



AUDITOR GENERAL

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TOWN OF CALLAHAN, FLORIDA

Follow-Up On Operational Audit Report No. 03-098

SUMMARY

This report provides the results of our follow-up procedures of the findings included in report No. 03-098, and the Mayor’s response thereto. Our follow-up procedures to determine the Town of Callahan’s progress in addressing the findings and recommendations contained in report No. 03-098 disclosed that the Town, as of the completion of our follow-up procedures in September 2004, had adequately addressed 13 of the 39 findings included in that report. The Town had partially addressed 18 findings, and had taken no action regarding the remaining 8 findings.

BACKGROUND

The Auditor General is authorized by State law to perform audits of governmental entities in Florida. As directed by the Legislative Auditing Committee, we conducted an operational audit of the Town of Callahan, Florida, for the period October 1, 2000, through January 31, 2002, and selected actions taken prior and subsequent thereto, and issued report No. 03-098. Subsequent to the release of that report, the State Attorney, Fourth Judicial Circuit, charged the former Planning and Zoning/Grant Administrator with 48 counts of theft and official misconduct, several of which were related to finding Nos. 18, 28, and 31. Pursuant to Section 11.45(2)(k), Florida Statutes, the Auditor General, no later than 18 months after the release of report No. 03-098 (issued December 20, 2002), must perform such appropriate follow-up procedures as deemed necessary to determine the Town of Callahan’s progress in

addressing the findings and recommendations contained within that report.

STATUS OF REPORT NO. 03-098 FINDINGS

Finding No. 1: Written Policies and Procedures

Previously reported

The Town had not established written policies and procedures necessary to assure the efficient and effective conduct of accounting and other business-related functions and the safeguarding of assets.

We recommended that the Town Council adopt comprehensive written policies and procedures consistent with applicable laws, ordinances, and other guidelines. In doing so, the Town Council should ensure that the written policies and procedures address the instances of noncompliance and management control deficiencies discussed in the report.

Results of follow-up procedures

The Town has not addressed this finding. Written policies and procedures were not available to document controls over budgets, revenues, petty cash, fixed assets, accounts receivable, payroll processing, procurement of contractual services, disbursement processing (e.g., travel and communication expenses), vehicle usage, and grants administration.

Mayor’s Response

The Town will continue to work to adopt and implement written policies and procedures. The Town has already adopted an updated purchasing ordinance and written policies for adoption of emergency ordinances, employee confidentiality, conflicts of

interest, and public records responses. The Town Attorney has prepared policies regarding procedures for the enactment of ordinances and the Town expects to adopt them shortly.

Finding No. 2: Separation of Duties

Previously reported

The Town had not provided for an adequate separation of duties, or established compensating controls, in certain areas of its business operations.

We recommended that the Town, to the extent possible, separate duties so that one employee does not have control of all aspects of a transaction (i.e., both recording responsibility and custody of assets). The Town should also ensure that adequate compensating controls are implemented to help mitigate circumstances in which adequate separation of duties is difficult with existing staff.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review of the Town's controls related to the areas included within the scope of our prior audit disclosed that inadequate separation of duties continue to exist with respect to water and sewer and other types of collections. The Town has implemented some controls to compensate for its limited staff (see finding No. 12); however, other compensating controls were lacking (see finding No. 13).

Mayor's Response

The Town will implement a system in which the water and sewer clerk and bookkeeper will not receive mail. A third person will collect the mail and maintain logs of all funds received via the mail, with separate logs for water and sewer and other receivables.

Finding No. 3: Financial Condition

Previously reported

The Town's overall financial condition showed signs of deterioration which, if not corrected, could result in a future financial emergency. In addition to the effects of control deficiencies, as discussed throughout report

No. 03-098, factors that contributed to this condition included a lack of short-term and long-term financial plans, analysis of existing rate structures for proprietary operations, and submittal of interim financial statements to the Town Council.

We recommended that the Town take appropriate corrective actions as discussed in finding Nos. 7, 9, 14 through 18, and 21 through 23, and develop short-term and long-term financial plans that include steps to strengthen the Town's financial condition. The financial plans should include: (1) a review of spending needs; (2) a system for monitoring revenues and expenditures; (3) budget reserves to provide for future capital needs and unexpected costs; and (4) projected revenues sufficient to cover projected costs. The Town should analyze existing rate structures for proprietary operations to determine their sufficiency in covering expenses, and should explore all available options to increase its revenues or decrease expenditures. In addition, interim financial statements, including key summary financial information for monitoring the Town's overall financial condition, should be provided to the Town Council.

Results of follow-up procedures

The Town has partially addressed this finding.

We updated our assessment of the Town's financial condition to include the 2002-03 fiscal year. Our assessment consisted of evaluating 18 key financial indicators, of which 9 indicated a favorable rating and 8 indicated an unfavorable rating (1 indicator was inconclusive). Our assessment did not disclose any significant change in the Town's financial condition as a result of the 2002-03 fiscal year operations. As to the Town's implementation of our recommendations included in report No. 03-098, our review disclosed the following:

- The Town had not fully corrected finding Nos. 7, 9, 14 through 17, and 23.

- The Town had not developed short-term and long-term financial plans that include steps to strengthen the Town’s financial condition.
- The Town had not analyzed existing rate structures for proprietary operations to determine their sufficiency in covering expenses; however, the Town did explore options to increase its revenue or decrease its expenditures. For example, the Town Council adopted Ordinance No. 7-O-2002, on January 6, 2003, providing for the increase in connection fees for water and sewer taps from \$400 to \$600 and adopted Resolution No. 4-R-2003, on April 7, 2003, authorizing the refunding of the Town’s outstanding Water and Sewer Revenue Bond, Series 1983, which is expected to result in decreased net debt service costs.
- The Town Council is provided monthly financial statements that include key summary financial information for monitoring the Town’s financial condition.

Mayor’s Response

The Town will continue to develop and implement short and long-term strategies to improve its financial condition.

Finding No. 4: Budget Preparation

Previously reported

The Town, for the 2000-01 and 2001-02 fiscal year budgets, did not maintain adequate documentation to support the estimated beginning fund equities, and did not amend the budgets to show actual beginning fund equity balances. In addition, contrary to Section 166.241(3), Florida Statutes, the Town did not include appropriations for Special Revenue Funds.

