

Brandon J. Patty
Clerk of Court and
Comptroller



David N. McClintock
Inspector General

Office of Inspector General
St. Johns County, Florida

July 31, 2023

Ms. Joy Andrews, Interim County Administrator
St. Johns County Board of County Commissioners
500 San Sebastian View
St. Augustine, Florida 32084

Dear Ms. Andrews,

The St. Johns County Clerk of the Circuit Court and County Comptroller's Office of Inspector General (OIG) is hereby issuing an audit report on St. Johns County impact fees.

On 05/05/2022 Inspector General Nilsa Arissa engaged the services of James Moore & Co., P.L., (James Moore) to perform an internal audit of the impact fee processes. The audit included a review of impact fee activity, the workflow process, and the validation of a sample of impact fees imposed. This examination considered internal controls, safeguards and compliance with policies and procedures that were relevant to the impact fee calculation process.

In their audit report of 08/31/2022 James Moore determined that the procedures and controls over impact fees for St. Johns County are generally adequate. Audit Attached. However, that opportunities exist to enhance the efficiency, effectiveness, and appropriateness of the impact fee processes. These opportunities for improvement were set forth through seven separate "observations and findings", each making recommendations on system improvements.

St. Johns County management addressed the audits observations and findings. See Attachment B "Management Responses". The County had no objections to the recommendations. In general, the County agreed to engage in a series of policy and procedure reviews and revisions; enhance controls related to impact fee calculations and program implementation; and incorporate processes that assure documentation of impact fee calculations review and approval by the Developer/Builder.

We appreciate the work of the leadership and staff of the County who participated in the audit process and in responding to the noted findings.

The Office of Inspector General looks forward to conducting a follow-up audit to assess the implementation of managements planned enahcements.

David McClintock, JD, CIG, CIGE
Inspector General

Encl: James Moore Audit Report
Managements Responses to Observations, Findings and Reccomendations

**ST. JOHN'S COUNTY CLERK OF CIRCUIT COURT &
COMPTROLLER**

**IMPACT FEES -
INTERNAL AUDIT REPORT**

IMPACT FEES - INTERNAL AUDIT REPORT

To Nilsa Arissa, Inspector General,
St. Johns County, Florida:

In accordance with our engagement letter for assistance with current year planned internal audits, dated May 5, 2022 with the St. Johns County Clerk of Court, Office of Inspector General (the Office), we have provided internal audit assistance related to Impact Fees for St. Johns County (the County).

The use of the term "audit" relates to the scope of procedures, as outlined in the engagement letter for the above internal audit assistance, to be performed in accordance with the Statement on Standards for Consulting Services and the Code of Professional conduct issued by the American Institute of Certified Public Accountants. The use of the term "audit" in this report does not refer to a financial statement audit, performance audit, forensic audit, or any other formal audit arrangement as defined by AICPA or other professional standards.

INTRODUCTION

Objectives

The Office requested assistance from James Moore & Co., P.L. (James Moore) with an internal audit covering impact fees assessed by the County with a focus on impact fee activity, including process and validation of sampling of amounts charged. The objectives of the engagement included the following services:

- Assistance with obtaining a baseline understanding of the internal controls in place related to the operational areas selected for the internal audit.
- Assistance with identifying key areas of risk and/or deficiencies in the design of internal controls related to the operational areas selected for the internal audit.
- Assistance with developing procedures to be performed for specific testing as part of the internal audit.
- Final summarization of the results of the procedures performed.
- Drafting a final report summarizing the results, findings, and recommendations from the procedures performed.

Background

The County began charging impact fees in October 1987 as a way to ensure new development activities funded a proportionate share of the cost required to accommodate such activity. Every five years, the County undergoes a review of impact fee rate schedules, and relies on technical experts to develop suggested fees. The most recent technical study was performed in 2018.

The fee calculations and assessments are managed within the County's Growth Management Department and the Office of Management & Budget. The County utilizes a systemic workflow software application, Web-based Application Tracking System (WATS), to initiate, assess and process impact fees. The WATS program includes user access roles which control initiation, review and approval from the beginning of the process through fee assessment. The workflow allows for seamless access to documents and information necessary for creating and finalizing the clearance sheets, which are used to process impact fees.

The process begins with the Building Department reviewing and approving building permit applications and site plans. From there, impact fee assessment is initiated with Growth Management reviewing the building permit applications or approved site plans, delivered to the office (residential) or accessed in the WATS system (commercial), at which point a clearance sheet is created.

