



AUDITOR GENERAL
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TOWN OF EATONVILLE, FLORIDA
FOLLOW-UP ON OPERATIONAL AUDIT REPORT NO. 2004-178

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SUMMARY

This report provides the results of our follow-up procedures for each of the findings included in report No. 2004-178 and the Mayor's response thereto. Our follow-up procedures to determine the Town of Eatonville's progress in addressing the findings and recommendations contained in our report No. 2004-178 disclosed that the Town, as of the completion of our fieldwork in April 2006, had adequately addressed 10 of the 79 findings included in that report. The Town had partially addressed 33 findings, and had taken no action regarding the remaining 36 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 Eatonville, Florida, for the period October 1, 2001, through March 31, 2003, and selected actions taken prior and subsequent thereto. Pursuant to Section 11.45(2)(l), Florida Statutes (2005), the Auditor General, no later than 18 months after the release of report No. 2004-178 must perform such appropriate follow-up procedures as deemed necessary to determine the Town of Eatonville's progress in addressing the findings and recommendations contained within that report.

STATUS OF REPORT NO. 2004-178 FINDINGS

In his response, the Mayor indicated his disagreement with finding Nos. 3, 9, 11, 12, 16, 25, 29, 30, 32, 36, 37, 38, 40, 42, 47, 48, 51, 52, 54, 55, 57, 58, 61, 63, 65, 69, 70, 75, and 76, citing actions the Town has taken or will take to correct the findings, or failing to indicate his reasons for his disagreement. However, the procedures referred to by the Mayor to address these findings had not been implemented as of the end of our field work.

Finding No. 1: Prior Audit Findings

Previously Reported

Pursuant to Section 218.39, Florida Statutes, the Town is audited annually by a certified public accounting firm. Several findings included in the Town's annual financial audit report for the 2000-01 fiscal year had been reported for several 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 7 of the 17 findings (41 percent) reported in the Town's 2000-01 fiscal year annual financial audit report were also included in the Town's 2003-04 fiscal year annual financial audit report. The Town's 2003-04 fiscal year annual financial audit report also stated that 34 of the 79 findings (43 percent) presented in Auditor General Audit Report No. 2004-178 "remain unresolved as of October 7, 2005." Further, as discussed in this report, the Town had not fully addressed several findings and recommendations included in report No. 2004-178.

Finding No. 2: Written Policies and Procedures

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. In addition, the Town experienced a significant amount of employee turnover in key management positions, including the Chief

Administrative Officer and Finance Director positions, which weakened the Town's control environment and ability to provide consistent application of its policies and procedures.

We recommended that the Town adopt comprehensive written policies and procedures consistent with applicable laws, ordinances, and other guidelines and, in doing so, the Town ensure that the written policies and procedures address the instances of noncompliance and management control deficiencies discussed in our report. We also recommended that the Town strive to provide a stable and effective working environment for employees in key positions to promote consistent application of its policies and procedures and improve the Town's ability to provide reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town established formal written procedures to document controls over petty cash, cash, investments, revenues, cash receipts and deposits, telecommunications, and vehicle operation and maintenance. However, the Town Council has not adopted policies or procedures to document controls over budgets, grants administration, fixed assets, or liabilities.

While the Town has retained the same individuals in the Chief Administrative Officer and Finance Director positions as were employed during our prior audit, the Town has experienced turnover in the Public Works Director position since April 2004. The Town Council approved a three percent cost-of-living increase for all Town employees for the 2004-05 and 2005-06 fiscal years. In addition, pursuant to recommendation by the Chief Inspector General of the Executive Office of the Governor, the Town approved additional pay increases for the Chief Administrative Officer and Finance Director for the 2004-05 fiscal year. Town Council also approved pay increases for the Chief Administrative Officer and Finance Director for the 2005-06 fiscal year. However, as noted in finding No. 39, although the Town Council approved a merit award program for Town employees, a Merit Adjustment Schedule was not developed.

Finding No. 3: Separation of Duties

Previously Reported

The Town had not provided for an adequate separation of duties, or established adequate compensating controls, for water and sewer fee collections, payroll and personnel processing, and disbursement processing.

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. The Town has adequately separated duties associated with payroll and personnel processing; however, separation of duties for water and sewer fee collections and disbursement processing activities remained inadequate, with no compensating controls implemented for these functions.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 4: Audit Reports

Previously Reported

Contrary to law, the Town's 1999-2000 and 2000-01 fiscal year audits were not completed, and copies of the audit reports filed with us until February 18, 2002, and June 30, 2003, respectively. In addition, as of February 2004, the 2001-02 fiscal year audit was not complete.

We recommended that the Town ensure that annual audits are completed, and that copies of audit reports are filed with us, and other appropriate entities, within statutorily mandated timeframes.

Results of Follow-Up Procedures

The Town has not addressed this finding. The 2001-02, 2002-03 and 2003-04 fiscal year audits were not completed, and copies of the audit reports filed with us until June 30, 2004 (274 days late), April 22, 2005 (204 days late) and April 10, 2006 (192 days late), respectively.

Finding No. 5: Financial Emergency

Previously Reported

The Town, for the 2000-01 fiscal year, appeared to have met the financial emergency condition specified in Section 218.503(1)(c)2.b., Florida Statutes, in that it failed to make contributions for an employee retirement plan due to a lack of funds.

We recommended that the Town report the financial emergency to the Governor and the Legislative Auditing Committee in accordance with Section 218.503(2), Florida Statutes.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Through publication of report No. 2004-178, the Governor and Legislative Auditing Committee (LAC) were notified of the financial emergency. The Town Council, during its July 6, 2004, meeting, approved a State and Local Agreement of Cooperation between the Governor and the Town of Eatonville. Under Section 11 of this agreement, the terms and conditions shall remain in effect for six months, or until such time as the Governor concludes that the state of financial emergency no longer exists, pursuant to Section 218.504, Florida Statutes. As of August 9, 2006, this agreement remains in effect.

Although the Town has made required contributions to its retirement plans, as discussed in finding Nos. 23 and 69, the Town, in several instances, failed to reserve or restrict fund equities for the fiscal years ended September 30, 2003, and 2004, respectively, to account for Water and Sewer Revenue Bond reserves and to report amounts owed to the Town of Eatonville Community Redevelopment Agency. As a result, the Town's unrestricted net assets were overstated by \$530,197 and \$802,000 for the fiscal years ended September 30, 2003, and 2004, respectively. Had the Town properly restricted fund equities for these purposes, it would have reported deficit unreserved fund balance/unrestricted net assets at September 30, 2003, and 2004, and, the resulting deficit unreserved fund balance/unrestricted net assets meets the financial emergency condition defined in Section 218.503(1)(e), Florida Statutes, for the 2003-04 fiscal year.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the Town disagrees with the finding as we "accepted the FY 2004 audit without concern." We received the Town's 2003-04 fiscal year audit report on April 10,

2006, during our audit field work for this audit report and our concern is expressed in this finding. The Mayor also indicated that the Florida League of Cities Pension Fund Manager stated and confirmed that the Town did meet all required retirement contributions. Although the Town may have eventually satisfied required retirement contributions, as we discussed in our report No. 2004-178, the Town met the financial emergency condition for the 2000-01 fiscal year and, pursuant to Section 218.504, Florida Statutes, an entity remains in a state of financial emergency until the Governor concludes that the state of financial emergency no longer exists and ceases State action. As noted in our finding, the Governor had not ceased State action as of August 9, 2006. The Mayor also disagreed that fund equity should have been reclassified in prior year audits but did not indicate the basis for his conclusion. The Mayor stated that “the statute states ‘. . . for which available resources are not sufficient to cover’” (net deficits in unreserved fund balance and unrestricted net assets); however, he did not identify the Town’s resources that he feels are available to cover the deficits that would have been reported had the Town properly reported restricted net assets. Regarding the amounts owed by the Town to the Town of Eatonville Community Redevelopment Agency, the Mayor indicated that the Town disagrees with the finding, that we made an inquiry to the Town’s external auditor and accepted the response offered, and that the Town’s external auditor was not required to provide a restatement of the financial position. We are unaware of an inquiry we made to the Town’s external auditor regarding his audits of the Town’s financial statements for the 2002-03 or 2003-04 fiscal years.

