

**PORT RICHEY
COMMUNITY REDEVELOPMENT AGENCY**

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Board Members

During the period October 2021 through May 2023, the following individuals served as Port Richey Community Redevelopment Agency Board members:

Scott Tremblay, Chairman through April 16, 2023

John Eric Hoover, Chairman from April 17, 2023

Bill Colombo from April 18, 2022

William Dittmer through November 9, 2021

Thomas Kinsella from January 11, 2022

Todd Maklary from October 21, 2021

Linda Rodriguez from December 14, 2021

Jenny Sorrell through April 18, 2022

The team leader was Sarah R. Polo, CPA, and the audit was supervised by Gina Bailey, CPA, CFE, CISA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at dereknoonan@aud.state.fl.us or by telephone at (850) 412-2864.

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PORT RICHEY COMMUNITY REDEVELOPMENT AGENCY

SUMMARY

In our operational audit report No. 2022-074 of the Port Richey Community Redevelopment Agency (PRCRA), we noted 15 findings related to various functions and activities. This operational audit focused on the progress that the City of Port Richey and PRCRA had made, or was in the process of making, in addressing the findings and recommendations in report No. 2022-074.

Our audit disclosed the PRCRA had:

- Corrected 9 findings (Findings 1, 2, 3, 4, 8, 9, 10, 12, and 14).
- Partially corrected 6 findings (Findings 5, 6, 7, 11, 13, and 15).

BACKGROUND

State law¹ authorizes the creation of community redevelopment agencies (CRAs) by counties and municipalities for the purpose of redeveloping slums and blighted areas that are injurious to the public health, safety, morals, and welfare of residents and for which there is a shortage of housing affordable to residents of low or moderate income, including the elderly. CRA funding is accomplished through tax increment financing provided by applicable taxing authorities and expenditures from such funding must be in accordance with an approved plan. In addition, CRA revenues and expenditures must be accounted for in a separate redevelopment trust fund.

On January 8, 2002, the City of Port Richey (City) created the Port Richey CRA (PRCRA) as a dependent special district pursuant to a City Resolution² under the authority granted by State law. The City Council members serve as the PRCRA governing board, and the City manages PRCRA operations.

FINDINGS AND RECOMMENDATIONS

Finding 1: Community Redevelopment Agency Boundaries

Previously Reported

The Port Richey Community Redevelopment Agency (PRCRA) boundaries constrained the City of Port Richey's (City) ability to provide general government services without either reducing contributions to the PRCRA or paying for general government operating expenses with PRCRA funds.

We recommended that the City and PRCRA continue efforts to evaluate whether PRCRA boundaries promote adequate funding of general government services by the City without relying on PRCRA funds. If it is determined that current PRCRA boundaries do not promote adequate funding of general

¹ Chapter 163, Part III, Florida Statutes, also known as the Community Redevelopment Act of 1969.

² City of Port Richey Resolution No. 02-02.

government services by the City, we recommended that the PRCRA Board consider recommending an amendment to the PRCRA Plan to reduce PRCRA boundaries accordingly.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA Board approved three resolutions between September 2021 and August 2022 to remove three neighborhoods from the PRCRA boundaries.³ The City confirmed these neighborhoods were chosen based on their waterfront locations and high property values. Our examination of the City's records confirmed that the current taxable value of the PRCRA area decreased as a result of the change in PRCRA boundaries, resulting in a decrease in the tax increment financing (TIF) payments paid by the City and County.

Finding 2: Community Redevelopment Agency TIF Calculation

Previously Reported

The PRCA did not detect incorrect amounts paid by the taxing authorities required to pay TIF payments to the PRCA.

We recommended that the PRCRA establish policies and procedures to assist City personnel in verifying that County and City TIF payments are in accordance with law and correctly calculated. Such policies and procedures should ensure that:

- The assessed value of taxable personal property is excluded from TIF calculations.
- Preliminary TIF calculations are subsequently revised to reflect Value Adjustment Board (VAB)⁴ actions.

