



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



## TOWN OF LAKE PARK, FLORIDA

### Follow-Up On Operational Audit Report No. 03-041

#### SUMMARY

This report provides the results of our follow-up procedures for the findings included in report No. 03-041, and the Town’s response thereto. Our follow-up procedures disclosed that the Town, as of the completion of our follow-up procedures in September 2004, had adequately addressed 8 of the 44 findings included in that report. The Town had partially addressed 23 findings, and had taken no action regarding the remaining 13 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 Lake Park, Florida, for the period October 1, 2000, through January 31, 2002, and selected actions taken prior and subsequent thereto. Pursuant to Section 11.45(2)(k), Florida Statutes, the Auditor General, no later than 18 months after the release of report No. 03-041 (issued October 28, 2002), must perform such appropriate follow-up procedures as deemed necessary to determine the Town of Lake Park’s progress in addressing the findings and recommendations contained within that report.

#### STATUS OF REPORT NO. 03-041 FINDINGS

##### Finding No. 1: Prior Audit Findings

##### Previously reported

Several findings included in the Town’s 1999-2000 fiscal year annual financial audit report had been reported for many years without correction.

We recommended that the Town ensure that audit findings are addressed in a timely manner.

##### Results of follow-up procedures

##### *The Town has partially addressed this finding.*

We noted that 8 of the 20 findings included in the Town’s 2001-02 annual financial audit report, dated June 23, 2003, were also included in the Town’s 2002-03 fiscal year audit report, dated May 6, 2004. The average number of consecutive years the findings had been reported was five years and included one finding, relating to lack of a written disaster recovery plan that had been reported for ten consecutive years. Further, as discussed in this report, the Town, in many instances, had not fully addressed findings and recommendations included in report No. 03-041.

##### Town Response

*We feel that this has been adequately addressed. In the latest audit for the fiscal year 2003 there were only nine infractions compared to the nineteen from the previous fiscal year. Of the remaining nine infractions, there are only two that have not been addressed.*

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**Finding No. 2: Written Policies and Procedures**


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**Previously reported**

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

We recommended that the Town Commission adopt comprehensive written policies and procedures consistent with applicable laws, ordinances, and other guidelines. We also recommended that, in doing so, the Town Commission 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 partially addressed this finding.***

Adequate written policies and procedures were not available to document controls over budgets, revenues, fixed assets, or payroll processing. Although adequate written procedures were available to document controls over petty cash, the Town Commission had not, of record, adopted policies and procedures related to petty cash.

**Town Response**

*We agree that we have partially addressed this finding. We have made progress in the area of writing policies and procedures and we will be continuing to strive to complete this task. Once all policies and procedures are complete they will be brought to the Commission for approval.*

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**Finding No. 3: Separation of Duties**


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**Previously reported**

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

We recommended that the Town, to the extent practical, 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). We also recommended that the Town ensure that adequate compensating controls are implemented to help mitigate circumstances in which adequate separation of duties is not possible.

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

Our review disclosed that inadequate separation of duties continue to exist with respect to cash collections and payroll processing. The Town had implemented some controls to compensate for its limited staff regarding decentralized cash collections; however, other compensating controls were lacking (see finding No. 21). For payroll processing, the Town implemented a procedure whereby either the Finance Director or Assistant to the Finance Director reviews payroll registers prior to issuing paychecks. However, since both of these employees also have the ability to add, modify, and delete employee records within the payroll system, unauthorized payroll transactions can still occur without being timely detected.

**Town Response**

*We feel that the Town has adequately addressed this finding. With limited staff, we have segregated duties to the best of our ability. Additional staff would be required to further segregate duties within the department.*

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**Finding No. 4: Audit Report**


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**Previously reported**

Contrary to law, the Town's 1999-2000 fiscal year audit was not completed, and a copy of the audit report filed with the Auditor General, until August 12, 2002, after the September 30, 2001, deadline.

We recommended that the Town ensure that annual audits are completed, and copies of audit reports filed with the Auditor General, within the statutorily mandated time frame.

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

The Town's 2000-01 fiscal year audit report was not timely filed with the Auditor General (filed 203 days late). Although the Town's 2001-02 fiscal year audit report was timely filed, the Town's 2002-03 fiscal year audit report was not filed with the Auditor General until October 11, 2004 (11 days late).

**Town Response**

*We feel that the Town has adequately addressed this finding. Our 2003 report was filed eleven days past the September 30, 2004 deadline due to the fact that our Auditors were waiting for the Auditor General report and south Florida suffered two hurricanes during the month of September.*

**Finding No. 5: 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. 03-041, factors that contributed to this condition included a lack of targeted fund equity levels, periodic cash analysis and forecast, and financial plans.

We recommended that the Town take appropriate corrective actions as discussed in finding Nos. 8, 9, 13, 16, 22, and 27, 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. We also recommended that Town management 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. We further recommended that Town finance personnel provide interim financial information to the Commission, including key

summary financial information for monitoring the overall financial condition of the Town.

**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 7 indicated a favorable rating and 6 indicated an unfavorable rating (5 indicators were inconclusive), indicating improvement in the Town's financial condition as a result of the 2002-03 fiscal year operations.

Although the Town has not implemented all of our recommendations included in report No. 03-041, it reportedly has taken other actions to improve its financial condition. For example, according to the Finance Director, interim financial statements were presented to the Town Commission beginning in April 2004 and were to continue on a monthly basis. The Finance Director also indicated that the Town is currently working on a five-year capital plan.

**Town Response**

*We feel that the Town has adequately addressed this finding. The Town's financial situation during the past few years has improved dramatically.*

**Finding No. 6: Budget Preparation****Previously reported**

Contrary to Section 166.241(3), Florida Statutes, the Town's 2000-01 and 2001-02 fiscal year budgets did not include appropriations for some funds, and the 2001-02 fiscal year budget did not include beginning fund equities available from the prior fiscal year.

We recommended that the Town, pursuant to Section 166.241(3), Florida Statutes, ensure that future annual budgets consider all beginning fund equities and include appropriations for all funds.

**Results of follow-up procedures**

*The Town has not addressed this finding.* Our review of the Town’s procedures for preparing its 2003-04 fiscal year budget disclosed the following:

- Contrary to Section 166.241(3), Florida Statutes, the Town’s 2003-04 fiscal year budget excluded one special revenue fund, one capital projects fund, and one enterprise fund.
- Although the Town’s audited financial statements for the 2002-03 fiscal year showed total ending fund equities of \$1,954,830 (excluding contributed capital), for all governmental and proprietary fund types for which a budget was prepared, the Town’s 2003-04 fiscal year budget, contrary to Section 166.241(3), Florida Statutes, did not include any beginning fund equities.

**Town Response**

*We agree with this finding. The three funds that were not budgeted for were:*

*Special Revenue-this had never been budgeted for and we will amend the 2004-2005 budget to reflect this fund.*

*Capitol Project Fund: Was not in use*

*Marina Fund: We had discussed this with our auditors and it was decided that a budget wasn’t necessary since expenses would be construction in progress. Fiscal year 2004-2005 has an adopted operating budget.*

**Finding No. 7: Budget Adoption**

**Previously reported**

Contrary to Section 166.241(3), Florida Statutes, the 2000-01 and 2001-02 fiscal year budgets and a budget amendment for the 2000-01 fiscal year were not adopted by ordinance.

We recommended that the Town Commission either adopt the budget and budget amendments by ordinance as required by Section 166.241(3), Florida Statutes, or amend 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.*

Our review of the Town’s adoption of the 2002-03 and 2003-04 fiscal year budgets, and one budget amendment for the 2002-03 fiscal year, disclosed that the budgets and the amendment were adopted by ordinance in accordance with Section 166.241(3), Florida Statutes.