Finding No. 6: Financial Condition

Previously Reported

The Town’s overall financial condition is showing signs of deterioration. In addition to the effects of control deficiencies, as discussed throughout the report, factors that have contributed to this condition include a lack of periodic cash analysis and forecast, financial plans, timely completion of financial audits, and interim financial statements.

We recommended that the Town take appropriate corrective actions to address the various control deficiencies discussed in this report that affect the Town’s financial condition, perform periodic cash analysis and forecasts, and develop short-term and long-term financial plans that include steps to strengthen the Town’s financial condition.

Results of Follow-Up Procedures

The Town has partially addressed this finding. In accordance with the State and Local Agreement of Cooperation between the Governor and the Town, the Town has been preparing monthly statements of revenues and expenditures to monitor expenditures and has established bank accounts to provide for cash reserves. In addition, our assessment of the Town’s financial condition disclosed some improvement as the total number of key financial indicators with unfavorable ratings declined from 9 to 5; however, given the number of findings that continue to exist as discussed in finding Nos. 1, 4 and 5, respectively, the Town’s overall financial outlook is inconclusive at this time.

Finding No. 7: Budget Preparation

Previously Reported

Contrary to Section 166.241(3), Florida Statutes, the Town’s 2001-02 through 2003-04 fiscal year budgets did not consider the effects of beginning fund equities available from prior years, and did not include appropriations for some funds and expenditures. Also, the individual 2001-02 fiscal year budgets for the General and Enterprise Funds were not balanced.

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

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town's 2004-05 and 2005-06 fiscal year budgets were balanced, when adopted, and included Capital Projects and Special Revenue Funds. However, the budgets did not consider the beginning fund equities available from prior fiscal years. The Town's 2004-05 fiscal year budget did not consider any beginning fund equities and, although beginning fund equities were considered in the 2005-06 fiscal year budget totaling \$181,792 for the General Fund and the Enterprise Fund, the amounts were actually cash balances held in bank accounts entitled General Fund Reserves and Enterprise Fund Reserves.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the Town believes that the finding has been addressed. He indicated that the "FY 2005-2006 budget projection included excess revenue over expenditure and not cash projected estimates." However, as indicated in the finding, the law requires that effects of beginning fund equities available from prior fiscal years be considered in addition to the excess of revenue over expenditures.

Finding No. 8: Budget Adoption

Previously Reported

Contrary to the Town's Charter, the Town's budgets were not timely adopted for the 2000-01, 2001-02, and 2003-04 fiscal years. Budgets for those fiscal years were adopted from 14 to 22 days after the Charter deadline, which is the third Monday of September of each fiscal year.

We recommended that the Town, in accordance with Article VII, Section 65 of the Town Charter, ensure that the fiscal year budgets are adopted by the third Monday in September.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of the 2004-05 and 2005-06 fiscal year budget hearing minutes disclosed that the Town Council adopted the budgets 9 and 7 days, respectively, after the Charter deadline.

Finding No. 9: Budget Overexpenditures

Previously Reported

Contrary to Section 166.241(3), Florida Statutes, actual expenditures exceeded amounts budgeted by \$2,498,977 in the General Fund for the 1999-2000 fiscal year, and by \$122,479 in the Enterprise Funds for the 2000-01 fiscal year. In addition, our review of the Town's accounting records disclosed six cost center (department) budget overexpenditures totaling \$98,500 in the General Fund for the 2001-02 fiscal year.

We recommended that the Town, pursuant to 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. Similar findings were reported in the Town's 2002-03 and 2003-04 fiscal year annual financial audit reports. For the 2002-03 fiscal year, expenditures for five departments exceeded budgeted amounts by \$74,213 in the General Fund, and expenditures for two departments exceeded budgeted

amounts by \$126,824 in the Special Revenue Fund. Capital outlay expenditures exceeded the budgeted amount in the General Fund by \$22,394, and debt service expenditures exceeded the budgeted amount in the Town Council department by \$100,134.

For the 2003-04 fiscal year, seven departments in the General Fund exceeded the budgeted amounts by \$210,833. Capital outlay expenditures exceeded the amount budgeted in the General Fund by \$56,367, while debt service expenditures exceeded the amount budgeted in the Town Council department by \$94,395. Public safety and physical environment expenditures reported in the Special Revenue Fund also exceeded budgeted amounts by \$128,714.

In addition, our review of the budget to actual expenditures for the 2004-05 fiscal year indicated six departments in the General Fund exceeded the budgeted amounts by \$275,258. Debt service expenditures, budgeted in the Town Council department, exceeded budgeted amounts by \$33,531.

[Follow-up to Mayor's Response](#)

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 10: Truth in Millage Reporting

Previously Reported

The Town received deficiency notices from the Florida Department of Revenue (FDOR) regarding the Town's Truth in Millage Certification (TRIM) certifications filed pursuant to Section 200.068, Florida Statutes, for the 2000-01, 2001-02, and 2003-04 fiscal years. As a result, for the 2003-04 fiscal year, in a letter dated December 9, 2003, the FDOR instructed the Orange County Tax Collector to withhold, from the Town, ad valorem tax revenue collected in excess of the rolled-back rate until the Town demonstrated compliance with Section 200.065, Florida Statutes. The FDOR also planned to withhold revenue sharing funds until the noncompliance was corrected. Subsequently, on January 15, 2004, after reviewing documentation evidencing the Town's compliance with Section 200.065, Florida Statutes, FDOR authorized the release of the ad valorem tax and revenue sharing funds to the Town.

We recommended that, to avoid the loss or delay in receipt of State revenue sharing and ad valorem tax moneys, the Town ensure that the annual TRIM compliance requirements prescribed by Chapter 200, Florida Statutes, are met in a timely manner.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of the Town's TRIM Certification letter received from FDOR indicated that the Town submitted its TRIM documentation to the FDOR within 30 days of adopting the budgets for the 2004-05 and 2005-06 fiscal years. However, documentation submitted to FDOR for the 2005-06 fiscal year budget disclosed that Town Resolution No. 2005-30, adopting the ad valorem tax millage rate, did not provide the percentage of increase over the rolled-back rate, as required under Section 200.065, Florida Statutes.

Finding No. 11: Petty Cash

Previously Reported

Petty cash disbursements were not always supported by vendor invoices or receipts, or by other documentation supporting the public purpose served by the disbursements. Also, vendor invoices and receipts supporting petty cash disbursements were not cancelled upon reimbursement.

We recommended that the Town ensure that disbursements of petty cash funds are made only for a public purpose and reasonably and necessarily benefit the Town. We also recommended that the Town require that documentation be maintained to support the propriety of all petty cash disbursements, and the cancellation of receipts upon reimbursements.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of 10 petty cash disbursements disclosed:

- Documentation evidencing the public purpose served was not available for nine disbursements totaling \$199.
- Four disbursements, totaling \$112, exceeded the \$25 petty cash limit, as established by the Town's Policy and Procedure Manual.
- Two disbursements totaling \$48 were not properly authorized prior to disbursement.

In addition, reconciliation of the petty cash fund was not performed on a monthly basis as required by the Town's Policy and Procedures Manual.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 12: Bank Reconciliations

Previously Reported

The Town did not timely reconcile monthly bank statements to the Town's accounting records, and reconciliations prepared were not signed and dated by the preparer and reviewer. Also, the Town incurred \$2,652 of insufficient funds charges due to numerous overdrafts.

