

Palm Beach County, Florida

Management Letter
County-Wide
September 30, 2014

Contents

Management Letters

County Wide

Clerk & Comptroller

Property Appraiser

Sheriff

Supervisor of Elections

Tax Collector



**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Honorable Members of the Board
Of County Commissioners
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida (the County) as of and for the year ended September 30, 2014, and have issued our report thereon dated March 26, 2015. We did not audit the financial statements of the Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and the Housing Finance Authority, discretely presented component units, which represents 99% of the total assets and 99% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the other auditors. Our report does not address their respective internal control or compliance.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.

Official Title and Legal Authority

Sections 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the County's financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the County has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.321(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our recommendations made in connections with this audit are addressed in Appendix A to this letter.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



West Palm Beach, Florida
March 26, 2015, except for the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, for which the date is June 11, 2015

Palm Beach County, Florida

**Appendix A – Current Year Recommendations to Improve
Financial Management**

No.	Current Year's Observations
ML 2014-1	Water Utilities Department – Inventory
ML 2014-2	User Access Reviews
ML 2014-3	Restorations

Palm Beach County, Florida

**Appendix A – Current Year Recommendations to Improve (Continued)
Financial Management**

ML 2014-1 Water Utilities Department (WUD) – Inventory

Criteria: Management is responsible for establishing policies and procedures for accurate reporting of inventory carrying amounts throughout the year based upon its perpetual inventory system.

Condition: During the testing of inventory costs, we selected 60 unique item numbers to test and trace to the original purchase orders or invoices in order to test the reported cost of the items selected from the inventory listing. For the 60 items selected, the County could only provide purchase order or invoice documentation for 42 items.

We also noted that 2 of the 60 items selected had a different actual quantity per a physical count than the quantity listed in the perpetual inventory and that the perpetual record was not corrected. We also noted that there were 136 items (7% of the items) identified on the discrepancy report at the WUD3 warehouse location and 425 items (21% of the items) identified on the discrepancy report at the WUD1 warehouse location that had quantities per the perpetual records that did not agree to the physical count.

Cause: There appears to be a lack of adherence to the policies and procedures established by the Water Utility Department for the determination of inventory carrying amount based on average cost as well as the policy to retain documentation for each item purchased. There also appears to be a lack of adherence to the policies and procedures established by the Water Utilities Department for the issuance and receipt of inventory from the warehouse and updating of the perpetual inventory records.

Effect: Failure to follow policies and procedures regarding maintenance of accurate inventory records or purchasing records could result in loss, theft, or misappropriation of inventory assets which would not be detected in a timely manner.

Recommendation: We recommend that WUD implement stronger internal controls over the retention of purchase orders and invoices for inventory and that any large discrepancies between the average cost and the current cost of an inventory item be reviewed on a timely basis. We also recommend that WUD implement stronger internal controls over the receipt and issuance of inventory and that any large discrepancies be reviewed on a timely basis.

Views of Responsible Officials and Planned Corrective Actions: Palm Beach County WUD acknowledges and agrees with the findings as well as the recommendations. Internal control processes have been reviewed and adjusted to better monitor the perpetual inventory as recommended. Cycle counts are taken weekly on a rotating basis. Any discrepancy identified in this process is researched and documented immediately prior to an adjustment being made. All procurement documentation is retained per Florida Statutes. Improvements and upgrades to the Advantage Inventory Module this year should further improve the accuracy of the perpetual inventory. Prior to these upgrades, cross referencing inventory items with Procurement documents, updating receipts, and updating inventory costs have been a manual process due to system limitations within the Inventory Module of Advantage.



Palm Beach County, Florida

**Appendix A – Current Year Recommendations to Improve (Continued)
Financial Management**

ML 2014-2 User Access Reviews

Criteria: Access rights to the organization's relevant financial reporting applications or data within their network are monitored periodically by management.

Condition: We noted periodic user access reviews are not being performed for the network.

Cause: There is no formal process in place for reviewing users with system access rights to the network.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: Management should consider expanding the system user access review process to include the review of network users, including administrative accounts at least annually. This review should indicate who performed the review, when the review was performed, and if any access changes are required.

Views of Responsible Officials and Planned Corrective Actions: Palm Beach County ISS agrees with the recommended annual review of administrative accounts. Given the large variety of operating systems and devices, we recognize this review would be more efficient and thorough if performed using a Privileged Identity Management tool. Therefore we have included a budget request for funding to purchase this tool in FY 2016. In the meantime, our systems staff is documenting our policy as well as the process and procedures we will follow.

ML 2014-3 Restorations

Criteria: Backup procedures should exist so that data, transactions and programs that are necessary for financial reporting can be recovered.

Condition: We noted restorations are not being performed on a periodic basis for Advantage and HRIS to test the effectiveness of the backups being performed.