**Town Response**

*Finding resolved. See Auditor Report*

**Finding No. 8: Budget Overexpenditures**

**Previously reported**

Contrary to Section 166.241(3), Florida Statutes, actual 1999-2000 fiscal year expenditures exceeded amounts budgeted for certain expenditure categories in the general fund by \$1,076,836, and expenditures in the debt service fund exceeded budgeted amounts by \$38,107. For the 2000-01 fiscal year, the Town’s financial records disclosed budget overexpenditures totaling \$500,910 in various departments in the general fund, and \$41,155 in three proprietary funds.

Although the Town had available resources for the 1999-2000 and 2000-01 fiscal years to offset the above-noted overexpenditures, we recommended that the Town, in accordance with Section 166.241(3), Florida Statutes, ensure that future expenditures do not exceed budgetary authority.

**Results of follow-up procedures**

*The Town has not addressed this finding.* The Town’s 2001-02 fiscal year annual financial audit report disclosed three departmental budget overexpenditures totaling \$200,131 in the general fund and \$4,246 in the debt service fund. Similarly, the Town’s 2002-03 fiscal year annual financial audit report disclosed five departmental budget overexpenditures totaling \$50,958 in the general fund, overexpenditures in two special revenue funds totaling

\$78,635, and overexpenditures in two capital projects funds totaling \$387,981.

### **Town Response**

*We feel that the Town has adequately addressed this finding. For fiscal year 2003-2004 all accounts were flagged to prevent overspending. If an account needed additional money, a budget transfer was completed before expenses could be paid. All department heads receive monthly reports to monitor their accounts.*

### **Finding No. 9: Bank Reconciliations**

#### **Previously reported**

The Town's bank reconciliation procedures were not sufficient to ensure that bank accounts were adequately and promptly reconciled.

We recommended that the Town ensure that proper bank reconciliations are performed timely. We also recommended that reconciling items be promptly resolved and prompt adjustments made to the accounting records to correct check information discrepancies such as those disclosed by our audit. We further recommended that the unexplained/unsupported reconciling items should be investigated by Town personnel.

#### **Results of follow-up procedures**

#### ***The Town has partially addressed this finding.***

Our review disclosed that current bank reconciliations were accurate and did not disclose any check information discrepancies. While on site, we observed that the January and February 2004 bank reconciliations were timely prepared, and we determined, for those reconciliations signed by the preparer or reviewer, that such reconciliations were performed and reviewed timely. However, for 42 of 60 bank reconciliations for the months of October 2002 through January 2004, the preparer or reviewer did not sign or date the reconciliations and, consequently, we could not determine whether they were performed or reviewed timely.

### **Town Response**

*We feel that the Town has adequately addressed this finding. All bank reconciliations are completed in a timely manner and signed by both the preparer and the Finance Director. Once reviewed, copies are given to the Commissioners.*

### **Finding No. 10: Stale-Dated Checks**

#### **Previously reported**

Contrary to Chapter 717, Florida Statutes, checks totaling \$7,764 that had been outstanding for over a year, thus constituting unclaimed property as contemplated by Chapter 717, Florida Statutes, had not been reported or remitted to Florida Department of Banking and Finance (FDBF).

We recommended that the Town take appropriate action to file the required report and deliver any unclaimed property to the FDBF.

#### **Results of follow-up procedures**

#### ***The Town has partially addressed this finding.***

On April 25, 2003, and March 26, 2004, the Town reported and remitted \$877 and \$7,528, respectively, to the Florida Department of Financial Services (FDFS) (formally the Florida Department of Banking and Finance) for checks that were unclaimed in excess of one year after issuance. In our review, we noted additional amounts totaling \$2,822 for voided checks issued between July 1996 and December 2001 that had not been remitted to the FDFS. Although requested, Town personnel could not provide explanations as to why the checks had been voided and, therefore, we could not determine whether these amounts constituted unclaimed property as contemplated by Chapter 717, Florida Statutes. If any of these amounts are determined to be unclaimed property pursuant to Chapter 717, Florida Statutes, the Town may be subject to as much as \$500 in penalties for failing to timely report and remit unclaimed property to the FDFS.

### **Town Response**

*We feel that the Town has adequately addressed this finding. Yearly we review the stale dated checks and submit the money to*

*the state. Unfortunately, the voided checks in question were result of the previous finance director and we weren't able to find proper backup to explain why they had not been submitted to the state.*

### **Finding No. 11: Check Signing**

#### **Previously reported**

The Town had not established adequate controls over signature stamps and it was not apparent why the Town required three signatures for all check disbursements.

We recommended that the Town Commission consider limiting the number of required signatures, perhaps requiring three signatures only for large or unusual disbursements. We also recommended that the Town ensure that at least one signature stamp is in the custody of, and utilized by, an employee outside of the finance department, and that no one employee is allowed access to all signature stamps.

#### **Results of follow-up procedures**

***The Town has not addressed this finding.*** The Town still requires three signatures (Mayor, Vice-Mayor, and Finance Director) on all checks, although the Town recently changed from signature stamps to computer-generated signatures. Similar control issues regarding segregation of duties for the signature stamps also relate to the new computerized signatures. The Finance Director and Assistant to the Finance Director have access capabilities, including the ability to print checks, while also being assigned the duties of preparing and approving monthly bank reconciliations.

#### **Town Response**

*We feel that the Town has partially addressed this finding. With limited staff we segregate duties to the best of our ability. The issue with the three signatures is in our code and in order to change this requirement our code would have to be amended.*

### **Finding No. 12: Electronic Transfer of Funds**

#### **Previously reported**

The Town did not enter into written banking agreements regarding electronic transfers of funds. Such agreements should specify the location and accounts to which transfers can be made, amounts that can be transferred, and the employees authorized to make such transfers and make changes in locations where funds can be transferred.

We recommended that the Town enter into written electronic funds transfer agreements with all financial institutions with which it does business. Such agreements should specify the responsibilities of the Town and the banks, the location and accounts where funds can be transferred, limits on amounts that can be transferred, and persons authorized to make transfers and to make changes in locations and accounts to which funds can be transferred.

#### **Results of follow-up procedures**

***The Town has not addressed this finding.*** The Town has not entered into written agreements regarding electronic funds transfer with the local financial institutions with which it does business. Additionally, we noted that the State Board of Administration (SBA) wire transfer information was not timely updated for the change in finance directors. The former Finance Director was placed on administrative leave on April 22, 2003, and resigned effective May 30, 2003, and the new Finance Director started on September 8, 2003; however, the SBA wire transfer information was not updated for the change until March 18, 2004.

#### **Town Response**

*We feel that the Town has adequately addressed this finding. We recently entered into a banking agreement with Fidelity Federal concerning electronic transfers which was approved October 6, 2004 by the commission. The SBA signature cards were changed in March 2004.*

### **Finding No. 13: Investment Earnings**

#### **Previously reported**

The Town could have earned additional interest earnings of approximately \$25,000 had more surplus moneys been invested with the 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 partially addressed this finding.***

During the period April 2003 through March 2004, the Town held average monthly balances in its checking account ranging from \$190,005 to \$1,060,059, with interest rates ranging from .16 to .91 percent. Although the Town routinely invests surplus funds with the SBA, the Town could have earned additional interest of approximately \$4,500 had it invested more of its surplus moneys with the SBA, which offered interest rates ranging from 1.19 to 1.50 percent during the same period. For the months of October 2002 through March 2003, we were unable to perform an interest rate analysis because the bank did not credit interest to the Town for these months. The bank subsequently credited the Town interest for these months in April 2003, but a monthly breakdown of interest rates used to calculate this lump-sum interest payment was not provided.