In addition, we recommended that the PRCRA, in consultation with County and City legal counsel:

- Establish the assessment roll for the 2001 property tax year as the appropriate assessment roll for the calculation of TIF.
- Mediate the resolution of outstanding TIF moneys due to the PRCRA as a result of TIF calculation errors occurring since the creation of the PRCRA.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The County and the City used the 2001 property tax year as the base year for calculating its TIF payments for tax year 2022. In addition, the PRCRA, County, and City drafted an interlocal agreement⁵ that clarified that the 2001 property tax year is the base year for TIF calculation purposes. The agreement waives any claim to all TIF underpayments by the County and the

³ PRCRA Resolution Nos. 21-05, 22-04, and 22-06 removed the neighborhoods of Harbor Pointe, Harbor Isles, and Sand Pebble, respectively, from the PRCRA boundaries.

⁴ The purpose of the VAB is to hear appeals from taxpayers or their representatives regarding property value assessments, denied exemptions or classifications, ad valorem tax deferrals, portability decisions, and change of ownership or control. Generally, actions of the VAB result in a net reduction in the assessed value of real property with a corresponding reduction in assessed ad valorem taxes.

⁵ Interlocal Agreement Among Pasco County and the City of Port Richey, Florida, Pertaining to the Port Richey Community Redevelopment Agency, effective October 1, 2022. The City and PRCRA signed the agreement in May 2023. The Pasco Board of County Commissioners signed the agreement on August 22, 2023.

City prior to the effective date. We also examined City and County records and determined that their 2022 TIF payments were correctly calculated using the 2001 property tax year as the base.

In addition, the City Finance Director indicated that she received updated assessment values, but as of June 2023, was waiting for the County Property Appraiser to provide the final VAB-adjusted assessments for the 2022 property tax year.⁶ She also indicated that PRCRA will refund the City and the County the appropriate amounts once the VAB adjustments are final.

Finding 3: TIF Reductions Through Interlocal Agreements

Previously Reported

Contrary to State law,⁷ the City and PRCRA signed interlocal agreements that reduced the amount of TIF paid by the City to the PRCRA from 95 percent to 3.27 percent for the 2008-09 and 2020-21 fiscal years, resulting in the City's TIF payments being reduced by \$526,536 and \$718,930 for the 2008-09 and 2020-21 fiscal years, respectively.

We recommended that the PRCRA consult with the City and County legal counsel as to whether the 2008-09 and 2020-21 fiscal year TIF should be recalculated and, if appropriate, additional amounts should be collected from the City.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA, County, and City prepared an interlocal agreement which states that no additional amounts will be required to be paid and the PRCRA waives any claim to underpayments disclosed in our report No. 2022-074. The City signed the interlocal agreement in May 2023, and the County signed on August 22, 2023.

Finding 4: Late TIF Payments, Interest, and Penalties

Previously Reported

Although the taxing authorities did not always timely contribute TIF to the PRCRA for the 2016 through 2019 property tax years, the PRCRA did not assess late fees or interest provided for in State law and PRCRA records did not demonstrate that the assessments were waived by the Board.

We recommended that the PRCRA:

- Establish effective procedures for monitoring the timeliness of TIF payments.
- Either assess interest and late fees to the County and the City for untimely TIF payments for the 2016 to 2019 property tax years or take official action at a public meeting to waive those penalties.
- For untimely TIF payments in the future, either assess interest and late fees or take official action at a public meeting to waive these penalties.

⁶ According to an e-mail to the City from the County Property Appraiser, the delay in final VAB actions resulted from the PRCRA changing its boundaries after the County Property Appraiser had completed the initial 2022 calendar year property value assessment. Consequently, the County Property Appraiser must determine which VAB actions are attributable to neighborhoods removed from the CRA boundaries subsequent to the initial 2022 property value assessment.

⁷ Section 163.387(3)(b), Florida Statutes.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA implemented policies and procedures⁸ to monitor the timeliness of TIF payments and requires that a written request for a waiver of interest and late fees must be received and approved by the PRCRA Board for any future late payments. We reviewed the TIF payments received from the County and City in 2022 and noted that the payments were made timely. In addition, the PRCRA, County, and City drafted an interlocal agreement which states that neither the County nor the City are required to pay late payments and the PRCRA waives any claim to underpayments disclosed in our report No. 2022-074. The City voted to approve the final version of this interlocal agreement on June 27, 2023, and the County voted to approve the agreement on August 22, 2023.

Finding 5: CRA Plan

Previously Reported

Contrary to State law,⁹ the PRCRA Plan did not identify publicly funded capital projects, contain a detailed statement of projected costs of redevelopment, or provide a time certain for completing all redevelopment.