We recommended that the Town maintain sufficient documentation to support beginning fund equities presented in the annual budget. In addition, budget amendments should be made, if necessary, to accurately show available resources from beginning fund equities. In addition, the Town, pursuant to

Section 166.241(3), Florida Statutes, should ensure that all funds are considered when preparing annual budgets.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review of the Town’s procedures for adopting the 2002-03 and 2003-04 fiscal years budgets disclosed the following:

- Although the Town’s general purpose financial statements for the 2002-03 fiscal year showed total ending fund equity of \$2,431,945 (excluding contributed capital) for all governmental and proprietary fund types, the Town’s 2003-2004 fiscal year budget, contrary to Section 166.241(3), Florida Statutes, only included beginning fund equity of \$48,888. In addition, as noted in the Town’s 2002-03 annual financial audit report, the Town did not amend the 2002-03 fiscal year budget to include actual beginning fund equities available from the prior fiscal year.
- While the budget adopted by the Town Council for the 2002-03 fiscal year was not amended to include appropriations for Federal and State grants, the budget adopted by the Town Council for the 2003-04 fiscal year did include appropriations of \$1,448,600 for Federal and State grants.

Mayor’s Response

By Resolution R9-2004, the Town amended the 2003-04 Budget to include the actual beginning fund balance once it was available. A copy of this Resolution is enclosed.

Finding No. 5: Budget Adoption

Previously reported

Contrary to Section 166.241(3), Florida Statutes, the Town Council adopted the original budget for the 2000-01 and 2001-02 fiscal years, and a budget amendment for the 2000-01 fiscal year, by resolutions rather than by ordinances.

We recommended that the Town Council either adopt the budget and budget amendments by ordinance as required by Section 166.241(3), Florida Statutes, or seek an amendment to the Town Charter to establish alternative procedures for the adoption of the budget and budget amendments.

Results of follow-up procedures

The Town has adequately addressed this finding.

The Town Council amended the Town Charter by enacting Ordinance 4-O-2003, on September 29, 2003, which provides for the adoption of the budget and budget amendments by resolution.

No Response Required

Finding No. 6: Budget Advertisement

Previously reported

The final budget adopted by the Town Council for the 2001-02 fiscal year was \$25,230 less than the budget advertised and used by the Town to control its expenditures.

We recommended that the Town ensure that the final budget adopted by the Town Council agrees with the budget used by the Town to control expenditures.

Results of follow-up procedures

The Town has adequately addressed this finding.

The final 2003-2004 fiscal year budget adopted by the Town Council agreed with the budget advertised and used by the Town to control expenditures.

No Response Required

Finding No. 7: Budget Overexpenditures

Previously reported

Contrary to Section 166.241(3), Florida Statutes, actual 2000-2001 fiscal year expenditures exceeded amounts budgeted for certain object level expenditure categories totaling \$56,961 for the General Fund, and total actual expenditures/expenses and other financing uses for the Utility and Excise Tax Funds exceeded budgeted amounts by \$7,679 and \$15,828, respectively.

We recommended that although the Town had available resources for the 2000-2001 fiscal year to offset the above-noted overexpenditures, the Town, in accordance with Section 166.241(3), Florida Statutes, should ensure that expenditures do not exceed budgetary authority.

Results of follow-up procedures

The Town has partially addressed this finding.

The Town Council, in adopting the 2002-03 fiscal year budget, established the legal level of budgetary control at the object level. According to the Town's accounting records, there were no object level overexpenditures for any funds except one object level expenditure category in the General Fund was overexpended by \$25,473 for the 2002-03 fiscal year, although the Town had available resources in the General Fund to offset this overexpenditure.

Mayor's Response

For fiscal year 2004-05, the Town has budgeted at the department level to eliminate over expenditures.

Finding No. 8: Petty Cash

Previously reported

The Town's records did not demonstrate that a public purpose was served for petty cash fund disbursements totaling \$1,610. In addition, \$125 of petty cash fund disbursements were not supported by receipts.

We recommended that the Town ensure that expenditures of petty cash funds are made only for a public purpose, and reasonably and necessarily benefit the Town. In addition, the Town should require that documentation be maintained to support the propriety of all petty cash expenses.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our review of petty cash disbursements totaling \$970 during the period February 2003 through August 2003 disclosed that the Town's records demonstrated that a public purpose was served and that the disbursements were supported by receipts.

No Response Required**Finding No. 9: Investment Earnings****Previously reported**

The Town could have earned additional interest earnings of approximately \$10,000 by investing moneys with the Florida State Board of Administration (SBA).

We recommended that to maximize interest earnings on surplus Town funds, the Town, when appropriate, make investments through the SBA or in other authorized investments offering competitive returns consistent with safety and liquidity requirements.

Results of follow-up procedures

The Town has not addressed this finding. During the 2003 calendar year, the Town maintained surplus money in various interest-bearing and non-interest-bearing bank accounts and could have earned additional interest of approximately \$5,000 had it invested surplus moneys with the SBA or at rates comparable with the SBA.

Mayor's Response

The Town will propose for adoption an ordinance authorizing the Town to invest surplus funds in the Local Government Surplus Funds Trust Fund pursuant to Fla. Stat. § 218.40 et. seq. The passage of the ordinance will clarify any possible conflict between such investments and § C-17 of the Charter which, at least prior to the passage of Fla. Stat. § 166.021, prohibited the Town from investing in stocks.

Finding No. 10: Fixed Asset Records**Previously reported**

The Town had not established general ledger control accounts for its classes of fixed assets. In addition, the Town had not established a uniform property numbering system and tangible personal property records did not include all information necessary to properly identify and evidence the establishment of accountability for property items and did not include

all property items. Further, some items could not be located or were not marked as property of the Town.

We recommended that the Town establish general ledger control accounts and subsidiary records supporting fixed assets, and periodically reconcile the control accounts to the subsidiary records. The Town should also implement procedures to ensure that the tangible personal property records are complete and include all information necessary to properly identify property items. In addition, the Town should ensure that all tangible personal property is tagged or marked with an identifying number. Further, the Town should ensure that deletions of property are recorded to the property records in a timely manner.

Results of follow-up procedures

The Town has not addressed this finding. Our review of the Town's current procedures relating to accountability and control over fixed assets disclosed the following deficiencies:

- The Town had not established general ledger control accounts or subsidiary records for any of its classes of fixed assets. Also, the public accounting firm that performed the Town's annual audit continues to maintain the Town's property records.
- The Town had not established a uniform property numbering system and, as such, the property records did not include property identification numbers. In addition, the property records did not include the physical locations, serial numbers, and names of custodians with assigned responsibility for the property items.
- While the Town purchased tags to affix to the Town's property, the Town has not yet tagged any of its property.
- The Town had not updated its property records for the discrepancies noted in report No. 03-098. In addition, our current review of 15 items selected from the accounting records, minutes, or inventory, disclosed that

12 items were not included in the property records.