#### **Town Response**

*We feel that the Town has adequately addressed this finding. We monitor cash closely and any excess gets invested at the SBA.*

### **Finding No. 14: Tangible Personal Property Records**

#### **Previously reported**

The Town's tangible personal property records did not provide adequate accountability over tangible personal

property as they did not contain all necessary information and all property items. Further, some items could not be located or were not properly tagged.

We recommended that the Town implement procedures to ensure that the tangible personal property records include all information necessary to properly identify property items. We also recommended that the Town ensure that all tangible personal property is tagged or marked with an identifying number. We further recommended that the Town report the missing property items disclosed by our tests to the police department for investigation.

#### **Results of follow-up procedures**

##### ***The Town has partially addressed this finding.***

Our current testing of 31 items revealed the following deficiencies:

- Twenty-five items on the property list were lacking complete information, such as: the serial number (or vehicle identification number); original cost or fair value at the time of purchase or donation; purchasing information, such as purchase order number or check number; or manufacturer, make, or model information.
- Two items costing a total of \$6,290 could not be located. They consisted of a \$1,549 personal computer and a \$4,741 turf truck.

For our follow-up on the six missing property items noted in report No. 03-041, one item (CRT terminal) was subsequently located by the Town, and the other five items were reported to the Palm Beach County Sheriff's Office (PBSO) for investigation. Subsequently, the Town located one additional item (external optical drive) and the PBSO concluded that the remaining items were either traded-in for upgrades or sold at auction without being noted in the Town's property records. The four items that are believed to have been sold or traded-in (two computers, network server, and a copier) were noted as disposed in the Town property records on March 5, 2004, subsequent

to our inquiries regarding these items. In addition, one of the missing items subsequently located by the Town (CRT terminal) was still not tagged or otherwise marked as property of the Town as of March 8, 2004.

### **Town Response**

*We agree that our tangible personal property records need additional work. Currently we are updating all tangible property records with make, model and serial numbers. New policies have been implemented to track transfers and dispositions.*

## **Finding No. 15: Tangible Personal Property Inventory**

### **Previously reported**

The Town did not perform a complete inventory of tangible personal property during the 2000-01 fiscal year. In addition, the Town did not perform a complete equipment inventory of its police department prior to outsourcing police services to the Palm Beach County Sheriff's Office (PBSO), although title to such property was transferred to the PBSO.

We recommended that the Town ensure that a complete physical inventory of tangible personal property is taken annually, and whenever a change of custodians occurs, and the results promptly reconciled to the Town's property records.

### **Results of follow-up procedures**

*The Town has partially addressed this finding.* During June 2002 and March through May 2003, the Town conducted inventories of its tangible personal property; however, discrepancies noted on the inventory count sheets were not reconciled to the property records. For example, notations on the June 2002 count sheets regarding untagged and incorrectly tagged sanitation vehicles (noted in Finding No. 14 above) were still uncorrected during February 2004 when we conducted a physical inspection of 29 pieces of tangible personal property.

The Town removed equipment formerly located at its police department from its property records

subsequent to outsourcing its law enforcement function to the PBSO. The Town indicated that some of these items were sold at auction, while other items were transferred to the PBSO; however, the Town did not separately list the items auctioned versus the items transferred to the PBSO. Additionally, the Town did not attempt to reconcile equipment transferred to the PBSO to the equipment listing in the outsourcing contract (see finding No. 32).

### **Town Response**

*We agree that additional work needs to be done to get property records up to date and that the transfer of property to the PBSO was handled incorrectly. Unfortunately we are unable to correct the transfer of property to the PBSO. Going forward we are taking a yearly physical inventory and updating our records with all pertinent information such a make, model and serial numbers. New fixed assets are being tagged when purchased.*

## **Finding No. 16: 1997 and 1998 Bond Issues**

### **Previously reported**

The Town had not established adequate controls over the administration of proceeds from its 1997 and 1998 bond issues totaling \$9,800,000. Deficiencies related to the administration of these bond issues, and the projects funded there from, included failure to: (1) separately account for sources of financing (i.e., grants and bond proceeds); (2) document the basis for estimated project costs and needed financing; (3) establish specific project completion dates; (4) document that expenditures of bond proceeds were necessary and incidental to the projects; and (5) fully utilize available grant moneys.

We recommended that prior to undertaking significant capital projects in the future, the Town adequately plan such undertakings by documenting estimated project costs and establishing estimated completion dates. We also recommended that the Town clearly document the use of all restricted bond moneys and monitor the usage of the moneys to ensure that they are only expended for allowable purposes. We further recommended that the Town ensure that construction



costs are timely incurred to allow the Town to efficiently use available grant financing.

#### **Results of follow-up procedures**

##### ***The Town has adequately addressed this finding.***

We reviewed the Town's administration of a Marina construction project for which expenditures were incurred during the period November 2002 through January 2004. In connection with this project, the Town obtained a \$4,810,000 loan from the Florida Municipal Loan Council (see finding No. 17). The Town hired a consultant to estimate the amount of debt financing needed for the project, and the loan documents established a completion date for the project. The Town recorded the loan proceeds along with grant funding restricted for Marina construction in a separate fund restricted for Marina construction. We tested ten expenditures from the loan and grant proceeds, and all expenditures appeared to be necessary and incidental for the Marina construction project. In addition, we did not note any grants that expired without being used.

#### **Town Response**

*Finding Resolved. See Auditors report*

### **Finding No. 17: Property Renovation Loan**

#### **Previously reported**

The Town entered into a property renovation loan agreement with a term length contrary to that approved by the Town Commission. In addition, contrary to good business practice, the Town did not use a competitive selection process to obtain financing for the renovations.

We recommended that the Town ensure that future financings are done in accordance with applicable Resolutions, and use a competitive selection process when obtaining financing.

#### **Results of follow-up procedures**

##### ***The Town has partially addressed this finding.***

The Town sold the properties renovated under the \$700,000 loan agreement and used the proceeds to pay

off the balance of the loan. Subsequently, pursuant to Resolution No. 07-03-03, the Town signed a \$4,810,000 loan agreement with the Florida Municipal Loan Council (FMLC) on May 12, 2003, for the purpose of completing construction on the Town Marina. The amount and terms of the loan were consistent with the authorizing resolution; however, contrary to good business practice, the Town did not use a competitive selection process to obtain the financing. Although Town staff indicated that the Town elected to pursue a negotiated loan with the FMLC because of the low issuance costs associated with the FMLC loan and concern over whether other financing would be available due to the untimely completion of the Town's audits (see finding No. 4) and references to the Town's deteriorating financial condition in the most recently available audit report (see finding No. 5), there was no documentation available to indicate whether other financing sources were considered.

#### **Town Response**

*We agree with the Auditor General's finding. We were unable to locate any documentation that suggested that other financing resources were considered.*

### **Finding No. 18: Accountability for Restricted Revenues**

#### **Previously reported**

Contrary to Section 218.33(2), Florida Statutes, the Town did not separately account for motor fuel tax revenues in the manner required by the Florida Department of Financial Services' (FDFS) (formerly the Florida Department of Banking and Finance) *Uniform Accounting System Manual*.

We recommended that the Town establish accountability for each restricted revenue source through the use of a separate special revenue fund in accordance with the FDFS *Manual*, and to the extent practical, review balances on hand and recent transactions to ensure that all restricted moneys have been used for authorized purposes.

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

From October 2002 to January 2004, the Town received various types of fuel tax revenues pursuant to Sections 206.41 and 336.025, Florida Statutes, which were legally restricted to expenditures for specified purposes. The Town separately accounted for these fuel tax revenues and associated expenditures within one special revenue fund and separated the different types of fuel tax revenues using unique revenue codes; however, the expenditures were not identified within the fund in such a way as to associate expenditures with the specific fuel tax that funded them.