We recommended that the PRCRA establish policies and procedures to periodically recommend to the City Council that the PRCRA Plan be amended to identify specific capital projects to be undertaken and provide up-to-date, accurate estimates of projected costs. Additionally, we recommended that the PRCRA Plan be amended to include a time certain for completion of all tax increment-financed projects.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. The PRCRA adopted policies and procedures¹⁰ requiring the Board to review the PRCRA plan annually to identify projects and to provide accurate estimates of projected costs and a time certain for completion for all TIF-funded projects. However, our examination of PRCRA records disclosed that the PRCRA Board had not approved any plan amendments since 2009.

In response to our inquiries in July 2023, City personnel indicated that they were unaware that the CRA plan had to be a separate document from the CRA annual report prepared pursuant to State law.¹¹ Consequently, although the PRCRA prepared annual reports for fiscal years 2021-22 and 2022-23, it did not update the plan.

Accurate CRA plan redevelopment activity information, including, specifically identified capital projects to be undertaken within the redevelopment area, up-to-date cost estimates of such projects, and a time certain for completion of all redevelopment activities, provides valuable information to the taxing authorities contributing to the CRA and to the general public.

⁸ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

⁹ Section 163.362, Florida Statutes.

¹⁰ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

¹¹ Sections 163.362 and 163.371, Florida Statutes.

Recommendation: We recommend that the PRCRA follow its policies and procedures and periodically amend the PRCRA Plan to ensure that it complies with State law.

Finding 6: Allocation of Salary and Benefits Costs

Previously Reported

PRCRA records did not document that a systematic and rational methodology was used to allocate City salary and benefits costs to the PRCRA.

We recommended that the PRCRA, in consultation with the City, develop a reasonable and systematic cost allocation methodology to support the salary and benefits costs charged to the PRCRA and periodically adjust the charges allocated to reflect the actual costs of City services provided to the PRCRA.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. The PRCRA implemented policies and procedures¹² requiring individual interviews with personnel performing services for the PRCRA to determine a percentage of time allocated to PRCRA activities. City personnel performing services for the PRCRA include the City Attorney, City Manager, Finance Director, Grant Manager, Code Enforcement Officer, Operations Manager, administrative assistant, and Building Department head. Each individual interviewed is to disclose in a memorandum the amount of time allocated to work on the PRCRA, and the percentage allocations are to be incorporated into the budget process as the basis for the subsequent fiscal year allocations. In addition, the policies and procedures state that police, fire, dispatch, and City Council salaries are no longer charged to the PRCRA.

Our examination of City payroll records for the period October 2022 through May 2023, disclosed that the City charged employee salary and benefits of \$102,255 to the PRCRA, and that the allocation percentages were based on department head estimates of the percentage of time their employees spent on PRCRA activities. Contrary to the policies and procedures, individual staff interviews were not conducted, and the applicable individuals did not draft the required memoranda. Per our discussions with City personnel, the City is in the process of completing individual interviews and time and effort memoranda for salaries and benefits allocations for the 2023-24 fiscal year.

A systematic and rational basis for allocating salary and benefits costs to the PRCRA, is necessary to demonstrate that the City employee salary and benefits costs paid by the PRCRA are commensurate with the actual time and effort spent on PRCRA activities.

Recommendation: We recommend that the PRCRA follow its policies and procedures for the allocation of City salaries and benefits costs charged to the PRCRA.

¹² *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

Finding 7: Unauthorized Redevelopment Trust Fund Expenditures

Previously Reported

During the period October 2016 through January 2020, the PRCRA paid salary and benefits costs for the City Council and certain City employees, contrary to State law.¹³

We recommended that the PRCRA establish policies and procedures to ensure that moneys in the PRCRA redevelopment trust fund are only expended as authorized by State law.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. The PRCRA implemented policies and procedures¹⁴ stating that salary and benefits costs for City Council members, the Fire Department, the Police Department and the Dispatch Department will not be allocated to the PRCRA. Our examination of City and PRCRA records for fiscal year 2022-23 confirmed that none of the salaries and benefits for these individuals and departments were charged to the PRCRA.