We recommended that the Town enhance controls to provide for sufficient monitoring of available cash on deposit and timely reconciliation of bank accounts. Additionally, the bank reconciliations should be signed and dated by the preparer as well as reviewed and approved by appropriate supervisory personnel.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review indicated that all of the 20 selected bank reconciliations (for 4 of the Town's 14 bank accounts) prepared for the period April 2004 through February 2006 were not signed or dated by the preparer and, based upon the approval date, 11 were not prepared in a timely manner (i.e., within 30 days after the bank statement month end), ranging from 32 to 268 days after the statement date. One reconciliation was not approved; therefore, we were unable to determine its timeliness. In addition, during the period October 2004 through January 2006, the Town incurred \$1,697 in insufficient funds charges due to numerous overdrafts including 35 payroll checks totaling \$865.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 13: Check Signing

Previously Reported

The Town did not always notify the bank of changes to the Town's authorized check signers in a timely manner, resulting in several checks being signed by Council members who were not authorized signers at the time the checks were signed.

We recommended that the Town ensure that signature cards are updated timely when there are changes to authorized signers.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. The Town had the same check signers for the period of April 2004 through February 2006, all of whom had the appropriate signature card on file.

Finding No. 14: Electronic Transfer of Funds

Previously Reported

The Town did not enter into a written agreement with a bank from which it periodically made electronic funds transfers.

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

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of Town records disclosed that although the Town entered into an electronic funds transfer agreement with its banking institution, the agreement did not provide a limit on the amount of funds that could be transferred or on the amount for which verification would be required. In addition, we noted electronic transfers for debt service and vendor invoice payments were made to other financial institutions not included on the Town's electronic funds transfer agreement.

Finding No. 15: Authorized Investments

Previously Reported

Contrary to Section 218.415, Florida Statutes, the Town invested in repurchase agreements without benefit of a written investment policy.

We recommended that the Town adopt a formal investment policy as prescribed by Section 218.415, Florida Statutes, or limit its investments to those authorized by Section 218.415(17), Florida Statutes.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. On August 17, 2004, the Town Council approved Ordinance No. 2004-17, creating the Town's investment policy pursuant to Section 218.415, Florida Statutes. However, the policy contained several errors including the omission of Section 6 pertaining to authorized brokers and qualified institutions, and portions of Section 7 which were a duplication of Section 5. Upon informing Town personnel of the

deficiencies noted with the policy, we were provided with a revised copy of Ordinance No. 2004-17, which contained all applicable sections.

Finding No. 16: Investment Earnings

Previously Reported

The Town's current banking agreement did not appear to be beneficial to the Town as bank charges exceeded credits realized by \$7,613 for the period October 2001 through August 2003. Also, the Town could have earned \$5,215 of additional interest earnings had proceeds from the library improvement loan been invested with the State Board of Administration (SBA) during the period October 2001 through September 2002.

We recommended that the Town analyze its current banking needs and explore other available banking and investment options. We also 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. Our review of the Town's investment activities disclosed the following deficiencies:

- The Town's bank charges exceeded credits realized for 10 of 22 months during the period April 2004 through January 2006, resulting in diminished earnings for the period. The monthly excess charges ranged from \$4 to \$449, and totaled \$2,000. While the Town's net credits realized totaled \$1,424 for the 22-month period, the Town did not realize interest earnings as the realized credits only offset the monthly bank charges.
- For the period December 2004 through December 2005, the Town could have earned additional interest earnings of approximately \$1,409 for funds held in a bank account for General Fund reserves, and an additional \$1,265 for funds held in a bank account for Enterprise Fund reserves had these funds been invested with the SBA.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 17: Tangible Personal Property

Previously Reported

The Town had not established adequate controls over tangible personal property. Complete and accurate property records were not maintained, physical inventories of property were not done timely, some laptop computers were not properly marked to identify them as Town property and documentation evidencing the disposal of ten surplus motor vehicles was not maintained.

We recommended that the Town maintain complete and accurate records of property items, attach tags to property items to identify them as Town property, conduct annual physical inventories of property items, and reconcile the physical inventories to the property records. We also recommended that, the Town ensure that tangible personal property disposals are timely recorded and properly documented.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of the Town's administration of its tangible personal property disclosed the following deficiencies:

- The Town's records still lacked complete and pertinent information such as original cost, date acquired, purchase order number or check number, assigned property custodian, and last inventory date. In addition, the Public Works and Police Department vehicles were not included in the respective department's property listing.
- Although the Town did conduct an inventory of the tangible personal property, as evidenced by spreadsheets provided by Town personnel, the Town could not provide the dates that tangible personal property inventories were performed, and results thereof, for the period April 2004 through November 2005.
- Our tests indicated that, generally, property items were properly marked and recorded to identify them as Town property. However, we noted several items that had been disposed of that were not properly recorded and documented as such, including nine vehicles, as discussed in finding No. 67.

Finding No. 18: Purchase of Town Hall Building

Previously Reported

The Town paid \$145,000 in excess of the appraised value for the Town Hall building, and did not document, of record, the justification for the purchase price. Subsequent to the purchase, the Town paid \$6,686 of property taxes on the property relating to the period of time prior to the Town's purchase although the taxes had already been collected from the seller by the title company upon closing.

We recommended that the Town ensure that all real property acquisitions are fully documented to explain atypical matters including purchase prices that exceed appraisal values. In addition, we recommended that the Town take appropriate legal action to recover the \$6,686 of taxes paid from the title company.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. Our review of the Orange County Property Appraiser's records disclosed that no additional real property had been acquired by the Town during the period April 2004 through November 2005. In addition, as noted in our report No. 2004-178, documentation requested during the prior audit, but not provided until the Mayor's response to the prior audit finding was provided, indicated that \$6,686 of property taxes was inadvertently deducted from gross proceeds due from the Town at closing, and the Town's payment of the \$6,686 was to remedy the situation.

Finding No. 19: Capital Project Financing

Previously Reported

The Town did not adequately document the basis for obtaining two bank loans totaling \$1,880,000, which were subsequently refinanced only a few months later with a \$1,940,000 loan from the Florida Municipal Loan Council (FMLC). Also, the Town did not, of record, consider other financing options prior to obtaining the loans, and prematurely transferred to the paying agent moneys needed for scheduled debt service payments, resulting in lost opportunities for earning interest and possible delays in paying costs associated with the library improvement project.

In addition, contrary to the loan agreement with the FMLC, investment earnings on unused loan proceeds prior to October 10, 2001, were not transferred to the library improvement account.

We recommended that the Town, for future projects, prepare analyses to determine: (1) the amount of financing needed; (2) the timing of the needed funds; and (3) the available financing options, and retain documentation of the analyses and the procurement of the financing purposes. To effectively manage its cash flow, we recommended that the Town ensure that future transfers of funds to paying agents for annual debt payments are made consistent with required payment amounts and due dates, and calculate and transfer the amount of investment earnings on unused library improvement loan proceeds prior to October 10, 2001, to the library improvement account.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of the Town's debt financing transactions disclosed the following:

- In response to our request for documentation of the competitive selection process used in obtaining financing for two lease/purchases of police vehicles, we were provided a response regarding one agreement, consisting of three police cars, totaling \$87,718, stating the "purchase of the vehicles under this plan was due to the emergency need of the vehicles and the sole source of this purchase plan." We were not provided with documentation to address the other lease/purchase agreement, consisting of four police cars, totaling \$81,175, and the selection process used to determine the best terms available at the time of financing.
- Pursuant to the Agreement between the Governor and the Town, dated July 6, 2004, the Town must obtain written approval from the Governor or his designee prior to entering into any debt instrument with a repayment period greater than 12 months. The lease/purchase agreement entered into under the "emergency need" referred to above was dated January 17, 2005, and consisted of five annual payments, totaling \$87,718. In addition, the Governor's Office had no record showing that the lease/purchase was reviewed and approved by the Governor or his designee prior to this agreement. Although we were informed by the Town's Chief Administrative Officer that the purchase was contemplated in the Town's 2004-05 budget, our review disclosed that the Town's 2004-05 and 2005-06 budgets included line items for the Police Department for "rental and lease expenses (vehicles) of \$20,000 and \$37,000, respectively. Neither budget included an item for the purchase of the vehicles.
- On May 5, 2005, the Town refinanced \$1,400,000 of the \$1,940,000 loan obtained from the Florida Municipal Loan Council. According to personnel from the Governor's Office, no prior written approval was obtained authorizing the Town to enter into this debt obligation as required by the agreement described above.

