

MANAGEMENT LETTER

TO: Jeffery K. Rouse, County Administrator

VIA: The Honorable Douglas A. Cramer, Jr.

FROM: Elizabeth Hagan, CPA, Director of Audit Services

DATE: October 21, 2024

SUBJECT: Follow-Up Audit Report on Building Permit and Impact Fees Revenue Audit

Hernando County Clerk of Circuit Court
Audit Services Department
Follow-Up Audit Report
of
Building Permit and Impact Fees Revenue Audit
October 21, 2024

In accordance with the Audit Plan, the audit was conducted on a risk-based approach. The audit was designed to identify and report on the material weaknesses in internal control and the related risks to the County's financial statements. A copy of the audit report is being provided to you for your review. The audit was conducted in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Standards on Auditing (ISA).

The purpose of this report is to identify management with independent objective analysis, the weaknesses in internal control and the related risks to the County's financial statements. This report is not intended to provide assurance that the financial statements are free of material misstatement. It is not an expression of opinion on the financial statements. It is a report on the audit findings.

Although the internal control system was tested, the results of the audit are not a guarantee of the accuracy of the financial statements. The audit was conducted on a risk-based approach. The audit was designed to identify and report on the material weaknesses in internal control and the related risks to the County's financial statements. A copy of the audit report is being provided to you for your review. The audit was conducted in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Standards on Auditing (ISA).

The findings and recommendations are the responsibility of the County's management. The audit was conducted on a risk-based approach. The audit was designed to identify and report on the material weaknesses in internal control and the related risks to the County's financial statements. A copy of the audit report is being provided to you for your review. The audit was conducted in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Standards on Auditing (ISA).


If you have any questions, please contact the Director of Audit Services at (352) 440-0357 or by email at ehagan@hernandocountyfla.gov. The audit was conducted on a risk-based approach. The audit was designed to identify and report on the material weaknesses in internal control and the related risks to the County's financial statements. A copy of the audit report is being provided to you for your review. The audit was conducted in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Standards on Auditing (ISA).

ATTACHMENT: Building Permit and Impact Fees Revenue Audit Report

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Douglas A. Chorvat, Jr.

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 

DATE: October 21, 2024

SUBJECT: Follow-Up Audit of Building Permit and Impact Fees Revenue Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted a follow-up audit of the Building Permit and Impact Fees Revenue Audit. Based on testing and communications with key personnel, the audit team produced the attached report for your review. A copy of this report has been forwarded to the Board of County Commission as an agenda "correspondence to note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this follow-up audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesies and cooperation extended by the employees of the Hernando County Building Division during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or just stop by our offices in Room 300C.

ATTACHMENT: Building Permit and Impact Fees Revenue Follow-Up Audit Report

Copy: Toni Brady, Deputy County Administrator

Copy: Board of County Commissioners

Chairwoman Elizabeth Narverud
Commissioner John Allocco
Commissioner Jerry Campbell
Commissioner Steve Champion
Commissioner Brian Hawkins

Copy: Audit Services Planning & Priorities Committee

The Honorable Douglas A. Chorvat, Jr., CPM, CGCIO, Clerk of Circuit Court and
Comptroller
Joshua Stringfellow, CPA, Director of Financial Services
Jon Jouben, Esq., County Attorney
Jeffrey Rogers, PE, County Administrator
Toni Brady, MBA, CPM, CGFO, Deputy County Administrator
Albert Bertram, Budget Director
William Blend, CPA, CFE Shareholder, MSL P.A.
Jeff Wolf, CPA, Shareholder, MSL P.A.

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Executive Summary

The Audit Services Department (ASD) conducted a follow-up audit of the Building Permit and Impact Fees Revenue Audit, dated June 7, 2021. The purpose of this follow-up audit was to determine the status of the previous recommendations for improvement and management's corrective actions.

The purpose of the original Building Permit and Impact Fees Revenue Audit was to provide management with some level of assurance that the Building Department's internal controls for the assessment, collection, and recording of Building Permit and Impact Fees were adequate. In addition, the audit reviewed the implementation of processes and procedures regarding the assessments for search fees and the balance of carry forward funds for compliance with changes to Florida Statutes as a result of the adoption of HB 447 in 2019.