Mayor's Response

The Town's records of its fixed assets are in its financial auditor's possession. The Town has requested these records from its auditor. After receipt of the records, the Town will determine an appropriate minimum dollar value of property that should be inventoried. The Town notes that the relatively small amount of valuable fixed assets owned by the Town combined with the small number of Town employees allows the Town to track its property without formal inventories. See response to Finding no. 11.

Finding No. 11: Tangible Personal Property Inventory

Previously reported

The Town did not perform a physical inventory of tangible personal property during the period October 2000 through January 2002.

We recommended that the Town ensure that a complete physical inventory of all tangible personal property be taken annually, and the results promptly reconciled to the Town's property records.

Results of follow-up procedures

The Town has partially addressed this finding.

The Town recently performed a physical inventory of its tangible personal property during the 2003-2003 fiscal year; however, the results were not reconciled to the property records.

Mayor's Response

See response to Finding no. 10. Once the Town obtains its property records, it will perform the reconciliation.

Finding No. 12: Prenumbered Forms

Previously reported

Prenumbered forms used to document collections and other transactions affecting cash resources were not properly accounted for.

We recommended that the Town use prenumbered forms to document all cash collections, maintain a record of prenumbered forms purchased, and periodically reconcile the record of forms purchased to forms on hand, assigned, used or returned, and outstanding to determine whether all forms have been properly accounted for.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our review of the Town's current procedures relating to accountability and control over prenumbered forms disclosed that prenumbered forms used to document collections and other transactions affecting cash resources were properly accounted for.

No Response Required

Finding No. 13: Responsibility of Collections

Previously reported

Collections received through the mail were not documented at the initial point of collection. In addition, collections were transferred between employees without the use of a transfer document.

We recommended that the Town establish procedures that require all collections to be recorded at the initial point of collection and provide for evidence of transfers of collections between employees.

Results of follow-up procedures

The Town has not addressed this finding.

Our review of the Town's current controls over collections disclosed that responsibility for collections received through the mail and transferred between Town personnel were not documented.

Mayor's Response

See response to Finding no. 2.

Finding No. 14: Water and Sewer Connection Fees

Previously reported

The Town assessed and collected \$5,700 for water and sewer connection fees in excess of the amount authorized by ordinance. In addition, several Town citizens had not, of record, paid the required water and sewer connection fees.

We recommended that the Town enhance its procedures to collect only those fees authorized by ordinance and collect water and sewer connection fees in a timely manner. In addition, the Town should take appropriate action to collect the unpaid water and sewer connection fees disclosed by our audit.

Results of follow-up procedures

The Town has partially addressed this finding.

Our examination of water and sewer connection fees assessed and collected during the period April 2003 through April 2004 disclosed that the Town collected fees authorized by ordinance. However, the Town did not take any action to collect the unpaid water and sewer connection fees disclosed in report No. 03-098.

Mayor's Response

The Town Attorney will send demand letters to those customers that have not paid the proper connection fees. Based on the response to the demand letters, further collection strategies will be evaluated.

Finding No. 15: Water and Sewer Fees

Previously reported

The Town had not established adequate controls to ensure the collection of unpaid water and sewer fees.

We recommended that the Town enhance its procedures to ensure that water and sewer charges are promptly assessed and collected, including the proper assessment of late fees for untimely paid water and sewer bills.

Results of follow-up procedures

The Town has partially addressed this finding.

The Town has updated its accounts receivable subsidiary records for water and sewer billings to identify the length of time water and sewer bills are past due. However, our review disclosed that the Town did not properly assess late fees totaling \$225 for February 2004 related to 45 customers.

Mayor's Response

The Town has turned over delinquent accounts to a collection agency and continues to do so in the ordinary course of business. The Mayor expects that the Town will re-bill the appropriate customers for the \$225.00 in unpaid late fees.

Finding No. 16: Building Permit Fees

Previously reported

The Town assessed and collected \$1,138 for building permit fees in excess of the amount authorized by ordinance. In addition, the Town's records were not adequate to support the basis for \$1,164 of building permit fees assessed.

We recommended that the Town review and modify, as appropriate, its procedures related to the assessment of building permit fees to ensure that fees assessed are in accordance with Town ordinances and that building applications are in sufficient detail to clearly evidence the basis for fees assessed. In addition, the Town should take appropriate action to remedy the overcharges for building permit fees disclosed by our audit.

Results of follow-up procedures

The Town has partially addressed this finding.

Our test of 19 building permits for the period January 2003 through March 2004 disclosed that sufficient information was available to clearly evidence the basis for the fees assessed. However, fees assessed for three building permits were not consistent with the fees established by Ordinances 4-O-2001 or 1-O-2003. The Town assessed \$158 for these applications; however, based on the established fee schedule, \$259

should have been assessed, a difference of \$101. In addition, the Town did not take any action to remedy the overcharges for building permit fees disclosed in report No. 03-098.

Mayor's Response

The Town does not possess adequate records to appropriately remedy this finding.

Finding No. 17: Occupational License and Fire Inspection Fees

Previously reported

The Town had not established adequate controls to ensure the assessment and collection of amounts owed to the Town for occupational license fees and fire inspection fees. Our tests disclosed \$1,134 of occupational license fees, and \$2,640 of annual fire inspection fees, that were not collected, recorded, or deposited of record.

We recommended that the Town implement procedures to ensure compliance with its ordinances establishing fees for occupational licenses and fire inspections. Such procedures should include the establishment of detailed accounts receivable subsidiary records, and the use of this information to determine amounts owed to the Town and to track the assessment, collection, recording, and deposit of such amounts. In addition, the Town should investigate the discrepancies disclosed by our audit and, if appropriate, take action to collect additional amounts due for occupational licenses and fire inspections.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review disclosed that occupational license and fire inspection fees required by Town ordinances were properly assessed, collected, and recorded during the period January 2003 through March 2004. In addition, the Town established detailed accounts receivable subsidiary records to track the assessment, collection, recording, and deposit of amounts owed. However, the Town did not investigate the discrepancies disclosed in report No. 03-098 and, if appropriate, take

any action to collect additional amounts due for occupational license and fire inspection fees.

Mayor's Response

The Town is evaluating the feasibility of adding unpaid annual renewals of occupational licenses and fire inspection fees to the customers' water and sewer bills and performing an interfund transfer for any such fees paid.