In response to our request for documentation of the Town's calculation of the interest earned on the unused library improvement loan, and its subsequent transfer to the library improvement account, none was provided.

Finding No. 20: Debt-Related Reporting and Reserve Requirements

Previously Reported

The Town did not comply with several reporting or reserve covenants relating to a \$1,940,000 loan from the Florida Municipal Loan Council and \$310,000 of Water and Sewer Revenue Bonds.

We recommended that the Town ensure that the annual reporting requirements are adhered to in accordance with the loan and bond covenants, and that required reserves are properly funded.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review disclosed that the Town did not file its annual financial audit reports for the 2002-03, 2003-04, and 2004-05 fiscal years, within 180 days after the end of the fiscal year, with the Florida Municipal Loan Council (FMLC) and the bond insurer, as required by the Town's FMLC Revenue Bonds Series 1999B bond covenant requirements.

Also, the Town's annual audit reports for the 2002-03 and 2003-04 fiscal years did not disclose the schedules of insurance in existence, the schedules of customers connected to the system at the end of the fiscal year, and the certification by the independent auditor stating no default on the part of the Town of any covenant was disclosed by the audit, as required by the Town's Water and Sewer Revenue bond covenants. In addition, the Water and Sewer Revenue bond covenants require established amounts of reserves to be maintained in an Operation and Maintenance Fund, a Sinking Fund, and a Repair and Replacement Fund. Our review disclosed that these reserves, in the aggregate, were under-funded at September 30, 2003, 2004, and 2005 by \$6,197, \$6,000, and \$48,875, respectively.

Finding No. 21: Accountability for Restricted Resources**Previously Reported**

Contrary to Section 218.33(2), Florida Statutes, the Town did not separately account for restricted resources in the manner required by the Florida Department of Financial Service's (FDFS) *Uniform Accounting System Manual (Manual)*.

We recommended that the Town establish accountability for each restricted revenue source through the use of separate special revenue funds in accordance with the FDFS *Manual*, and 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 not addressed this finding. The Town budgeted its local option and municipal fuel tax revenues in the Special Revenue Funds for the 2004-05 fiscal year, and in the General Fund for the 2005-06 fiscal year. The Town collected \$215,561 for the period April 2004 through November 2005, and reported expenditures of these revenues were reported in the General Fund. Although requested, we were not provided documentation evidencing the Town's accountability of the revenues, expenditures, and carryovers of the local option and municipal fuel tax revenues for the 2003-04 and 2004-05 fiscal years, or the Town's review of transactions to ensure the restricted moneys have been used for authorized purposes.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the Town disagrees and has "documented direct expenditures in the amount of \$215,561.00 and documented allocated expenditures wages and benefits in the amount of \$82,701.06 and other documented operational expenditures in the amount of \$132,859.94." However, he did not provide for our review, either in his response or during audit field work, documentation demonstrating the source of funds for these expenditures.

Finding No. 22: Local Option and Municipal Fuel Taxes**Previously Reported**

The Town expended \$186,800 of local option and municipal fuel tax proceeds for Public Works Department expenses. However, the Town's records did not document the extent to which Public Works Department employees'

activities related to construction, reconstruction, or maintenance of roads and streets, or to other activities for which expenditures of such moneys are allowable under Sections 336.025(1)(a)2. and 206.605(2), Florida Statutes.

We recommended that the Town ensure that its records adequately document that local option and municipal fuel tax revenues are expended only as prescribed by Section 336.025(1)(a)2. and 206.605(2), Florida Statutes. We also recommended that the Town determine the extent to which Public Works Department employees' activities relate to authorized purposes and determine the amount of local option and municipal fuel tax revenues, if any, not expended for the specific transportation uses as required by State law and ensure that such revenues are used for authorized purposes.

Results of Follow-Up Procedures

The Town has not addressed this finding. Although requested, the Town was unable to provide documentation evidencing the extent to which Public Works Department employees' activities related to construction, reconstruction, or maintenance of roads and streets, or to other activities for which expenditures of such moneys are allowable under Sections 336.025(1)(a)2. and 206.605(2), Florida Statutes, for the amounts noted in our report No. 2004-178, or for fuel tax revenues received since March 2003. As such, we could not determine the extent to which expenditures of these moneys were in compliance with Sections 336.025(1)(a)2. and 206.605(2), Florida Statutes.

Follow-up to Mayor's Response

In his response, the Mayor indicated that at the beginning of each fiscal year, before the budget is adopted, an analysis is developed reconciling the planned expenditures to the uses permitted. He also indicated that the expenditures are monitored to ensure that the revenues are used only for permitted purposes. Although planning to expend moneys for authorized purposes is an admirable practice, it does not ensure that moneys are so expended. Further, as noted above, the Town could not provide documentation evidencing that the moneys were expended for authorized purposes. As a result, it is not apparent how the Town monitors its expenditures for compliance.

Finding No. 23: Financial Reporting of Fund Equity – Restricted Resources

Previously Reported

Contrary to generally accepted accounting principles and the FDFS *Manual*, the Town did not properly report fund equity related to restricted resources, which resulted in a significant misstatement of the Town's financial position.

We recommended that the Town ensure that fund equity related to restricted resources is properly reported and disclosed in accordance with generally accepted accounting principles and the FDFS *Manual*.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review disclosed continuing instances in which the Town did not properly report fund equity related to restricted resources, resulting in a significant misstatement of the Town's financial position, as follows:

- In response to our request for documentation supporting the composition of reserved fund balance amounts of \$397,171 and \$200,000 reported in the Capital Projects Fund at September 30, 2003, and 2004, respectively, Town personnel stated that their State Infrastructure Bank loan of \$200,000 was reported as reserved fund balance in the Capital Projects Fund at both September 30, 2003, and 2004. However, no explanation was provided regarding the remaining \$197,171 of reserved fund balance at September 30, 2003. Loan proceeds for the Town's library project held in a Town bank account totaled \$357,465 and \$2,377 at

September 30, 2003, and 2004, respectively. However, the Town had not adequately provided a reserve account related to this project. Assuming the amount of the understated reserved fund balance at September 30, 2003, and 2004 related to the library improvement bond proceeds only, an understatement totaling \$160,294 and \$2,377 at September 30, 2003, and 2004, respectively, existed for the Capital Projects Fund.

- As noted in finding No. 20, the Water and Sewer Revenue bond covenants require established amounts of reserves to be maintained through an Operation and Maintenance Fund, a Sinking Fund, and a Repair and Replacement Fund. Our review disclosed that these reserves, in the aggregate, were under-funded for the fiscal years ended September 30, 2003, 2004, and 2005 by \$6,197, \$6,000, and \$48,874, respectively, and as such, restricted net assets were understated by these amounts.
- As noted in our report No. 2004-178, finding No. 69, the Town owed the Eatonville Community Redevelopment Agency (CRA) \$515,964 for its required annual tax increment contributions and associated late fees and interest, required under Section 163.387, Florida Statutes, as of August 31, 2003, that had not been paid for the 1997 through 2002 years. As noted in finding No. 69, although the Orange County Board of County Commissioners, at its November 30, 2004, meeting, waived the Town's contributions for the 1997-2003 years, we are unaware of any statutory authority allowing for the waiver of the annual tax increment contributions. Therefore, we calculated the required contributions for 1997 through 2003 years, and determined the Town owed the CRA approximately \$524,000, \$796,000 and \$870,000 at September 30, 2003, 2004, and 2005, respectively. These amounts were not reported as restricted net assets, or as a liability, in the Town's corresponding annual financial audit reports for the 2002-03 and 2003-04 fiscal years. The financial audit report for the 2004-05 fiscal year had not been filed with us as of September 1, 2006.

Follow-up to Mayor's Response

In his response, the Mayor indicated that fund equity was properly reported in the Town's 2003-04 fiscal year Comprehensive Annual Financial Report. As noted above, we believe that liabilities and fund equities were not properly reported as of September 30, 2003 or 2004.