To assess the status of previous recommendations, the ASD interviewed management and staff members and performed limited testing.

Of the eleven recommendations in the original audit report, ASD determined that nine recommendations were implemented, one recommendation was partially implemented, and one recommendation was not implemented.

The nine recommendations that were implemented pertained to the following Opportunities of Improvement:

- Implement enhanced security measures for daily deposits
- Segregate the duties of cashiering, reconciling, and depositing of funds
- Comply with Change Funds policy
- Finalize Cashier Procedures
- Review transactions for accuracy
- Implement procedures to ensure compliance regarding the charging of search fees
- Ensure user access rights adhere to Principle of Least Privilege
- Ensure user rights do not conflict with cashiering duties
- Implement periodic review of staff members' BLDSYS permissions

The one recommendation that was partially implemented pertained to the following Opportunity for Improvement:

- Periodically review the manual receipt book for missing receipts

The department reviewed manual receipts, however the follow-up determined that tracking documentation was incomplete.

The one recommendation that was not implemented was for the following Opportunity for Improvement:

- Verify that the BLDSYS Rate Table agrees to the Hernando County Board of County Commissioners (BOCC) approved rate schedule

The ASD reviewed permit and impact fees in the BLDSYS rate tables to ensure compliance with the current BOCC approved fee schedules. The result is presented below.

Permit Fees

The review of Permit Fees determined that all ten fees in the Single Family Residential and Commercial categories in the BLD SYS software, were correct and complied with the approved BOCC Fee Schedule. The description of fees within each category are Building, Electric, Plumbing, Mechanical, and Plan Review. The results are depicted in the chart below.

Permit Fee Type	No. of Permit Fees	No. of Permit Fees Correct	No. of Permit Fees Incorrect
Residential	5	5	0
Commercial	5	5	0

Impact Fees

The review of Impact Fees determined that all of the impact fees complied with the BOCC approved Ordinance, except one. Four property categories, each with various associated impact fees, were reviewed. The results are depicted in the chart below.

Property Category	Property Description	No. of Impact Fees	No. of Impact Fees Correct	No. of Impact Fees Incorrect
Residential	Mobile Home 1 acre	9	8	1
Recreation	Golf Course	6	5	1
Restaurant	High Turnover Restaurant	6	5	1
Retail	Discount Superstore	6	5	1

The Hernando Beach Volunteer Fire Company Impact Fees were incorrectly charged to property owners in the Hernando Beach district and the receipts applied to the Hernando Beach Fire Impact Fee Fund (3373). An Ordinance repealing the Hernando Beach Fire Impact Fees (2023-11) had been approved by the BOCC on 9/26/2023. Upon the repeal of this Ordinance, properties in that area were subject to the new consolidated Hernando County Fire Impact Fee. The department acknowledged the error and applied the correct fees in the system during fieldwork. Thereafter, impact fee refunds were processed for 4 customers that overpaid; however, those refunds were processed from the Hernando County Fire Impact Fee Fund (3375). Although the fees were corrected in the system, a review of the Hernando Beach Fire Impact Fee fund (3373) determined that a receipt was subsequently processed into the fund.

ASD commends management for the full implementation of recommended improvements, and we encourage management to fully implement all recommendations.