During the period October 2021 through May 2023, the PRCRA expended \$120,480 for non-payroll and non-overhead allocation expenditures. Our examination of records supporting the ten highest non-payroll expenditures totaling \$94,391 disclosed that, although the expenditures were incurred for purposes enumerated State law,¹⁵ as discussed in Finding 5, the PRCRA had not amended the PRCRA Plan since 2009, and none of the expenditures were listed in a PRCRA Plan. Consequently, these expenditures were contrary to State law,¹⁶ which provides that moneys in a redevelopment trust fund may only be expended pursuant to a CRA plan.

In addition, the City charged \$80,957 of non-salary and benefit overhead costs¹⁷ to the PRCRA based upon a contracted consultant's cost allocation plan to allocate non-payroll overhead costs. To determine whether the City properly allocated overhead costs to the PRCRA during the period October 2022 through May 2023, we examined City records supporting of the overhead allocations and noted that the percentage allocations agreed with the cost allocation plan, except for the Human Resources (HR) and Public Works (PW) Departments, which were not included in the cost allocation plan. Contrary to the cost allocation plan, the City charged the PRCRA 15 percent (\$315) of HR Department overhead costs, and 10 percent (\$14,863) of PW Department overhead costs.

In response to our inquiries, City personnel indicated that they charged HR and PW Department costs to the PRCRA based upon discussions with the HR and PW Department heads and that the City will request the consultant to include the HR and PW Departments in the next update of the cost allocation plan.

¹³ Section 163.356(3)(a), Florida Statutes.

¹⁴ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

¹⁵ Section 163.387(6)(c), Florida Statutes.

¹⁶ Section 163.387(6), Florida Statutes, provides that, effective October 1, 2019, moneys in the redevelopment trust fund may be expended for undertakings of a community redevelopment agency as described in the community redevelopment plan.

¹⁷ The overhead costs included administration, general government expenditures, finance, information technology, public works, and human resources.

Notwithstanding, absent a reasonable and systemic allocation methodology for allocating City HR and PW Department overhead to the PRCRA, City records do not demonstrate that these costs were allowable pursuant to State law.

Recommendation: We recommend that the PRCRA follow its CRA plan and its policies and procedures to ensure that PRCRA development trust fund expenditures are authorized by State law and that overhead costs are charged to the PRCRA in accordance with the cost allocation plan.

Finding 8: Budget Preparation and Reporting

Previously Reported

Contrary to State law,¹⁸ the PRCRA-adopted budgets for the 2016-17 through 2019-20 fiscal years either significantly understated or did not account for balances brought forward from prior fiscal years. In addition, PRCRA budget transparency needed improvement.

We recommended that the PRCRA Board improve the budgetary process by establishing policies and procedures that ensure:

- PRCRA Board-adopted budgets include all balances brought forward from prior fiscal years as required by State law. City personnel should estimate the PRCRA beginning fund balances and subsequently amend those balances if actual amounts significantly differ when the PRCRA closes its accounting records.
- Budgeted beginning fund balances are properly disclosed in the PRCRA financial statements.
- PRCRA Board-adopted budgets be posted on the PRCRA Web page within 30 days of adoption and maintained on the Web page for at least 2 years.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA established policies and procedures¹⁹ that provide that the City Finance Director is responsible for estimating the beginning fund balance and subsequently proposing a budget amendment if the actual fund balance amount significantly differs when the PRCRA closes its accounting records at fiscal year-end. The policies and procedures also require the PRCRA to present budgeted beginning fund balances in the annual PRCRA audited financial statements and to post the final adopted budget on the PRCRA Web page within 30 days after adoption and to remain on the Web site for 2 years.

Our examination of PRCRA records indicated that the PRCRA:

- When developing the 2022-23 fiscal year budget, brought forward the 2021-22 fiscal year estimated ending balance of \$2.1 million, which materially agreed to the audited ending fund balance for the 2021-22 fiscal year.
- Properly disclosed beginning fund balances in the 2021-22 PRCRA financial statements, the most recent audited financial statements available as of July 2023.
- Posted the 2021-22 and 2022-23 fiscal year budgets and amendments on its Web page.

¹⁸ Section 189.016(3), Florida Statutes.

¹⁹ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

Finding 9: Budget Monitoring

Previously Reported

The PRCRA did not have a policy establishing the legal level of budgetary control, PRCRA expenditures exceeded budgeted amounts for the 2016-17 through 2018-19 fiscal years, and budgeted amounts reported on the financial statements were not presented at a level that enabled financial statement users to readily determine whether resources were expended within budgeted amounts consistent with PRCRA Board intent.

