

**Audit of**  
**School Impact Fee Collections**  
**August 20, 2021**

**Report #2021-06**



## **MISSION STATEMENT**

The mission of the School District of Palm Beach County is to educate, affirm, and inspire each student in an equity-embedded school system.

Michael J. Burke  
Superintendent of Schools

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**Audit of**  
**School Impact Fee Collections**  
**Table of Contents**

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	<b>Page</b>
<b>EXECUTIVE SUMMARY</b>	i
<b>PURPOSE AND AUTHORITY</b>	1
<b>SCOPE AND METHODOLOGY</b>	1
<b>BACKGROUND</b>	2
<b>CONCLUSIONS</b>	
1. School Impact Fees Were Accurately Assessed and Collected by County’s Planning, Zoning and Building Department	4
2. Administrative Fee Rate Needs to be Reviewed	5
3. District Procedures for Monitoring and Requesting Remittances from the County Need to be Codified	6
<b>APPENDIX</b>	
Management’s Response	8

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## Audit of School Impact Fee Collections

### EXECUTIVE SUMMARY

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Pursuant to the *Office of Inspector General's (OIG) 2019-20 Work Plan*, we have audited the School Impact Fee Collections for the period of July 2018 through February 2020. The primary objectives of this audit were to (1) determine whether school impact fees were accurately assessed and collected by Palm Beach County (County), and (2) assess the adequacy of the School District's process in monitoring and requesting remittance of School Impact Fee revenues from the County. The audit produced the following major conclusions.

#### **1. School Impact Fees Were Accurately Assessed and Collected by County's Planning, Zoning and Building Department**

The OIG obtained, from the County, the information for 2,582 sample new residential building permits issued by the County and 18 municipalities<sup>1</sup> during July 2018 through February 2020. These 2,582 permits collected a total of \$6.9 million in School Impact Fees (Fees). Our review concluded that the Fees assessed and collected from these 2,582 permits were accurate.

*Management's Response: Management concurs. (See page 8.)*

#### **2. Administrative Fee Rate Needs to be Reviewed**

*Palm Beach County's Unified Land Development Code, Article 13*, states, "The local government collecting the impact fee shall be entitled to retain 3.4 percent of the funds collected as an administrative fee not to exceed the costs associated with the collection of the impact fees."

Administrative Fees Accurately Assessed at the Current Rate. The ePZB System is programmed to automatically calculate and deduct 3.4% from each Impact Fee collected to ensure accuracy and consistency in assessing the administrative fees. Our review of 18 sample School Impact Fee collections concluded that the administrative fees were accurately assessed.

Administrative Fee Rate May Need to be Adjusted. On April 16, 2019, the Palm Beach County Board of County Commissioners (BCC) approved the increase of School Impact Fee rates, depending on building size, by 172% to 266%, at an average of 230%, effective August 1, 2020.

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<sup>1</sup> During the Audit Period, 18 of the 39 municipalities in Palm Beach County had Interlocal Agreements with the County authorizing the County's Planning, Zoning and Building Department to calculate and collect Impact Fees on their behalf.

The increase in School Impact Fee Rates by an average of 230% would result in a corresponding increase in administrative fees charged to the District. As indicated by the County's Impact Fee Manager, a total of \$26 million (net of administrative fee) in School Impact Fees was collected during March 2020 through March 2021. Based on the current rate of 3.4%, the District would be assessed an estimated \$0.9 million in administrative fees for the \$26 million in School Impact Fees collected during this 12-month period.

The updated Impact Fee Rates Schedule should have no or minimal impact on the processes and costs to the County and municipalities in collecting the Impact Fees. To ensure the current 3.4% administrative fee assessed by the County and municipalities does not exceed their costs for collecting School Impact Fee, the District should collaborate with the County and municipalities to review and adjust the administrative fee if needed.

***Management's Response:** Management concurs. Recently approved legislation limits the administrative charges to actual costs. (See page 8.)*

### **3. District Procedures for Monitoring and Requesting Remittances from the County Need To Be Codified**

Annually, the District's Treasury Department submits to the County a request for remittance of the available School Impact Fee fund balance maintained at the County and a list of completed capital projects to which the requested funds will be applied.

During Fiscal Years 2017 through 2019, the District submitted School Impact Fee remittance requests to the County during June of each year. In March 2020, the District inquired of the County and was informed that the available fund balance was \$10.2 million as of March 2, 2020. However, no new remittance requests were submitted to the County after June 2019; the County's Impact Fee Manager indicated that the available fund balance as of March 22, 2021, was \$36.2 million.