Clearance Sheets for residential projects are initiated by technicians in the Growth Management department. Residential projects are initiated based on building permit and clearance sheet applications submitted to Growth Management. The sheets are date-stamped and processed by technicians in the order received. Once all information is obtained and entered, the impact fee is calculated and assessed automatically using pre-populated rate tables based on square footage. The technicians choose the appropriate range of square footage, based on applications, from the pre-populated drop-down tables.

Currently, technicians run reports to identify commercial projects in process and pending the creation of a Clearance Sheet. Technicians drill down to find projects applicable to their area of responsibility and review information submitted to-date, look for open items, and verify project details. Once all comments are cleared and information is in the system, the Clearance Sheet is completed and placed in a "hold" position for the supervisor to review. The supervisor accesses those on hold, pending review, by running a similar report and choosing the project liaison role. Pre-populated rate tables assess appropriate impact fees based on land use types and square footage for the project. Projects requiring approval are automatically put on hold for review, approval and release, prior to assessing the impact fee.

We acquired an understanding of the existing policies and procedures related to impact fee calculations and assessments, and the roles and responsibilities of County personnel. We collaborated with County Management to evaluate processes in regards to accurate and appropriate impact fee calculations, and for proactive, timely, and streamlined operations.

Scope

The scope of testing included a detailed inspection of the current policies and procedures surrounding the impact fee rate calculations and corresponding assessment of impact fees. The 2018 technical fee study was used as a reference point for determining appropriate impact fees along with County Ordinance 2018-16. Detailed testing covered clearance sheets created during the year ending October 1, 2020 through April 2022, as well as a sample of clearance sheets still in process as of April 2022. Specific details of testing are described below in the Methodology and Fieldwork sections.

In planning and performing our procedures, we obtained an understanding of the County's internal controls as it relates to impact fees for identifying recommendations to enhance the overall internal control environment, but not for the purpose of expressing an opinion on the effectiveness of such internal controls. Accordingly, we do not express an opinion on the effectiveness of the County's internal controls relative to this area. This internal audit was not designed or intended to be a detailed study of every relevant procedure, transaction, or system, and, therefore, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement is needed.

Methodology

Our methodology included the steps outlined below.

Planning

Our planning process included the following:

- Initial meetings to discuss areas of focus, scheduling, and advance requests for relevant documents.
- Initial understanding of the design of key internal controls in place, established by the documented policies and procedures.
- Design of testing plan.
- Sample selections for detailed testing.

Fieldwork

Based on our understanding of the existing policies and procedures and the risks inherent in the impact fee process, we established our scope and made selections for detailed testing, and performed procedures as follows:

- Detailed inspection of existing internal policies and procedures, as well as Ordinance 2018-16.
 - o The inspection of Ordinance 2018-16 included viewing the exhibits with impact fee rate schedules, Section 37.0 Impact Fees-County policies, and the 2018 Technical Memorandum prepared by James C. Nicholas, PhD.
- Inspected, recalculated, and rolled forward impact fee rate schedules from 2018 through 2022 to test whether or not rate schedules for each year were calculated in accordance with Ordinance 2018-16.
- Inspected the processes surrounding the calculation of annual impact fee rate schedules and updating rates within WATS.
- Performed a review of the user access roles and responsibilities related to the workflow processes and approvals surrounding impact fees.
- Performed walkthroughs of the impact fee process for both residential and commercial projects, and coordinated this with detailed testing.
- Conducted in-depth testing over a sample of twenty-five Clearance Sheets created during the year ending October 1, 2020 through April 2022 with fees paid between October 2021 and April 2022, with a focus on the implementation of key controls established by documented policies and procedures.

- Clearance Sheets refer to the module within the County’s WATS system that captures the relevant information necessary to calculate and assess impact fees. The sample selections covered various types of projects. A breakdown of the items included in the sample is as follows:
 - Ten commercial projects – two items with “parent” projects; two projects under Development Regional Impact (DRI) contracts; one “change of use” project (general office to dental office); service station; hospital; commercial projects of various square footage; several vouchers submitted for credit.
 - Fifteen residential projects – five with “parent” projects; multi-family and single-family projects; mobile homes; additions/remodels; age-restricted community; several vouchers submitted for credit.
 - The sample included impact fees per the 2020, 2021 and 2022 impact fee rate schedules.
- Tested a sample of ten total Clearance Sheets for projects in process. We reviewed five Clearance Sheets for past projects which were not closed as of April 2022 and a sample of five Clearance Sheets created during October 2021 and April 2022 which were not closed as of April 2022.
- Testing focused on the implementation of key controls established by documented policies and practices, and inspecting the procedures for open or in-process Clearance Sheets.