We recommended that the PRCRA Board establish budget policies and procedures that:

- Establish the desired legal level of budgetary control.
- Report budgeted expenditures in the budgetary comparison schedules presented in the financial statements at the established legal level of budgetary control to enable financial statement users to readily determine whether resources were expended within budgeted amounts consistent with PRCRA Board intent.
- Limit actual expenditures to budgeted amounts as required by State law.²⁰

Results of Follow-Up Procedures

The PRCRA corrected this finding. Our review of PRCRA policies and procedures²¹ confirmed they established the legal level of budgetary control at the fund level. We also confirmed that the total expenditures in the budgetary comparison schedules presented in the financial statements agreed with the budgeted amounts in the Board-approved budget at the legal level of budgetary control. Our review of PRCRA records determined that actual PRCRA expenditures for the 2021-22 fiscal year, the most recently audited fiscal year, did not exceed the budgeted amounts.

Finding 10: Fiscal Year-End Balances in Redevelopment Trust Fund

Previously Reported

PRCRA records did not demonstrate that moneys remaining in the PRCRA redevelopment trust fund on the last day of the 2016-17, 2017-18, and 2018-19 fiscal years were appropriated to a specific redevelopment project or disposed of in accordance with State law.²²

We recommended that the PRCRA maintain records evidencing that moneys remaining in the PRCRA redevelopment trust fund at the end of the fiscal year were either obligated for specific purposes authorized by State law or returned to the taxing authorities that contributed TIF moneys.

²⁰ Section 166.241(2), Florida Statutes.

²¹ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

²² Section 163.387(7), Florida Statutes.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA adopted policies and procedures²³ that require the PRCRA to maintain records that allow the City Finance Director to determine whether any money remaining in the redevelopment trust fund at the end of each fiscal year is obligated for a specific purpose.

Moneys remaining in the PRCRA Trust Fund on the last day of the 2020-21 and 2021-22 fiscal years totaled \$1.5 million and \$2.1 million, respectively. Our examination of City records and discussion with City personnel disclosed that, as authorized by State law,²⁴ the PRCRA appropriated the ending fund balances for the 2020-21 and 2021-22 fiscal years to specific redevelopment projects.

Finding 11: PRCRA Operations Policies and Procedures

Previously Reported

The PRCRA lacked comprehensive policies and procedures for the various aspects of PRCRA operations.

We recommended that the PRCRA Board establish policies and procedures governing all aspects of PRCRA operations. Such policies and procedures should be developed, as appropriate, based on State law specifically applicable to CRAs and generally applicable to special districts.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. Our examination of PRCRA records disclosed that the PRCRA adopted policies and procedures²⁵ that generally addressed the operational areas disclosed in our report No. 2022-074. However, as discussed in Findings 5, 13, and 15, the policies and procedures for amending the CRA plan, notifying local officers to file financial disclosure forms, and providing public notice of PRCRA Board meetings should be enhanced.

Established policies and procedures addressing the various aspects of PRCRA operations would provide additional assurance the PRCRA conducts business in an effective, efficient, and appropriate manner consistent with PRCRA Board intent, the approved PRCRA Plan, and applicable State and local laws.

Recommendation: We recommend that the PRCRA Board continue to enhance its policies and procedures governing all aspects of PRCRA operations in accordance with State law.

Finding 12: Anti-Fraud Policies and Procedures

Previously Reported

The PRCRA had not established anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

We recommended that the PRCRA establish anti-fraud policies and procedures for communicating, investigating, and reporting known or suspected fraud that:

²³ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

²⁴ Section 163.387(7), Florida Statutes.

²⁵ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

- Provide examples of actions constituting fraud.
- Require individuals to communicate and report known or suspected fraud.
- Provide for anonymous reporting of known or suspected fraud.
- Require officials to keep accurate records of reported fraud or suspected fraud.
- Assign responsibility for investigating potential incidents of fraud and for taking appropriate action.
- Provide guidance for investigating potential and actual incidents of fraud, reporting evidence obtained by investigation to the appropriate authorities, and protecting the reputations of persons suspected but not determined guilty of fraud.

Results of Follow-Up Procedures

The PRCRA corrected this finding. Our examination of PRCRA records disclosed that the PRCRA Board adopted an anti-fraud policy.²⁶ We reviewed the policy and determined that it contained all the recommended elements for communicating, investigating, and reporting known or suspected fraud.

