

Board of County Commissioners

Agenda Request

Date of Meeting: February 17, 2009

Date Submitted: February 2, 2009

To: Honorable Chairman and Members of the Board

From: Benjamin H. Pingree, County Administrator
Timothy Barden, Assistant County Administrator
Debbie DuBose, Purchasing/Human Resource Coordinator

Subject: Request Board Consideration of an Operational Audit

Statement of Issue:

This agenda item requests Board consideration of an Operational Audit. This is an update from the agenda item that was presented at a prior Board meeting on July 21, 2008.

Background:

At the May 19, 2008 Board meeting a letter from Sheriff David Harvey was read into the record requesting that an operational audit be conducted for all of the various functions of his office (Attachment #1). Included in this letter was a list obtained from the Florida Department of Management Services (DMS) of firms that perform operational audits. Upon further discussion, the Board directed staff to research and obtain price quotes from various vendors on the DMS list to perform an operational audit on not only the Sheriff's Office but all of the County Constitutional Officers as well as the Board of County Commissioners and their departments.

On July 21, 2008, staff brought back to the Board options to proceed with conducting an operational audit. The Board voted 3-2 not to proceed with an operational audit at that time. Additionally, on December 8, 2008, the Board held their annual retreat to set Board priorities for the upcoming year and although an operational audit was not listed as one of the Board priorities, it was assigned to staff by the Board as an administrative priority.

Analysis:

Operational Audit Overview:

An Operational Audit is mainly used to evaluate and recommend improvements in overall operational efficiencies such as structure, controls, procedures and processes. The objective is to appraise the effectiveness and efficiency of a department or division, activity or operation in meeting organizational goals. An operational audit concentrates on the organization. The overall goal of an operational audit is to provide management with practical, strategic recommendations to identify cost savings opportunities; identify revenue enhancement opportunities; overcome risks and take advantage of opportunities. Operational Audits should be big-picture, open ended reviews and should assist managers to review the mission of the program and the day to day practices to achieve

that mission. Operational Audits vary widely and are most effective when engaged as a collaborative endeavor between program managers and auditing officials.

Review of DMS Approved Vendor List:

Staff contacted the Department of Management Services and received a verbal listing of those firms, on the Management Consulting Contract, who had previous experience conducting Operational Audits. Thirteen companies were contacted on multiple occasions to solicit examples of similar type Operational Audits that each firm had conducted within the past 3-5 years along with a list of references.

<u>COMPANY/FIRM</u>	<u>INTERESTED? Y/N</u>
Bearing Point	No
Booz Allen Hamilton, Inc.	N/R
Brandt Information Services	N/R
Dye Management Group	No
Evergreen Solutions, LLC	YES
Jacobs Technology, Inc.	No
James Moore & Co.	N/R
KPMG, LLP**	YES
Maximus, Inc.	N/R
MGT of America, Inc.	YES
Science Applications International	N/R
The North Highland Company	N/R
Thomas, Howell, Ferguson PA	N/R

*N/R - NO RESPONSE

Of the thirteen companies contacted, 3 firms responded positively regarding their interest in pursuing work in Wakulla County and 2 out of the 3 provided sample audits and references; 3 responded negatively that they were not interested in this project and 7 firms did not respond at all.

Of the 3 firms who responded positively one firm (KPMG, LLP) did not wish to provide advance copies of similar audits based on client confidentiality agreements. They also did not wish to provide a cost estimate, indicating instead that their audit would be as in-depth as our budget would allow them to be. However, KPMG did express an interest in negotiating with the County as the selection process continues. The remaining two firms (Evergreen Solutions and MGT of America), both of whose references were favorable, appeared more than capable of conducting an in-depth Operational Audit s sought by the Board. Moreover, both of these firms submitted examples of such audits to staff. Due to their size, those examples are not attached to this document but are available for Commissioner or public inspection at OMB.

Unfortunately, staff's research regarding a cost estimate from these three vendors proved difficult as the firms reported that their fees are based on time spent and will vary according to the number of staff assigned and how many hours are involved. The only cost references obtained were for jurisdictions far larger than Wakulla County and thus are not applicable comparables for our use. In summary, it became apparent from discussions with the three responsive bidders that the available budget by the County for this audit would drive both the overall cost and available consultant resources (hence timeliness) of the audit. Each of those factors would be further refined as part of the next phase of this process, if approved by the Board and as outlined below.