We noted that the District's Treasurer is the only employee responsible for (1) maintaining the inventory of new school construction eligible for funding by Impact Fees, (2) requesting remittance of Impact Fee revenues from the County, and (3) deciding to which construction projects funds will be allocated. There was no support staff to assist the Treasurer in monitoring and requesting remittance of School Impact Fee revenues from the County.

To assist the District's in ensuring consistency, accuracy, and continuity for monitoring and submitting School Impact Fee Remittance Requests, the District should (a) codify the procedures for monitoring and requesting remittance of School Impact Fee from the County, (b) assign and train additional staff members to assist the Treasurer in monitoring and submitting School Impact Fee Remittance Requests to the County, and (c) submit School Impact Fee Remittance Request to the County regularly, at least once a year.

***Management's Response:** Management concurs. The District is working with County Staff to modify the procedures that were imposed by the County Clerk many years ago. The goal is to automate the transfer of funds to the School District as currently required by the County ordinance. Additional staff within the Treasury Department will receive training to monitor the process and ensure funds are transmitted to the School District at least once each year. (See page 8.)*



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## MEMORANDUM

TO: Honorable Chair and Members of the School Board  
Michael J. Burke, Superintendent of Schools  
Chair and Members of the Audit Committee

FROM: Teresa Michael, Inspector General

DATE: August 20, 2021

SUBJECT: Audit of School Impact Fee Collections

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### PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2019-20 Work Plan*, we have audited the School Impact Fee Collections for the period of July 2018 through February 2020. The primary objectives of this audit were to (1) determine whether school impact fees were accurately assessed and collected by Palm Beach County Government, and (2) assess the adequacy of the School District's process in monitoring and requesting remittance of School Impact Fee revenues from the County.

### SCOPE AND METHODOLOGY

This audit was performed in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit covered the School Impact Fees collected by the County Government<sup>2</sup> during July 1, 2018, through February 29, 2020. The audit included interviewing District Staff and the County's Impact Fee Manager, and reviewing:

- *Section 163.31801, Florida Statutes - Florida Impact Fee Act*
- *Palm Beach County's Unified Land Development Code, Article 13*

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<sup>2</sup> During Fiscal Years 2016 through 2019, Palm Beach County collected a total of \$28 million in School Impact Fees comprised of \$16 million (57%) collected by the County Government and \$12 million (43%) by 21 other municipalities. Fees collected by the County Government included permits issued by the County for unincorporated areas and 18 municipalities that have Interlocal Agreements authorizing the County to calculate and collect the fees on their behalf. The Palm Beach County's Internal Audit Department completed three audits of Impact Fee collections at selected municipalities between Fiscal Years 2011 and 2016; no significant control deficiencies were noted by the audits.

- District financial records:
  - Listing of Capital Projects funded by School Impact Fees
  - Requests for funds submitted to the County government
  - Receipts of funds and accounting records
  
- Building permit records maintained by the County’s Planning, Zoning and Building Department:
  - Permit applications submitted during the testing period
  - Building drawings submitted as part of the permit application packet
  - Collection of fees
  - Permits issued during the audit period

Draft audit findings were sent to the Chief Financial Office and Chief Operating Office for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by District and County staff during the audit. The final draft report was presented to the Audit Committee at its August 20, 2021, Meeting.

## **BACKGROUND**

School Impact Fees. All Florida Counties’ Boards of County Commissioners assess Impact Fees to help pay for roads, parks, schools, and other infrastructure needs each time a building permit is issued<sup>3</sup>. School Impact Fees have been assessed in Palm Beach County (County) since 1988 and are based on the square footage of the proposed residential unit<sup>4</sup>. School Impact Fees collected by Palm Beach County are periodically remitted to the School District (District) upon the District’s request. School Impact Fee Revenue may only be used for new school construction or addition of student stations to existing facilities.

Collection of Impact Fees. Building permits are issued by the County and municipalities for building projects within their jurisdictions. Impact Fees are collected by each permitting authority, unless an Interlocal Agreement (ILA) exists authorizing the County to calculate and collect the Impact Fees on behalf of the participating municipality<sup>5</sup>. For those municipalities that have an ILA with the County, the County’s Planning, Zoning and Building Department (PZB) reviews the plans and specifications of the permit application for calculating and collecting the Impact Fees.

Accounting and Custody of Impact Fees. The Finance Department of the Palm Beach County Clerk of the Circuit Court & Comptroller’s Office<sup>6</sup> (Clerk) is responsible for the proper accounting and custody of impact fee collections. Each permitting authority is responsible for remitting collections and transmitting all required financial information and records to the Clerk in a timely manner.