Audit Comment No.	Audit Services Recommendation	Management Responses	Implementation Status		
			Implemented	Partially Implemented	Not Implemented
1.1	To improve the tracking of manual receipts, management should consider periodically reviewing the manual receipt books to ensure receipts are issued in order and to identify and research any missing receipts.	Receipt books continue to be kept in a safe. Access for the safe includes the two assigned cashiers, Finance Supervisor, Operations Mgr., and Building Official. The Finance Supervisor will audit once a month to ensure receipts are in numerical order and books are complete. Audit tracking will be logged in a spreadsheet each month.		✓	
1.2	Management should consider either requiring two staff members (dual control) to deliver cash deposits to the bank or contracting with a vendor to pick up and deliver deposits to the bank.	We have developed a procedure to implement two (2) employees for depositing funds. One of the employees will be a cashier and the other will be utilized from Building Administration or Contractor Licensing Section to avoid a conflict of interest. If both cashiers are absent at the same time, an assigned back up cashier (Customer Service Tech II from Contractor Licensing section) will be used to cover the position as needed.	✓		
1.3	Management should properly segregate the duties of cashing, reconciling, and the depositing of funds. Ideally, reconciliations should be performed by a staff member that is independent of the cashing process. In addition, management should consider implementing changes addressed in Opportunity 1.2 to reduce the risks associated with a staff member physically taking funds to the bank.	The Accounting Clerk III is following the assigned job description. The cashiers have another employee verify the cash and initial the deposit ticket prior to the cashiers placing their deposit in a sealed envelope. The other employee to confirm accuracy of the deposit will be either the Permit Supervisor or Finance Supervisor. The sealed envelopes are placed in a sealed bank bag that is cut open at the bank by the bank employee. The staff member that takes the deposit initials a log that has the bag number and the amount listed.	✓		
1.4	In compliance with County cash handling policies, management should notify the Clerk's Financial Services Department if personnel that were assigned Change Funds resign from the County or transfer to a different position.	Staff acknowledges there was a delayed response to the Clerk Finance regarding the change in personnel. In the future, once a new cashier is in place all required documents for this position will be filled out immediately and sent to the Clerk Finance Department prior to any transactions or computer use by the new employee.	✓		

Audit Comment No.	Audit Services Recommendation	Management Responses	Implementation Status		
			Implemented	Partially Implemented	Not Implemented
1.5	Management should review and finalize the draft of Cashier Procedures. Documented procedures assist in the continuity of operations as changes in personnel occur.	The Cashier Standard Operating Procedure will be updated and reviewed by all supervisors and training will be conducted for all applicable employees.	✓		
2.1	<p>Management should review the rate table in BLDsys and update it so that it complies with the fee schedule that was approved by the BOCC. If the Building Department staff has determined that the rates should be changed, these changes should be brought to the BOCC for approval and the rate table updated accordingly.</p> <p>To minimize data input errors, all fees should be included in the BLDsys rate table. If due to system configuration constraints a fee cannot be hard coded in the rate table, management should implement a review process to ensure that the assessed fee agrees to the BOCC approved fee schedule.</p> <p>In addition, management should consider periodically reviewing the fee schedule. All revisions should be brought to the BOCC for their approval. The input of all approved changes to the BLDsys rate table should be verified for accuracy.</p>	The fee tables have been updated to reflect the current BOCC approved fee schedule amounts. The fee tables will be reviewed every three years, and any required updates will be brought before the BOCC for consideration.			✓

Audit Comment No.	Audit Services Recommendation	Management Responses	Implementation Status		
			Implemented	Partially Implemented	Not Implemented
2.2	To verify the accuracy of transactions and to identify possible staff training opportunities, management should consider periodically selecting a sample of transactions for review. In addition, management should consider having cashiers verify that the rates charged agree to the approved fee schedule.	Permit transactions will be audited quarterly by the Operations Manager and Permitting Supervisor to ensure accuracy that all approved fees are correct. Any changes to the approved fee schedule will be emailed to staff immediately upon effective date.	✓		
3.1	To ensure compliance with Florida Statute 125.56, management should implement procedures to track and verify previous customer transactions for search requests.	It is our Policy to charge only a one-time fee per parcel records request. Additionally, computer enhancements have been made to allow for the public to search permit records online free of charge.	✓		
4.1	Management should restrict access to set up or revise user's access to rights to authorized personnel only.	Access rights have been updated to reflect the employees' positions access needs. Upon any change of personnel or new employee, access rights will be assigned by the Operations Manager to comply with the position's needs. Access rights audit will be conducted annually.	✓		
4.2	If the access rights for the backup cashiers cannot be modified so as to eliminate the conflict, management should consider identifying and using other staff members to back up the cashier position.	Customer Service Tech II with Contractor Licensing and the Finance Supervisor will be used as the backup for the cashiers as needed.	✓		
4.3	Management should review the access rights of all employees and remove access to screens that are not aligned with their job responsibilities.	Bldsys permissions for employees have been updated to reflect the correct needs. Annual review will be conducted to confirm access rights are accurate.	✓		

