



Office of  
**Nikki Alvarez-Sowles, Esq.**  
**Pasco County Clerk & Comptroller**

# **BCC Developer Credits Policies and Procedures**

## **Report No. 2023-06**

Department of  
Inspector General  
July 30, 2024

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## Office of Nikki Alvarez-Sowles, Esq. Pasco County Clerk & Comptroller

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July 30, 2024

Michael Carballa  
County Administrator  
8731 Citizens Drive  
New Port Richey, FL 34654

Re: Report No. 2023-06, BCC Developer Credits Policies and Procedures

Dear Mr. Carballa:

The Clerk & Comptroller's Department of Inspector General (IG) conducted an audit of policies and procedures related to developer credits. The purpose of the audit was to determine whether formal written policies and procedures reflected key activities and internal controls to support proper recording and reconciliation of developer credits.

This report describes eight opportunities for improvement that were identified during the audit and recommendations for strengthening compliance and internal controls. The IG appreciates the cooperation, professional courtesy, and responsiveness received from management during this audit.

Respectfully submitted,

Christine Calianno, CGAP, CFE, CIGA  
Inspector General

cc: Nikki Alvarez-Sowles, Esq., Pasco County Clerk & Comptroller  
Ron Oakley, County Commissioner, District 1 – Chair  
Seth Weightman, County Commissioner, District 2  
Kathryn Starkey, County Commissioner, District 3 – Vice Chair  
Lisa Yeager, County Commissioner, District 4  
Jack Mariano, County Commissioner, District 5  
Jeffrey Steinsnyder, County Attorney  
J.P. Murphy, Development Services Interim Assistant County Administrator  
Amy Bland, Development Services Fiscal Services Support Director  
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## EXECUTIVE SUMMARY

### Background Information

As part of the Department of Inspector General (IG) 2023 Annual Audit Plan, the IG conducted an audit of policies and procedures related to developer credits for impact fees. The purpose of the audit was to determine whether the Development Services Branch documented and implemented standardized procedures to improve internal controls over recording and reconciling developer credits.

Developer credits for impact fees were a mechanism used by local governments to encourage certain types of development or offset the impact of new development on public infrastructure and services. The “Florida Impact Fee Act” is found in section 163.31801, Florida Statutes. This section provides authority for local government to impose impact fees on property owners and developers to fund infrastructure and public facilities necessitated by new growth. Developer credits for impact fees were reflected in the conditions of the Development Agreement (DA) or Master Planned Unit Development (MPUD) and approved by the Pasco County Board of County Commissioners (BCC).

The *Developer Credit Transmittal Summary* was established and finalized in September 2022 by the Development Services Administration Department (DSA). It was implemented as part of a DSA process improvement plan for developer credits and functioned as a contract summary document to highlight key terms and conditions in development contracts. Balances for developer credits were recorded in trust accounts and maintained in the permitting system (Accela). In accordance with the Generally Accepted Accounting Principles (GAAP), the revenue recognition concept for modified accrual basis of accounting applied to developer credits. Therefore, developer credits were not recorded until received and revenues and liabilities were not measurable and available until that time.

### Objectives

The audit objectives were to:

- Determine if formal written policies and procedures over the *Developer Credit Transmittal Summary* reflect key processes and proper internal controls.
- Determine if formal written policies and procedures support proper recording and reconciliation of developer credits, in accordance with GAAP revenue recognition standards.

### Scope and Methodology

The scope of this audit was to evaluate the formal policies and procedures for the developer credits transmittal summary process, reconciling developer credits, and processing and recording impact fee payments with a credit letter. This was a limited scope audit. This audit did not include testing of internal controls or transactions.

The IG observed processes between December 11, 2023 and February 22, 2024. Multiple departments were involved in the developer credit transmittal summary process, which included

Development Services Fiscal (Fiscal), Building Construction Services, Planning and Development, and Project Management.