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<sup>3</sup> *Section 163.31801, Florida Statutes – Florida Impact Fee Act*

<sup>4</sup> *Palm Beach County’s Unified Land Development Code, Article 13* states, “School Impact Fees are imposed upon all development creating an impact on schools”.

<sup>5</sup> During the Audit Period, 18 of the 39 municipalities in Palm Beach County had Interlocal Agreements with the County authorizing the County’s PZB to calculate and collect Impact Fees on their behalf.

<sup>6</sup> The Palm Beach County Clerk of the Circuit Court & Comptroller’s Office is a Constitutional Office independent from the County’s Board of County Commissioners and the County Government.



Updated School Impact Fee Schedule. On April 16, 2019, the Palm Beach County Board of County Commissioners (BCC) approved the increase of School Impact Fee rates based on the 2018 independent study performed by Tindale Oliver & Associates. The new School Impact Fee Schedule increased the fees from a range of \$793 - \$1,866 to a range of \$2,362 - \$6,608 per residential unit, to be phased in over a two-year period. The first increase was effective for all permits filed between August 1, 2019, and July 31, 2020. The second and final increment took effect for permits filed on or after August 1, 2020.

**Table 1  
School Impact Fee Schedules**

Building Size	School Impact Fees		
	Prior to 8/1/2019	8/1/2019 – 7/31/2020	On/After 8/1/2020
800 sq. ft. and under	\$793	\$1,578	\$2,362
801 to 1,399 sq. ft.	\$1,593	\$2,962	\$4,330
1,400 to 1,999 sq. ft.	\$1,710	\$3,931	\$6,153
2,000 to 3,599 sq. ft.	\$1,866	\$4,237	\$6,608
3,600 sq. ft. and over	\$1,776	\$4,141	\$6,506

Source: Palm Beach County Planning, Zoning and Building Department website (accessed on October 7, 2020)  
<https://discover.pbcgov.org/pzb/administration/Pages/Impact-Fees.aspx>

The revised fee schedule was expected to increase the School Impact Fee Revenue from an average of \$6.8 million per year during 2016 through 2019, to an estimated \$17 million for 2020, or an increase of \$10.2 million (150%).

**Table 2  
School Impact Fee Receipts  
During Fiscal Years 2016 Through 2019**

Fiscal Year <sup>(1)</sup>	School Impact Fees <sup>(a)</sup>			Remittances Received By The District <sup>(b)</sup>		
	Collected by the County's PZB <sup>(2)</sup>	Collected by 21 Municipalities	Total	Date Requested	Date Received	Amount Received <sup>(3)</sup>
2016	\$3,368,095	\$4,409,729	\$7,777,824	04/07/16	07/27/16	\$7,725,360
2017	4,043,392	2,593,947	6,637,339	06/04/17	07/03/17	6,947,747
2018	3,707,122	2,414,132	6,121,254	06/06/18	08/13/18	6,030,958
2019	4,670,941	2,903,948	7,574,889	06/25/19	09/23/19	6,447,347
<b>Total</b>	<b>\$15,789,550</b>	<b>\$12,321,756</b>	<b>\$28,111,306</b>			<b>\$27,151,412</b>

Sources: (a) PBC Board of County Commissioners Impact Fee Reports website (accessed on October 7, 2020)  
<https://discover.pbcgov.org/pzb/administration/ImpactFees/Financial%20Reports.aspx>

(b) School District's PeopleSoft System

Notes: (1) The County's Fiscal Year runs from October 1 through September 30.  
The School District's Fiscal Year runs from July 1 through June 30.

(2) Included permits issued by the County Government and the 18 municipalities that have ILAs with the County authorizing the County's PBZ to calculate and collect the fees on their behalf.

(3) As of March 10, 2021, no remittance requests were submitted to the County since last submission in June 2019.

## CONCLUSIONS

This audit produced the following major conclusions:

### 1. School Impact Fees Were Accurately Assessed and Collected by County's Planning, Zoning and Building Department

The County's Planning, Zoning and Building Department (PZB) calculates and collects impact fees for residential building projects located in unincorporated areas and for those within the 18 municipalities that have agreements with the County authorizing the County's PZB to calculate and collect Impact Fees on their behalf. The County maintains the information of building permits issued by the County and the 18 municipalities in their ePZB Database. Pertinent information includes the property/owner information, scope of work, final project valuation, fee calculations, and supporting documents for building permit applications within its jurisdiction.