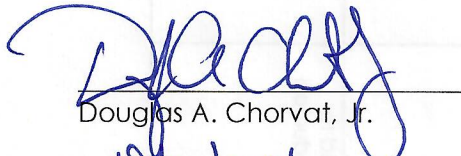
Acknowledgement

Fieldwork was performed by: Vicky Sizemore, Internal Auditor

Management's response was provided by: Toni Brady, MBA, CPM, CGFO, Deputy County Administrator

Management's response was approved by: Jeffrey Rogers, PE, County Administrator

This report was reviewed and authorized by Douglas A. Chorvat, Jr., Clerk of Circuit Court and Comptroller.


 Douglas A. Chorvat, Jr.
 10/21/2024
 Date

BACKGROUND INFORMATION

The Building Department is a part of Hernando County's Development Services Division, which strives to promote the health, safety, and welfare of residents through the implementation of building codes and County regulations. The department provides services for permitting, plan reviews, inspections, and contractor licensing. Part of the permitting process requires staff to collect revenue for permit and impact fees. Permit and impact fees are adopted by the Hernando County Board of County Commissioners (BOCC) through resolution or ordinance.

Resolution 2022-115 provides the most recent Permit fee schedule, which was approved by the BOCC on June 14, 2022. The approved changes to the fee schedule were effective October 1, 2022.

In addition to approving the Building Permit fee schedule, the BOCC has adopted several Ordinances regarding Impact Fees. Fees for Parks, Capital Facilities, and Fire and Emergency Services were reinstated August 14, 2013, by the adoption of Ordinance Number 2013-01. Effective October 3, 2023, the Spring Hill Fire Rescue and Emergency Medical Services District and Hernando Beach Volunteer Fire Company were abolished with Ordinance 2023-11. There were three fire protection and/or emergency medical facilities impact fee benefit districts remaining; Hernando County Fire Protection Services Unit; City of Brooksville; and Hernando County Emergency Medical Services District. Educational Facilities fees were reinstated on March 1, 2016, by Ordinance Number 2015-08. The impact fees for Education Facilities were subsequently increased on June 1, 2020, by the adoption of Ordinance 2019-06. Fees for roads were reinstated on March 1, 2016, with the adoption of Ordinance 2015-07 and amended on November 9, 2020, with the adoption of Ordinance 2020-06.

OBJECTIVE

The purpose of this follow-up audit of the Building Permit Fee and Impact Revenue Audit was to assess the status of previous recommendations for improvement.

The purpose of the original audit was to provide management with some level of assurance that the department's internal controls for the assessment, collection, and recording of Building Permit and Impact Fees were adequate. In addition, the audit reviewed the processes, procedures, and compliance regarding search fee assessments and balance of carry forward funds as related to the adoption of HB 447 in 2019.

SCOPE

To determine the current status of the previous recommendations, ASD interviewed management and staff, and performed limited testing to assess the actual actions taken by management to implement operational improvements.

Opportunity for Improvement	Description	Page Reference
1.1	Periodically review the manual receipt book for missing receipts	13-14
1.2	Implement enhanced security measures for daily deposits	14
1.3	Segregate the duties of cashiering, reconciling, and depositing of funds	14-15
1.4	Comply with Change Funds policy	15
1.5	Finalize Cashier Procedures	15
2.1	Verify that the BLDSYS Rate Table agrees to the BOCC approved rate schedule	16-18
2.2	Review transactions for accuracy	18
3.1	Implement procedures to ensure compliance regarding the charging of search fees	19
4.1	Ensure user access rights adhere to Principle of Least Privilege	20
4.2	Ensure user rights do not conflict with cashiering duties	21
4.3	Implement periodic review of staff members' BLDSYS permissions	21

Discussion Points Status of Recommendations

This section reports the follow-up actions taken by management regarding the Opportunities for Improvement reported in the Building Permit and Impact Fees Revenue Audit dated June 7, 2021. The audit comments and recommendations contained herein are those of the original audit, followed by the current status of the Opportunity for Improvement.