Finding No. 18: Planning and Zoning/Grant Administrator's Compensation

Previously reported

The Planning and Zoning/Grant Administrator was paid compensation totaling \$190,590 for the 2000-2001 fiscal year. The reasonableness of such compensation was questionable and the Town had not, of record, documented how such compensation was commensurate with the Planning and Zoning/Grant Administrator's assigned responsibilities. In addition, the Planning and Zoning/Grant Administrator was overpaid \$80,168.

We recommended that the Town Council ensure that compensation paid for administration of grants is reasonable in terms of amounts typically paid for such services and documented as chargeable to the grants. The Town should also seek a determination from the Department of Community Affairs and other grantors as to whether the payments to the Planning and Zoning/Grant Administrator for grant administration were allowable administrative costs (also see recommendation for finding No. 36). Further, the Town should take appropriate action to recover \$80,168 overpaid to the Planning and Zoning/Grant Administrator.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our review disclosed the following:

- During the period May 2003 through January 2004, the Town paid a grant consultant firm a total of \$12,922 for administrative services related to the Town's grants as compared to \$192,790 of grant-related compensation paid

to the Planning and Zoning/Grant Administrator for the period October 2000 through January 2002.

- The Town, as a result of our findings in report No. 03-098 (also see finding No. 36) and monitoring visits conducted by the Department of Community Affairs (Department), was directed by the Department to refund \$65,000 in housing grant disbursements and \$206,086 in disaster grant disbursements. In December 2003, the Town paid the \$65,000 related to the housing grant disbursements and \$25,000 related to the disaster grant disbursements. For the remaining \$181,086, the Town entered into a repayment agreement with the Department.
- The Town has filed a lawsuit against the former Planning and Zoning/Grant Administrator to recover the \$80,168 of overpayments.

No Response Required

Finding No. 19: Employee Pay Raises

Previously reported

A 5 percent pay raise for employees approved by the Town Council at its September 17, 2001, regular meeting was not timely and equitably implemented. As a result, three employees received a pay raise at a rate (percentage) greater than the approved 5 percent.

We recommended that the Town Council ensure that pay raises for all employees are equitably implemented by specifically documenting in the Town minutes whether a pay raise represents a standard raise for all employees or a merit raise. In addition, the Town should take appropriate action to recover amounts overpaid employees due to pay raises granted in excess of raises approved by the Town Council.

Results of follow-up procedures

The Town has partially addressed this finding.
Our review disclosed that pay raises approved by the

Town Council during the period January 2003 through June 2004 were equitably and timely implemented. However, the Town has taken no action to recover amounts overpaid to employees due to pay raises granted in excess of raises approved by the Town Council.

Mayor's Response

The Town will take action to recover amounts overpaid to employees due to pay raises granted in excess of raises approved by the Town Council.

Finding No. 20: Leave and Attendance Records

Previously reported

The Town had not established adequate controls to ensure the accuracy of employee leave and attendance records. Sick leave used by two employees was not recorded in the employees' leave and attendance records. In addition, one of the employees, as approved by the Town Council, was paid for 30 hours for the last week in February 2002, although the employee was absent from work during that week and had no leave available. Although requested, we were not provided with an explanation as to why the Town Council approved this payment.

We recommended that the Town enhance its procedures to ensure that absences by employees are accurately recorded in the Town's leave and attendance records. Such procedures should ensure that employees are only paid for time worked or for leave taken. The Town should also adjust the Planning and Zoning/Grant Administrator's leave records for leave used as a result of partial days worked. In addition, the Town Council should document in its public records justification for paying an employee for 30 hours of time not worked.

Results of follow-up procedures

The Town has partially addressed this finding.
Our test of leave used by employees during the month of December 2003 disclosed that such leave was accurately recorded in the Town's leave and attendance records. However, the Town Council did

not document in its public records justification for paying the employee for 30 hours of time not worked.

Mayor's Response

Town employee Sandy Eason was fired by the former Mayor. The former Council voted to hire Ms. Eason back and pay her for the time that she missed due to the former Mayor's actions. The current Mayor and Council cannot speak for the past Mayor and Council and cannot state for the past Council the bases for the past Council's decision to pay Ms. Eason for her missed time.

Finding No. 21: Disbursement Processing

Previously reported

Deficiencies in the Town's disbursement processing procedures included a lack of vendor invoices to support payments, a lack of signatures of approval on checks, failure to use purchase orders, and failure to cancel or stamp as paid invoices to prevent duplicate payments.

We recommended that the Town ensure that all checks are signed by two authorized check signers and require the use of written purchase requisitions and purchase orders to document the approval of purchases prior to incurring an obligation for payment. In addition, the Town should require that each purchase be supported by an invoice from the vendor and that all invoices be canceled or stamped as paid after payment.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our examination of expenditures for the period January 2003 through January 2004 disclosed that expenditures were supported by documentation evidencing that goods and services were received in the quantity and quality contemplated by management, invoices were generally marked as paid, and checks were signed by two authorized check signers.

No Response Required

Finding No. 22: Town Council Approval of Expenditures

Previously reported

Contrary to Section 5 of Ordinance 2-O-1995, seven purchases totaling \$5,156, each exceeding an aggregate total of \$500, were not approved by a majority of the Town Council at a regular or special meeting.

We recommended that the Town ensure that purchases exceeding an aggregate total of \$500 are approved by a majority of the Town Council as required Ordinance 2-O-1995.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our review of purchases for the period January 2003 through January 2004 disclosed that the Town Council approved purchases exceeding an aggregate total of \$500 as required by Section 5 of Ordinance 2-O-1995.

No Response Required

Finding No. 23: Competitive Bids

Previously reported

Contrary to good business practices, grant regulations, and Ordinance 2-O-1995, the Town acquired numerous goods or services without the benefit of a competitive selection process.

We recommended that the Town review its purchasing practices and take the necessary steps to ensure that purchases are competitively selected in accordance with good business practices, grant regulations, and Town ordinances.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review of purchases for the period January 2003 through January 2004 disclosed that the Town used a competitive selection process to procure certain goods or services; however, we noted that purchases totaling \$26,069 for goods or services were acquired without the benefit of the competitive selection process required by Ordinance 2-O-1995.

Mayor's Response

The Town has adopted a new, updated purchasing Ordinance and a policy for the enactment of emergency purchases.

Finding No. 24: Contributions to Nongovernmental Organizations

Previously reported

The Town made contributions totaling \$1,650 to three nongovernmental organizations without benefit of written agreements setting forth the specific purposes for using the moneys and follow-up procedures to determine such use. In addition, contrary to Ordinance O-11-1988, the contributions included \$500 paid to a for-profit organization and \$150 paid to a nonprofit organization without enacting a resolution authorizing the contribution and identifying the specific public purpose served.