Reporting

Upon completion of our testing, we summarized our findings and recommendations as described below.

Overall Conclusion

We determined that the policies, procedures and controls over impact fees for St. Johns County are generally adequate. However, opportunities for improvement exist for enhancing the efficiency, effectiveness, and appropriateness of the impact fee processes. Our observations and recommendations are presented in the section below.

OBSERVATIONS & RECOMMENDATIONS

Our procedures and findings are as follows:

Procedures: We performed a detailed inspection of existing internal policies and procedures as well as Ordinance 2018-16. The inspection of Ordinance 2018-16 included exhibits with impact fee rate schedules, Section 37.0 Impact Fees-County policies, and the 2018 Technical Memorandum prepared by James C. Nicholas, PhD.

Observations and Findings: In inspecting Growth Management’s internally documented policies and procedures, we noted that policies exist but were somewhat general in nature and fragmented in scope.

Recommendations:

- We recommend the County review and consider improving written internal policies and procedures for the impact fee processes, primarily those surrounding input, review, approval, assessment and collection of impact fees. As processes differ between commercial and residential projects, policies should be detailed and fully documented for each, and include references to County Ordinances and County Policy Section 37.01. Policies should be formally documented, include step-by-step instructions, flowcharts, screen shots, parties involved, approval levels needed, documents required, document retention, and other pertinent information. While there are exceptional situations in the process of determining impact fees, policies should include the general steps involved, and references to how to address unique situations. Formally documented policies will assist in new employee training/cross training and result in consistent, appropriate and efficient processes for existing personnel.

Procedures: We inspected, recalculated, and rolled forward impact fee rate schedules from 2018 through 2022 to test whether or not rate schedules for each year were calculated in accordance with Ordinance 2018-16.

Observations and Findings: County Ordinance 2018-16 (the Ordinance) includes specific parameters for the adoption of the recommended 2018 impact fee schedule, as well as periodic and annual adjustments to the fee schedule. The suggested fee rate schedule proposed by the 2018 technical study was revised by Ordinance to reflect a 25% reduction in residential non-school fees and an additional 15% reduction for non-residential projects. The 40% reduction for non-residential projects is subsidized by the County. Those fees were effective through January 1, 2019. Subsequently, residential non-school fees were returned to the recommended fee schedule while the 40% non-residential subsidized fee remained. The Ordinance also called for indexing of the rate schedule based on the Annual Average Construction Cost Index.

We inspected the calculations as prepared by the Office of Management and Budget from 2018 through the rate schedule applicable for the fiscal year-ended October 2020. In addition, we rolled forward the October 2020 schedule to recalculate rate schedules for the fiscal years ended October 2021 and 2022. We noted no exceptions as a result of these procedures. Methods applied appeared to be in accordance with the parameters established in the Ordinance. The 2020, 2021 and 2022 calculations, as provided, agreed to the schedules as published by the County and utilized in our sample testing.

In performing the inspection of internally prepared calculations, we noted that the annual calculations are built on base figures and indices that are typed into each cell formula.

Recommendations:

- We recommend preparing Excel schedules using cell references to previous years and to calculated indices in order to avoid errors in manually entering the annual index to allow for automatic updating from year to year.

Procedures: We inspected the process for calculating annual impact fee rate schedules and updating rates within WATS.

Observations and Findings: In performing the procedure above, we inquired of personnel from the Growth Management Department and the Office of Management and Budget regarding the process for annual rate calculations and inputting new rates into the WATS system effective for each fiscal year. We noted that there are no formal policies and procedures, documented or in practice, to specify ultimate lines of responsibility or a review and approval process.

Recommendations:

- We recommend the County review and consider implementing a formal policy surrounding this process, to include the following: (1) responsibility for preparing the annual impact fee schedule calculations (2) responsibility for reviewing calculations and approving for input (3) responsibility for inputting the new rates into the WATS system and (4) responsibility for reviewing the updated rate tables in the WATS system.
- Each step in the process should be documented via sign-off and allow for evidence of the personnel completing each step. In addition, each role should be properly segregated and indication of review and approval should be documented.
- This policy should be implemented for any unique impact fee rates including special fee calculations (age restricted communities), developments under Development Regional Impact contracts, etc.

Procedures: We performed a review of the user access roles and responsibilities related to the workflow processes and approvals surrounding impact fees.