Discussion Point 1: Financial Transactions

To gain an understanding of the cash handling processes in place, the ASD reviewed the draft of the Cashiering Procedures, interviewed management and staff, observed the cashier's office, and selected a sample of Cash Receipt and Batch Edit reports for testing.

The Cash Receipt and Batch Edit reports for ten randomly selected dates were reviewed for compliance with the department's procedures. All reports complied with the department's procedures and were properly submitted to the Clerk of Court & Comptroller's Financial Services Department.

For further review, two of the ten dates were randomly selected for additional testing. For these two dates, all transactions were traced from the Cash Receipt Report to the Batch Payment Edit Report without exception.

Although controls for the receipt and processing of payments appeared to be operating effectively, the ASD identified several Opportunities for Improvement that, if implemented, would strengthen internal controls.

1.1 Opportunity for Improvement: Periodically review the manual receipt book for missing receipts

Manual receipts from a pre-numbered, bound receipt book were used in rare cases when the operating system was down. These receipt books were kept in the safe located in the cashier's office. Staff relied on the Hernando County Clerk of the Circuit Court and Comptroller's Financial Services Department to monitor receipt numbers throughout the fiscal year. The manual receipt books were not periodically reviewed for missing receipts by Building Department Staff.

Recommendation: To improve the tracking of manual receipts, management should consider periodically reviewing the manual receipt books to ensure receipts are issued in order and also to identify and research any missing receipts.

Management Response: Receipt books continue to be kept in a safe. Access for the safe includes the two assigned cashiers, Finance Supervisor, Operations Mgr., and Building Official. The Finance Supervisor will audit once a month to ensure receipts are in numerical order and books are complete. Audit tracking will be logged in a spreadsheet each month.

Status: Partially Implemented

The department reviewed manual receipts, however, the follow-up determined that tracking documentation was incomplete.

Management Updated Response: A new procedure implemented to review receipt books monthly with cashiers and sign/date within actual book date of review. All old receipt books are kept locked in drawer, new receipt books one each with cashier daily.

1.2 Opportunity for Improvement: Implement enhanced security measures for daily deposits

Bank deposits were done on a daily basis. Based on discussions with personnel, department procedures did not require dual control for cash deposits. One staff member delivered the daily deposit to the bank.

Recommendation: Management should consider either requiring two staff members (dual control) to deliver cash deposits to the bank or contracting with a vendor to pick up and deliver deposits to the bank.

Management Response: We have developed a procedure to implement two (2) employees for depositing funds. One of the employees will be a cashier and the other will be utilized from Building Administration or Contractor Licensing Section to avoid a conflict of interest. If both cashiers are absent at the same time, an assigned back up cashier (Customer Service Tech II from Contractor Licensing section) will be used to cover the position as needed.

Status: Implemented

1.3 Opportunity for Improvement: Segregate the duties of cashiering, reconciling, and depositing of funds

According to the American Institute of Certified Public Accountants (AICPA),

Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation of key processes, fraud and error risks are far less manageable.¹

Discussions with staff members disclosed that the lead cashier processed transactions, reconciled the bank deposit to the receipt reports, and took the funds to the bank.

Recommendation: Management should properly segregate the duties of cashiering, reconciling, and the depositing of funds. Ideally, reconcilements should be performed by a staff member that is independent of the cashiering process. In addition, management should consider implementing changes addressed in Opportunity 1.2 to reduce the risks associated with a staff member physically taking funds to the bank.

Management Response: The Accounting Clerk III is following the assigned job description. The cashiers have another employee verify the cash and initial the deposit ticket prior to the cashiers placing their deposit in a sealed envelope. The other employee to confirm

¹ <https://www.aicpa.org/interestareas/informationtechnology/resources/value-strategy-through-segregation-of-duties.html>

accuracy of the deposit will be either the Permit Supervisor or Finance Supervisor. The sealed envelopes are placed in a sealed bank bag that is cut open at the bank by the bank employee. The staff member that takes the deposit initials a log that has the bag number and the amount listed.

