



OFFICE OF INSPECTOR GENERAL  
UPDATE AND LESSONS LEARNED  
FROM RECENT PROJECTS  
June 2015

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*Enhancing Public Trust in Government*

# LESSONS LEARNED

## Senior Leaders Need Oversight Too

- A Department Director used his Purchase-Card to lease various vehicles for a period of 277 days while his City-issued vehicle was allegedly being repaired by the City's Maintenance Department. The City incurred a total of **\$19,538** in expenses that were either for invalid business purposes and/or expenses.



The City Manager authorized the Department Director's 1<sup>st</sup> expense report. Six subsequent expense reports were also authorized.

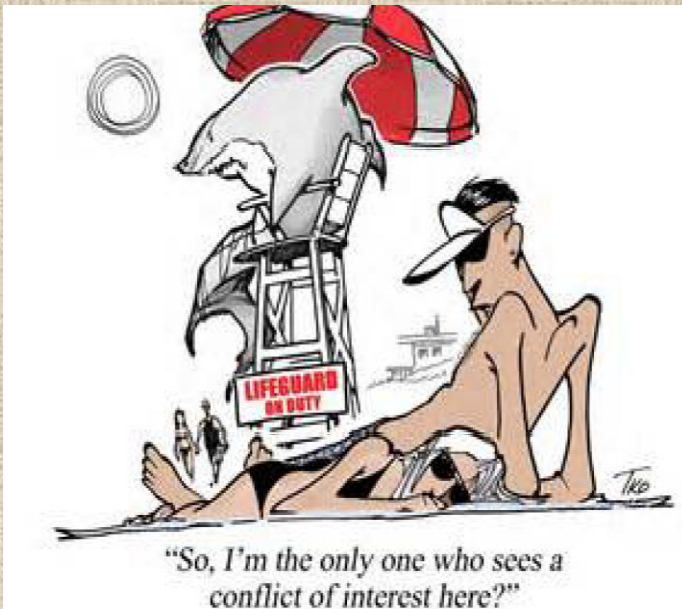
### LESSONS LEARNED:

- Trust but verify.
- Should there be checks and balances even for Senior Leaders?

# LESSONS LEARNED

## Appearance of Impropriety

- The Chair of a procurement committee voted for firms whose principal consultants/owners were, in her words, her “friends” (weekly lunches, vacations, holidays, etc.).
- The Chair also made statements to other Committee members who were the Chair’s subordinates about their votes or lack of votes for her “friends.”



Recusal policies are now being implemented to ensure that individuals with procurement responsibilities recuse themselves in matters involving their personal/private relationships with vendors and/or contractors.

### LESSONS LEARNED:

- An action may be within policy/law, but is it right? Does it give the appearance of impropriety?
- What can and can’t procurement officials do in your entity?

# LESSONS LEARNED

## Vehicle Leases – Insurance Coverage

- A City employee leased vehicles and opted for **\$11,605** in additional insurance coverages (Damage Waivers, Roadside Assistance, Personal Accident Insurance, and Supplemental Liability Protection) resulting in unnecessary costs to taxpayers.
- At the same time, the City maintained its own insurance policy that included some levels of insurance coverage for employees leasing or renting vehicles.

The City had no procedures to advise employees of coverages already in place, nor did it have any written policies prohibiting employees from purchasing unnecessary additional insurance coverages when leasing vehicles.



Does Your Auto Insurance Cover You in a Rental Car?

### LESSONS LEARNED:

- What insurance coverage options are already in place?
- Are there written policies in place to advise employees?

# LESSONS LEARNED

## Why Go Out for Bid?

### Common Reasons for Not Bidding:

- We have a good relationship with our current vendor.
- We are happy with the service we're getting.
- We don't want to disrupt service.



### A Recent Case Example

In 2012 a municipality rejected an OIG recommendation and agreed to enter into a new 12 year no-bid contract for solid waste removal. This resulted in a negative financial impact of **\$3 million dollars** over the next two years.

After a court ruling in 2014, the municipality competitively solicited these services and will save **\$9 million dollars** over the next six years.

**LESSON LEARNED: Competition may reduce municipal expenditures and increase levels of service.**

# LESSONS LEARNED

## Why Do We Need Internal Controls?

- Lack of a sound internal control environment was the cause of several deficiencies throughout the City including contracting, requisitions and purchase orders, segregation of duties, purchase and credit card programs, payment processing and the fuel program.
- As a result, we identified **\$880,504** in questioned costs.



The City Manager awarded contracts exceeding limits set by ordinance, some payments exceeded maximum contract amounts, lack of policies & procedures for credit cards.

### LESSONS LEARNED:

- Internal controls help management achieve objectives.
- Adequate oversight by commission/council and management is key.

# LESSONS LEARNED

## Spending Must Have a Public Purpose

- A basic tenet of Florida law is that public funds must be spent for a public purpose. Attorney General opinions have stated, “the expenditure of municipal funds must meet a municipal purpose, rather than a private purpose,” with, “only incidental or secondary benefit to private interests.”
- Since inception, our audits identified over \$125,000 in funds spent on items with a questionable public purpose.



**Example: City staff and Council members traveled to Washington, DC. All stayed in per diem rate hotels except one Council member who stayed at a \$506/night hotel.**

### **LESSONS LEARNED:**

- **Have a council/commission approved policy/procedure for credit card programs.**
- **Use pre-authorization forms prior to expenditures.**

# LESSONS LEARNED

## New Law in Town

### Construction Preference Preemption:

- Local Project?
- Local Preference?
- Local Money?



### Laws of Florida Chapter 2015-63

Effective July 1, 2015, the law prohibits most local preferences when there is a competitive solicitation for construction services in which 50% or more of the cost will be paid from state funds which have been appropriated at the time of the competitive solicitation.

**LESSON LEARNED: Review procurement ordinances and policies, as appropriate, to take into consideration this new law.**





**QUESTIONS/COMMENTS/  
SUGGESTIONS?**

**THANK YOU**

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