Observations and Findings: We were provided documentation of user access and roles and responsibilities surrounding the impact fee workflow. It was noted that individuals in Growth Management were assigned responsibilities within “Development Review Div.”, and that technicians specifically were assigned permissions within the Clearance Sheet process. We also noted the project liaison role was assigned to only two individuals. Review of the documentation for systemic approval processes indicated that payment of impact fees is required prior to issuing a certificate of occupancy and that release of impact fees required approval by the project liaison role. We noted both of these hold and approval processes during our detailed testing. Our understanding of the user access role documentation indicates a systemic approach to the input, review and approval processes surrounding impact fees.

Recommendations:

- We recommend County Management formally document the workflow processes to ensure appropriate individuals are assigned to each role and pertinent permissions. The documentation and a review of roles should be updated at least annually, and updated with any changes in roles and responsibilities within Growth Management.

Procedures: We performed a walkthrough of the impact fee process for both residential and commercial projects and coordinated this with detailed testing.

Observations and Findings: We inspected documentation of the workflow in the WATS system and performed a system walkthrough with the Growth Management Department. The processes for initiating clearance sheets, determining the impact fee calculation date, inputting data, applying credits/vouchers, workflow, review and approval were demonstrated and discussed.

Based on the walkthroughs and discussions with Growth Management personnel, it was noted that all non-residential projects are put on an automatic hold until they are reviewed, approved and released by a supervisor. This hold was noted on each of the non-residential projects in the sample of twenty-five discussed below. There is no required review and approval process for residential projects. Based on our discussions and observations in the walkthrough, we noted that impact fees may be assessed for residential projects that are never ultimately started and that there is currently no follow up by Growth Management personnel on open but incomplete or unpaid impact fees.

We observed the process for identifying commercial projects ready for impact fee assessment and the process for approving and releasing commercial impact fees. The processes required report queries and several drill down steps to determine which commercial projects were ready for impact fee assessment and final review and approval.

Recommendations:

- While residential projects are less complex and the volume does not allow for review and approval of each, we recommend the County review and consider implementing a policy whereby residential clearance sheets are reviewed on a periodic, rotational basis. The review should cover various types of projects and include a sample from all technicians creating clearance sheets for impact fee assessment. This review would allow the County to identify if there are issues with any type of residential project clearance sheets, specific steps in the process, or particular personnel
- We recommend management review and consider improving processes to ensure proper design and implementation of procedures to review open, billed and/or uncollected residential impact fees. A query may be created to isolate and flag those beyond a certain date for follow up by Growth Management and/or Accounts Receivable personnel.
- While the process is effective, it could be made more efficient/improve workflow by either sending push notifications or creating user specific interfaces that would allow for a more direct identification of projects ready for a Clearance Sheet and review. Our discussions revealed the County is considering enhancements to WATS or investing in a new software system, which may accommodate the additional queries, reports and workflow recommendations and bring efficiencies noted above. We recommend County Management obtain an understanding and formally document the workflow process and consider enhancing workflow tasks in the current system or invest in a new system to improve efficiencies.

Procedures: In-depth testing over a sample of twenty-five Clearance Sheets created during the year ending October 1, 2020 through April 2022 with fees paid between October 2021 and April 2022.

The steps performed included the following:

1. Obtained the “Main” tab of the Clearance Sheet process from the WATS system where project information and workflow are displayed.
2. Obtained the building permit application noting the use, description and square footage of each project.
3. Inspected the clearance sheet and/or building application (residential), the civil review date (commercial), and workflow information, noting a reasonable time period between the date information was received from the developer or resident for the initiation of the clearance sheet and calculation and assessment of impact fees.
4. Compared square footage per the building permit application to that used in the impact fee calculation.
5. Inspected the Building Permit Development Review sheet agreeing clearance sheet information to the form and noting developer signed and dated to evidence approval of the impact fees.
6. Inspected workflow in the WATS system noting date impact fees were paid was prior to the date power/utilities were released where applicable.
7. Agreed and recalculated impact fees charged to the appropriate impact fee rate schedule noting amounts charged were appropriate based on the date the project was initiated, project category and square footage.

