best interest of the County. Written guidelines also help to provide justification and convey to staff the importance of complying with procedures.

We Recommend the PWD Fiscal Administration works with the Divisions impacted in the payment process to develop written policies and procedures for the processing of pay instruments related to capital projects.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. Written procedures have been developed which provide guidelines for the processing of payment requests from the various areas related to capital projects.

7. Roadway Conceptual Analysis for Specific Roads Should Be Procured Separately from Transportation Needs Studies and the Costs Handled Under a Separate Project Specific Organization Number

RCAs should be procured separately from transportation needs studies

On March 19, 1996, the Board approved the East Orange County Transportation Needs Study (EOCTNS) under contract proposal Y6-800-MK not to exceed $750,000. (The report from this study was issued July 1998.) However, on March 2, 1999, based upon a staff recommendation, the Board approved an amendment to the contract for $608,028 for the Rouse Road RCA. Costs for both the EOCTNS and the RCA were applied to the same Project Organization Number 3018 entitled "East Orange County Transportation Needs Study." Also, a total of $1.2 million for land and easements to facilitate improvements to Rouse Road were charged to the same project organization number.

The Procurement Ordinance No. 92-26, states that "if the change is outside the scope of the original project or procurement as determined by the Chief of Purchasing and Contracts, a new Invitation for Bid must be issued unless bidding would cause a significant delay or other adverse impact on the project." Also, standard operating practices require that different project organization numbers be given to different projects.

The purpose of the EOCTNS was to identify transportation needs, provide guides for capital improvement expenditures and gather information necessary for the development of a transportation plan to address existing and future transportation demands. Conversely, the RCA primarily involves preliminary engineering services for a specific road. Subsequent to the RCA, final design and road construction take place.

The EOCTNS identified eleven specific County roadway projects needed to accommodate existing traffic and projected growth in the area covered by the study. Rouse Road was included as one of the eleven projects. As a result, the Rouse Road RCA should not have been processed as an amendment to the EOCTNS. Instead, it should have been procured separately and its cost, together with the cost of land and easements, design, and construction, handled under a separate project organization number that is Rouse Road specific.

Without competitive procurement, the County has no assurance that it is getting the best available service for the lowest price. Also, without adequate classification of costs, the true costs of the needs study or improvements to the individual projects are not apparent.

We Recommend the County ensures the following:

A) Roadway Conceptual Analyses for specific roads are procured separately from Transportation Needs Studies that identify several roads as needing improvements.

B) Improvement costs for specific roads identified by Transportation Needs Studies are accounted for under separate project specific organization numbers.

MANAGEMENT'S RESPONSE:

A) Concur. We concur with this recommendation. RCA's are intended to be separate projects from area needs studies. Although in one past instance (Rouse Road) the RFP provided that the first RCA could be done as a second phase of the Needs Study for convenience, we will ensure that all future RCA's are procured separately from the needs study.

B) Concur. We concur with this recommendation. We will ensure that the costs for the specific roads are accounted for under separate project-specific organization numbers.

8. The Fifteen-Month Report on the Fiscal or Operational Impact of the Deferred Method of Collecting Impact Fees Should Be Completed and Presented to the Board

As of October 31, 2002, the fifteen-month report, on the impact of the deferred method of paying impact fees, which was due on April 29, 2000, had not been submitted to the Board. Section 13 of Orange County Ordinance 99-02 states,

> Within fifteen months after this ordinance is effective, County staff shall review the provisions of this ordinance and provide a report to the Board of County Commissioners of any fiscal or operational impacts the implementation of this ordinance has upon the County.

The ordinance became effective January 29, 1999. Therefore, the review should have been performed and a report submitted to the Board by April 29, 2000. Prior to this ordinance, impact fees were collected at the time building permits were issued.

We Recommend County staff complies with County Ordinance No. 99-02 and ensures the fifteen-month report on the impact of the deferred method of collecting impact fees on the County's fiscal operations is completed and presented to the Board.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. We will coordinate this activity with the Office of Management and Budget.

9. Land Purchases for Mitigation from TIFTFs Should Be Linked to Ongoing or Future Road Improvement Projects with Future Mitigation Usages Accounted for Under an Established Tracking Mechanism

During our review, we noted that the County purchased 270.75 acres of wetlands north of the Split Oaks/Moss Park area in impact fee benefit area No. 3 known as the “Henson” tract for $1,985,746 with the use of TIFTFs. Funding was provided from benefit area No. 2 ($1 million) and benefit area No. 4 ($985,746). However, this purchase was not linked to any ongoing or future road project. In addition, there was no established mechanism to track future utilization of the property for mitigation purposes.

Land purchases from TIFTFs for mitigation purposes should be linked to specific road projects

The County originally negotiated the purchase of this property as an offsite mitigation land purchase in connection with the Convention Center Phase V expansion original wetland permit application to the South Florida Water Management District. Eventually it was determined that this property would not be needed as mitigation for the Convention Center Project; and as such, monies earmarked for the convention center expansion could not be used for its purchase. The County agreed to purchase the property using Public Works funds and utilize the property for mitigation credits for future Public Works projects within the South Florida Water Management District Jurisdiction because future mitigation areas for roadway improvements would be needed and future costs for this type of land could be much higher.

County Code allows impact fee monies to be used to purchase conservation area mitigation lands. However, no road project that required mitigation was linked to the purchase at the time of acquisition. To ensure that this land is only used for mitigation on eligible TIFTF projects, the County should establish a system to account for the utilization of this land for mitigation purposes. In addition, if, in the future, this land is used as mitigation for projects not located in benefit areas Nos. 2 and 4; the County should reimburse the TIFTFs for benefit areas Nos. 2 and 4 with the appropriate amounts from the benefit area where the projects are located.

We Recommend that land purchases from TIFTFs for mitigation purposes be linked to specific road projects. If the land purchase is deemed for future mitigation, then a tracking mechanism should be established to account for the mitigation usages. Also, in the event the land is not used within a specified period of time, the fund should be reimbursed for the cost of the land.

MANAGEMENT'S RESPONSE:

Concur. We concur with this recommendation. A GIS-based tracking system is currently under development, and its implementation can be coordinated with the Comptroller's office.