We recommended that the Town, for contributions to nonprofit organizations, establish resolutions in accordance with Ordinance O-11-1988. In addition, the Town should enter into written agreements with organizations to which the Town makes contributions, stating the specific purpose for which the contributions are to be used, and monitor the use of the funds to ensure that the public purpose is accomplished. To facilitate this, the written agreements should include a requirement that the organization maintain adequate records of its expenditures of the moneys provided and that the organization allow the Town to examine its records. In addition, should the Town Council wish to make contributions to for-profit organizations, it should amend Ordinance O-11-1988 to allow such contributions.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review of cash contributions totaling \$500 to four nongovernmental organizations during the period January 2003 through April 2004 disclosed that the Town, as required by Ordinance O-11-1988, made these contributions to nonprofit organizations through

the adoption of resolutions authorizing the cash contribution and identifying the specific public purpose to be served. However, the Town did not execute an agreement with these organizations stating the specific purpose the funds were to serve and did not perform follow-up procedures to determine the ultimate use of the contributions.

Mayor's Response

The Town is currently exploring the possibility of limiting its contributions strictly to goods purchased by the Town for use by the organizations for public purposes so that further tracking is not required or requiring the execution of contracts by the organizations receiving funds that obligate the organizations to provide the requisite follow up information.

Finding No. 25: Inadequately Documented/Unauthorized Expenditures

Previously reported

Our audit disclosed expenditures totaling \$9,929 for which the Town's records did not clearly demonstrate that a public purpose was served.

We recommended that the Town clearly document in its public records that expenditures serve a public purpose, are reasonable, and necessarily benefit the Town.

Results of follow-up procedures

The Town has adequately addressed this finding.

Our test of expenditures for the period January 2003 through January 2004 disclosed that the Town's records documented the public purpose served.

No Response Required

Finding No. 26: Awarding of Contracts for Services

Previously reported

Contrary to State law and good business practices, the Town acquired accounting, legal, engineering, and construction services without using a competitive selection process, and acquired accounting, legal, and construction services without benefit of formal written

agreements. Contrary to State law, the Town did not establish an auditor selection committee and auditor selection procedures to select an auditing firm to conduct the Town's required annual audit. Also, payments to the auditing firm of \$18,000 and \$16,000 for the annual audits ending September 30, 2000, and September 30, 2001, respectively, were not supported by adequately detailed invoices. In addition, the Town's former contracted building inspector appeared to have been overpaid \$3,617 to \$7,987 for services rendered depending on the types of inspections provided, and was paid \$673 for travel-related expenses although this type of payment was not provided for in the Town's written agreement with the former building inspector.

We recommended that the Town comply with the competitive selection provisions of Sections 218.391(2) and 287.055(4), Florida Statutes, when acquiring auditing services and engineering services, respectively. Also as a matter of good business practice, the Town should obtain contractual services only after using a competitive selection process, and enter into written agreements with the contractors selected to document the nature of services to be performed and the amount of compensation to be provided. The Town, for those instances identified above in which invoices submitted by contractors were not in sufficient detail, should obtain adequate invoices or clarification and take appropriate action regarding overpayments or underpayments that are identified.

Results of follow-up procedures

The Town has partially addressed this finding.

The Town has not taken action to obtain sufficiently detailed invoices from the auditing firm or to recover amounts overpaid to the former building inspector. Also, our review of the Town's acquisition and payment for selected contractual services for the period January 2003 through April 2004 disclosed several instances in which the Town did not procure such services in accordance with State law or good business practices, as follows:

- **Auditing Services.** Contrary to Section 218.391(2), Florida Statutes, the Town had not established an auditor selection committee and auditor selection procedures regarding the Town's required annual audit.
- **Legal Services.** Although the Town Council, at its meetings held July 7 and July 21, 2003, interviewed the two firms who expressed interest in providing legal services, it did not establish formal written criteria for ranking and evaluating the proposals.
- **Asphalt and Concrete Services.** During the period April 2003 through February 2004, the Town paid \$14,340 and \$4,725 to firms providing asphalt and concrete services, respectively, without the benefit of a written contract.
- **Grant Administration Services.** The Town entered into a written agreement dated November 18, 2002, with a grant consultant firm for grant-related services. The contract specifically provided that there will be no payment for compensation unless negotiated under separate contract, that separate contracts will be negotiated for applications which have any cost associated with them, and that separate contracts will be negotiated for administration of funded applications. However, our review disclosed that the Town paid the firm \$12,922 during the period May 2003 through January 2004 without the benefit of a separate written contract specifying the exact nature of the services to be performed or the basis for payment. In addition, invoices supporting these payments did not include hourly breakdowns of services provided or hourly rates.

Mayor's Response

The Town has adopted a new purchasing ordinance with written criteria for bid ranking. The Town has executed written contracts with its asphalt and concrete services providers. In the future, grant services will be tied to a specific grant or a separate

contract will be executed for general grant work. The next time the Town advertises for financial auditing services it will form an auditor selection committee. The Town did not form a committee to select its auditor for the current contract because the current auditor submitted the only bid.

Finding No. 27: Contract for Building Inspector Services

Previously reported

The Town had not ensured that the building inspector had complied with the terms of his written agreement. Contrary to the written agreement and Ordinance 1-O-1986, the Planning and Zoning/Grant Administrator, rather than the former building inspector, approved the issuance of numerous building permits. Also, the Town was unable to provide documentation that several building inspections were performed or were not necessary.

We recommended that the Town enhance its procedures to ensure that the building inspector provides services in accordance with the contractual agreement.

Results of follow-up procedures

The Town has not addressed this finding. Our review of 19 building permits issued during the period January 2002 through March 2004 disclosed that, contrary to Section 553.79(2), Ordinance 1-O-1986, and the Town's written agreement, the building inspector did not, of record, approve 6 building permits. In addition, for 3 building permits, we requested, but were not provided documentation evidencing that building inspections were performed or were not necessary.

Mayor's Response

All parties involved have been instructed that the building inspector must sign all permits.

Finding No. 28: Unauthorized Gas Credit Card Expenses

Previously reported

The Town Council had not adopted an ordinance or resolution, or otherwise provided guidance, as to the assignment and proper use of Town gas credit cards. Nor did the Town require users of the credit cards to sign written agreements specifying acceptable uses of credit cards. In addition, our audit disclosed 20 instances in which gas expenses totaling \$493 were charged by the Planning and Zoning/Grant Administrator to a gas credit card that appeared to be of a personal nature that served no public purpose.

