TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Follow-Up Review to Audit of Feather Sound Community Services District

DATE: April 8, 2010

For your review and filing in the Official Records, I am enclosing a copy of the follow-up review dated April 8, 2010 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Jim Bennett, County Attorney
Feather Sound Community Services District Board of Directors
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young
FOLLOW-UP REVIEW
TO AUDIT OF
FEATHER SOUND
COMMUNITY SERVICES DISTRICT

Audit Services
Division of Inspector General

Ken Burke, CPA*
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Ex Officio County Auditor

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APRIL 8, 2010
REPORT NO. 2010-07

*Regulated by the State of Florida
April 8, 2010

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a Follow-Up Review to the Audit of Feather Sound Community Services District. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the five recommendations contained in the audit report, we determined that four have been implemented and one has been partially implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the Board of Directors of the Feather Sound Community Services District during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Audit Services, Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
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INTRODUCTION

Scope and Methodology

We conducted a follow-up review to the audit of the Feather Sound Community Services District (FSCSD). The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- Determine if policies and procedures are established for operations and whether they are being followed.
- Determine if reserve funds held are adequate to provide the required services needed to benefit the residents of the Feather Sound Community.
- Determine compliance with applicable laws and policies.

To determine the current status of our previous recommendations, we surveyed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for Offices of Inspector General, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of March 2010. The audit period was October 1, 2004 through September 30, 2006. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the five recommendations in the report, we determined that four were implemented and one was partially implemented. We commend the Feather Sound Board of Directors for implementation of most of our recommendations and continue to encourage the Board to fully implement the remaining recommendation.
Background

The Feather Sound Community Services District, Inc. is a non-profit corporation organized for the purpose of providing street lighting and the acquisition, development and maintenance of recreational areas and green space for the residents of Feather Sound. Feather Sound is a collection of neighborhoods located on the eastern edge of Pinellas County.

The services are funded by a one mill tax, assessed annually, on property within the municipal services taxing district and shown with other taxes on their annual property tax notices.

The FSCSD Board is composed of seven volunteer members from the Feather Sound Community appointed by the Pinellas County Board of County Commissioners.

The most recent project completed by the FSCSD Board was the Earl Maize Recreation Area Playground – Phase I. The FSCSD Board expanded the Earl Maize Recreation Area with land donated to Pinellas County for use by the FSCSD. The expansion included a children’s playground, picnic shelters and resurfacing of the basketball court.
STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by the Feather Sound Board of Directors on the Recommendations for Improvement in our original audit of Feather Sound Community Services District. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. There Is No Formal Written Contract Renewal Policy.

Contracts are routinely continued without a formal renewal process. We noted the following specific concerns:

- The existing two-year contract for landscaping services expired in December 2004. The contract has been extended on a 30-day basis for over two years without a new contract or formal renewal of the existing contract.
- A contract with a vendor for sprinkler maintenance was originally established in 1997. There has been no official renewal of that contract and Board members are not sure of the current status of the contract or vendor. No contact has been made with the vendor in over a year and no bills have been received since February 2005.
- A one-year contract with a fountain vendor was entered into in July 2003. Services are continued unless the contractor receives a 30-day cancellation notice from FSCSD. There has been no renewal contract since the inception of the original contract.

Contract agreements should have a defined contract expiration date. A clause may be included in the contract to renew the original contract for an additional contract period or other specified period of time. A formal approval by the Board of Directors should be attached to the original contract. The renewal process should contain a renewal quotation and binding coverage, extending and terminating coverage, and a defined scope of services.
FSCSD residents are currently satisfied with the quality of work performed by the contractors, and therefore, FSCSD Board members have not pursued quotes from other vendors for the same services. While a clause does exist for extension of the contract, it is only for 30-day periods and does not require formal Board approval for the extension.

Automatic renewal of service contracts without bidding does not ensure that FSCSD receives the best quality of services at the most efficient cost.

**Recommendation:** FSCSD Board members establish a written policy for renewal of contracts, including requirements for competitive bids. A formal approval by the Board of Directors should be attached to the original contract.

**Status:** Implemented. The Board does regularly review contracts as noted in the monthly Board minutes and has adopted a policy setting the threshold for contracts requiring bids in amounts of $10,000 or higher. This policy was approved and adopted by the Board during their meeting of November 14, 2007.

## 2. There Is Lack Of Written Policies And Procedures To Support Organizational Activities At FSCSD.

FSCSD maintains a street light policy which provides guidelines for maintenance, changes to street lighting, change approval and notification to residents. However, the Board members for FSCSD have not developed written policies and procedures to support additional organizational activities such as the approval of expenditures, monitoring of contracts, renewal of contracts, and a bid process.