Status: Implemented

1.4 Opportunity for Improvement: Comply with the change funds policy

The Hernando County Clerk of Circuit Court and Comptroller's Financial Services Department monitors and maintains a log for Change Funds. Financial Services was not notified of Change Funds that were transferred from a former employee to a current employee until after 7 months.

Recommendation: In compliance with County cash handling policies, management should notify the Clerk's Financial Services Department if personnel that were assigned Change Funds resign from the County or transfer to a different position.

Management Response: Staff acknowledges there was a delayed response to the Clerk Finance regarding the change in personnel. In the future, once a new cashier is in place all required documents for this position will be filled out immediately and sent to the Clerk Finance Department prior to any transactions or computer use by the new employee.

Status: Implemented

1.5 Opportunity for Improvement: Finalize Cashiers Procedures

At the time of the audit, the Building Department did not have finalized and approved procedures for Cashier processes.

Recommendation: Management should review and finalize the draft of Cashier Procedures. Documented procedures assist in the continuity of operations as changes in personnel occur.

Management Response: The Cashier Standard Operating Procedure will be updated and reviewed by all supervisors and training will be conducted for all applicable employees.

Status: Implemented

Discussion Point 2: Building Permit and Impact Fees

To determine that Building Permit and Impact Fees were charged and collected in accordance with the BOCC approved fee schedules, the ASD selected samples of payment transactions and entries in the BLDSYS rate table for review.

The ASD randomly selected a sample of 60 Building Permit Fee and 40 Impact Fee transactions. The 10 highest dollar Impact Fee transactions were also selected for review. In addition to selecting transactions for review, the ASD selected a sample of 15 entries from the BLDSYS rate table.

To verify that transactions were correctly recorded to eFinance Plus accounts, the ASD judgmentally selected the months of July 2019 through December 2019 for review.

The testing performed by the ASD disclosed that 100% of Impact Fees were accurately assessed and collected and 100% of financial transactions evaluated were accurately posted to eFinance Plus.

The review of Building Permit fees and the BLDSYS rate table, however, disclosed two Opportunities for Improvement that are addressed in this section.

2.1 Opportunity for Improvement: Verify that the BLDSYS Rate Table agrees to the BOCC approved rate schedule

The current fee schedule was approved by the BOCC on September 9, 2014, with effective dates of November 1, 2014, and October 1, 2015. The ASD selected a sample of 15 entries to verify that the rate table in the BLDSYS system agreed to the approved rate. The BLDSYS rate table automatically generates the fee based on the Permit Technician's data entry.

The review of the 15 BLDSYS rate table entries selected for testing along with the testing of Building Permit Fee transactions disclosed five fees that did not agree to the approved fee schedule. Department management also identified an additional four fees that did not agree with the fee schedule.

The fee for Unlicensed Contractors was one of the fees identified that did not agree with the approved fee schedule. This fee was applied to all permit transactions. As a result, the total amount assessed and collected for all transactions selected for testing did not comply with the approved fee schedule.

In addition to fees that did not comply with the approved fee schedule, testing also disclosed that all fees were not included in the BLDSYS rate table. Fees not included in the rate table must be manually entered by staff members.

Recommendation: Management should review the rate table in BLDSYS and update it so that it too complies with the fee schedule that was approved by the BOCC. If the Building Department staff has determined that the rates should be changed, these changes should be brought to the BOCC for approval and the rate table updated accordingly.

To minimize data input errors, all fees should be included in the BLDSYS rate table. If due to system configuration constraints a fee cannot be hard coded in the rate table,

management should implement a review process to ensure that the assessed fee agrees to the BOCC approved fee schedule.

In addition, management should consider periodically reviewing the fee schedule. All revisions should be brought to the BOCC for their approval. The input of all approved changes to the BLDSYS rate table should be verified for accuracy.

Management Response: The fee tables have been updated to reflect the current BOCC approved fee schedule amounts. The fee tables will be reviewed every three years, and any required updates will be brought before the BOCC for consideration.