8. Inspected SJC BBC Central Cashiering Sheet and agreed clearance sheet number and amount paid to project information in WATS system as well as agreement to voucher or prior payments, and if any credits were given; noted the date and amount paid

Observations and Findings: We performed detailed testing over a sample of twenty-five Clearance Sheets which provided coverage of a wide range of project types, uses, impact fee rate schedules and scenarios. A summary of our observations, findings and recommendations include:

- One building permit application misstated the project “use” as residential rather than commercial. The site plans and description clarified the use as commercial and impact fees were calculated correctly. The building permit appeared to be a standard permit used by the developer that was not changed to commercial.
- In inspecting square footage on the building permit application, we noted several instances where the square footage per application did not agree to the square footage on which impact fees were assessed. It was noted that between the time of application and the approved site plans, the square footage may change or that the building permit application may not include all relevant information, may be incorrectly completed, or related to building additions, remodels or multi-family units. As a result, there may be instances where site plans are used to finalize square footage for impact fees, rather than building permit applications. In these cases, approved site plans were utilized to determine the square footage for the impact fee calculation. We inspected support for each application identified and noted that impact fees were calculated based on site plan square footage.
- We noted three instances where the Building Development Review Sheets were not properly signed and dated by the developer, as required by policy. For the three instances noted, two were not signed or dated and one was signed by the developer but not dated. Procedures also require completion of a checklist by the Building Department which includes a step for the developer’s approval. We obtained the checklists and noted that one of the checklists did not include any indication that the developer’s signature was obtained. The other two checklists indicated developer approval was obtained even though it had not been.
- While agreeing and recalculating impact fees assessed for each project, we noted several instances where the impact fees did not appear to correspond to the proper rate schedule or included additional fee reductions. Items noted were as follows:
 - We identified two projects covered under existing Development Regional Impact contracts. Because of the significant impact of larger developments, rates are increased or additional fees assessed and placed into a separate fund to mitigate the impact of the development. We observed a fee table in the WATS system, linked to the specific project, establishing and linking rate schedules for projects within the development.
 - One item in the sample related to an Age-Restricted community. Road fees for such communities are reduced, and a separate calculation of road fees was prepared for senior adult housing. All fees were calculated and assessed, with road fees assessed at the reduced rate and a credit given for school impact fees. We were provided with the calculation for the reduced road fee, inspected, recalculated and compared calculation to parameters of the Ordinance, and obtained an exemption letter to support the removal of the school impact fees.

- We identified one project that was a change of use, from commercial to general. We recalculated the credits applied based on original use and the fees assessed on new use, and noted that the calculation was done in accordance with County policy to provide credits based on rates for the year which allowed the most benefit to the developer.
- Throughout our testing, we found several instances where vouchers for credits that were applied at the time of impact fee payment were not included in the initial fee calculation approved by the developer. Per language stated on the Development Review sheet, and as stated in current County policy, any credits not submitted at the time of application for permit are waived and barred by ordinance. The credits applied at the time of payment should have been disallowed. Our discussions with the relevant personnel indicated that, although policy is stated as a way to encourage submittal of credits at the outset of the project, this policy is not enforced. In practice, credits are allowed up to the time of payment of the impact fees.

Recommendations:

- To ensure compliance with current policy, we recommend a more stringent review process be considered to ensure impact fees calculated and assessed by the County are reviewed and approved by the developer and notated by signature and date in accordance with policy. This will help ensure fees are accurate and appropriate and assist in alleviating issues with contested fees. It will also provide evidence of the developer's approval of the County's calculated fees prior to payment and of compliance with written policies.
- We recommend the County consider either removing the statement related to the timing of submitting credits from the Development Review sheet and County policies, or begin enforcing the stated procedure. This will avoid inconsistent practice and ensure compliance with stated policies.

Procedures: Performed in-depth testing over a sample of ten total Clearance Sheets for projects in process. We reviewed five Clearance Sheets for past projects which were not closed as of April 2022 and a sample of five Clearance Sheets created during October 2021 and April 2022 which were not closed as of April 2022. We performed steps similar to those outlined for the sample of twenty-five above, as applicable, based on the status of the open projects.

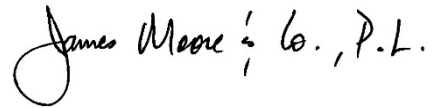
Observations and Findings: This sample included a variety of projects, many of which did not require or were exempt from, impact fees (road signs, Sanctuary, etc.). It also included three projects for which impact fees had been calculated, but not yet collected. Three of the projects seemed to be complete, but not finalized in the workflow system. It was noted that there is no formal process to review open projects or clearance sheets. Commercial clearance sheets will remain on "hold" for review until final and closed, and residential clearance sheets can remain open indefinitely. If projects are reopened for minor changes, the process to close them out again may not occur.