Although the IG exercised due professional care in the performance of this audit, this does not mean unreported noncompliance and/or irregularities did not exist. The deterrence of fraud, waste, or abuse is the responsibility of management. Audit procedures alone cannot guarantee that fraud, waste, or abuse will be detected.

The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. This report provided an independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and accordingly, included such tests of records and other auditing procedures as considered necessary in the circumstances. The IG planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the conclusion based on the audit objectives. The evidence and documentation obtained during the audit process provided this reasonable basis.

To achieve the objectives, the procedures performed included, but were not limited to, the following:

- Reviewed standard operating procedures (SOPs) for the following processes:
  - Completing the *Developer Credit Transmittal Summary*.
  - Reconciling trust account balances for developer credits.
  - Accounting for developer credits (credits awarded, transferred, and refunded/reimbursed).
  - Associating trust accounts to permits and processing credit letters as payments for impact fees.
- Documented walk-through observations of the processes.
- Compared SOPs to the observed processes and documented inconsistencies or non-compliance with the SOPs.
- Identified internal control weaknesses or incomplete procedures within the SOPs.
- Verified SOPs reflected internal controls to demonstrate compliance with GAAP revenue recognition for modified accrual accounting.

### **Authority**

To conduct this audit, the IG relied on the following criteria:

- Section 218.33(3), Florida Statutes – *Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures.*
- Development Services Administration, *Developer Credit Transmittal Summary*, revised October 1, 2023.
- Development Services Administration SOP, *Developer Credit Transmittal Summary* (Version No. 2.0), revised October 27, 2023.
- Development Services Administration SOP, *Developer Credits Reconciliation* (Version No.1.3), revised March 24, 2023.
- Development Services Administration SOP, *Developer Credits- Credit Loads and Transfers* (Version No. 1.3), revised March 24, 2023.
- Building Construction Services SOP, *Trust Account/Credit Letter Processing* (Version No. 3.0), revised July 31, 2023.
- Development Services Fiscal procedure, *Liability Request (Clerk’s Office)*
- Development Services Fiscal procedure, *Adding a New Account in Munis & Accela*
- Development Services Fiscal procedure, *Mobility Fee Rework*
- Development Services Fiscal procedure, *Quarterly Segregation*

## **Conclusion**

Overall, the procedures observed were performed in accordance with the SOPs. However, some SOPs did not include all steps observed, did not provide complete guidance, or did not address key internal controls.

Formal written policies and procedures supported proper recording of developer credits, in accordance with GAAP revenue recognition standards. Controls were implemented to separate revenue that has been received but not yet earned. Formal procedures were documented for automated and manual segregation of eligible mobility fees to developer liability accounts.

Recommendations made in this report were offered to strengthen the internal control environment. Opportunities for improvement and recommendations were discussed with management and their verbatim responses were included below.

The IG commends the County departments for their professionalism, cooperation, and responsiveness during this audit and was pleased to note the following:

- Management was committed to continuously improving their internal controls over the developer credit processes and taking corrective actions to resolve the opportunities for improvement identified during the audit.
- Staff was knowledgeable and demonstrated proficiency in internal policies and procedures.

- The IG recognizes the diligent efforts of the Development Services Fiscal Department to improve efficiencies in the developer credits reconciliation process. Fiscal created the *Accela Transfer Report* to provide source data for the monthly reconciliation.

Based on documentation reviewed and audit procedures performed, the IG identified eight opportunities for improvement:

Opportunities for Improvement		
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1.	Performing the developer credit reconciliation process.	5
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2.	Updating trust account balances.	6
3.	Improving the <i>Developer Credit Transmittal Summary</i> .	7
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## OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDATIONS

**Compliance Activities:** Compliance is adhering to approved policies and procedures, agreements, contracts, laws, rules, and regulations. Listed below were comments that represent instances of noncompliance with these requirements.

### 1. Performing the developer credit reconciliation process.

During the process observation, two procedures were not performed in accordance with Development Services Branch SOP, *Developer Credits Reconciliation* (Version No.1.3).