Cause: Management does not have a formal process in place to perform and document the restoration process.

Effect: Risks include modification, damage, or loss of data. Inability to restore data timely could result in disruption of the financial systems and potential loss of control over the financial data.

Recommendation: Management should consider formalizing the backup restoration process to include requirements to restore Advantage and HRIS backups at least on an annual basis.

Views of Responsible Officials and Planned Corrective Actions: Palm Beach County ISS agrees with the recommendation to periodically test our restore process. As discussed with the auditors, ISS was improving our capabilities by implementing Oracle's OFA during the FY2014 audit period. We were unable to produce evidence of a successful restore for HRIS or Advantage during that period because those more complicated systems were migrated toward the end of the project, and fell outside of the targeted audit year. However, we have since produced a successful restore and have fully implemented this environment for database restoration testing on a regular schedule.



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Palm Beach County, Florida Clerk and Comptroller

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09.30.2014

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Management Letter Required By
Chapter 10.550 of the Rules of the
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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

To the Honorable Sharon R. Bock
Clerk and Comptroller
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk & Comptroller, Palm Beach County, Florida (the "Clerk"), as of and for the year ended September 30, 2014, and have issued our report thereon dated April 24, 2015, which was prepared to comply with State of Florida reporting requirements.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Clerk's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Clerk's financial management. In connection with our audit, we did not have any such recommendations.

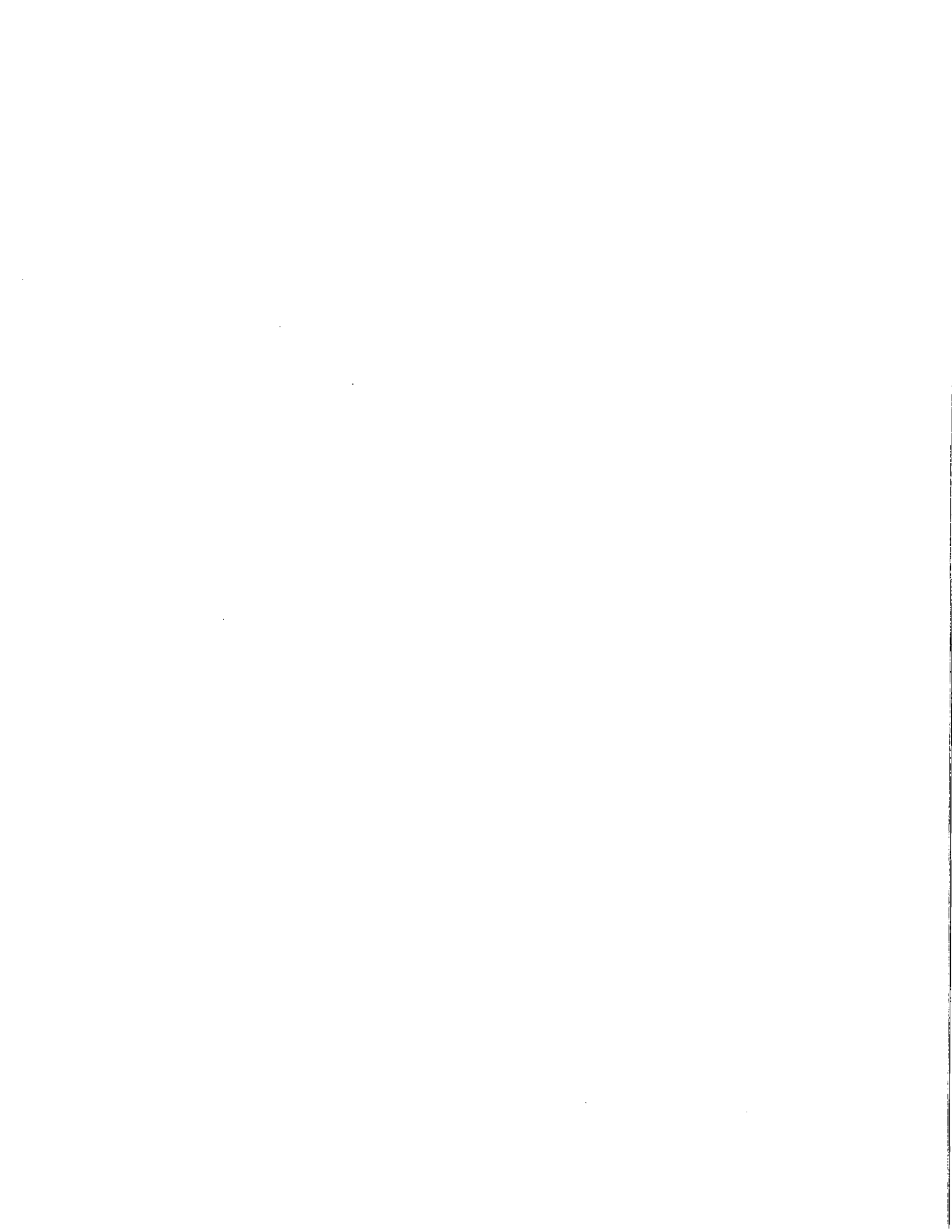
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management of the Supervisor's Office and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
April 24, 2015