Recommendations:

- We recommend considering a periodic review of open Clearance Sheets and Projects in the WATS system. A query may be run to flag projects in an open or in-process status and proper steps taken to close or address any remaining issues. As noted above, this recommendation can be coordinated with enhancing workflow tasks in the current system or investing in a new system to improve efficiencies.

We appreciate the opportunity to work with you on this important project. Having a team of positive change agents with the desire to continually improve will contribute to the success of the impact fees process.

This report is intended solely for the information and use of the Office and others in the County that integrate with the impact fee process, and is not intended to be and should not be used by anyone other than those specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
August 31, 2022



Office of Inspector General
St. Johns County, Florida

Management Response – Impact Fees Audit

Upon the issuance of the 08/31/2022 Internal Audit Report on Impact Fees, St. Johns County management was asked to respond to the observations and findings. On 05/26/2023 Jesse Dunn, Director of the Office of Management and Budget for St. Johns County responded on behalf of the County, providing written responses to each recommendation. The observations and findings are presented below followed by management's response.¹

The County had no objections to the recommendations. In general, the County agreed to engage in a series of policy and procedure reviews and revisions; enhance controls related to impact fee calculations and program implementation; and incorporate processes that assure documentation of the impact fee calculations review and approval by the Developer/Builder.

- 1. Observations and Findings:** In inspecting Growth Management's internally documented policies and procedures, we noted that policies exist but were somewhat general in nature and fragmented in scope.

Recommendations: We recommend the County review and consider improving written internal policies and procedures for the impact fee processes, primarily those surrounding input, review, approval, assessment and collection of impact fees. As processes differ between commercial and residential projects, policies should be detailed and fully documented for each, and include references to County Ordinances and County Policy Section 37.01. Policies should be formally documented, include step-by-step instructions, flowcharts, screen shots, parties involved, approval levels needed, documents required, document retention, and other pertinent information. While there are exceptional situations in the process of determining impact fees, policies should include the general steps involved, and references to how to address unique situations. Formally documented policies will assist in new employee training/cross training and result in consistent, appropriate and efficient processes for existing personnel.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report. The Growth Management Department is targeting policy revisions as part of the new impact fee review this year.

- 2. Observations and Findings:** County Ordinance 2018-16 (the Ordinance) includes specific parameters for the adoption of the recommended 2018 impact fee schedule, as well as periodic and annual adjustments to the fee schedule. The suggested fee rate schedule

¹ Observations and findings, although not numbered in the James Moore report, are numbered to assist the reader.

proposed by the 2018 technical study was revised by Ordinance to reflect a 25% reduction in residential non-school fees and an additional 15% reduction for non-residential projects. The 40% reduction for non-residential projects is subsidized by the County. Those fees were effective through January 1, 2019. Subsequently, residential non-school fees were returned to the recommended fee schedule while the 40% non-residential subsidized fee remained. The Ordinance also called for indexing of the rate schedule based on the Annual Average Construction Cost Index.

We inspected the calculations as prepared by the Office of Management and Budget from 2018 through the rate schedule applicable for the fiscal year-ended October 2020. In addition, we rolled forward the October 2020 schedule to recalculate rate schedules for the fiscal years ended October 2021 and 2022. We noted no exceptions as a result of these procedures. Methods applied appeared to be in accordance with the parameters established in the Ordinance. The 2020, 2021 and 2022 calculations, as provided, agreed to the schedules as published by the County and utilized in our sample testing.

In performing the inspection of internally prepared calculations, we noted that the annual calculations are built on base figures and indices that are typed into each cell formula.

Recommendations:

- We recommend preparing Excel schedules using cell references to previous years and to calculated indices in order to avoid errors in manually entering the annual index to allow for automatic updating from year to year.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report and will modify its current Excel schedule to reflect the recommendations provided herein.

3. **Observations and Findings:** In performing the procedure above, we inquired of personnel from the Growth Management Department and the Office of Management and Budget regarding the process for annual rate calculations and inputting new rates into the WATS system effective for each fiscal year. We noted that there are no formal policies and procedures, documented or in practice, to specify ultimate lines of responsibility or a review and approval process.

Recommendations:

- We recommend the County review and consider implementing a formal policy surrounding this process, to include the following: (1) responsibility for preparing the annual impact fee schedule calculations (2) responsibility for reviewing calculations and approving for input (3) responsibility for inputting the new rates into the WATS system and (4) responsibility for reviewing the updated rate tables in the WATS system.
- Each step in the process should be documented via sign-off and allow for evidence of the personnel completing each step. In addition, each role should be properly segregated, and indication of review and approval should be documented.