The OIG obtained, from the County's PZB, the information for 2,582 sample new residential building permits issued by the County and 18 municipalities during July 2018 through February 2020. These 2,582 permits collected a total of \$6.9 million in School Impact Fees (Fees). See Table 3 below for a summary.

**Table 3**  
**School Impact Fees Collected by County's PZB**  
**During July 2018 Through February 2020**

	# of Permits	Total Fees Collected
July 1, 2018 – June 30, 2019	1,535	\$3,373,274
July 1, 2019 – February 29, 2020	1,047	3,506,622
<b>Totals</b>	<b>2,582</b>	<b>\$6,879,896</b>

*Source: County's ePZB Database.*

Analytical Review. Based on the square footage and applicable fee schedules, we calculated the estimated School Impact Fees for each of the 2,582 permits issued by the County and the 18 municipalities during July 2018 through February 2020. Table 4 summarizes the results of the analysis and comparing the estimated fees with the actual collections by the County.

**Table 4**  
**Results of Analytical Review**

Discrepancy Per Permit (Estimated vs. Actual)	Permits		School Impact Fees		Net Difference Between Estimated and Actual (A) – (B)
	#	%	Total Estimated Fees (A)	Total Collected by the County (B)	
Less than \$5 each	2,318	90%	\$4,850,623	\$4,850,077	\$546
Greater than \$5 each or with other exceptions	264	10%	2,258,840	2,029,819	\$229,021
<b>Total</b>	<b>2,582</b>	<b>100%</b>	<b>\$7,109,463</b>	<b>\$6,879,896</b>	<b>(\$229,567)</b>

Fees Collected for 90% of the Permits Appeared Accurate. The preliminary analysis revealed that the School Impact Fees collected by the County appeared accurate for 2,318 of the 2,582 permits issued during July 2018 through February 2020. The difference between the estimated fees and the fees collected by the County for these 2,318 permits was less than \$5 each, with a total discrepancy of \$546 or 0.01% of the \$4.9 million collected from these permits.

No Exceptions Noted for the Other 10% Permits. The remaining 264 (10%) permits had differences between the estimated fees and the County's collections greater than \$5 each or other exceptions<sup>7</sup>, with a total discrepancy of \$229,021 or 11% of the 2 million collected from these permits. We judgmentally selected 60 samples, based on the significance of the discrepancies and the nature of the permits, for detailed examination. Based on the supporting documentation for the permits maintained by the County, we concluded that the Impact Fees for the 60 samples were properly assessed, collected, and recorded into the County's ePZB System.

*Management's Response: Management concurs. (See page 8.)*

## **2. Administrative Fee Rate Needs to be Reviewed**

Administrative Fees Accurately Assessed at the Current Rate. Pursuant to *Palm Beach County's Unified Land Development Code, Article 13:*

*“The local government collecting the impact fee shall be entitled to retain 3.4 percent of the funds collected as an administrative fee not to exceed the costs associated with the collection of the impact fees.”*

According to the County's Impact Fee Manager, the ePZB System is programmed to automatically calculate and deduct 3.4% from each Impact Fee collected to ensure accuracy and consistency in assessing the administrative fees.

Our review of 18 sample School Impact Fee collections concluded that the administrative fees were accurately assessed at 3.4% allowed by the *Palm Beach County's Unified Land Development Code*.

Administrative Fee Rate May Need to be Adjusted. On April 16, 2019, the County's BCC approved the increase of School Impact Fee rates, depending on building size, by 172% to 266%, at an average of 230%, effective August 1, 2020. (See Table 5.)

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<sup>7</sup> Some of the records we initially received from the County's PZB did not contain certain required information for calculating the School Impact Fees. Missing information included credits due to the applicants and the dates of the permit applications, etc.

**Table 5  
Increase in School Impact Fees**

Building Size	School Impact Fees		
	Prior to 8/1/2019 (A)	On/After 8/1/2020 (B)	% Increase From (A) to (B)
800 sq. ft. and under	\$793	\$2,362	198%
801 to 1,399 sq. ft.	\$1,593	\$4,330	172%
1,400 to 1,999 sq. ft.	\$1,710	\$6,153	260%
2,000 to 3,599 sq. ft.	\$1,866	\$6,608	254%
3,600 sq. ft. and over	\$1,776	\$6,506	266%

Source: Palm Beach County Planning, Zoning and Building Department website (accessed on October 7, 2020)  
<https://discover.pbcgov.org/pzb/administration/Pages/Impact-Fees.aspx>

The increase in School Impact Fee Rates by an average of 230% would result in a corresponding increase in administrative fees charged to the District. As indicated by the County’s Impact Fee Manager, a total of \$26 million (net of administrative fee) in School Impact Fees was collected during March 2020 through March 2021. Based on the current rate of 3.4%, the District would be assessed an estimated \$0.9 million in administrative fees for the \$26 million in School Impact Fees collected during this 12-month period.