**Town Response**

*We agree with the Auditor General finding that this has been partially addressed.*

*We will look into separating the expenditures that go with each fuel tax. This will be very labor intense for both Public Works and Finance.*

**Finding No. 19: Local Option Fuel Tax****Previously reported**

The Town's comprehensive plan did not provide for the specific uses of the additional \$0.05 Local Option Fuel Tax. Further, the Town's use of these moneys included expenditures that did not appear to be consistent with the restrictions imposed by Section 336.025(1)(b)3., Florida Statutes.

We recommended that the Town amend its comprehensive plan to provide for specific uses of the additional \$0.05 Local Option Fuel Tax. We also recommended that, to the extent that the additional \$0.05 Local Option Fuel Tax proceeds received between October 2000 and January 2002 were not used for allowable transportation expenditures, such revenues be restored from available unrestricted resources to the special revenue fund and used for authorized purposes.

**Results of follow-up procedures**

***The Town has not addressed this finding.*** The Town did not restore fuel tax moneys improperly expended during the period October 2000 through January 2002. In addition, the Town may have improperly expended additional fuel taxes. According to Town records, the Town, during the period October 2002 through January 2004, incurred a total \$470,674 in expenditures using fuel taxes received pursuant to Sections 206.41, 336.025(1)(a), and 336.025(1)(b), Florida Statutes. The majority of these expenditures were salaries and benefits of five public works department employees whose job descriptions indicate that they perform nontransportation-related functions. Although requested, we were not provided work logs or equivalent documentation showing the actual percentage of time that these five employees spent on transportation-related functions. As such, the Town has not documented, of record, that the use of the fuel taxes for salary and benefits of the five public works department employees was an authorized use of fuel taxes.

**Town Response**

*We feel that this has been adequately addressed. The Public Works Department has implemented new work orders to show hours worked, manpower needed, description of work and materials needed. This allows us to track expenses for the Local Option Fuel Tax.*

**Finding No. 20: Grant Reimbursements****Previously reported**

The Town did not always timely request reimbursement for expenditures incurred under grant agreements.

We recommended that to efficiently manage cash flow, the Town continue its recent efforts to monitor grant activity, and ensure that it requests grant moneys promptly after the Town becomes eligible to receive those moneys.

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

Our review of five grants indicates that the Town is timely requesting reimbursement for expenditures incurred under grant agreements.

**Town Response**

*Finding Resolved. See Auditors report*

**Finding No. 21: Responsibility for 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 among employees.

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

The Town has implemented the use of receipts logs and transfer documentation for collections occurring at decentralized collection points, such as the library and recreation department. However, receipts received through the mail at the Town Hall (i.e., centralized collections) are still delivered unopened to the staff accountant, who posts collections to the accounting records, prepares bank deposits, reconciles collections of record to validated deposit slips, and updates customer accounts for payments received.

**Town Response**

*We agree that that this has been partially addressed. We have implemented the use of receipt logs from remote sites but feel that it would be too labor intense for someone to log in checks that we received in the mail.*

**Finding No. 22: Sanitation Fee Collections****Previously reported**

The Town lacked adequate procedures to monitor and collect unpaid sanitation fees.

We recommended that the Town implement procedures for collecting unpaid sanitation fees. Such procedures should include monitoring uncollected amounts, providing written notification of delinquency to customers, and use of collection agencies, liens on property, or other legal action.

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

We reviewed all accounts over \$500 included in the \$63,479 balance of uncollected sanitation fees outstanding for more than 60 days (as of May 28, 2002) discussed in report No. 03-041, finding No. 22. As of June 30, 2004, nine accounts totaling \$20,854 were fully collected, two accounts totaling \$3,021 were settled for lesser amounts, two accounts totaling \$5,291 entered into payment plans with the Town, one account totaling \$552 was turned over to the Town Attorney for action, a lien was filed for one account totaling \$2,883, and six accounts totaling \$15,512 were written-off.

The Town has developed written procedures for the collection of delinquent sanitation fees; however, as of September 2004, the Town Commission had not officially adopted these procedures.

**Town Response**

*We agree that this has been partially addressed. Policies have been written to ensure collections and will be brought before the Commission for approval.*

**Finding No. 23: Hiring Practices****Previously reported**

The Town had not established adequate controls to ensure that only qualified applicants were hired. One employee was hired under a conditional employment arrangement although the Town lacked procedures for

granting conditional employment and following up on conditional employment requirements.

We recommended that the Town require applicants for positions with specific education requirements to request that the educational institution send official transcripts to the Town evidencing that minimum educational requirements were met. We also recommended that, consistent with the Town Commission's intentions, the Town develop procedures for granting conditional employment specifying the conditions in which conditional employment can be granted, the individuals authorized to grant the conditional employment, and the individuals responsible for verifying that conditional employment requirements are subsequently met. We further recommended that the Town require that job applications be completed for all job applicants and that the applications be retained on file for all employees.

#### **Results of follow-up procedures**

##### ***The Town has partially addressed this finding.***

The Town has made improvements regarding hiring practices. Of ten new hires tested, complete applications were on file for all ten employees. However, for two employees hired into positions requiring college degrees, the Town did not, of record, verify these employees' minimum educational requirements directly with the educational institution. These employees' personnel files included only photocopies of unofficial transcripts. Subsequent to our inquiry, the Town obtained official transcripts directly from the educational institutions, and both employees were found to meet the minimum educational requirements established by the applicable position descriptions.

The employee conditionally hired, as discussed in report No. 03-041, Finding No. 23, is currently enrolled in courses required to meet the bachelor's degree required for his position. However, the Town's hiring policies still do not appear to permit conditional employment.

#### **Town Response**

*We agree that this has been partially addressed. Future hiring will be conducted as stated in the Towns handbook.*

### **Finding No. 24: Compensatory Leave**

#### **Previously reported**

The Town had not established adequate records of compensatory and executive leave earned, used, and available for employees.

We recommended that the Town keep detailed centralized records of all compensatory and executive leave earned, used, and available for all employees.

#### **Results of follow-up procedures**

##### ***The Town has partially addressed this finding.***

The Town now centrally tracks compensatory leave earned, used, and available within its computerized payroll system for "nonexempt" employees as defined by the Fair Labor Standards Act. Town staff have indicated that the Town no longer provides executive leave for "exempt" employees as defined by the Fair Labor Standards Act; however, the Town's Employee Policy/Handbook still references executive leave in that it provides that "exempt employees may take Executive Time off with the concurrence of their supervisor to accommodate their extra hours worked."

#### **Town Response**

*We agree that this has been partially addressed. Executive leave was removed by resolution and removed from the handbook in one place but was referenced in another. We will amend the Handbook to make clear that executive leave is no longer permitted.*

### **Finding No. 25: Insurance Overpayments**

#### **Previously reported**

The Town did not timely notify employee benefit providers of employee terminations, resulting in insurance overpayments of \$163,951 during the audit period, including \$40,694 that was unrecoverable.

We recommended that the Town promptly notify all employee benefit providers of employee terminations, and that all invoices from benefit providers be promptly reconciled to listings of active employees and differences timely resolved.

#### **Results of follow-up procedures**

#### ***The Town has partially addressed this finding.***

While insurance overpayments have declined significantly, we did note instances in which the Town did not timely notify providers of employee benefits terminations resulting in overpayments for two terminated employees totaling \$2,194 during the period September 2003 through January 2004. Of this amount, the Town subsequently recovered \$1,842, but was unable to recover the remaining \$352.