Status: Not Implemented

The ASD reviewed permit and impact fees in the BLDSYS rate tables to ensure compliance with the current BOCC approved fee schedules. The result is presented below.

Permit Fees

The review of Permit Fees determined that all ten fees in the Single Family Residential and Commercial categories in the BLDSYS software, were correct and complied with the approved BOCC Fee Schedule. The description of fees within each category are Building, Electric, Plumbing, Mechanical, and Plan Review. The results are depicted in the chart below.

Permit Fee Type	No. of Permit Fees	No. of Permit Fees Correct	No. of Permit Fees Incorrect
Residential	5	5	0
Commercial	5	5	0

Impact Fees

The review of Impact Fees determined that all of the impact fees complied with the BOCC approved Ordinance, except one. Four property categories, each with various associated impact fees, were reviewed. The results are depicted in the chart below.

Property Category	Property Description	No. of Impact Fees	No. of Impact Fees Correct	No. of Impact Fees Incorrect
Residential	Mobile Home 1 acre	9	8	1
Recreation	Golf Course	6	5	1
Restaurant	High Turnover Restaurant	6	5	1
Retail	Discount Superstore	6	5	1

The Hernando Beach Volunteer Fire Company Impact Fees were incorrectly charged to property owners in the Hernando Beach district and the receipts applied to the Hernando Beach Fire Impact Fee Fund (3373). An Ordinance repealing the Hernando Beach Fire Impact Fees (2023-11) had been approved by the BOCC on 9/26/2023. Upon the repeal of this Ordinance, properties in that area were subject to the new consolidated Hernando County Fire Impact Fee. The department acknowledged the error and applied the correct fees in the system during fieldwork. Thereafter, impact fee refunds were processed for 4 customers that

overpaid; however, those refunds were processed from the Hernando County Fire Impact Fee Fund (3375). Although the fees were corrected in the system, a review of the Hernando Beach Fire Impact Fee fund (3373) determined that a receipt was subsequently processed into the fund.

The Audit Services Department discussed the transactions with Financial Services Accounts Payable and it was determined that Accounts Payable will work closely with the Building Department to address any corrections and monitor those impact fee funds.

Updated Management Response: The Hernando Beach Volunteer Fire Dept. Impact Fees were removed from the system once informed they were no longer in place.

2.2 Opportunity for Improvement: Review transactions for accuracy

Six of the 60 permit fee transactions reviewed were charged incorrect permit fee rates. Although the differences for some may have been immaterial, it is important to apply fees equitably to all applicants.

Recommendation: To verify the accuracy of transactions and to identify possible staff training opportunities, management should consider periodically selecting a sample of transactions for review. In addition, management should consider having cashiers verify that the rates charged agree to the approved fee schedule.

Management Response: Permit transactions will be audited quarterly by the Operations Manager and Permitting Supervisor to ensure accuracy that all approved fees are correct. Any changes to the approved fee schedule will be emailed to staff immediately upon effective date.

1. Training will be conducted with staff members who manage contracts and/or agreements to ensure understanding of required paperwork and the importance of adhering to the approved contract terms. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: January 2021

Status: Implemented

Discussion Point 3: Compliance with HB 447

During the 2019 Legislative session, HB 447 was adopted. The ASD only reviewed two elements of this bill. The elements reviewed pertained to the following:

- Local governments may only charge a person for one search fee based on costs incurred for a request to identify building permits for each unit or sub-unit assigned to a parcel of property
- Prohibits local governments from carrying forward a budget balance greater than its average cost for enforcing the Building Code for the preceding four fiscal years

To determine that the Building Department had procedures in place to ensure compliance with these two elements of HB 447, the ASD interviewed staff members and reviewed documentation.

The staff members of the Building Department, Office of Management and Budget (OMB), and the Clerk of Court and Comptroller's Financial Services Department, were all aware of the carry forward balance allowable amount restriction. The Financial Services Department committed to performing the applicable calculation. The results of the calculation will be provided to the Building Department and OMB for staff to review and adjust the fee schedule, if necessary.

In reference to the assessment of search fees, the review disclosed an Opportunity for Improvement that is addressed in this section.