- This policy should be implemented for any unique impact fee rates including special fee calculations (age restricted communities), developments under Development Regional Impact contracts, etc.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report.

The St. Johns County Board of County Commission formally adopts impact fees as part of a publicly-held regular Commission meeting. The Office of Management & Budget prepares and reviews the impact fee rate calculations, as outlined in our impact fee ordinance, as part of the agenda preparation process. The methodology as to impact fee implementation is outlined in each adopted impact fee ordinance.

The Growth Management Department will revise impact fee internal policies and procedures to include (1) responsibility for preparing the annual impact fee schedule calculations (2) responsibility for reviewing calculations and approving for input (3) responsibility for inputting the new rates into the system and (4) responsibility for reviewing the updated rate tables in the system and (5) the documentation and steps in the process outlined above.

- 4. Observations and Findings:** We were provided documentation of user access and roles and responsibilities surrounding the impact fee workflow. It was noted that individuals in Growth Management were assigned responsibilities within “Development Review Div.”, and that technicians specifically were assigned permissions within the Clearance Sheet process. We also noted the project liaison role was assigned to only two individuals. Review of the documentation for systemic approval processes indicated that payment of impact fees is required prior to issuing a certificate of occupancy and that release of impact fees required approval by the project liaison role. We noted both of these hold and approval processes during our detailed testing. Our understanding of the user access role documentation indicates a systemic approach to the input, review and approval processes surrounding impact fees.

Recommendations:

- We recommend County Management formally document the workflow processes to ensure appropriate individuals are assigned to each role and pertinent permissions. The documentation and a review of roles should be updated at least annually and updated with any changes in roles and responsibilities within Growth Management.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report. The Growth Management Department is targeting policy revisions as part of the new impact fee review this year and will incorporate a workflow process to include appropriate staff members and associated permissions.

- 5. Observations and Findings:** We inspected documentation of the workflow in the WATS system and performed a system walkthrough with the Growth Management Department. The processes for initiating clearance sheets, determining the impact fee calculation date,

inputting data, applying credits/vouchers, workflow, review and approval were demonstrated and discussed.

Based on the walkthroughs and discussions with Growth Management personnel, it was noted that all non-residential projects are put on an automatic hold until they are reviewed, approved and released by a supervisor. This hold was noted on each of the non-residential projects in the sample of twenty-five discussed below. There is no required review and approval process for residential projects. Based on our discussions and observations in the walkthrough, we noted that impact fees may be assessed for residential projects that are never ultimately started and that there is currently no follow up by Growth Management personnel on open but incomplete or unpaid impact fees.

We observed the process for identifying commercial projects ready for impact fee assessment and the process for approving and releasing commercial impact fees. The processes required report queries and several drill down steps to determine which commercial projects were ready for impact fee assessment and final review and approval.

Recommendations:

- While residential projects are less complex and the volume does not allow for review and approval of each, we recommend the County review and consider implementing a policy whereby residential clearance sheets are reviewed on a periodic, rotational basis. The review should cover various types of projects and include a sample from all technicians creating clearance sheets for impact fee assessment. This review would allow the County to identify if there are issues with any type of residential project clearance sheets, specific steps in the process, or particular personnel.
- We recommend management review and consider improving processes to ensure proper design and implementation of procedures to review open, billed and/or uncollected residential impact fees. A query may be created to isolate and flag those beyond a certain date for follow up by Growth Management and/or Accounts Receivable personnel.
- While the process is effective, it could be made more efficient/improve workflow by either sending push notifications or creating user specific interfaces that would allow for a more direct identification of projects ready for a Clearance Sheet and review. Our discussions revealed the County is considering enhancements to WATS or investing in a new software system, which may accommodate the additional queries, reports and workflow recommendations and bring efficiencies noted above. We recommend County Management obtain an understanding and formally document the workflow process and consider enhancing workflow tasks in the current system or invest in a new system to improve efficiencies.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report. The Growth Management Department will review and recommend a quality control policy for residential clearance sheets to be reviewed on a periodic basis. In addition, enhancements will be designed to provide for the review of open, billed and/or uncollected residential impact fees.