Written policies and procedures are necessary to serve as a basis for planning, control, and evaluation of organizational activities. A procedure also serves as a guide to organizational members in performance of operations to answer questions on procedures and resolve problems that may arise. The Board has not found it necessary to establish policies and procedures.

Without written policies and procedures, newly elected FSCSD Board members may not have sufficient information to readily carry out the responsibilities for the Board's key functions. In addition, the Board may be subject to performance that is inconsistent, unpredictable and unreliable.

**Recommendation:** FSCSD Board Members establish written procedures and policies which will support the key functions of the organization.

**Status:** Partially implemented. The purchasing policy, conflict of interest policy, Board member duties and committees, changes to lighting, purchasing, annual calendar, annual budget and report to the residents have been implemented and published on the FSCSD
website. The Board is currently working on the following policies: Board meeting, election of officers, inspection and maintenance of lighting, green-space maintenance and financial policies. We continue to encourage the Board to implement our recommendation.

3. The FSCSD Does Not Have A Written Comprehensive Purchasing Policy.

The FSCSD has an informal policy of the Board approving vendors and expenditures through the treasurer's report presented at each Board meeting. From our discussions with the Chairperson and the Treasurer, the point of record for approving vendors and expenditures is the Board minutes. However, the documentation in the Board minutes of these approvals is inconsistent and often lacking in sufficient detail. Based on our testing, not all expenditure approvals are documented in the Board minutes or do not contain all the necessary information related to that approval, such as any quotes obtained, the approved vendor, or the amount of the expenditure.

A. In our testing of Fiscal Year 2005-2006 non-recurring expenditures, we noted two expenditures with little or no specific approval of the expenditures in the Board minutes.

- One expenditure for $784.22 does not appear to have been presented to and approved by the Board. There is no mention of the vendor or the work performed in the Board minutes. This expenditure was also for work performed that appears to have been covered under a separate contract by another company. Per the Treasurer, that contract is inactive and there has been no communication with the vendor in over a year.
- One vendor was approved to resurface the basketball court. This was presented to the Board for approval and approved on August 14, 2006 and had been mentioned in the July Board minutes. An email from the Chairman dated August 15, 2006, attached to the expenditure payment, specified the cost estimate for the bid and indicated it had been submitted in writing. The cost estimate was not included in the Board minutes. There also was no documentation in the Board minutes of any other bids received for resurfacing the basketball court.
B. In our testing of Fiscal Year 2004-2005 expenditures, we noted two of five items reviewed did not have specific approval of the expenditures in the Board minutes.

- One expenditure was approved in the Board minutes on November 8, 2004; however, there was no vendor identified.
- FSCSD maintains a contract with a vendor for landscaping services. On April 4, 2005 the Board accepted a proposal from the contract vendor to take out the overgrown oleanders and replace them with smaller plants. The services were not within the scope of the contract, and therefore, an additional fee was paid. There was no documentation in the Board minutes of any other bids received.

C. During our review of grant expenditures, we noted:

- Two of four expenditures did not have vendor approval before invoices were paid. In the Board minutes on April 10, 2006, the Board requested a Board member to inquire on replacing the 8-10 foot oak trees with larger specimens. Subsequent to the meeting, there was no documentation in the Board minutes of the selected vendor and bids received.
- For all four grant expenditures reviewed, there were no estimated costs documented in the Board minutes.
- The Board documented in their minutes on November 11, 2006 that they met with a vendor to discuss park benches, picnic tables, trash receptacles and bike racks for the park. There was no documentation in the Board minutes of the final vendor selected and bids received.
A purchasing policy should include dollar thresholds for approving expenditures and acquiring bids. A purchasing policy establishes uniformity for the procurement of goods and services and required documentation. The information contained in the Board minutes should provide sufficient detail to support the activities of an organization.

Due to recent acquired projects, selection of vendor activity has increased. Without a written purchasing policy for expenditure approval and acquired bids, including dollar thresholds, there is no consistency in approving expenditures, regardless of the dollar amount, by the Board. There is no assurance to Feather Sound residents and the County that FSCSD Board members have adequate support for their decisions.

By not documenting all decisions made during a Board meeting, Feather Sound residents are not fully informed of the process for selecting vendors and approving expenditures.

**Recommendation:** FSCSD Board members develop a written purchasing policy of documenting in their Board minutes the approval of vendors and expenditures to include dollar thresholds, acquired bids and required documentation. Supporting documents should be attached to the Board minutes and maintained by the Secretary of the Board.