We recommended that the Town Council enact written policies and procedures governing the control and use of credit cards. Such policies should prohibit the usage of Town credit cards for personal purposes and require all employees receiving credit cards to sign a written agreement evidencing their understanding of, and agreement with, the Town's credit card policies and procedures. In addition, the Town should take appropriate action to recover the \$493 of personal credit card charges from the Planning and Zoning/Grant Administrator.

Results of follow-up procedures

The Town has partially addressed this finding. Although our review of the Town's billings for the commercial gas credit cards during the period October 2003 through March 2004 disclosed that the charges appeared to serve a public purpose and benefit the Town, the Town has not established written policies and procedures governing the control and use of credit cards. The Town has filed a lawsuit against the former Planning and Zoning/Grant Administrator to recover the \$493 of personal credit card charges.

Mayor's Response

The Town Attorney will prepare a written policy governing gas credit cards that memorializes the current practice. Currently, the public works director is the only Town employee that carries a gas credit card as a matter of course, and it is used only for public purposes authorized by the public works director.

Finding No. 29: Unauthorized/Unsupported Travel Expenses

Previously reported

The Town has not established adequate controls to ensure that travel expenditures are adequately supported and in accordance with Section 112.061, Florida Statutes.

We recommended that the Town require that officials/employees provide adequate supporting documentation (including properly completed travel forms) for any travel expense claims. Such forms should clearly evidence the travel necessity and authorized public purpose served.

Results of follow-up procedures***The Town has adequately addressed this finding.***

Our review of travel expenditures for the period January 2003 through January 2004 disclosed that the expenditures were generally supported by documentation evidencing that they served a public purpose and were in accordance with Section 112.061, Florida Statutes.

No Response Required

Finding No. 30: Taxable Meal Allowances

Previously reported

Contrary to Federal regulations, payments for nondeductible travel expenses (Class C meal allowances) were not subjected to withholding for payment of Federal income tax and employment taxes.

We recommended that the Town begin reporting Class C meal allowances to the Internal Revenue Service. In addition, the Town should contact the Internal Revenue Service to determine what corrective action should be taken regarding the unreported amounts.

Results of follow-up procedures

The Town has not addressed this finding. The Town did not contact the Internal Revenue Service to

determine what corrective action should be taken regarding the unreported Class C meal allowances.

Mayor's Response

The Town will contact the IRS regarding the withholding.

Finding No. 31: Unauthorized/Unsupported Communication Expenditures

Previously reported

The Town had not established adequate controls to ensure that communication expenditures served an authorized public purpose. Payments totaling \$1,230 to the former Town Council President to reimburse him for cellular telephone calls that he reportedly made using his personal cellular telephone were not supported by documentation evidencing the public purpose served by these telephone calls. In addition, our audit disclosed cellular and long-distance telephone calls that appeared to be of a personal nature that served no public purpose, including numerous calls made by the Planning and Zoning/Grant Administrator.

We recommended that the Town implement a procedure whereby an individual, other than the Town official or employee placing the call, reviews telephone billings to ensure that all calls serve a public purpose. The Town should also prohibit employees from making or being reimbursed for personal long-distance or cellular telephone calls. Further, the Town should take appropriate action to recover from applicable Town officials and employees the amount of telephone expenditures incurred for personal use.

Results of follow-up procedures***The Town has partially addressed this finding.***

Our review of the Town's cellular and long-distance telephone billings for the period January 2004 through February 2004 disclosed that the Town implemented adequate controls to ensure that calls were made for an authorized public purpose. The Town filed a lawsuit against the former Planning and Zoning/Grant Administrator to recover costs related to the unauthorized cellular telephone usage. However, the

Town had not taken any action to recover the \$1,230 paid to the former Town Council President or obtain documentation evidencing that all calls for which the former Town Council President was reimbursed were made for a public purpose.

Mayor's Response

The Town Attorney will issue a demand letter to the former Town Council President that demands reimbursement of the \$1,230.00 or documentation that the calls representing the \$1,230.00 were for a public purpose.

Finding No. 32: Telecommunication Taxes

Previously reported

The Town paid \$861 of Federal, State, and local telecommunication taxes from which it is exempt.

We recommended that the Town notify vendors of the Town's exempt status to ensure that no future taxes of this nature are billed to the Town, and attempt to obtain refunds for exempt taxes previously paid.

Results of follow-up procedures

The Town has not addressed this finding. The Town has not, of record, made an attempt to recover the \$861 of exempt taxes paid, and has continued to pay taxes from which it is exempt, including \$982 of exempt taxes during the period January 2003 through February 2004.

Mayor's Response

The Town has contacted the vendors regarding the inappropriate payment of taxes.

Finding No. 33: Vehicle Utilization Records

Previously reported

The Town Council did not approve the assignment of Town-owned vehicles on a 24-hour basis to two employees, the Public Works Director and Planning and Zoning/Grant Administrator, who drove the vehicles home overnight. In addition, the Town's records did not demonstrate that the assigned vehicles

were used primarily for a public purpose and used only incidentally for the personal benefit of the employees assigned the vehicles. Vehicle usage logs were not maintained and the personal use of the vehicles was not included in the employees' gross compensation reported to the Internal Revenue Service.

We recommended that the Town Council take appropriate action to approve any assignment of Town-owned vehicles on a 24-hour basis. In addition, the Town should maintain vehicle usage logs documenting personal use mileage, and begin reporting the value of such usage to the Internal Revenue Service. The Town should also contact the Internal Revenue Service to determine what corrective action should be taken regarding the unreported value of personal use of vehicles assigned to the Public Works Director and Planning and Zoning/Grant Administrator.

Results of follow-up procedures

The Town has partially addressed this finding.

Although the Public Works Director is assigned a vehicle on a 24-hour basis, the Town Council has not, of record, approved such assignment. The Town maintains vehicle usage logs; however, the value of any personal use is not reported to the Internal Revenue Service. The Town did not contact the Internal Revenue Service to determine what corrective action should be taken regarding the unreported value of personal use of vehicles assigned to the Public Works Director and Planning and Zoning/Grant Administrator.

Mayor's Response

The Town Council has authorized the public works director to travel between home and work in a Town vehicle by motion on 10/04/2004, motion carried unanimously. The Town has contacted the IRS about appropriate tax treatment.

Finding No. 34: Vehicle Maintenance

Previously reported

The Town did not maintain vehicle maintenance logs for its vehicles, including the two fire trucks, that

identified preventive maintenance services and repairs and the dates such services were performed.