In summary, staff has identified three viable candidates from the DMS approved vendor list for further consideration by the Board. However, an estimate of their cost for providing such an audit to the entire County government (including all constitutionals) was not able to be attained at this stage of the selection process as the vendors were unwilling to tip their hand.

Next Step – DMS Approved Vendor List:

There are two primary measures to be considered when discussing the available next steps in pursuing an auditor from the DMS approved vendor list (prior Board direction). Foremost, staff is pleased to report that our contact to each constitutional officers regarding the pursuit of a Countywide Operational Audit yielded positive and welcoming comments with each officer responding favorably.

Moreover, the Clerk of the Court and the Property Appraiser have both offered to serve on a vendor selection committee (discussed further below).

Additionally, the Board must be aware that available funds for such an endeavor in the FY 08/09 are not currently budgeted. At this time, \$427,426 of the County's general fund budget reserve remains available for any Board-approved purpose. The Board has the discretion to designate the entirety of this reserve balance for an Operational Audit. However, over eight (8) months remaining in the current fiscal year and this would deplete this reserve for any other need that may arise between now and September 30th.

Should the Board seek to continue the process toward engaging a DMS approved firm to conduct an Operational Audit of County government this fiscal year, staff would recommend forming a selection committee immediately to include the following members (Option #1):

- Clerk of Court, or designee,
- Property Appraiser, or designee,
- County Administrator
- Assistant County Administrator
- HR & Purchasing Coordinator

The responsibility of this committee would be to further vet the three remaining vendors and negotiate a contract for the most comprehensive Operational Audit to be returned to the Board for approval by their first meeting in May (target date). Concurrent with forming of such a committee,

the Board should also specify how much funding should be set aside for this purpose.

State Auditor General Information:

While noting the previous Board's direction to seek an Operational Audit by a firm on the DMS approved list of vendors, staff did also receive communication from the State's Auditor General Office regarding their ability to provide auditing services. In full disclosure that information is provided here for Board consideration. The Auditor General's Office indicated that while they can conduct Operational Audits for local governments, that the circumstances for such audits were limited as follows:

- Any local government seeking this service may petition the Auditor General (AG) to perform these services for a fee (not determined). Based on availability of AG resources and interest by the AG, they can conduct such an audit in accordance with Florida Statutes and for a fee. Please note: the AG representative expressed no opinion to staff regarding any such interest in providing such services here nor what a fee might be OR
- A local government may petition the local legislative delegation and presenting our request for AG involvement noting our limited financial constraints. A member of the delegation would have to make the request to the Joint Legislative Auditing Committee on behalf of the County and request financial assistance to pay for an AG audit. If approved, the Auditor General would then move forward with the audit.
- Any AG involvement would likely include a smaller follow-up audit to be conducted 18 months later to review steps taken by the county to implement suggested corrective actions.

While the prospect of gaining an Operational Audit at no fiscal cost to the County is very compelling, staff notes that there would be a few additive questions regarding the AG approach; namely the true cost for such a service and the timeliness of such an audit. For example, any petition of the legislative delegation for this purpose (to avoid the audit's cost) through the joint legislative committee would likely be very time consuming and would require the eclipsing of additional political obstacles. A direct petition of the AG would likely result in similar overall costs to the County for these services but may not be as timely in their conduct as compared with engaging a private sector firm that specializes in such audits. This is further illustrated when considering that three such private firms have already expressed an interest in performing an Operational Audit in Wakulla County (and may be better prepared to mobilize on such an opportunity), whereas staff has received no such expression of interest from the AG office.

Summary:

The Board has numerous options to consider regarding the pursuit of an Operational Audit in Wakulla County. Noting the fiscal constraints in paying for such a service, staff and each of the County's Constitutional Officers have welcomed such an outside aide to the further review of and potential improvement to ongoing service efficiencies. Staff has presented the Board with additional information and options should the Board seek to continue pursuit of this activity during the remainder of FY08/09 and is prepared to act on the Board's further direction.

Options:

1. Authorize the formation of an Operational Audit selection committee, as outlined in the analysis section above, toward the negotiation of a contract with a DMS selected vendor to return with such a draft contract for Board approval by their second meeting in August.
2. Do not authorize the formation of an Operational Audit selection committee.
3. Board Direction.

Recommendation:

Option #3

Attachments:

1. Letter from Sheriff Harvey dated May 16, 2008

BHP/TB/dd