**Recommendation**

The updated Impact Fee Rates Schedule should have no or minimal impact on the processes and costs to the County and municipalities in collecting the Impact Fees. To ensure the current 3.4% administrative fee assessed by the County and municipalities does not exceed their costs for collecting School Impact Fee, the District should work with the County and municipalities to review and adjust the administrative fee rate as needed.

*Management’s Response: Management concurs. Recently approved legislation limits the administrative charges to actual costs. (See page 8.)*

**3. District Procedures for Monitoring and Requesting Remittances from the County Need to be Codified**

Impact Fee Revenues for New School Construction. School Impact Fees provide part of the funding for new school construction. The District’s Treasury Department (Treasury) maintains a list of construction projects eligible for School Impact Fees. Upon completion of a growth-based capital project, the District forwards the final construction contract to the County’s Legal Department and adds the new school to the list of schools eligible for funding by School Impact Fees. During 2015 through 2019, the Impact Fee revenues were allocated to four schools completed during 2001 through 2008.

Request of Remittance for School Impact Fees. Annually, Treasury submits to the County a request for remittance of available School Impact Fee fund balance maintained at the County. The request includes a list of completed capital projects to which requested funds will be applied.

No Remittance Requests Made Since June 2019. During Fiscal Years 2017 through 2019, the District submitted School Impact Fee remittance requests to the County during June of each year. In March 2020, the District inquired of the County and was informed that the available fund balance was \$10.2 million as of March 2, 2020. However, no new remittance requests were submitted to the County since the last request of June 2019. The County's Impact Fee Manager indicated that the available fund balance was \$36.2 million as of March 22, 2021.

Training of Staff For Maintaining School Impact Fees Needed. We noted that the District's Treasurer is the only employee responsible for (1) maintaining the inventory of new school construction eligible for funding by Impact Fees, (2) requesting remittance of Impact Fee revenues from the County, and (3) deciding which construction projects to which funds will be allocated. There was no support staff to assist the Treasurer in monitoring and requesting remittance of School Impact Fee revenues from the County.

### **Recommendation**

To assist the District's in ensuring consistency, accuracy, and continuity for monitoring and submitting School Impact Fee Remittance Requests, the District should:

- a. Codify the procedures for monitoring and requesting remittance of School Impact Fee from the County.
- b. Assign and train additional staff members to assist the Treasurer in monitoring and submitting School Impact Fee Remittance Requests to the County.
- c. Submit School Impact Fee Remittance Request to the County regularly, at least once a year.

***Management's Response:*** Management concurs. The District is working with County Staff to modify the procedures that were imposed by the County Clerk many years ago. The goal is to automate the transfer of funds to the School District as currently required by the County ordinance. Additional staff within the Treasury Department will receive training to monitor the process and ensure funds are transmitted to the School District at least once each year. (See page 8.)

– End of Report –

Management's Response



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MICHAEL J. BURKE  
CHIEF FINANCIAL OFFICER

DONALD E. FENNOY II, Ed. D.  
SUPERINTENDENT

MEMORANDUM

TO: Teresa Michael, Inspector General  
FROM: Michael J. Burke, Chief Financial Officer *MJB*  
DATE: June 8, 2021  
SUBJECT: Response to Audit of School Impact Fee Collections

RECEIVED  
JUN - 8 2021  
INSPECTOR GENERAL

Management has reviewed the Audit Report related to School Impact Fee Collections and has provided the following responses to recommendations.

- 1) *School Impact Fees Were Accurately Assessed and Collected by County's Planning, Zoning and Building Department*  
**Management Concur**
- 2) *Administrative Fee Rate Needs to be Reviewed*  
**Management Concur** – Recently approved legislation limits the administrative charges to actual costs
- 3) *District Procedures for Monitoring and Requesting Remittances from the County Need To Be Codified*  
**Management Concur** – The District is working with County Staff to modify the procedures that were imposed by the County Clerk many years ago. The goal is to automate the transfer of funds to the School District as currently required by the County ordinance. Additional staff within the Treasury Department will receive training to monitor the process and ensure funds are transmitted to the School District at least once each year

MJB/LE:mw

c: Leanne Evans, Treasurer  
Randy Law, Director of Audit

The School District of Palm Beach County, Florida  
A Top High-Performing A-Rated School District  
An Equal Opportunity Education Provider and Employer

*MJB*