We recommended that the Town implement a vehicle maintenance program that includes the preparation of vehicle maintenance logs that identify preventative maintenance services and repairs and dates such services are performed on each vehicle.

Results of follow-up procedures

The Town has adequately addressed this finding.

The Town implemented the use of vehicle maintenance logs for its vehicles, including the two fire trucks.

No Response Required

Finding No. 35: Property Insurance

Previously reported

The Town had not established adequate procedures to ensure that insurance coverage for real and tangible personal property was adequate in the event of damage or loss of property. As a result, the Town did not insure its fire station and insured a trash truck that was not owned by the Town.

We recommended that the Town ensure that all insurable assets and the associated risks are identified, and reconciliations between insurance coverages of record and the Town's property records are performed.

Results of follow-up procedures

The Town has adequately addressed this finding.

The Town appropriately updated its insurance coverage.

No Response Required

Finding No. 36: Lack of Documentation of Eligibility Scoring and Ranking

Previously reported

The Town had not, of record, documented that Community Development Block Grant (CDBG) Housing Program services were provided to applicants

having the greatest need for assistance. As such, it is questionable as to whether the Town was entitled to receive \$457,000 of funding for the Program from the Department of Community Affairs.

We recommended that the Town ensure that documentation is prepared to evidence that CDBG Housing Program services are provided to those eligible applicants identified as having the greatest need. Given the above-noted lack of documented compliance with the Plan guidelines established for the CDBG Housing Program, and other findings included in report No. 03-098 related to the Program (see finding Nos. 18, 23, and 26), the Town should seek a determination from the Department of Community Affairs as to its entitlement to funding received for this Program.

Results of follow-up procedures

The Town has adequately addressed this finding.

As a result of our findings in report No. 03-098 and monitoring visits conducted by the Department of Community Affairs, the Town was directed by the Department to refund \$65,000 in housing grant disbursements (see discussion in finding No. 18).

No Response Required

Finding No. 37: Overpayments for House Construction

Previously reported

The Town overpaid a contractor \$18,040 for the construction of two houses funded from the CDBG Housing Program.

We recommended that the Town continue its efforts to collect the \$18,040 of overpayments. In addition, the Town should implement procedures to ensure that payments to contractors are made in accordance with contractual terms and conditions.

Results of follow-up procedures

The Town has not addressed this finding. During the period January 2003 through March 2004, the Town took no action to collect the \$18,040

overpayments for housing construction. Although we were advised that subsequent to our inquiry the Town, in April 2004, contacted the contractor regarding the overpayments, we were not provided documentation evidencing that the contractor had reimbursed the Town, or that the Town had requested such reimbursement. In addition, the Town has not implemented procedures to ensure that future payments to contractors are made in accordance with contractual terms and conditions, which increases the risk of additional overpayments.

Mayor's Response

The Town Attorney will file a lawsuit against Raines Construction to recover the overpayments.

Finding No. 38: Adoption of Ordinances

Previously reported

The Town did not comply with Section 166.401(3)(a), Florida Statutes, regarding the adoption of ordinances. In addition, for several emergency ordinances, the Town's records did not demonstrate the basis for adopting ordinances as an emergency, and the Town Council had not established procedures for determining whether an ordinance should be adopted as an emergency.

We recommended that to ensure the validity of the Town's ordinances, the Town, in consultation with its legal counsel, take appropriate action to adopt the ordinances noted above in accordance with Section 166.041(3)(a), Florida Statutes. In addition, the Town should establish procedures that provide specific criteria or guidelines for determining when the adoption of an ordinance is deemed an emergency and should document in the Town records the justification for such emergency.

Results of follow-up procedures

The Town has partially addressed this finding.

Our review of the five ordinances adopted by the Town during the period March 2003 through May 2004 disclosed that contrary to Section 166.041(3)(a), Florida Statutes, the Town did not notice in a

newspaper of general circulation three of these ordinances at least 10 days prior to their adoption. Although none of these ordinances were adopted as an emergency, the Town has not established procedures that provide specific criteria or guidelines for determining when the adoption of an ordinance is deemed an emergency.

Mayor's Response

The Town has adopted a written policy governing the adoption of ordinances. The Town Attorney has prepared a written procedure for ordinance adoption that will insure adequate advertising, noticing, and public hearings.

Finding No. 39: Conflict of Interest

Previously reported

The Town purchased bakery items from the wife of the Town Council President, who approved payments to his wife for such services, which appears to be a conflict of interest in violation of Section 112.313(3), Florida Statutes.

We recommended that the Town consult with the Florida Commission on Ethics to determine whether the above-mentioned situation represents a conflict of interest in violation of Section 112.313(3), Florida Statutes, and implement procedures to ensure future purchases of goods and services are not made from vendors related to Town officials to avoid conflicts of interest.

Results of follow-up procedures

The Town has adequately addressed this finding.

The Town consulted with the Florida Commission on Ethics (Commission). In April 2004, the Commission issued a press release indicating that probable cause was found to believe that the former Town Council President may have had a conflict of interest by acting to purchase bakery goods from his wife for Town Council functions and by voting to approve payment for the bakery goods. The press release further indicated that the Commission, citing the "knowledge and tacit approval of the Town Council for the long-standing purchase and payment" of the bakery goods,

voted that no public interest would be served by taking further action against the former Town Council president. The Town Council, at its July 19, 2004, meeting adopted a policy to avoid future conflicts of interest.

No Response Required

SCOPE AND OBJECTIVES

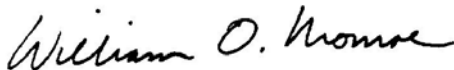
The scope of this project included selected actions and transactions taken subsequent to December 20, 2002, to determine the extent to which the Town has corrected, or is in the process of correcting, deficiencies disclosed in report No. 03-098.

METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent records of the Town in connection with the application of procedures required by generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

AUTHORITY

Pursuant to the provisions of Section 11.45(2)(k), Florida Statutes, I have directed that this report be prepared to present the results of our follow-up procedures regarding findings and recommendations included in report No. 03-098 – operational audit of the Town of Callahan, Florida, for the period October 1, 2000, through January 31, 2002, and selected actions taken prior and subsequent thereto.



William O. Monroe, CPA
Auditor General

MAYOR'S RESPONSE

The Mayor of the Town of Callahan, in a letter dated November 12, 2004, provided her response to our findings. Excerpts from the Mayor's response are included under the applicable findings above. The Mayor's response, in its entirety, may be viewed on the Auditor General's Web site.