Finding No. 24: Construction Contract Grants

Previously Reported

The Town was awarded a \$200,000 grant to construct a boat ramp. Although the Town incurred \$20,800 of costs related to design work on the project, the Town did not receive the \$200,000 grant because it did not construct the boat ramp within the project deadline, and did not timely submit a request for an extension of the deadline.

We recommended that the Town, for future grant-funded projects, ensure timely compliance with grant provisions, including the timely submittal of requests for deadline extensions, to prevent delays or loss of grant funding.

Results of Follow-Up Procedures

The Town has not addressed this finding. The Town was awarded a Community Development Block Grant through the Florida Department of Community Affairs (FDCA) during February 2003, totaling \$1,050,000, which included a Town matching requirement of \$350,000. Prior to the signing of the grant agreement, FDCA indicated concern regarding the Town's financial condition and required the Town to provide assurances regarding the matching funds pledged. An agreement was reached whereby the Town would escrow \$26,000 and obtain a line of credit for the remaining \$324,000 balance. The grant agreement, signed on August 13, 2003, was for a term of 24 months (to August 12, 2005) with FDCA funds to be disbursed to the Town on a reimbursement basis. After

receiving a 6-month extension to February 12, 2006, the Town requested a second extension on February 22, 2006, 10 days after the grant term had expired. This was approved by FDCA and the grant term was extended to August 12, 2006, with no effect on the funding of the grant.

As of April 26, 2006, the Town had received \$331,662 from FDCA; however, the Town had neither escrowed funds nor obtained a line of credit to secure the matching funds, and had provided only \$7,500 towards the matching requirement. A monitoring report, issued by the FDCA in April 2006, included a concern regarding the Town's matching and insufficient documentation thereof. Our review also disclosed that the Town maintained grant funds exceeding \$5,000 in Town accounts for periods ranging from 37 to 143 days prior to disbursement, contrary to the 5 days allowed by FDCA Rule 9B-43.014(2), Florida Administrative Code. Although Section 11 of the agreement between the Town and FDCA requires that any material changes be communicated to the FDCA, the Town transferred the project to the Eatonville Community Redevelopment Agency on September 20, 2005, without notification to FDCA.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the "Town adopted a grant management handbook in June 2003 which outlines measures to prevent these problems in the future. The one reviewed in the follow-up was prior to this." However, as noted above, the Town's failure to timely request an extension to the grant occurred in February 2006. As a result, it appears that the Town is not following its established grant management handbook and, therefore, the Town did not adequately address this finding.

Finding No. 25: Summer Food Program

Previously Reported

The Town did not seek reimbursement from the Florida Department of Education (FDOE) for \$1,600 of food costs for the 2002 Summer Food Program, and may have been entitled to reimbursement of \$5,400 in food costs and related administrative cost for the 2003 Summer Food Program.

We recommended that the Town ensure that requests for reimbursement of all expenditures incurred during the authorized grant period are submitted to FDOE. We also recommended that the Town contact FDOE and seek reimbursement for the \$1,600 related to the 2002 program and, pending clarification regarding the actual 2003 program commencement date, seek reimbursement for the \$5,400 and related administrative costs for the 2003 program, if eligible.

Results of Follow-Up Procedures

The Town has not addressed this finding. Although requested, the Town did not provide us with documentation to support that requests to the FDOE were made for the reimbursement of the \$1,600 food costs associated with the 2002 program, or the \$5,400 of costs related to the 2003 program. In addition, the Town did not request reimbursement for food and administrative costs totaling \$16,108 for the 2005 Summer Food Program.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 26: Post Office

Previously Reported

The Town had not taken appropriate action regarding losses from money order thefts and stamp shortages incurred in connection with its operation of a post office. In addition, the Town experienced operating losses at the post office for four consecutive years and had not requested an increase in its annual fee from the United States Postal Service (USPS).

We recommended that the Town implement procedures designed to prevent future losses and thefts, report significant stamp shortages to the Town's Police Department or other appropriate law enforcement agencies, and seek reimbursement for such losses through insurance providers or by other means. We also recommended that the Town make inquiries with the Victim/Witness Department of the State Attorney, 5th Judicial Circuit, regarding the \$12,000 of court-ordered restitution relating to the money order thefts. In addition, we recommended that the Town Council, considering the deteriorating financial conditions discussed in finding No. 6, request an increase in fees from the USPS or re-evaluate its decision to operate the post office if revenues continue to be insufficient to cover costs.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review disclosed that the Town continued to incur operating losses in the amounts of \$12,501 and \$38,371 for the 2003-04 and 2004-05 fiscal years, respectively. Included in these losses were amounts for stamp shortages of \$686 and \$3,279 for the 2003-04 and 2004-05 fiscal years, respectively, which were reimbursed to USPS by the Town during our audit period. Additionally, although we requested documentation of the Town's actions taken to receive the court-ordered restitution for the money order thefts, the notifications to the appropriate law enforcement agencies of the stamp shortages, and any requests made to the USPS for fee increases, no documentation was provided.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the finding has been addressed, that a policy was adopted to address this situation, and shortages and thefts were reported to the Postmaster for investigation. He also indicated that a determination is made annually whether to continue operating the post office. However, the Mayor did not address notifications to appropriate law enforcement agencies, efforts to collect court-ordered restitutions, or requests to the USPS for fee increases, especially given that the Town continues to experience operating losses.

Finding No. 27: Developer's Escrow Account Agreement

Previously Reported

The Town had not taken action to obtain moneys, to which it appears it was legally entitled, held in an escrow account established to facilitate infrastructure improvements by a developer.

We recommended that the Town take actions to compel the developer to provide the required notice to the escrow agent and request the release of these moneys, to be deposited into the Town's bank account for use in making infrastructure improvements as described in Part B to the escrow agreement.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. The Town contacted the escrow agent, who, in turn, contacted the developer, via email dated November 8, 2005, for authorization to release the escrow funds to the Town. The

developer responded to the escrow agent on November 8, 2005, that the funds would be released upon receipt of documentation from the Town that the project stated in the developer's agreement had been completed by the Town. The Town subsequently received \$49,563 from the escrow agent along with notification from the escrow agent that the check represented the remaining funds of the escrow account.

Finding No. 28: Prenumbered Receipts

Previously Reported

The Town had not established adequate controls over building permit fee collections through the use of prenumbered receipt forms or building permits. Although prenumbered receipts were used for other collections, an accounting for the prenumbered receipt forms was not done.

We recommended that the Town use prenumbered receipts to document all cash collections, and ensure that an accounting for prenumbered receipt forms is performed by individuals that do not have access to collections.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. The Town obtained a building permit software module, in April 2006, which provides prenumbered building permits that also serve as collection receipts.

Finding No. 29: Water and Sewer Services

Previously Reported

The Town did not perform monthly reconciliations between gallons of water produced and gallons of water billed to customers to ensure that customers were being properly billed for water provided and to detect water leaks or other problems contributing to an abnormally high water loss rate.

We recommended that the Town perform monthly reconciliations of the gallons of water produced to the gallons billed to customers.

Results of Follow-Up Procedures

The Town has not addressed this finding. We compared gallons of water produced to gallons used/billed for the months ended July 2004, November 2004, February 2005, June 2005, and September 2005. Our comparisons indicated significant discrepancies between the amount of water produced and the amounts used, totaling 1,697,010 gallons of water that were not billed for these months. In response to our request for Town prepared reconciliations, we were provided, for the period April 2004 through November 2005, a schedule reflecting, by months, the gallons used (billed) compared to the gallons produced, and the resulting discrepancies. However, we were not provided any explanations for those discrepancies, which ranged from a deficit of 86,728 to an excess of 21,301,679 in gallons used to gallons produced.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 30: Utility Receivables

Previously Reported

For delinquent utility billings, service was disconnected and deposits applied against unpaid balances; however, the Town had not implemented any further procedures to collect these delinquent accounts, such as referral to a collection agency, or attempted to prepare an aging of these accounts, which would assist in determining which accounts are collectible.