- A. The *Additional Information* tab on the Trust Account Balance spreadsheet did not include columns titled *Comments* and *Long String* as required in the SOP.
- B. The developer credit monthly reconciliation was not emailed to all recipients reflected in the SOP.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulations, policies, and procedures are required, a recommendation was not provided.

**Management Response:**

*Acknowledged.*

**Corrective Action Plan:**

*Fiscal will update the Standard Operating Procedures to reflect the recipients in receipt of the monthly reconciliation and provide the data stated in the SOP. In addition, management will inform the parties included and train accordingly.*

**Target Implementation Date:**

*September 2024*

**Control Activities:** The primary purpose of controls is to help safeguard an organization and further its objectives. Internal controls function to minimize risks and protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, regulations, and laws. Listed below were comments that represented opportunities to strengthen the internal controls. For each comment, a recommendation was included.

**2. Updating trust account balances.**

A trust account balance was not updated in Accela in a timely manner.

- A. On December 12, 2023, a trust account balance was reduced in Accela for a credit reimbursement that was issued on September 8, 2023. According to management, this was a manual process. Check request emails were flagged as a reminder to manually reduce the trust account once the payment was issued by the Clerk & Comptroller's Finance Department.

**Recommendation:** Develop a more effective system for tracking check requests submitted to the Clerk & Comptroller's Finance Department to ensure trust account balances are updated in Accela in a timely manner.

**Management Response:**

*Acknowledged. Management recognizes the need for a more effective system for tracking check requests.*

**Corrective Action Plan:**

*Fiscal will take under the advisement from the Clerk's Office recommendation for a more effective system in tracking check requests. The process will be changed and updated with additional formal procedures to reflect trust account balances in a timely manner. Clear*

*guidance will be managed and informed of the updated processes with all parties involved.*

**Target Implementation Date:**

*September 2024*

**3. Improving the *Developer Credit Transmittal Summary*.**

Responses to some questions on the *Developer Credit Transmittal Summary* were ambiguous. Only checkboxes for 'Yes' or 'No' were available. However, some answers required the response 'Not Applicable,' which was not an option, and instead, 'No' was checked.

**Recommendation:** Update applicable questions on the *Developer Credit Transmittal Summary* to remove the 'No' box and replace with 'N/A'.

**Management Response:**

*Acknowledged. Management recognizes the need to revise the Developer Credit Transmittal Summary.*

**Corrective Action Plan:**

*Fiscal will take under advisement from the Clerk's Office and revise the Developer Credit Transmittal removing the 'No' box and replace it with 'N/A'.*

**Target Implementation Date:**

*Completed 06/2024.*

**4. Improving the SOP, *Developer Credit Transmittal Summary* (Version No. 2.0).**

The existing *Developer Credit Transmittal Summary* SOP contained limited guidance for certain steps and did not address some key controls and procedures.

- A. The SOP did not include procedures for researching and correcting errors or discrepancies reflected in the *Developer Credit Transmittal Summary*. In addition, expectations for timeliness of error correction were not established.
- B. The SOP did not specify when the *Developer Credit Transmittal Summary* must be provided to the Development Services Accountant II. However, this guidance was reflected in another SOP, *Developer Credits – Credit Loads and Transfers* that was not linked or cross-referenced to the *Developer Credit Transmittal Summary* SOP.
- C. The *Developer Credit Transmittal Summary* included the following question in the Credit Awarded section under Planning & Development: 'Can the credits be sold outside the Development?' The SOP did not provide any guidance for answering this question.
- D. The SOP did not provide criteria to define developer agreements that require mobility fee automation in Accela.
- E. The SOP did not provide defined roles stating who is responsible for filling out the *Developer Credit Transmittal Summary*.