Finding 13: Statements of Financial Interest

Previously Reported

Contrary to State law,²⁷ the PRCRA did not provide to the Commission on Ethics (COE) the name, e-mail address, and physical address of, and the office or position held by, some local officers for the 2016 and 2019 calendar years. As a result, the local officers did not file the required statement of financial interests.

We recommended that the PRCRA establish policies and procedures to ensure that PRCRA local officer names and addresses are timely provided to the COE. We also recommended that the PRCRA remind local officers to timely file required statements of financial interests with applicable supervisors of elections.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. Our examination of PRCRA records disclosed that the PRCRA adopted policies and procedures²⁸ that require that the PRCRA Board, City Manager, City Finance Director, and City Attorney file statements of financial interests with the Supervisor of Elections. These policies and procedures also state that the City Clerk is responsible for ensuring that the COE has the current names and addresses of required filers. Our examination of City records confirmed that the City Clerk reminded the PRCRA Board members and City Manager to file their statements of financial interest for the 2022 calendar year.

²⁶ Resolution No. 22-01.

²⁷ Section 112.3145(8)(a), Florida Statutes.

²⁸ Resolution No. 21-03, and *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

Our May 2023 review of the COE Web site for calendar year 2021 and 2022 statements of financial interests disclosed that:

- The City Finance Director was not listed as a required filer for either calendar year 2021 or 2022. According to the City Clerk, the City had technical difficulties adding the Finance Director as a required filer and is working with the COE staff to resolve the issue.
- The new City Attorney and Mayor, who started in their positions in January and April 2023, respectively, were not listed as required filers for 2022. Statements of financial interest are due every July 1 for the prior calendar year (e.g., the 2021 and 2022 calendar year statements of financial interest were due on July 1, 2022, and July 1, 2023, respectively). Per discussions with the City Clerk, who was initially employed by the City in March 2021, she was not aware that local officers are required to file statements of financial interest within 30 days of their date of hire or appointment.²⁹ Subsequent to audit inquiry, in June 2023, the City provided to the COE documentation demonstrating that the City Attorney and Mayor are required filers.

Absent the provision of complete and accurate local officer information to the COE, local officers may not be included on the lists of local officers required to file a statement of financial interests. Local officers who do not timely file the required statements of financial interests may be subject to fines. Also, absent the required statements of financial interests, there is an increased risk that the PRCRA may be unaware of potential conflicts of interest when entering into contracts and other agreements.

Recommendation: We recommend that the PRCRA enhance its policies and procedures to ensure that local officers file required statements of financial interests within 30 days of their date of hire or appointment and that the PRCRA follow its existing policies and procedures requiring the Finance Director to annually file a statement of financial interests.

Finding 14: Web Site Transparency

Previously Reported

The PRCRA did not include certain statutorily required information on its Web page.

To comply with State law³⁰ and provide essential information to interested parties, we recommended that the PRCRA establish policies and procedures that require and ensure that the PRCRA Web page includes all required information.

Results of Follow-Up Procedures

The PRCRA corrected this finding. The PRCRA established policies and procedures,³¹ to help ensure compliance with State law. We reviewed the PRCRA Web page and determined that all the required information was presented.

²⁹ Section 112.3145 (2)(b), Florida Statutes. Disclosure of financial interests.

³⁰ Section 189.069(2), Florida Statutes.

³¹ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

Finding 15: Board Meeting Notices

Previously Reported

During the period October 2016 through January 2020, the PRCRA did not publish schedules of its regular meetings in a newspaper of general paid circulation as required by State law.³²

To comply with State law and ensure the public is provided proper notice, we recommended that the PRCRA publish schedules including the date, time, and location of each regular meeting. To ensure that the schedules of PRCRA meetings are published in accordance with State law, we also recommended that the PRCRA develop policies requiring publication of its regular meeting schedules.

Results of Follow-Up Procedures

The PRCRA partially corrected this finding. PRCRA policies and procedures³³ require that the PRCRA's schedule of regular meeting agendas be posted to the PRCRA Web page at least 7 days in advance and kept for 12 months. We reviewed the PRCRA Web page and noted that the Board meeting schedule for the period October 2021 through May 2023 was posted to the PRCRA Web page on the City Web site and confirmed that meeting notices included the date, time, and location of the meetings. However, State law,³⁴ requires that regular meeting agendas be posted on the Pasco County (County) Web site. As of July 2023, the PRCRA Board meeting schedules were not posted on the County Web site.