#### **Town Response**

*We feel that this has been addressed adequately. Invoices are reviewed monthly and the insurance carriers are notified of any changes.*

### **Finding No. 26: Credit Cards**

#### **Previously reported**

The Town Commission had not adopted an ordinance or resolution, or otherwise provided guidance, as to the assignment and proper use of Town credit cards. Nor did the Town require users of the credit cards to sign written agreements specifying acceptable uses of credit cards.

We recommended that the Town Commission enact written policies and procedures governing the control and use of credit cards. Such policies should specify appropriate credit card uses, require that credit cards be used only for public purpose, 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.

#### **Results of follow-up procedures**

#### ***The Town has partially addressed this finding.***

The Finance Director has drafted adequate policies

and procedures for use of Town credit cards; however, the Town Commission had not, as of September 2004, approved these policies and procedures. Currently, seven Town employees are assigned credit cards with a total aggregate credit limit of \$21,000, and on March 10, 2004, these seven Town employees signed statements indicating that they understand and agree with the policies and procedures.

#### **Town Response**

*We agree that this has been partially addressed. Policies have been written and will be going to the commission for approval.*

### **Finding No. 27: Disbursement Processing**

#### **Previously reported**

Deficiencies in the Town's disbursement processing procedures included a lack of properly signed purchase requisitions or purchase orders and signatures indicating the receipt of goods or services.

We recommended that Town personnel ensure that all voucher packages include purchase requisitions and purchase orders with all required signatures, and evidence that goods and services were received by authorized employees.

#### **Results of follow-up procedures**

#### ***The Town has adequately addressed this finding.***

Our examination of 30 expenditure items for the period November 2002 through January 2004 disclosed that all 30 expenditures tested were supported by signed purchase requisitions and purchase orders, and, as applicable, supporting documentation contained signatures indicating that the goods and services were received by authorized Town employees.

#### **Town Response**

*Finding Resolved. See Auditors report.*

### **Finding No. 28: Inadequately Documented/ Unauthorized Expenditures**

#### **Previously reported**

Our audit disclosed expenditures totaling \$939 for which the Town's records did not clearly demonstrate that a public purpose was served.

We recommended that the Town, in the future, 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 partially addressed this finding.***

Our test of general expenditures indicated that all expenditures were supported by detailed invoices or other supporting documentation; however, expenditures of \$1,833 to pay for a dinner for approximately 100 volunteers did not clearly demonstrate that a public purpose was served.

#### **Town Response**

*We feel that this has been adequately addressed. The expenditure in question was for a volunteer dinner which is done once a year and costs are minimal. Although documentation supporting the expenditure may not have clearly indicated such, the Town feels that this is important to thank our volunteers and, therefore, serves a public purpose.*

### **Finding No. 29: Written Agreements**

#### **Previously reported**

Contrary to good business practice, the Town did not maintain copies of written agreements for several contractors.

We recommended that the Town ensure that future payments for contractual services are made pursuant to a written agreement documenting the nature of services to be performed and the compensation for such services.

### **Results of follow-up procedures**

***The Town has not addressed this finding.*** Our review disclosed the following instances in which the Town acquired contractual services subsequent to November 2002 without benefit of a written agreement:

- During calendar year 2003, the Town paid \$140,937 to a consulting firm based upon three "Work Authorizations" pursuant to a 1998 Master Services Agreement (also see discussion in finding No. 30 under the subheadings Engineering and Consulting Services). However, the Town has been unable to locate a copy of the 1998 Master Services Agreement.
- The Town procured legal services and made payments of \$34,188 from November 2002 through December 2003 without benefit of a written agreement specifying the exact nature of the legal services to be provided or the basis for payment.

#### **Town Response**

*We agree that we have not addressed this finding. The Master Service Agreement was approved by the commission in 1998 but we were unable to locate the document.*

### **Finding No. 30: Competitive Selection Process**

#### **Previously reported**

Contrary to good business practices or State law, the Town did not, of record, use a competitive selection process to find a replacement bank and to hire an architect in connection with Town Hall renovations.

We recommended that the Town comply with the competitive selection provisions of Section 2-105(g) of the Municipal Code and Section 287.055, Florida Statutes, when acquiring professional architectural services for the Town.

### Results of follow-up procedures

***The Town has not addressed this finding.*** In response to report No. 03-041, finding No. 30, the Town indicated that management was preparing a request for proposal for banking services; however, as of June 30, 2004, the Town has yet to do so. In addition, our review of the Town's acquisition and payment for selected contractual services for the period November 2002 through January 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. The Town contracted with an independent certified public accounting firm to conduct the Town's annual financial audit for the fiscal years September 30, 2003, 2004, and 2005. The Town did not solicit proposals and, contrary to Section 218.391(2), Florida Statutes, the Town did not, of record, establish an auditor selection committee and auditor selection procedures regarding the Town's required annual audit.
- Engineering Services. The Town paid a total of \$66,453 to an engineering/consulting firm for engineering services in connection with the Town Marina construction project, which had a total contracted cost of \$2,235,460. The Town did not select the firm for this project using the competitive selection and negotiation process required by Section 287.055, Florida Statutes. Instead, payments to the firm were made pursuant to "Work Authorizations," signed in November 2002 and May 2003, that referenced a 1998 Master Services Agreement characterized by the Town as a continuing contract. Section 287.055(2)(g), Florida Statutes, stipulates that continuing contracts for professional services are only applicable for projects in which construction costs do not exceed \$1,000,000 and engineering costs do not exceed \$50,000. As such, the Town should

have solicited new proposals for engineering services on its Marina project.

- Consulting Services. The Town paid a total of \$60,337 to an engineering/consulting firm (the same firm that provided engineering services as discussed above) for consulting services in connection with the Town Marina construction project. The Town did not select the firm in the manner required by Section 2-105(f) of the Municipal Code, which states that the Town shall use a sealed bid or sealed proposal process for all consulting services exceeding \$25,000. Instead, payments to the firm were made pursuant to "Work Authorization" No. 11, signed in December 2002 that referenced the 1998 Master Services Agreement. Section 2-105(f) of the Municipal Code does not provide for the use of a continuing contract in lieu of a competitive selection process. As such, the Town should have selected a firm to provide the consulting services using the competitive selection process prescribed by Section 2-105(f) of the Municipal Code.

### Town Response

*We feel that we have partially addressed this finding. The Town did use a competitive selection for engineering services, but we could not produce the document. The Town has switched engineering firms for the Marina project that was selected by a competitive selection process.*

### **Finding No. 31: Inadequate Support for Contractual Expenditures**

#### Previously reported

Payments totaling \$83,077 for contractual services were not adequately supported by detailed invoices.

We recommended that the Town, prior to making future payments for contractual services, require contractors to provide documentation sufficient for the Town to determine exactly what services were provided and whether the services were billed in accordance with agreed upon terms.

**Results of follow-up procedures**

*The Town has not addressed this finding.* Our test of contractual services for the period October 29, 2002, through February 19, 2004, disclosed deficiencies relating to payments for contractual services as follows:

- Invoices for auditing and consulting services did not include hourly breakdowns of services performed.
- Invoices for engineering services did not include receipts or other documentation supporting reimbursable expenses.
- The Town paid a contractor \$59,900 associated with excavating and surfacing the ballfields at a cost per cubic yard set forth in a bid awarded to the vendor by the Village of Wellington. Pursuant to the Wellington bid, the Town should have paid \$2.50 per cubic yard of excavation; however, the Town paid \$3.50 per cubic yard for 7,900 cubic yards of excavation, resulting in an overpayment of \$7,900.