Palm Beach County, Florida Property Appraiser

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09.30.2014

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Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Gary R. Nikolits
Property Appraiser
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of the major fund of the Property Appraiser of Palm Beach County, Florida (the "Property Appraiser"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 24, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Property Appraiser's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Property Appraiser's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management of the Property Appraiser's Office and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
April 24, 2015





Palm Beach County, Florida Sheriff

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09.30.2014

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Management Letter Required By
Chapter 10.550 of the Rules of the
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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Ric L. Bradshaw
Sheriff
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Palm Beach County, Florida ("the Sheriff"), as of and for the year ended September 30, 2014, and have issued our report thereon dated April 24, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, if any, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 of the Sheriff's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3. Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management of the Sheriff's Office and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
April 24, 2015



Palm Beach County, Florida Supervisor of Elections

Management Letter
09.30.2014

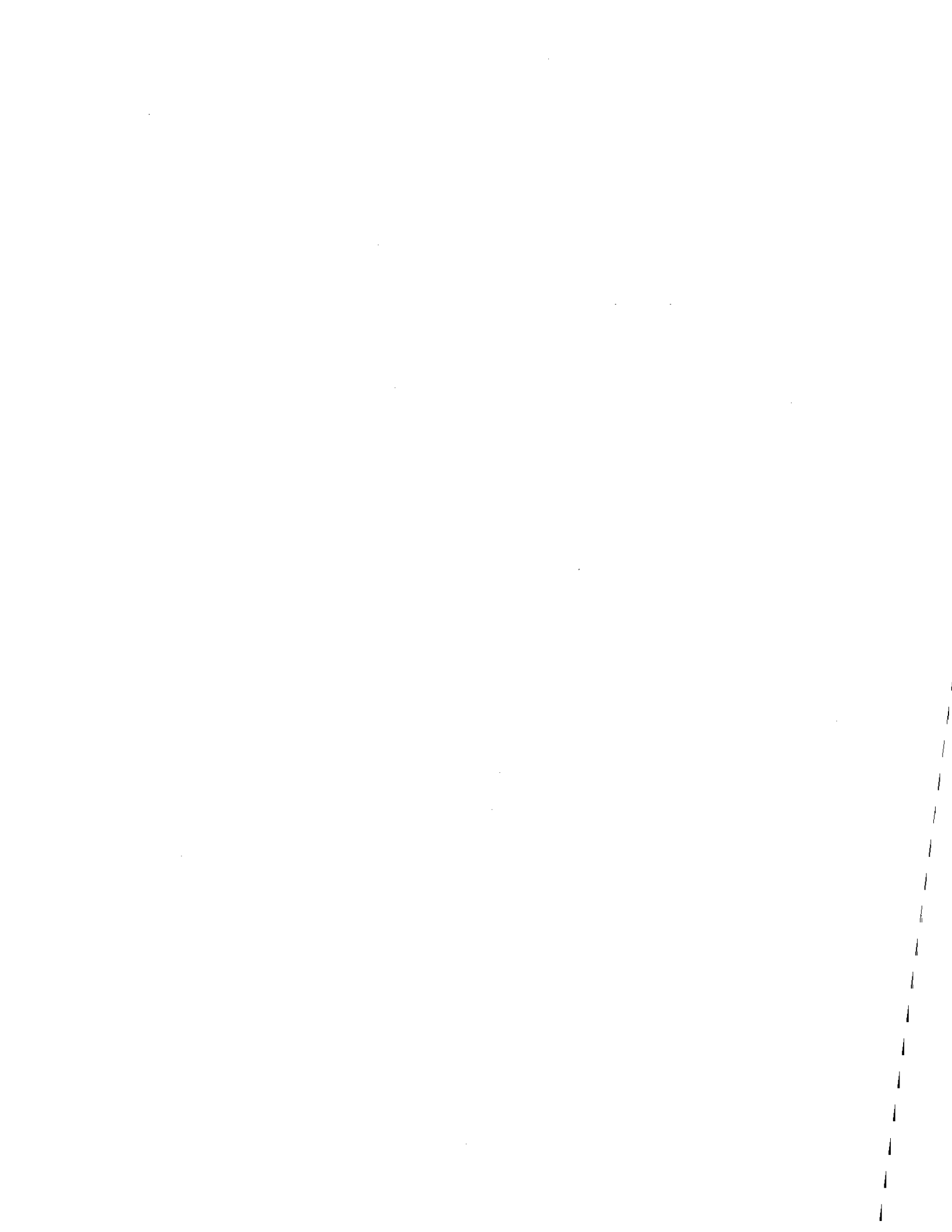


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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Susan Bucher
Supervisor of Elections
Palm Beach County, Florida

We have audited the financial statements of the major fund of the Supervisor of Elections, of Palm Beach County, Florida (the "Supervisor"), as of and for the year ended September 30, 2014, and have issued our report thereon dated April 24, 2015, which was prepared to comply with State of Florida reporting requirements.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Supervisor's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Supervisor's financial management. In connection with our audit, we did not have any such recommendations.