In response to our inquiry, the PRCRA indicated that they were not aware of the requirement and had not contacted the County to request that its schedule of regular meeting agendas be posted to the County Web site, or alternately, request the County to designate another Web site for publication of notices, in accordance with State law.³⁵ Notwithstanding, the PRCRA schedule of regular meeting agendas were not posted on the County Web site in accordance with State law.

Recommendation: We recommend that the PRCRA continue to enhance its policies and procedures to ensure that the public is provided proper notice of meetings in accordance with State law.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the Port Richey Community Redevelopment Agency (PRCRA) and issued our report No. 2022-074 in December 2021. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than

³² Section 189.015(1), Florida Statutes.

³³ *City of Port Richey Community Redevelopment Agency Organization and Policy and Procedures*, adopted April 26, 2022.

³⁴ Section 189.015(1), Florida Statutes, provides that the notice shall be posted as provided in Chapter 50, Florida Statutes, and Section 50.0311(2), Florida Statutes, specifies that "publicly accessible website" means "a county's official website or other private website designated by the county for the publication of legal notices and advertisements that is accessible via the Internet."

³⁵ Section 50.0311(2), Florida Statutes. For purposes of notices and advertisements, the term "publicly accessible website" means "a county's official website or other private website designated by the county for the publication of legal notices and advertisements that is accessible via the Internet."

18 months after the release of that report, appropriate follow-up procedures to determine the PRCRA's progress in addressing the findings and recommendations contained within report No. 2022-074.

We conducted this follow-up audit from May 2023 through July 2023 in accordance with generally accepted 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The overall objective of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection transactions, as well as events and conditions, occurring during the period October 2021 through May 2023, and selected PRCRA actions taken prior and subsequent thereto. Our follow-up audit included the examination of PRCRA records and transactions, inquiry of PRCRA personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

In conducting our audit, we:

- Reviewed applicable laws, resolutions, policies, and procedures, and interviewed City personnel to gain an understanding of PRCRA processes and to determine whether the PRCRA had established effective policies and procedures for major PRCRA functions.
- Determined whether the PRCRA developed adequate policies and procedures to govern all aspects of CRA operations, including compliance requirements specific to CRAs.
- Examined PRCRA meeting minutes for the period October 2021 through May 2022 to evaluate the propriety and sufficiency of actions taken relative to the programs, activities, and functions included in our report No. 2022-074. We also examined PRCRA records to determine whether

the PRCRA held all required meetings and properly publicly noticed the meetings pursuant to Section 189.015(1), Florida Statutes.

- Inquired with City personnel to determine whether the PRCRA had established anti-fraud policies and procedures to provide guidance to employees for identifying and communicating known or suspected fraud to appropriate individuals.
- For the 14 local officers required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes, and employed during the period October 2021 through May 2023, examined Commission on Ethics records to determine whether the local officers filed the required statements of financial interests for the 2021 and 2022 calendar years.
- Examined the City's PRCRA Web page to determine whether the Web page provided the information required by Section 189.069, Florida Statutes.
- Examined PRCRA records to determine whether the PRCRA complied with Section 163.356(3)(a), Florida Statutes, which prohibits PRCRA governing board members from receiving compensation for their services.
- Obtained and reviewed the interlocal agreement between the City, Pasco County, and the PRCRA to determine the extent to which the agreement addressed the findings and recommendations included in the scope of our report No. 2022-074.
- Examined PRCRA records to determine whether the PRCRA made adjustments to the PRCRA boundaries.
- Examined PRCRA records to determine whether the PRCRA received the correct amount of tax increment financing from Pasco County and the City for the 2021 and 2022 property tax years.
- Examined City and PRCRA records to determine whether the PRCRA Plan was revised and periodically amended to reflect changes in project scopes and associated cost estimates in accordance with Section 163.362, Florida Statutes.
- Reviewed the budget resolutions adopting the PRCRA budgets for the 2021-22 and 2022-23 fiscal years to determine whether the budgets were properly prepared, included balances brought forward from prior fiscal years, and the legal level of budgetary control was established.
- Reviewed PRCRA budget and accounting records to determine whether the PRCRA adopted and amended its budgets for the 2021-22 and 2022-23 fiscal years in compliance with Section 189.016, Florida Statutes, and did not expend moneys in excess of the amounts established in those budgets, as amended.
- Inquired with City personnel to determine whether the methodology used to allocate City salary and benefits costs to the PRCRA during the period October 2021 through May 2023 accurately reflected the actual cost of services provided by City personnel to the PRCRA.
- Evaluated the adequacy of the methodology for allocating City overhead costs to the PRCRA and compared planned allocations to actual allocations for the period October 2021 through May 2023 to determine whether the allocations were supported.
- From the 74 expenditure transactions totaling \$120,480 during the audit period that did not relate to salary and benefits costs or overhead charges, examined PRCRA records supporting expenditures of \$94,391 for the 10 largest transactions to determine whether the expenditures were included in the PRCRA Plan and otherwise complied with Section 163.387, Florida Statutes.
- Examined City records and inquired of City personnel to determine whether the PRCRA disposed of moneys remaining in the PRCRA redevelopment trust fund on the last day of the 2020-21 and 2021-22 fiscal years in accordance with Section 163.387, Florida Statutes.