**Town Response**

*We agree that this has not been addressed. We will review our review process for invoices and make sure that adequate backup is attached.*

**Finding No. 32: Contract for Police Services**

**Previously reported**

We noted several deficiencies regarding a contract between the Town and the Palm Beach County Sheriff's Office (PBSO) governing the transfer of law enforcement functions from the Town to the PBSO, including the lack of a documented comprehensive cost/benefit analysis demonstrating that outsourcing the law enforcement functions was economically beneficial to the Town.

We recommended that the Town perform a comprehensive cost/benefit analysis regarding the contract for police services to ensure that the Town

entered into an economically advantageous agreement and, if appropriate, seek to amend the terms of the agreement.

**Results of follow-up procedures**

*The Town has not addressed this finding.* The Town did not perform a comprehensive cost/benefit analysis regarding its contract with PBSO. In addition, the Town had not sought to amend the contract to address other deficiencies relating to confusing contract language.

**Town Response**

*We agree that this has not been addressed. The contract for the PBSO is up at the end of this fiscal year and the new contract will be reviewed closely.*

**Finding No. 33: Contract for Fire and Emergency Services**

**Previously reported**

The Town's contract with Palm Beach County, whereby the County agreed to provide fire and emergency services to the Town's citizenry may be contrary to Article VIII, Section 4 of the State Constitution, which requires a voter referendum to transfer ultimate responsibility for such services to the County.

We recommended that the Town review this arrangement with its legal counsel to determine if referenda are required or whether its contractual arrangement should be revised to clearly indicate that the Town retains ultimate supervisory control over fire and emergency services.

**Results of follow-up procedures**

*The Town has not addressed this finding.* The Town has not sought further legal clarification regarding whether a transfer of powers occurred.

**Town Response**

*We agree that this has not been addressed. This will need to be looked into.*



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**Finding No. 34: Contract for Construction Services**


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**Previously reported**

The retainage withholding percentage on a construction contract was reduced without written approval from Town personnel or the Town Commission. In addition, invoices supporting payments totaling \$16,076 to a contractor in connection with the Town Hall renovations were not, of record, subjected to architect approval or to retainage withholding.

We recommended that the Town, in the future, document all changes to written agreements in writing signed by all parties to the contract. In addition, the Town Commission should approve, of record, any changes to contracts that were originally Commission-approved. We also recommended that invoices from construction contractors be processed in the proper manner to ensure adequate review by architects and withholding of required retainage.

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

The Town continued to retain amounts on the construction contract based on change order totals rather than the revised total contract amounts. For example, as of April 24, 2003, the total contract amount, including the first three change orders, was \$1,772,029, and all work through the first three change orders had been completed. Based on the contract, the retainage held by the Town should have been \$177,203 (10 percent of \$1,772,029); however, contrary to the contract, the Town held retainage of only \$61,502 (or 10 percent of the amount of Change Order No. 3). No written approval, of record, from the Town Commission, was available to document the Commission's approval to release the retainage in stages prior to the completion of Phase I of the Marina construction project.

**Town Response**

*We feel that the Town has addressed this finding. The Engineer of record approved all disbursements and the required retention, based on total contract amounts received, is now being held until the project is complete.*

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**Finding No. 35: Investment Advisory Services**


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**Previously reported**

The Town utilized an investment advisor for the Town's Police Officers' and Firefighters' Pension Plans. We were unable to determine how much was paid to the investment advisor during the audit period and, as such, whether fees were paid in accordance with the terms of the agreement.

We recommended that the Town ensure that the investment advisor is paid the appropriate amount of fees for services rendered.

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

The investment agreement for the Police Pension Fund was terminated in January 2003 upon dissolution of the Police Pension Plan. A new Pension Board was subsequently formed to administer remaining assets that will be used to pay seven retirees that were receiving benefits prior to the outsourcing of police services (see finding No. 32), and a new trustee was contracted with in June 2004. The Firefighters' Pension Plan is currently in litigation against the Town. Pending the outcome of the litigation, all debt and equity securities of the Firefighters' Pension Plan were exchanged for cash, and no investment advisor fees have been incurred subsequent to December 2002.

**Town Response**

*Finding Resolved. See Auditors Report.*

**Finding No. 36: Travel Policies**

**Previously reported**

The Town Commission established an Employee Handbook that included allowances for subsistence expenses that differed from those provided for in Section 112.061(6)(b), Florida Statutes. However, because the Handbook was adopted by resolution rather than by ordinance or charter amendment, Town employees and officials traveling on official business were only entitled to the subsistence allowances prescribed in Section 112.061(6)(b), Florida Statutes. In addition, the Handbook was not specific regarding application of certain provisions relating to subsistence reimbursements.

We recommended that the Town Commission enact an ordinance to the extent that it desires to adopt travel policies that differ from Section 112.061, Florida Statutes, and revise the Handbook as necessary to clarify the issues discussed above.

**Results of follow-up procedures**

***The Town has partially addressed this finding.***

Pursuant to Chapter 2003-125, Laws of Florida, a municipality that provides any per diem and travel expense policy pursuant to Section 166.021(10)(b), Florida Statutes, shall be deemed to be exempt from all provisions of Section 112.061, Florida Statutes. Any municipality that does not provide a per diem and travel expense policy remains subject to all provisions of Section 112.061, Florida Statutes. Although the Law was approved by the Governor on June 10, 2003, the section of the Law applicable to Section 166.021, Florida Statutes, applies retroactively to January 1, 2003.

The Town has established travel policies and procedures in Section 7 of its Employee Handbook (Handbook), which has been adopted and periodically amended by resolution of the Town Commission. Our review of the Town's travel policies disclosed the following:

- The Town's travel expense policies include no provisions addressing documentation requirements to substantiate travel allowances and two Town employees receive monthly travel allowances (see finding No. 37).
- The Town's policies provide for \$35 per diem for travel involving an overnight stay except that when meals are included in a registration fee or paid by another party, the allowable cost of that meal will be deducted from the per diem allowance. However, the Town's policies do not provide per meal dollar allowances that would be used in calculating amounts to be deducted in such cases.

**Town Response**

*We agree that this has been partially addressed. We will amend the approved travel policy to clarify who is authorized to approve travel allowances, and how the allowances are to be determined, and to incorporate a deduction for meals provided.*

**Finding No. 37: Travel Allowance**

**Previously reported**

Contrary to Section 112.061(7)(f), Florida Statutes, two Town employees were granted monthly travel allowances without signed statements showing places and distances for a typical month's travel. One of these employees was also assigned a Town vehicle on a full-time basis for no apparent reason.

We recommended that the Town, for monthly travel allowances, obtain a signed statement from the traveler showing the places and distances for a typical month's travel on official business as required by Section 112.061(7)(f), Florida Statutes.

**Results of follow-up procedures**

***The Town has not addressed this finding.***

Currently, the Town Manager and Parks and Recreation Director receive monthly travel allowances of \$300 and \$200, respectively. As noted in finding No. 36, the Town's travel policies contain no provisions regarding travel allowances. Consequently,

it is unclear as to who is authorized to grant travel allowances or how such amounts are to be determined. No documentation of record was available showing how the monthly travel allowance amounts were determined.

**Town Response**

*We agree that this has not been addressed. The travel allowance in question is actually a car allowance. We currently have two employees who receive this allowance. The Town Manager's car allowance, which was negotiated in his contract, is actually compensation, while the Recreation Director's car allowance, which was approved in 1999 by the Town Manager, is intended to cover expenses related to the Recreation Director's travel on Town business. We will document the basis for the Recreation Director's car allowance, as well as any future car allowances.*

**Finding No. 38: Travel Reimbursements**

**Previously reported**

The Town had 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, in the future, require all Town employees to provide adequate supporting documentation, including conference/convention agendas and airline tickets, for any travel expense claims. We also recommended that the Town's finance department personnel review all travel-related expenditures for compliance with Section 112.061, Florida Statutes, and applicable Town policies prior to making payment.