6. Observations and Findings: We performed detailed testing over a sample of twenty-five Clearance Sheets which provided coverage of a wide range of project types, uses, impact fee rate schedules and scenarios. A summary of our observations, findings and recommendations include:

- One building permit application misstated the project “use” as residential rather than commercial. The site plans and description clarified the use as commercial and impact fees were calculated correctly. The building permit appeared to be a standard permit used by the developer that was not changed to commercial.
- In inspecting square footage on the building permit application, we noted several instances where the square footage per application did not agree to the square footage on which impact fees were assessed. It was noted that between the time of application and the approved site plans, the square footage may change or that the building permit application may not include all relevant information, may be incorrectly completed, or related to building additions, remodels or multi-family units. As a result, there may be instances where site plans are used to finalize square footage for impact fees, rather than building permit applications. In these cases, approved site plans were utilized to determine the square footage for the impact fee calculation. We inspected support for each application identified and noted that impact fees were calculated based on site plan square footage.
- We noted three instances where the Building Development Review Sheets were not properly signed and dated by the developer, as required by policy. For the three instances noted, two were not signed or dated and one was signed by the developer but not dated. Procedures also require completion of a checklist by the Building Department which includes a step for the developer’s approval. We obtained the checklists and noted that one of the checklists did not include any indication that the developer’s signature was obtained. The other two checklists indicated developer approval was obtained even though it had not been.
- While agreeing and recalculating impact fees assessed for each project, we noted several instances where the impact fees did not appear to correspond to the proper rate schedule or included additional fee reductions. Items noted were as follows:
 - We identified two projects covered under existing Development Regional Impact contracts. Because of the significant impact of larger developments, rates are increased, or additional fees assessed and placed into a separate fund to mitigate the impact of the development. We observed a fee table in the WATS system, linked to the specific project, establishing and linking rate schedules for projects within the development.
 - One item in the sample related to an Age-Restricted community. Road fees for such communities are reduced, and a separate calculation of road fees was prepared for senior adult housing. All fees were calculated and assessed, with road fees assessed at the reduced rate and a credit given for school impact fees. We were provided with the calculation for the reduced road fee, inspected, recalculated and compared calculation to parameters of the Ordinance, and obtained an exemption letter to support the removal of the school impact fees.

- We identified one project that was a change of use, from commercial to general. We recalculated the credits applied based on original use and the fees assessed on new use, and noted that the calculation was done in accordance with County policy to provide credits based on rates for the year which allowed the most benefit to the developer.
- Throughout our testing, we found several instances where vouchers for credits that were applied at the time of impact fee payment were not included in the initial fee calculation approved by the developer. Per language stated on the Development Review sheet, and as stated in current County policy, any credits not submitted at the time of application for permit are waived and barred by ordinance. The credits applied at the time of payment should have been disallowed. Our discussions with the relevant personnel indicated that, although policy is stated as a way to encourage submittal of credits at the outset of the project, this policy is not enforced. In practice, credits are allowed up to the time of payment of the impact fees.

Recommendations:

- To ensure compliance with current policy, we recommend a more stringent review process be considered to ensure impact fees calculated and assessed by the County are reviewed and approved by the developer and notated by signature and date in accordance with policy. This will help ensure fees are accurate and appropriate and assist in alleviating issues with contested fees. It will also provide evidence of the developer's approval of the County's calculated fees prior to payment and of compliance with written policies.
- We recommend the County consider either removing the statement related to the timing of submitting credits from the Development Review sheet and County policies or begin enforcing the stated procedure. This will avoid inconsistent practice and ensure compliance with stated policies.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report. The Growth Management Department will review the current policies with the St. Johns County Building Department and provide training to ensure the impact fees calculated and assessed are reviewed and approved by the Developer/Builder and notated by signature and date in accordance with policy. In addition, the Growth Management Department will review and recommend changes to language within the Development Review Manual relating to the timing of submitting/requesting impact fee credits.

- 7. Observations and Findings:** This sample included a variety of projects, many of which did not require or were exempt from, impact fees (road signs, Sanctuary, etc.). It also included three projects for which impact fees had been calculated, but not yet collected. Three of the projects seemed to be complete, but not finalized in the workflow system. It was noted that there is no formal process to review open projects or clearance sheets. Commercial clearance sheets will remain on "hold" for review until final and closed, and residential clearance sheets can remain open indefinitely. If projects are reopened for minor changes, the process to close them out again may not occur.

Recommendations:

- We recommend considering a periodic review of open Clearance Sheets and Projects in the WATS system. A query may be run to flag projects in an open or in-process status and proper steps taken to close or address any remaining issues. As noted above, this recommendation can be coordinated with enhancing workflow tasks in the current system or investing in a new system to improve efficiencies.

Management Response:

St. Johns County has no objections to the findings or recommendations provided in the report. The Growth Management Department will implement a process to include a period review of open clearance sheets.