- F. The SOP did not provide defined signature requirements (digital or wet signature).
- G. The SOP did not provide defined retention requirements for the *Developer Credit Transmittal Summary*.
- H. The SOP did not provide defined time frames for completing and processing the *Developer Credit Transmittal Summary*.
- I. The SOP did not require secondary review of the *Developer Credit Transmittal Summary* prior to being submitted to Fiscal, to confirm accuracy and completeness of information.
- J. The last page of the SOP reflected information related to setting up general ledger and trust accounts but did not provide detailed procedures. Directions for requesting and setting up general ledger accounts, trust accounts and fee codes were provided in separate written guidance. However, those documents were not linked or cross-referenced to the *Developer Credit Transmittal Summary* SOP.
- K. The last page of the SOP reflected the question, 'Has the automation for Accela been set up?' but did not provide detailed procedures for setting up automation.
- L. The last page of the SOP included a line item for Fiscal review and indicated 'Check Yes or No.' However, detailed procedures for conducting a review were not provided.

**Recommendation:** Update the SOP, *Developer Credit Transmittal Summary* to include detailed procedures and internal controls as described above.

**Management Response:**

*Acknowledged. Management recognizes the need to update the Standard Operating procedures to include detailed procedures and internal controls as recommended by the Clerk's Office.*

**Corrective Action Plan:**

*Fiscal will conduct further discussions and revisions to the summary with input from all parties involved. Management will review the revisions and apply the process for clarity and efficiency.*

**Target Implementation Date:**

*September 2024*

**5. Improving the SOP, *Developer Credits Reconciliation* (Version No. 1.3).**

The existing *Developer Credits Reconciliation* SOP contained limited guidance for certain steps and did not address some key controls and procedures.

- A. The SOP did not require the preparer of the reconciliation to sign and date the completed reconciliation.
- B. The SOP did not provide defined roles stating who is responsible for performing the developer credits reconciliation.

- C. The SOP did not address a contingency plan for having an alternate person perform reconciliation duties when needed.
- D. The SOP did not provide defined retention requirements for the *Developer Credits Reconciliation*.
- E. Procedure A.6 addressed discrepancies identified during the monthly reconciliation, but did not provide detailed guidance for researching, correcting, and documenting corrections or adjustments. In addition, expectations for timeliness of error correction were not established.
- F. The SOP did not require secondary review of the monthly reconciliation prior to sending it to the Clerk & Comptroller's Financial Services Department, to confirm accuracy and completeness of information, including account balances, adjustments, and corrections.
- G. During process observations, the IG noted that trust account activity including credit transfers, refunds, and reimbursements were processed and verified by the same individual responsible for performing the monthly developer credit reconciliation. The SOP did not include controls for proper segregation of duties.
- H. Procedure A.7 addressed email directives for the *Trust Account Balance* spreadsheet and supporting documentation. It did not identify who (position title) in Planning & Development was to be included in the email. In addition, instead of using the position titles, some individual's names were reflected in the SOP.

**Recommendation:** Update the SOP, *Process: Developer Credits Reconciliation* to include detailed procedures and internal controls as described above.

**Management Response:**

*Acknowledged. Management recognizes the need to frequently update the Standard Operating procedures.*

**Corrective Action Plan:**

*Fiscal will take under the advisement from the Clerk's Office the necessary steps needed to frequently update SOP as they are continuously being improved upon and to include more detail to the procedures. The process will be updated with additional formal procedures in place to manage and monitor the process. This will include a second review by management to reduce risks and to separate segregation of duties.*

**Target Implementation Date:**

*September 2024*

**6. Improving the SOP, *Developer Credits- Credit Loads and Transfers* (Version No. 1.3).**

The existing *Developer Credits- Credit Loads and Transfers* SOP contained limited guidance for certain steps and did not address some key controls and procedures.

- A. The SOP did not provide defined roles stating who is responsible for performing the credit loads, transfers, and refunds/reimbursements.