**Status:** Implemented. The purchasing policy has been approved by the Board during the meeting of November 11, 2009 and published on the FSCDS website.

4. **FSCSD Does Not Routinely Monitor Services Performed By Their Service Contractors.**

FSCSD does not perform routine monitoring of services specified in their service contracts. Feedback from residents is the primary source of monitoring of the groundskeeping, landscaping, fountain and sprinkler irrigation. There have been occasional visits to the recreation park and drive-thru inspections of the green space by the Board. However, FSCSD is not assured as to whether all services are fully completed as stated in the scope of the contract.
An approved contract price for maintenance of green space with the groundskeeping and landscape contractor is $5,630 monthly. The scope identifies what services will be completed during various times of the year. For example, a section of the contract scope specifies that "annual flowers will be planted and replaced four (4) times per year. These annuals will be planted, mulched, sprayed, pruned and fertilized as needed." It also specifies how often routine maintenance (i.e., mowing, edging, etc.) will be performed. Because the contractor does not itemize the services completed on their monthly invoice, the FSCSD has no assurance the items listed in the scope of the contract were performed and the frequency as specified in the contract.

There were two invoices billed to FSCSD dated October 18, 2005 and February 15, 2006. The invoices were for checking sprinklers and minor repairs, and for irrigation maintenance and repairs respectively. In relation to these services performed, the scope of the contract states, "Clean and clear around all sprinkler heads, repair sprinkler system as needed, owner to furnish parts." The invoices were paid in addition to the monthly contract. The Treasurer was uncertain whether the maintenance and repairs were in the scope of the contract.

The Treasurer of the FSCSD Board is uncertain on the status of the service contract which provides for maintenance of the recreation park sprinkler and irrigation system. FSCSD has not been billed for the services in over a year. The Board has not raised an issue on the status of services due to the good health of the grass and plants inspected on site visits.

The monitoring of service contracts is considered a key internal control for organizations. Monitoring of contracts provides overall cost control, time control, and quality control. Cost controls provide monitoring contracts for the agreed upon contract rate and additional fees assessed outside of the scope. Time controls provide monitoring to ensure that services are performed in a timely manner, and quality controls provide monitoring of services for compliance and quality.

Recommendation: FSCSD Board members:

A. Prepare a written procedure to monitor compliance of their service contracts.

B. FSCSD should require their service contractors to itemize all services completed on the monthly invoice.

Status:

A. Implemented. The Purchasing policy adopted by the Board during the meeting of November 11, 2009 includes a clause regarding continuous monitoring of the contracts for compliance.

B. Implemented. Our testing has determined that the contractors provide itemized invoices to the Board.
5. **FSCSD Reserves Should Be Reviewed.**

FSCSD has more than sufficient cash reserves on hand to meet future needs of the district. As of September 30, 2006, FSCSD had $581,860 in cash and cash equivalents. Of that amount, $138,768 is held by the County in a Special Revenue Fund for FSCSD. The remaining $443,092 is invested in a money market account and certificates of deposit by FSCSD.

The budget for Fiscal Year 2006 was $240,000 with total disbursements for Fiscal Year 2006 being $210,366.

The requested funds from the County for Fiscal Year 2007 are $340,000. Anticipated tax revenue is $349,620. The budgeted disbursements are $587,890. The main disbursement for Fiscal Year 2007 is for park improvements for $390,000, of which $231,000 is available from a grant provided by the Pinellas County Department of Parks and Recreation. The projected cash and cash equivalents (including funds held by the County in the Special Revenue Fund) at the end of Fiscal Year 2007 is $578,400, a reduction of less than one percent.

The Board has considered reducing the millage rate, but agreed to wait until the grant for Phase I of the recreational area improvements was approved in case all recreational area improvements had to be paid from the FSCSD cash reserve. Since Pinellas County approved the Park Improvement Grant in Fiscal Year 2006, the reduction in the cash reserves is minimal and will continue to increase beyond Fiscal Year 2007.

According to the Board representatives, Phase II of the recreational area improvements is scheduled to begin. However, no discussion of Phase II was noted in the Board minutes nor is there a Board approved project plan.

**Recommendation:** FSCSD Board members review the need for the high reserves and consider whether the millage rate should be reduced.

**Status:** Implemented. Tax revenues collected during the period of rising home values have created a funding surplus for FSCSD. Therefore, in 2009, the FSCSD millage rate has been reduced from .8928 to .5660, which constitutes a 37% reduction from the prior year.