This follow-up review was conducted by Dawn M. Posey, CPA, and supervised by Ted J. Sauerbeck, CPA. Please address inquiries regarding this report to James M. Dwyer, CPA, Audit Manager, via E-mail at jimdwyer@aud.state.fl.us or by telephone at (850) 487-9031.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



Town of Callahan

Post Office Box 5016 • Callahan, Florida 32011

Chartered 1911

November 12, 2004

Mr. William O. Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

Below are the Town of Callahan's responses to those audit findings that the Auditor General found that the Town of Callahan had partially addressed or not addressed as of the Auditor General's Draft Report of its Follow-Up on Operational Audit Report No. 03-098.

Finding no. 1: Written Policies and Procedures

The Town will continue to work to adopt and implement written policies and procedures. The Town has already adopted an updated purchasing ordinance and written policies for adoption of emergency ordinances, employee confidentiality, conflicts of interest, and public records responses. The Town Attorney has prepared policies regarding procedures for the enactment of ordinances and the Town expects to adopt them shortly.

Finding no. 2: Separation of Duties

The Town will implement a system in which the water and sewer clerk and bookkeeper will not receive mail. A third person will collect the mail and maintain logs of all funds received via the mail, with separate logs for water and sewer and other receivables.

Finding no. 3: Financial Condition

The Town will continue to develop and implement short and long-term strategies to improve its financial condition.

Telephone: 904-879-3801 • Fax: 904-879-6151 • E-Mail: townofcallahan@iink.com

Finding no. 4: Budget Preparation

By Resolution R9-2004, the Town amended the 2003-04 Budget to include the actual beginning fund balance once it was available. A copy of this Resolution is enclosed.

Finding no. 7: Budget Over expenditures

For fiscal year 2004-05, the Town has budgeted at the department level to eliminate over expenditures.

Finding no. 9: Investment Earnings

The Town will propose for adoption an ordinance authorizing the Town to invest surplus funds in the Local Government Surplus Funds Trust Fund pursuant to Fla. Stat. § 218.40 *et. seq.* The passage of the ordinance will clarify any possible conflict between such investments and § C-17 of the Charter which, at least prior to the passage of Fla. Stat. § 166.021, prohibited the Town from investing in stocks.

Finding no. 10: Fixed Asset Records

The Town's records of its fixed assets are in its financial auditor's possession. The Town has requested these records from its auditor. After receipt of the records, the Town will determine an appropriate minimum dollar value of property that should be inventoried. The Town notes that the relatively small amount of valuable fixed assets owned by the Town combined with the small number of Town employees allows the Town to track its property without formal inventories. See response to Finding no. 11.

Finding no. 11: Tangible Personal Property

See response to Finding no. 10. Once the Town obtains its property records, it will perform the reconciliation.

Finding no. 13: Responsibility for Collections

See response to Finding no. 2.

Finding no. 14: Water and Sewer Connection Fees

The Town Attorney will send demand letters to those customers that have not paid the proper connection fees. Based on the response to the demand letters, further collection strategies will be evaluated.

Finding no. 15: Water and Sewer Fees

The Town has turned over delinquent accounts to a collection agency and continues to do so in the ordinary course of business. The Mayor expects that the Town will re-bill the appropriate customers for the \$225.00 in unpaid late fees.

Finding no. 16: Building Permit Fees

The Town does not possess adequate records to appropriately remedy this finding.

Finding no. 17: Occupational License and Fire Inspection Fees

The Town is evaluating the feasibility of adding unpaid annual renewals of occupational licenses and fire inspection fees to the customers' water and sewer bills and performing an interfund transfer for any such fees paid.

Finding no. 19: Employee Pay Raises

The Town will take action to recover amounts overpaid to employees due to pay raises granted in excess of raises approved by the Town Council.

Finding no. 20: Leave and Attendance Records

Town employee Sandy Eason was fired by the former Mayor. The former Council voted to hire Ms. Eason back and pay her for the time that she missed due to the former Mayor's actions. The current Mayor and Council cannot speak for the past Mayor and Council and cannot state for the past Council the bases for the past Council's decision to pay Ms. Eason for her missed time.

Finding no. 23: Competitive Bids

The Town has adopted a new, updated purchasing Ordinance and a policy for the enactment of emergency purchases.

Finding no. 24: Contributions to Nongovernmental Organizations

The Town is currently exploring the possibility of limiting its contributions strictly to goods purchased by the Town for use by the organizations for public purposes so that further tracking is not required or requiring the execution of contracts by the organizations receiving funds that obligate the organizations to provide the requisite follow up information.

Finding no. 26: Awarding of Contracts for Services

The Town has adopted a new purchasing ordinance with written criteria for bid ranking. The Town has executed written contracts with its asphalt and concrete services providers. In the future, grant services will be tied to a specific grant or a separate contract will be executed for general grant work. The next time the Town advertises for

financial auditing services it will form an auditor selection committee. The Town did not form a committee to select its auditor for the current contract because the current auditor submitted the only bid.

Finding no. 27: Contract for Building Inspector Services

All parties involved have been instructed that the building inspector must sign all permits.

Finding no. 28: Unauthorized Gas Credit Card Expenses

The Town Attorney will prepare a written policy governing gas credit cards that memorializes the current practice. Currently, the public works director is the only Town employee that carries a gas credit card as a matter of course, and it is used only for public purposes authorized by the public works director.

Finding no. 30: Taxable Meal Allowances

The Town will contact the IRS regarding the withholding.

Finding no. 31: Unauthorized/Unsupported Communications Expenditures

The Town Attorney will issue a demand letter to the former Town Council President that demands reimbursement of the \$1,230.00 or documentation that the calls representing the \$1,230.00 were for a public purpose.

Finding no. 32: Telecommunications Taxes

The Town has contacted the vendors regarding the inappropriate payment of taxes.

Finding no. 33: Vehicle Utilization Records

The Town Council has authorized the public works director to travel between home and work in a Town vehicle by motion on 10/04/2004, motion carried unanimously. The Town has contacted the IRS about appropriate tax treatment.

Finding no. 37: Overpayment for House Construction

The Town Attorney will file a lawsuit against Raines Construction to recover the overpayments.

Finding no. 38: Adoption of Ordinances

The Town has adopted a written policy governing the adoption of ordinances. The Town Attorney has prepared a written procedure for ordinance adoption that will insure adequate advertising, noticing, and public hearings.

If you have any questions or concerns regarding any of the above information, please feel free to contact me.

Sincerely,

Shirley Graham, Mayor
Mayor Shirley Graham