We recommended that the Town, to the extent possible, make a determination as to the likelihood of collection of delinquent utility accounts and, as appropriate, attempt to collect on such accounts through referral to collection agencies or by other means. In addition, we recommended that the Town modify its records or otherwise establish procedures for aging utility accounts receivable.

Results of Follow-Up Procedures

The Town has not addressed this finding. Although we requested any contracts with collection agencies for the purpose of collecting on delinquent utility accounts receivable, and any aging schedules that may have been prepared for the period April 2004 through November 2005, the Town did not provide any such documentation.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 31: Denton Johnson Center

Previously Reported

The Town assessed fees for use of the Denton Johnson Center; however, there was no apparent legal authority for such fees, and fees were assessed inconsistently. Also, the Town failed to collect applicable sales tax, and did not always require facility users to sign a Facility Use Contract indicating their agreement with a hold harmless clause.

We recommended that the Town Council adopt a fee schedule for the use of the Denton Johnson Center, and ensure that fees are assessed and collected in accordance with the adopted schedule. Additionally, we recommended that appropriate sales tax be collected and remitted to the Florida Department of Revenue and that facility users sign the Hold Harmless/Insurance Agreement section of the Facility Use Contract.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council, at its March 16, 2004, meeting, adopted Resolution No. 2004-19, providing for the waiver of certain fees for the use of the Denton Johnson Center. However, although requested, we were not provided with any evidence of an approved fee schedule, or Town Council meeting minutes indicating approval of such, for the use of the Center.

For two of five events reviewed, the Town did not charge the proper insurance fee of \$30, required by the Facility Use Contract. In addition, although all three of the applicable events were assessed sales taxes, two were incorrectly assessed taxes on the refundable deposit. We also noted two instances where the Hold Harmless/Insurance Agreement Section of the Facility Use Contract was not properly signed by the facility user and Town employee.

Finding No. 32: Code Enforcement Fines

Previously Reported

The Town's Code Enforcement Board waived code enforcement fines totaling \$16,950 without documenting, of record, the reason for the fee waivers.

We recommended that the Town Council amend Ordinance No. 97-12 to require the Code Enforcement Board to document, of record, reasons for waivers of fines.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council, during its August 5 and 19, 2003, meetings, approved Ordinance No. 2003-08, which repealed Ordinance No. 97-12, eliminating the Code Enforcement Board, and establishing a Code Hearing Officer and code enforcement procedures. Ordinance No. 2003-08 also provides for the procedures to be followed in altering or reducing fines, which requires first securing a resolution adopted by the Town Council; however, it does not provide requirements for assessing or waiving fines. This Ordinance also requires that minutes of the Code Enforcement Hearings be kept and open to the public.

In response to our request for the Code Enforcement Hearing minutes, and documentation of any fines assessed or waived by the Code Enforcement Officer for the period April 2004 through November 2005, we were informed that no hearings had been held and no fines had been assessed or waived during the period.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 33: Building Permit Fees

Previously Reported

In April 2002, the Town Council improperly amended by resolution an ordinance establishing building permit fees, which brought into question the validity of the revised fee schedule. As such, individuals issued building permits after the revised fee schedule was implemented may have been under- or over-assessed fees based on fees authorized by the ordinance. In November 2003, the Town Council enacted Ordinance No. 2003-7 establishing new building permit fees.

We recommended that the Town ensure that building permit fees are assessed in accordance with applicable ordinances and that future amendments to the fee schedule are accomplished through the enactment of ordinances.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council, contrary to Section 166.041(2), Florida Statutes, improperly amended the building permit fees established by Ordinance No. 2003-7 on October 4, 2005, by adopting Resolution No. 2005-35 rather than an ordinance. In addition, our review of five building permits indicated that all were under-assessed fees contrary to Ordinance No. 2003-7, resulting in a total under-assessment of approximately \$9,000. Subsequent to our inquiry, the Town Council, on April 4, 2006, approved Ordinance No. 2006-1, properly amending the building permit fees provided for in Ordinance No. 2003-7, in accordance with law.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the finding has been adequately addressed. However, as noted above, the Town incorrectly amended building permit fees by resolution and, upon audit inquiry, correctly amended the fees by ordinance.

Finding No. 34: Pledged Donations

Previously Reported

Although the Town may be entitled to an additional \$121,063 of pledged donations from a developer, it had not sought to obtain the money.

We recommended that the Town request, from the developer or the developer's foundation, documentation supporting all payments reportedly made on behalf of the Town, determine whether such payments were for expenditures that directly benefited the Town, and seek a resolution with the developer for the release of the remaining pledged funds. We recommended that the Town, if necessary, consult with legal counsel as to any legal recourse available to the Town to obtain the remaining pledged funds.

Results of Follow-Up Procedures

The Town has not addressed this finding. In response to our request for documentation provided by the developer supporting all payments made on behalf of the Town and regarding the \$121,063 remaining from the original \$150,000 pledged donation, the Town provided two listings prepared by the developer's foundation. One listing, dated June 2003, consisted of fixtures and appliances, totaling \$26,700, and the other listing consisted of flooring costs totaling \$20,989, for a total of \$47,689. No vendor invoices were provided to evidence that actual costs incurred by the developer were in agreement with the costs listed. In addition, our inspection within the public safety building for three appliances, totaling \$2,400, included on the listing, disclosed that these items could not be located. The Town did not pursue any other course of action toward resolving this matter with the developer.

The Town's legal counsel provided that "the developer's foundation appears to be making a good faith effort to honor the pledged funds and making a demand for the remaining sum of the pledged funds would be premature at this time."

Follow-up to Mayor's Response

In his response, the Mayor indicated that the finding has been adequately addressed and is a moot finding. He also stated that the developer's foundation made all payments and has not demanded matching funds. However, the Mayor did not provide documentation that the developer's foundation made all payments referred to in his response.

Finding No. 35: Job Descriptions

Previously Reported

The Town Council had not, of record, approved job descriptions to be used as a basis for establishing minimum recruitment qualifications for attracting candidates for employment.

We recommended that Town Council review the draft job descriptions and officially adopt final versions to provide guidance for hiring decisions made regarding future job vacancies.

Results of Follow-Up Procedures

The Town has partially addressed this finding. As noted in the Mayor's response to our report No. 2004-178, the Town Council approved job descriptions during its February 17, 2004, meeting. However, our review of the Town's 2005-06 fiscal year budget disclosed salaries for eight positions for which there were no job descriptions approved, of record, pursuant to Section 400 of the Town's Personnel Manual. In response to our inquiry, Town staff indicated that the job titles had been changed for two of these positions, which were included in the approved job descriptions, but that the job titles had not yet been changed on the job descriptions.

Follow-up to Mayor's Response

In his response, the Mayor indicated that that the Town disagrees and that "requiring the Town Council to approve job descriptions is not a 'best practice' of municipalities and violates the separation of the legislative and administrative duties of the municipality and the strong Mayor form of government." However, the Mayor did not provide documentation to support the Town Council's concurrence with his statements via Council action to delegate this authority to the Mayor.

Finding No. 36: Hiring Practices**Previously Reported**

Authorization to add new employees to the payroll was not, in several instances, documented of record. Also, the Town Council appointed a Chief Administrative Officer on an interim basis without a written application and without conducting a proper screening of the applicant and reference checks. In addition, another employee who occupied two positions at different times did not meet the minimum experience and education requirements for either position.

We recommended that the Town document, of record, authorization to add new employees to the payroll. We also recommended that the Town ensure that all applicants meet minimum educational and experience requirements prior to hire, and require that job applications be completed for all job applicants and retained on file.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of seven new employees hired subsequent to April 2004 revealed that the personnel files contained the employees' application, including experience and educational background, and properly approved Payroll/Status Change forms. However, based on the information on file, two employees occupied positions for which they did not satisfy the position minimum experience or educational requirements, as stated in the applicable job descriptions. Although requested, the Town did not provide documentation to evidence the required experience and educational accomplishments necessary to support the propriety of the hiring of these individuals.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 37: Personnel Evaluations**Previously Reported**

Contrary to the Town's Personnel Manual, employee personnel evaluations were not, in many instances, completed of record.