- B. The SOP did not require trust account balances to be verified prior to processing refunds and reimbursements to ensure there was enough credit to cover the amount requested.
- C. The SOP did not provide defined time frames for completing and processing credit loads, transfers, and refunds/reimbursements.
- D. The SOP did not provide guidance for handling requests that did not meet the eligibility requirements for a credit transfer, refund, or reimbursement.
- E. The SOP did not provide defined retention requirements for maintaining documentation related to credit transfer, refunds, and reimbursements.
- F. Procedure D1 stated the request must be in accordance with the Pasco County Land Development Code (LDC). It did not provide the specific section in the LDC.
- G. The SOP did not include guidance for check requests or when to update trust account balances in the procedures for refund/reimbursement.

**Recommendation:** Update the SOP, *Developer Credits Loads and Transfers* to include detailed procedures and internal controls as described above.

**Management Response:**

*Acknowledged. Management recognizes the need to update the Standard Operating procedures.*

**Corrective Action Plan:**

*Fiscal will implement a schedule to review and update procedures as the process is continuously being improved to establish the most effective details to the procedures. Management recognizes added controls are needed and will continue to improve the process so that essential tasks are performed with consistency, accuracy, and efficiency.*

**Target Implementation Date:**

*September 2024*

**7. Improving the SOP, *Trust Account/Credit Letter Processing (Version No. 3.0)*.**

The existing *Trust Account/Credit Letter Processing* SOP contained limited guidance for certain steps and did not address some key controls and procedures.

- A. The SOP did not require management approval prior to the Accounting Clerk deleting impact fees associated with developer credits in Accela.
- B. The SOP did not provide criteria for a standardized memo to customers in cases where credit letters and payment were returned for correction. It also did not require the memo to be uploaded to the Accela permit file as supporting documentation, or adding a comment to the Accela permit file noting that the credit letter is pending return for correction.
- C. The SOP did not include directives for storing original credit letters.

D. The SOP did not provide guidance in cases of lost original credit letters.

**Recommendation:** Update the SOP, *Trust Account/ Credit Letter Processing* to include detailed procedures and internal controls as described above.

**Management Response:**

*Acknowledged. Management recognizes the need to update the Standard Operating procedures.*

**Corrective Action Plan:**

*Fiscal will take under the advisement from the Clerk's Office recommendation for additional procedures of essential tasks needed to perform consistently, accurately, and efficiently. Verifications will be performed by management and Fiscal to include time stamped signature suggested that will better fulfill internal controls as described.*

**Target Implementation Date:**

*June 2025*

**8. Efficiency of the developer credit reconciliation process.**

The monthly review of individual trust account balances to confirm that balances in the financial accounting system (Munis) agreed with the balances reflected in Accela was largely a manual process. In addition, the process did not include independent source data for verification.

Fiscal processed credit and debit adjustments to trust account balances in Accela. Due to integration limitations between the Accela permitting system and Munis, trust account activity and trust account balances did not upload from Accela into Munis. Fiscal did not enter journal entries in Munis for trust account adjustments. As a result, the developer credit reconciliation performed by the Clerk & Comptroller's Finance Department was primarily a manual process.

Fiscal emailed an Excel file of trust account balances and trust activity supporting documentation to Finance's General Ledger division for monthly reconciliation. General Ledger manually updated trust account balances in Excel spreadsheets outside of Munis and compared their spreadsheet balance to the monthly reconciliation balance reflected on Fiscal's spreadsheet.

**Recommendation:** If feasible, Fiscal can enter journal entries in Munis for trust account adjustments. Reducing manual data entry would improve operational efficiency and data reliability.

**Management Response:**

*Acknowledged.*

**Corrective Action Plan:**

*Fiscal will continue to work with improving efficiencies in the Developer Credit reconciliation process with all parties in the County involved. Management is inquiring with various entities on automation of material in a system that will centralize the data for efficiency and data reliability.*

**Target Implementation Date:**

*August 2026*



For additional information contact the Public Records Liaison.

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