3.1 **Opportunity for Improvement: Implement procedures to ensure compliance regarding the charging of search fees**

Florida House Bill 447, with the effective date of July 1, 2019, amended F.S. 125.56 to add subsection 4e to state that,

A county that issues building permits may charge a person only one search fee, in an amount commensurate with the research and time costs incurred by the county, for identifying building permits for each unit or subunit assigned by the county to a particular tax parcel identification number. ²

Interviews with management disclosed that procedures were not in place to track search fee charges to customers. Since BLDsys does not have the ability to track previous customer requests, staff relied on discussions with each other to identify previous transactions.

Recommendation: To ensure compliance with Florida Statute 125.56, management should implement procedures to track and verify previous customer transactions for search requests.

Management Response: It is our Policy to charge only a one-time fee per parcel records request. Additionally, computer enhancements have been made to allow for the public to search permit records online free of charge.

Status: Implemented

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http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0125/Sections/0125.56.html

Discussion Point 4: Building Department System (BLDSYS) Access Rights

According to the Cybersecurity & Infrastructure Security Agency (CISA), regarding user access and least privilege,

The access you grant employees, managers, and customers into your digital environment needs limits, just as those set in the physical work environment do. Setting approved access privileges and establishing your operational procedures requires knowing who operates on your technology and with what level of authorization and accountability." CISA recommends that organizations "Restrict user access to only the information, networks, hardware, and applications necessary."³

To determine that the Building Department staff member's assignment of access rights adhered to the principle of least privilege, the ASD compared BLDSYS employee access reports to the applicable job description. This review focused on permissions that allowed staff members to modify the Fee and Rate Tables, Building Application Tabs (BAPLT), and the Impact Fee Override screen (IFOVM), as well as Cashier's access.

Interviews with management disclosed that management within the Building Department had the authority to modify system access rights. Information Technology personnel from the Hernando County Property Appraiser's Office, as administrator, also had the authority to modify system access rights.

The comparison of employees' access rights to the job descriptions and to the list of those employees responsible for setting up or revising user's access rights disclosed a few Opportunities for Improvement.

4.1 **Opportunity for Improvement:** Ensure user access rights adhere to the Principle of Least Privilege

A list of the personnel authorized to modify access was obtained from the Operations Manager. A review of BLDSYS user rights revealed an employee modified their own access to screens and tables and modified the access rights of other staff members. This employee, without authorization, had the ability to modify staff access to screens.

Recommendation: Management should restrict access to set up or revise user's access to rights to authorized personnel only.

Management Response: Access rights have been updated to reflect the employees' positions access needs. Upon any change of personnel or new employee, access rights will be assigned by the Operations Manager to comply with the position's needs. Access rights audit will be conducted annually.

Status: Implemented

³https://www.cisa.gov/sites/default/files/publications/Cyber%20Essentials%20Toolkit%204%200200818_508.pdf

4.2 Opportunity for Improvement: Ensure user rights do not conflict with cashiering duties

The Plans Distribution Coordinator and the Operations Support Specialist act as backup cashiers as needed. These positions allow for access to screens or tabs that align with their job responsibilities which includes adding, changing, or deleting fees. These access rights exceed the permissions of the Accounting Clerk II (cashier) duties and conflict with the job responsibilities of cashiering.

Recommendation: If the access rights for the backup cashiers cannot be modified so as to eliminate the conflict, management should consider identifying and using other staff members to back up the cashier position.

Management Response: Customer Service Tech II with Contractor Licensing and the Finance Supervisor will be used as the backup for the cashiers as needed.

Status: Implemented

4.3 Opportunity for Improvement: Implement periodic review of staff members' BLDSYS permissions

The review disclosed that staff had access to screens that did not align with their job responsibilities. If staff changed positions or their responsibilities changed their access was not reviewed and modified accordingly. As a result, staff members had access to modify fee and rate tables.

Recommendation: Management should review the access rights of all employees and remove access to screens that are not aligned with their job responsibilities.

Management Response: Bldsys permissions for employees have been updated to reflect the correct needs. Annual review will be conducted to confirm access rights are accurate.

Status: Implemented