We recommended that the Town ensure that performance evaluations are completed as required by the Town's Personnel Manual.

Results of Follow-Up Procedures

The Town has not addressed this finding. In response to our request for the personnel evaluations prepared since April 2004 for 15 employees, Town personnel stated that eight evaluations had been completed; however, we were only provided three completed evaluations.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 38: Compensation Plan

Previously Reported

Contrary to the Town's Personnel Manual, the Town had not implemented a Compensation Plan that specifies salary rates for the authorized Town positions.

We recommended that the Town Council adopt a Compensation Plan as required by the Town's Personnel Manual to ensure that payroll costs are properly managed.

Results of Follow-Up Procedures

The Town has partially addressed this finding. On February 17, 2004, the Town Council adopted a Classification and Pay Plan for the 2003-04 fiscal year. However, the Town has not approved an updated Plan since that date. As a result, the Town Council's approval of cost of living increases for employees whose salaries were at the maximum pay according to the adopted Classification and Pay Plan, and new positions included in subsequent Town budgets, have not been reflected in the Classification and Pay Plan. In addition, we noted seven positions included in the Town's 2005-06 fiscal year budget with salaries which were less than the applicable pay ranges stated in the Classification and Pay Plan (two which were subsequently adjusted), and four positions with salaries that exceeded the applicable pay ranges.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 39: Employee Pay Raises

Previously Reported

Several employees received pay raises, as a result of promotions or merit increases, ranging from 12.5 to 41.7 percent. Contrary to the Town's Personnel Manual, the merit increases were not based on a Merit Adjustment Schedule and the pay increases for promotions exceeded allowable rates specified in the Manual. In addition, there were conflicting provisions within the Town's Personnel Manual regarding allowable pay increases for promotions.

We recommended that the Town ensure that pay raises for all employees are equitably implemented based on a Town Council approved Compensation Plan and Merit Adjustment Schedule as required by the Town's Personnel Manual. We also recommended that the Town revise its Personnel Manual to ensure consistency among its various sections.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of salary increases granted to Town personnel indicated that they were properly documented and approved, and appeared to be reasonable in accordance with the Town's Personnel Manual. However, in response to our request for changes to the Town's Personnel Manual, the Town responded that the Town Council had approved no changes, other than Section 800.05 regarding sick leave for part-time employees. In addition, although the Town Council approved a new merit award program, a Merit Adjustment Schedule was not developed pursuant to Section 900.2 of the Town's Personnel Manual, and conflicting provisions within the Town's Personnel Manual regarding allowable increases for promotions were not addressed.

Finding No. 40: Overtime Payments and Compensatory Leave

Previously Reported

Contrary to the Town's Personnel Manual, two employees were paid for accumulated compensatory time totaling 42.5 and 77.6 hours, respectively, that had not been earned in the prior 30 days.

We recommended that the Town ensure that compensatory time is earned and used in accordance with the Town's Personnel Manual. We also recommended that the Town take appropriate action to recover from the employees the amount of unauthorized compensatory time paid.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our current review of compensatory leave used during the period February 2004 through December 2005 disclosed eight instances involving four employees where leave was utilized that had not been earned within the prior 30 days, contrary to Section 700.02 of the Town's Personnel Manual. Also, our review of the payroll records for two police officers disclosed that compensatory and annual leave accumulations exceeded the limits provided for in Sections 700.02 and 800.01, respectively, of the Town's Personnel Manual. In addition, although the Town Council had approved, by Resolution No. 2005-24, the payment of 256 hours of unused vacation leave to an employee, the payment was actually for 200 hours of vacation and 56 hours of compensatory leave. This payment, although approved by the Town Council, violated Section 800.01 of the Town's Personnel Manual, which prohibits pay in lieu of compensatory leave. In response to our request for documentation of any action taken by the Town to recover the unauthorized compensatory time paid, Town personnel indicated that no such action had been taken.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 41: Employee Leave

Previously Reported

Our review of leave and attendance records maintained during the audit period disclosed situations in which the leave provision of the Town's Personnel Manual may not have been applied in the manner intended by the Town Council because of conflicting provisions or undefined terms related to employee leave.

We recommended that the Town Council review and revise, as appropriate, the Town's Personnel Manual to clarify the cited issues. We also recommended that the Town consult with its legal counsel as to the appropriate action to

take regarding sick leave that was not granted to part-time firefighters and administrative leave paid to the Interim Chief Administrative Officer (CAO).

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council changed the sick leave policy by adopting Resolution No. 2004-40, on October 19, 2004, whereby part-time staff were to accrue sick leave on a proportional basis to the hours worked, provided the employee was scheduled to work at least half of the regular workweek. However, the provisions of Resolution No. 2004-40 had not been incorporated into the Town's Personnel Manual provided to us at the onset of our audit.

Neither Resolution No. 2004-40 nor the Town's Personnel Manual provided for part-time employees to earn vacation leave. However, our review of the payroll records disclosed two part-time employees that accrued vacation leave, contrary to the Town's Personnel Manual.

In response to our request for the documentation of Town actions taken regarding the administrative leave paid to the Interim CAO, Town personnel stated that no action had been taken although the Interim CAO indicated she was working more than 12 hours per day up to the time she was appointed CAO, therefore, the administrative leave time was earned while serving as the Interim CAO. Nothing currently exists in the Town's Personnel Manual, however, to substantiate that this was an authorized manner of earning administrative leave.

Finding No. 42: Employee Compensation

Previously Reported

The Town Council did not, of record, approve employee holiday bonuses paid during the 1998 and 1999 calendar years. Also, the Town did not always document actual rates of pay used to compensate employees and support pay adjustments, and approval thereof, and provide payments for fire inspections. In addition, police salary incentives were not paid in accordance with amounts authorized by the Florida Department of Law Enforcement (FDLE).

We recommended that the Town ensure that documentation evidencing Town Council approval of employee bonuses is retained. We also recommended that the Town ensure that actual rates of pay used to compensate employees, and support pay adjustments, are properly documented and approved; payments for fire inspections are properly documented; and police salary incentives are paid in accordance with amounts authorized by FDLE.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council approved Resolution No. 2005-45 on December 20, 2005, providing for Christmas bonuses of \$100 for all full-time employees. The Town paid \$3,350 in Christmas bonuses; however, this amount included \$250 paid to nine part-time employees and one contracted employee which were not authorized by the resolution. Subsequent to our inquiry, on March 21, 2006, the Town Council adopted Resolution No. 2006-10 amending Resolution 2005-45 to include the \$25 paid to each of the part-time employees as a Christmas bonus, but did not address the contracted employee payment of \$25. Our test of payroll expenditures indicated that:

- The rates of pay for 14 of 15 employees tested were properly approved.
- Our review of police officer salary incentives indicated differences in amounts paid and amounts authorized by FDLE for two of the eight eligible officers. Both instances resulted in \$20 underpayments to the officers.

- Police officers were improperly and inconsistently compensated for holiday hours. The Town's Personnel Manual states that "the Public Safety Officer's work week normally shall be 86 hours in a two week period." The Manual also defines an employee's regular hours payable to include regular scheduled work hours and "non-working" hours such as holidays, vacation and sick leave. The Town's Personnel Manual does not address police officers that may work on holidays. We noted several instances where officers were compensated in excess of the 86-hour period for working on a holiday, instead of taking another day off with pay. In these instances, the officers were compensated for the holiday and a work day (approximately 24 hours pay) for the same day. We noted other instances where officers worked a full 86 hours in a period, but were not compensated for the holiday on which they did not work. We also noted several instances where an officer was not compensated for a holiday unless they worked that day, regardless of the total hours worked for that period.

The Town dissolved its Fire Department in December 2003 and subcontracted for fire inspection services. Our review of selected fire inspections indicated adequate documentation existed to support that fire inspections were performed.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 43: Council Member Compensation

Previously Reported

Town Council members received salary, travel allowance, and cash in lieu of insurance payments for serving on the Council; however, such compensation was not provided for in the Town Charter and the Town Council had not properly enacted an ordinance authorizing such compensation.