**Results of follow-up procedures**

***The Town has adequately addressed this finding.***

Our test of travel expenditures paid from July 2003 through February 2004 indicated that all travel expenditures were properly signed, authorized, and approved, were properly supported by conference agendas and receipts, were reviewed by finance department staff prior to payment, and were generally in accord with Town policy.

**Town Response**

*Finding Resolved. See Auditors Report*

**Finding No. 39: Taxable Meal Allowance**

**Previously reported**

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

We recommended that the Town begin reporting Class C meal allowances to the Internal Revenue Service. We also recommended that the Town determine the extent to which Class C meal allowances paid to employees were not reported as wages or other compensation and 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.*** Our current review disclosed that the Town is still not reporting Class C meal allowances to the Internal Revenue Service. In addition, the Town has not contacted the Internal Revenue Service to determine corrective action regarding unreported amounts from prior years.

**Town Response**

*We agree that this has not been addressed. Finance is currently writing a policy that will address this issue and should be in effective by January 1, 2005.*

**Finding No. 40: Telecommunication Taxes**

**Previously reported**

The Town paid \$6,243 in Federal, State, and local telecommunication taxes from which it is exempt.

We recommended that the Town notify all of its telecommunication 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 a refund for exempt taxes previously paid.

#### **Results of follow-up procedures**

##### ***The Town has partially addressed this finding.***

Our review of telephone bills indicated that the Town paid State and local taxes to which it is exempt totaling \$321; however, subsequent to July 2003, the Town was not billed for any further telecommunications taxes. According to the Finance Director, the Town contacted the telecommunication providers regarding the prior tax payments of \$6,243 noted in report No. 03-041, but the telecommunications providers would not refund this amount. The Town did not, of record, take further action to recover this amount or the \$321 of exempt taxes paid as disclosed by our current review.

#### **Town Response**

*We feel that this has been adequately addressed. We notified all telecommunication vendors that we are tax exempt unfortunately we were not able to receive a refund.*

#### **Finding No. 41: Telecommunication Charges**

##### **Previously reported**

Contrary to good business practice, the Town incurred \$1,706 of telecommunication charges that appeared to be avoidable, including late fees and associated interest, directory assistance calls, call-return fees, fees associated with making long distance calls without having a designated long distance carrier, and fees for calling “900” numbers.

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 made serve a public purpose. We also recommended that the Town promptly pay all telecommunications bills to avoid late charges and interest charges on unpaid balances, ensure that directory assistance calls are limited, prohibit the use of call-return features and “900” numbers, and ensure that all lines either have

designated long distance carriers or have long distance call block.

#### **Results of follow-up procedures**

##### ***The Town has adequately addressed this finding.***

Our review of telecommunication provider bills indicated that the Town has not incurred any avoidable charges subsequent to August 2003.

#### **Town Response**

*Finding Resolved. See Auditors report.*

#### **Finding No. 42: Vehicle Utilization Records**

##### **Previously reported**

The Town assigned vehicles to employees on a 24-hour basis without demonstrating that the vehicles were used primarily for a public purpose and used only incidentally for the personal benefit of the employee assigned the vehicle. 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 maintain vehicle usage logs documenting personal use mileage, and begin reporting the value of such usage to the Internal Revenue Service. We also recommended that the Town contact the Internal Revenue Service to determine what corrective action should be taken regarding the unreported value of personal use of vehicles assigned on a 24-hour basis.

#### **Results of follow-up procedures**

***The Town has not addressed this finding.*** Two Town employees currently have a vehicle assigned on a 24-hour basis, the Public Works Director and the Assistant Town Manager. Vehicle logs were not maintained and no personnel usage amounts were included in the employees’ gross compensation reported to the Internal Revenue Service.

#### **Town Response**

*We agree that this has not been addressed. This will be addressed during fiscal year 2004-2005.*

**Finding No. 43: Conflict of Interest****Previously reported**

Contrary to the Town's Code of Ordinances, the Town's Senior Engineer authorized payments to his wife as an independent contractor during the 1999-2000 and 2000-01 fiscal years. In addition, during the 1997-98 fiscal year, the Town purchased engineering services from a firm owned by the Town's Senior Engineer while he was a Town employee.

We recommended that the Town implement procedures to ensure compliance with the conflict of interest provisions of the Code of Ordinances and, to facilitate such compliance, clearly communicate to all employees the requirements of Section 2-110.1 of the Town's Code of Ordinances.

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

Our review did not disclose any payments involving conflicts of interest.

**Town Response**

*Finding Resolved. See Auditors Report.*

**Finding No. 44: Sunshine Law****Previously reported**

Four Commission members attended a reception, the purpose of which was to obtain information as to the qualifications of candidates for the Town Manager position. As such, the possibility existed that two or more Commissioners may have had discussions regarding this matter at the reception, which would appear to be a violation of the Sunshine Law (Section 286.011(1), Florida Statutes). In addition, several Commission meeting minutes were either not timely approved by the Commission or not approved at all of record.

We recommended that to avoid potential violations of the Sunshine Law, future events such as the reception be avoided, or structured in such a manner to ensure compliance with the Sunshine Law. We also

recommended that all meeting minutes be promptly transcribed and presented to the Commission for approval.

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

Meetings were advertised, and minutes kept, for committee meetings held during the period October 2002 through December 2003. However, the Town held another reception at the Evergreen House on May 9, 2003, which was attended by four Commission members and three candidates for the position of Town Manager. The reception followed a Town Manager Selection Workshop meeting in which the Town Commission publicly interviewed the candidates.

**Town Response**

*We feel that this has been adequately addressed. While we recognize that the potential for a violation of the Sunshine law exists, we believe that during the reception in question, all Commissioners were aware of the Sunshine Law and Town business was not discussed between them.*

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### SCOPE AND OBJECTIVES

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The scope of this project included selected actions and transactions taken subsequent to October 28, 2002, through September 2004, to determine the extent to which the Town has corrected, or is in the process of correcting, deficiencies disclosed in report No. 03-041.

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### METHODOLOGY

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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.

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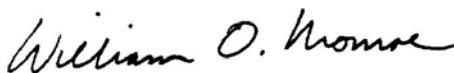


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### AUTHORITY

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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. 03-041 – operational audit of the Town of Lake Park, 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

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### TOWN RESPONSE

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The Town of Lake Park, in a letter dated December 6, 2004, provided its response to our findings. Excerpts from the Town's response are included under the applicable findings above. The Town's response, in its entirety, may be viewed on the Auditor General's Web site.

This follow-up review was conducted in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and was conducted by Derek H. Noonan, 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](mailto: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 at <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.

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TOWN OF LAKE PARK  
FINANCE DEPARTMENT

December 6, 2004

William O. Monroe, CPA  
Office of the Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

RE: Responses to the follow-up audit

Dear Mr. Monroe:

Attached please find the Town of Lake Park final responses to the follow-up procedures to determine the Town's progress in addressing the findings and recommendations included in your report No. 03-041-Operational Audit of the Town of Lake Park, for the period October 1, 2000 through January 31, 2002. The responses were approved by the Commission on December 1, 2004 at a regular commission meeting.

Once more we would like to thank you and your staff for working with the Town of Lake Park during this time.

Sincerely;

  
Cynthia R. Sementelli  
Finance Director



**Finding # 1**

**Finance Director Response:**

We feel that this has been adequately addressed. In the latest audit for the fiscal year 2003 there were only nine infractions compared to the nineteen from the previous fiscal year. Of the remaining nine infractions, there are only two that have not been addressed.