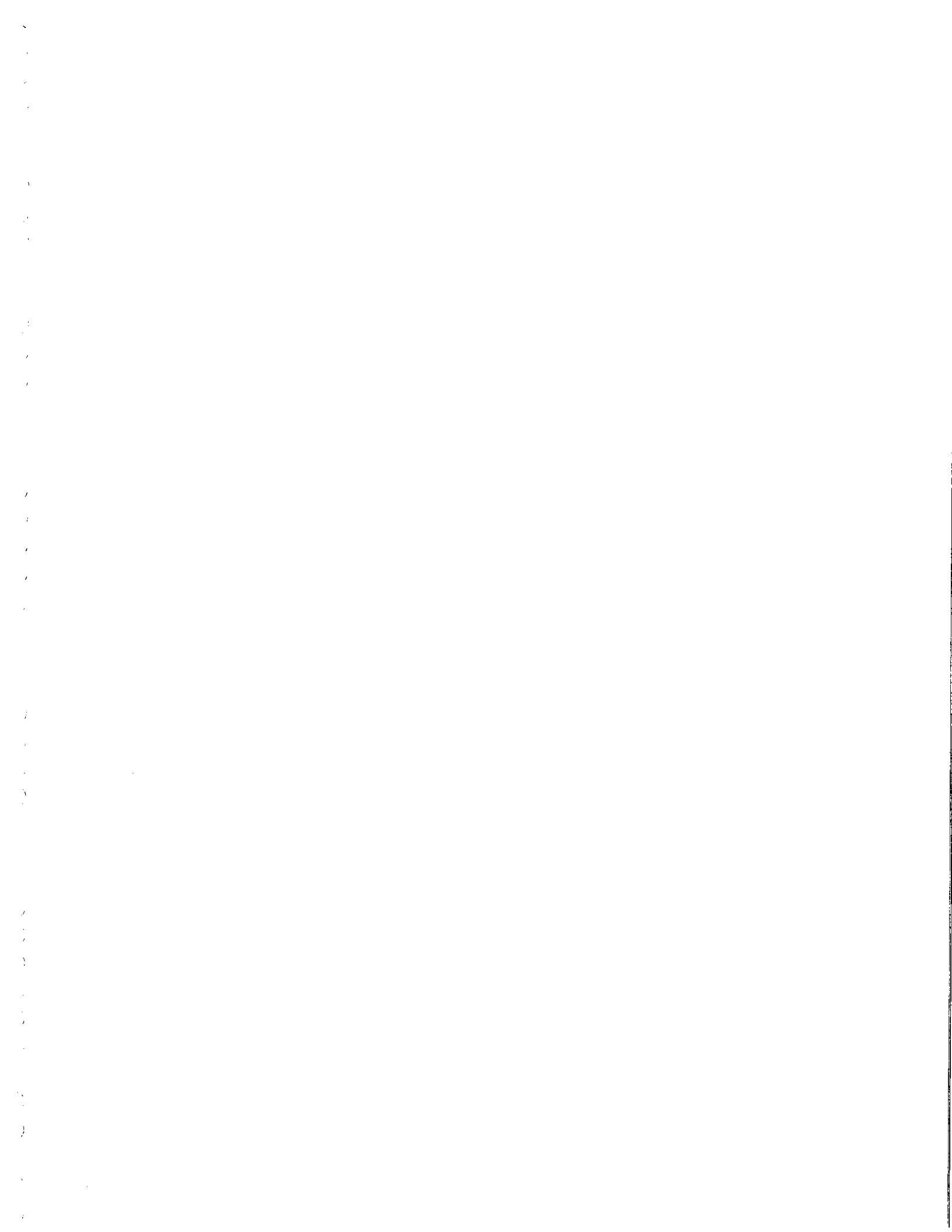
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management of the Supervisor's Office and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
April 24, 2015





Palm Beach County, Florida Tax Collector

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09.30.2014

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Management Letter Required By
Chapter 10.550 of the Rules of the
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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

The Honorable Anne M. Gannon
Tax Collector
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statement of the major fund of the Office of the Tax Collector, of Palm Beach County, Florida (the "Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated April 24, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Sections 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Office's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Office's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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McGladrey LLP

West Palm Beach, Florida
April 24, 2015