- Reviewed City and PRCRA records and inquired of City personnel to determine whether the PRCRA made any expenditures or entered into any contracts utilizing the authority granted by an applicable state of emergency.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report, and which describe the matters requiring corrective actions. Management's response is included in this report under the heading MANAGEMENT'S RESPONSE.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

CITY OF PORT RICHEY

6333 RIDGE ROAD
PORT RICHEY, FLORIDA 34668
TELEPHONE (727)816-1900



"FOR SUNSHINE

AND PROGRESS"

September 28th, 2023

Sherrill F. Norman
State of Florida Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450
Flaudgen_audrpt_lg@aud.state.fl.us

RE: Port Richey Community Redevelopment Agency Prior Audit Follow-Up
To Operational Audit Report No. 2022-074

Dear Ms. Norman:

Enclosed herein is the City of Port Richey Community Redevelopment Agency's written statement of explanation to the Preliminary and Tentative Audit Findings dated August 29, 2023.

Please let me know if you have any questions or need additional information.

Sal Licari
City Manager
City of Port Richey

Enclosure

City of Port Richey Community Redevelopment Agency's ("PRCRA") written statement of explanation to the Preliminary and Tentative Audit Findings dated August 29, 2023

- Finding 1: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 2: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 3: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 4: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 5: A revised CRA Plan was put out to bid; the bidding period closed on September 12, 2023. In the near future, the PRCRA Board will review the bids and select a firm to update the CRA Plan. This process should be completed by the Spring of 2024.
- Finding 6: The City has conducted individual interviews of City personnel and obtained memoranda¹ from those individuals to document the work the City employees perform related to the PRCRA and have allocated their salaries accordingly for the FY 2023 - 2024 budget. The City will continue to do this every year as part of the budget process.
- Finding 7: The City requested that its cost allocation consultant include Human Resources and Public Works in its cost allocation plan; however, the City was notified that Public Works is typically not included in its cost allocation plan. Therefore, the City will internally develop and document a reasonable and systematic allocation method to use for Public Works. The cost allocation consultant will include Human Resources in the cost allocations update moving forward.
- Finding 8: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 9: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 10: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 11: The PRCRA will continue to update operation policies and procedures by amending the CRA Plan, notifying local officers to file financial forms, and providing public notice of PRCRA Board meetings.
- Finding 12: Corrected, so no actual or proposed corrective actions are necessary.

¹ The only memorandum not obtained was from the City Attorney as the City Attorney's billing records provide the information needed on a monthly basis.

- Finding 13: The City Clerk will continue to contact and update the Commission on Ethics (COE), and the PRCRA will enhance its policies and procedures to ensure that local officers file required statements of financial interests within thirty (30) days of their date of hire or appointment and that the PRCRA follow its existing policies and procedures requiring the Finance Director to file a statement of financial interests annually. The Finance Director has filed a statement of financial interest with the COE for the current year.
- Finding 14: Corrected, so no actual or proposed corrective actions are necessary.
- Finding 15: The PRCRA will continue to enhance its policies and procedures to ensure that the public is provided with proper notice of its meetings in accordance with State law. The City Clerk asked Pasco County to upload PRCRA meetings to their website or to provide the PRCRA with an acknowledgment that the City of Port Richey's website is a publicly accessible site. We hope to have this resolved by Spring 2024.