**Finding #2**

**Finance Director Response:**

We agree that we have partially addressed this finding. We have made progress in the area of writing policies and procedures and we will be continuing to strive to complete this task. Once all policies and procedures are complete they will be brought to the Commission for approval.

**Finding #3**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. With limited staff, we have segregated duties to the best of our ability. Additional staff would be required to further segregate duties within the department.

**Finding #4**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. Our 2003 report was filed eleven days past the September 30, 2004 deadline due to the fact that our Auditors were waiting for the Auditor General report and south Florida suffered two hurricanes during the month of September.

**Finding #5**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. The Town's financial situation during the past few years has improved dramatically.

**Finding #6**

**Finance Director Response:**

We agree with this finding. The three funds that were not budgeted for were:  
Special Revenue-this had never been budgeted for and we will amend the 2004-2005 budget to reflect this fund.  
Capitol Project Fund: Was not in use  
Marina Fund: We had discussed this with our auditors and it was decided that a budget wasn't necessary since expenses would be construction in progress. Fiscal year 2004-2005 has an adopted operating budget.

**Finding #7**

**Finance Director Response:**

Finding resolved. See Auditor Report

**Finding #8**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. For fiscal year 2003-2004 all accounts were flagged to prevent overspending. If an account needed additional money, a budget transfer was completed before expenses could be paid. All department heads receive monthly reports to monitor their accounts.

**Finding #9**

**Finance Director Response**

We feel that the Town has adequately addressed this finding. All bank reconciliations are completed in a timely manner and signed by both the preparer and the Finance Director. Once reviewed, copies are given to the Commissioners.

**Finding #10**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. Yearly we review the stale dated checks and submit the money to the state. Unfortunately, the voided checks in question were result of the previous finance director and we weren't able to find proper backup to explain why they had not been submitted to the state.

**Finding #11**

**Finance Director Response:**

We feel that the Town has partially addressed this finding. With limited staff we segregate duties to the best of our ability. The issue with the three signatures is in our code and in order to change this requirement our code would have to be amended.

**Finding #12**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. We recently entered into a banking agreement with Fidelity Federal concerning electronic transfers which was approved October 6, 2004 by the commission. The SBA signature cards were changed in March 2004.

**Finding #13**

**Finance Director Response:**

We feel that the Town has adequately addressed this finding. We monitor cash closely and any excess gets invested at the SBA.

**Finding #14**

**Finance Director Response:**

We agree that our tangible personal property records need additional work. Currently we are updating all tangible property records with make, model and serial numbers. New policies have been implemented to track transfers and dispositions.

**Finding #15**

**Finance Director Response:**

We agree that additional work needs to be done to get property records up to date and that the transfer of property to the PBSO was handled incorrectly. Unfortunately we are unable to correct the transfer of property to the PBSO. Going forward we are taking a yearly physical inventory and updating our records with all pertinent information such as make, model and serial numbers. New fixed assets are being tagged when purchased.

**Finding #16**

**Finance Director Response:**

Finding Resolved. See Auditors report

**Finding #17**

**Finance Director Response**

We agree with the Auditor General's finding. We were unable to locate any documentation that suggested that other financing resources were considered.

**Finding #18**

**Finance Director Response:**

We agree with the Auditor General finding that this has been partially addressed. We will look into separating the expenditures that go with each fuel tax. This will be very labor intense for both Public Works and Finance.

**Finding #19**

**Finance Director Response:**

We feel that this has been adequately addressed. The Public Works Department has implemented new work orders to show hours worked, manpower needed, description of work and materials needed. This allows us to track expenses for the Local Option Fuel Tax.

**Finding #20**

**Finance Director Response**

Finding Resolved. See Auditors report

**Finding #21**

**Finance Director Response:**

We agree that that this has been partially addressed. We have implemented the use of receipt logs from remote sites but feel that it would be too labor intense for someone to log in checks that we received in the mail.

**Finding #22**

**Finance Director Response**

We agree that this has been partially addressed. Policies have been written to ensure collections and will be brought before the Commission for approval.

**Finding #23**

**Finance Director Response**

We agree that this has been partially addressed. Future hiring will be conducted as stated in the Towns handbook.

**Finding #24**

**Finance Director Response**

We agree that this has been partially addressed. Executive leave was removed by resolution and removed from the handbook in one place but was referenced in another. We will amend the Handbook to make clear that executive leave is no longer permitted.

**Finding #25**

**Finance Director Response**

We feel that this has been addressed adequately. Invoices are reviewed monthly and the insurance carriers are notified of any changes.

**Finding #26**

**Finance Director Response**

We agree that this has been partially addressed. Policies have been written and will be going to the commission for approval.

**Finding #27**

**Finance Director Response**

Finding Resolved. See Auditors report.

**Finding #28**

**Finance Director Response**

We feel that this has been adequately addressed. The expenditure in question was for a volunteer dinner which is done once a year and costs are minimal. Although documentation supporting the expenditure may not have clearly indicated such, the Town feels that this is important to thank our volunteers and, therefore, serves a public purpose.

**Finding #29**

**Finance Director Response**

We agree that we have not addressed this finding. The Master Service Agreement was approved by the commission in 1998 but we were unable to locate the document.

**Finding #30**

**Finance Director Response**

We feel that we have partially addressed this finding. The Town did use a competitive selection for engineering services, but we could not produce the document. The Town has switched engineering firms for the Marina project that was selected by a competitive selection process.

**Finding #31**

**Finance Director Response**

We agree that this has not been addressed. We will review our review process for invoices and make sure that adequate backup is attached.

**Finding #32**

**Finance Director Response**

We agree that this has not been addressed. The contract for the PBSO is up at the end of this fiscal year and the new contract will be reviewed closely.

**Finding #33**

**Finance Director Response:**

We agree that this has not been addressed. This will need to be looked into.

**Finding #34**

**Finance Director Response**

We feel that the Town has addressed this finding. The Engineer of record approved all disbursements and the required retention, based on total contract amounts received, is now being held until the project is complete.

**Finding #35**

**Finance Director Response**

Finding Resolved. See Auditors Report

**Finding #36**

**Finance Director Response**

We agree that this has been partially addressed. We will amend the approved travel policy to clarify who is authorized to approve travel allowances, and how the allowances are to be determined, and to incorporate a deduction for meals provided.

**Finding #37**

**Finance Director Response**

We agree that this has not been addressed. The travel allowance in question is actually a car allowance. We currently have two employees who receive this allowance. The Town Manager's car allowance, which was negotiated in his contract, is actually compensation, while the Recreation Director's car allowance, which was approved in 1999 by the Town Manager, is intended to cover expenses related to the Recreation Director's travel on Town business. We will document the basis for the Recreation Director's car allowance, as well as any future car allowances.

**Finding #38**

**Finance Director Response**

Finding Resolved. See Auditors Report

**Finding #39**

**Finance Director Response**

We agree that this has not been addressed. Finance is currently writing a policy that will address this issue and should be in effective by January 1, 2005.

**Finding #40**

**Finance Director Response**

We feel that this has been adequately addressed. We notified all telecommunication vendors that we are tax exempt unfortunately we were not able to receive a refund.

**Finding #41**

**Finance Director Response**

Finding Resolved. See Auditors report.

**Finding #42**

**Finance Director Response**

We agree that this has not been addressed. This will be addressed during fiscal year 2004-2005.

**Finding #43**

**Finance Director Response**

Finding Resolved. See Auditors Report.

**Finding #44**

**Finance Director Response:**

We feel that this has been adequately addressed. While we recognize that the potential for a violation of the Sunshine law exists, we believe that during the reception in question, all Commissioners were aware of the Sunshine Law and Town business was not discussed between them.