We recommended that the Town Council ensure that future compensation paid to Council members is authorized by Town Charter amendment or by properly noticed ordinances in the manner prescribed by Section 166.041, Florida Statutes. We also recommended that the Town Council consult with legal counsel regarding any actions that should be taken relating to all compensation previously paid to Town Council members.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town Council, effective September 6, 2005, adopted Ordinance No. 2005-07, ratifying the compensation paid to Town Council members prior to the effective date of Ordinance No. 2005-07, and establishing the current Town Council compensation as the amount included in the 2004-05 fiscal year budget. The budget reflects the Town Council compensation as a salary line item, and no longer provides for cash payments in lieu of insurance or travel allowances.

We noted that the Mayor was overpaid by \$2,678 in each the 2003-04 and 2004-05 fiscal years, totaling \$5,356. The Town detected the error and began recovering the overpayment during the August 26, 2005, pay period. As of February 28, 2006, the Town had recovered approximately \$1,300 of the overpayments. The repayment of amounts inappropriately paid to the Mayor in installments over a period of time that exceed the period during which the overpayments were made and that continued at the same amount despite an annual salary increase during the 2005-06 fiscal year from \$13,600 to \$21,597 appears unreasonable. Further, we noted that the Mayor's salary was increased without a specific Town Council vote authorizing the salary increase, contrary to Ordinance No. 2005-7.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the finding has been addressed. He indicated that he has "repaid the overpayment in the amount of \$100 per pay check which we believe is a very reasonable rate." The Mayor did not provide documentation to support the full repayment with his response and it appears that he has not repaid the full amount of the overpayment.

Finding No. 44: Taxable Compensation

Previously Reported

Certain Council members' and employees' fringe benefits and other compensation, including travel allowances, bonuses, and cash in lieu of insurance payments, were not reported as wages or other compensation to the Internal Revenue Service and were not subjected to the withholding of Federal income tax or the payment of other employment taxes.

We recommended that the Town annually determine what fringe benefits provided to Council members and employees should be included on employee Forms W-2. We also recommended that, subject to its consultation with legal counsel regarding Council members' compensation, the Town determine the extent to which amounts were paid to Council members and employees that were not reported, and contact the Internal Revenue Service to determine the corrective action to be taken regarding the unreported amounts.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of the Town's payroll records for calendar years 2004 and 2005 indicated that the Town had properly reported Council members and employees compensation to the Internal Revenue Service. However, upon request for documentation of the corrective actions taken by the Town, as stated in the response to our report No. 2004-178, Finding No. 44, the Town determined that the applicable amended tax forms had not been filed and therefore signed a written agreement, dated March 23, 2006, with their payroll service provider to file the applicable amended tax forms. Although requested, we were not provided with the amended tax forms.

Finding No. 45: General Employee Pension Fund

Previously Reported

Contrary to Florida Department of Management Services Rule 60T-1.006, Florida Administrative Code, the Town did not timely submit information regarding the General Employees Pension Fund, to the Florida Department of Management Services, Division of Retirement, for the 1999-2000 through 2002-03 fiscal years. In addition, budgeted contributions to the Fund were not made, and the Town did not document, of record, the Town Council's approval to forego the contributions or the basis for doing so.

We recommended that the Town ensure that required information on the General Employees Pension Fund is submitted timely to the Division of Retirement. We also recommended that Town personnel make budgeted contributions to the Fund as directed by Town Council, or document the Town Council's approval to forego the contributions and the basis for doing so.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town did not timely submit the required information on the General Employees Pension Fund to the Division of Retirement for the 2003-04 and 2004-05 fiscal years. However,

we noted that the Town made required contributions to the General Employees Pension Fund during the 2003-04 and 2004-05 fiscal years, respectively.

Finding No. 46: Police Officers' Pension Fund

Previously Reported

Town records indicated that the Police Officer's Pension Fund was established by ordinance in 1973; however, the Town was unable to provide the adopted ordinance. In addition, the Town's failure to provide for timely audit of the Fund resulted in delayed receipt of premium tax revenues for the 1999-2000 through 2001-02 fiscal years.

We recommended that the Town locate the 1973 ordinance that established the plan or adopt a new ordinance establishing the plan. We also recommended that the Town ensure that the reporting requirements of Chapter 185, Florida Statutes, are complied with to allow for the timely receipt and deposit of premium tax revenues into the Police Officer's Pension Fund.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town provided a copy of Ordinance No. 72-100-B, adopted December 18, 1972, establishing the one percent levy upon insurance premiums to be used to partially fund the "Municipal Police Officers' Retirement Trust Fund."

The Town did not submit its 2003-04 fiscal year audit report, which includes the Trust Fund, to the Florida Department of Management Services, Division of Retirement, by February 1, 2005. Consequently, the Division of Retirement delayed the 2004 premium tax moneys, in the amount of \$9,681. In addition, the 2003 calendar year premium tax revenues, totaling \$7,425, were deposited in the Trust Fund by the Town on June 30, 2005, 17 days after receipt by the Town on June 13, 2005, contrary to Section 185.11, Florida Statutes, which requires that funds be deposited in the Municipal Police Officers' Retirement Trust Fund within five days of the Town's receipt.

Finding No. 47: Disbursement Processing

Previously Reported

Deficiencies in the processing of disbursements for goods and services included lack of properly approved and dated contracts or purchase orders; payment of invoices that were not in agreement with contracts, purchase orders or quotes; lack of signatures or dates for receipt of goods or services; and invoices that were not properly canceled or stamped as paid after payment.

We recommended that Town personnel ensure that written purchase orders or contracts are used to document the approval of purchases prior to incurring an obligation for payment. We also recommended that the Town ensure that all voucher packages include evidence that goods and services were received by authorized employees, that a proper pre-audit of supporting documentation is done prior to payment, and that invoices are canceled when paid.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of 14 disbursements made during the period April 2004 through November 2005 indicated that only one invoice was not stamped as paid. However, we noted the following deficiencies:

- Ten payments, totaling \$6,570, were not supported by a properly approved purchase order or contract. One purchase order was dated after the date the goods were received; three payments were not supported by contractual arrangements; and one requisition was not prepared prior to the issuance of the purchase order.
- Five payments, totaling \$26,217, were not supported by an invoice that had been properly approved by an authorized employee, thus limiting assurance that payments were proper, for authorized purposes, and in agreement with authorizing documents. For two of the instances noted, the Town could not provide an invoice supporting payment.
- Two payments, totaling \$1,548, lacked documentation of a signature and date evidencing that goods and services were received, inspected, and approved by an appropriate employee.
- Two payments, totaling \$1,765, were made to vendors 66 and 77 days, respectively, after the date of the invoice evidencing the date the service was received. We also noted that payments to the Florida Department of Management Services for telephone services were not made in a timely manner. These instances are in violation of the Local Government Prompt Payment Act.

[Follow-up to Mayor's Response](#)

[See comments on page 1 under Status of Report No. 2004-178 Findings.](#)

Finding No. 48: Unauthorized Expenditures

Previously Reported

Expenditures totaling \$9,570 were not supported by documentation demonstrating the public purpose served by the expenditures.

We recommended that the Town ensure and 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 not addressed this finding. Our review of ten expenditures totaling \$11,583 disclosed that the public purpose of the expenditures was not properly documented. Specifically, we noted expenditures of \$4,054 for Christmas ham giveaways to senior citizens, \$1,255 for a parade, and \$530 for a Christmas luncheon. In addition, for five of these expenditures, invoices could not be provided to support expenditures totaling \$5,568. In response to our inquiry for supporting documentation, Town personnel responded that the "Special Events account is funded from donations and contributions with no restriction meaning that if money is raised for any events and there are excess funds left over, there is nothing in writing that says we cannot use these funds for other events." The State of Florida Attorney General, in AGO 2004-37, concluded that donations, regardless of the source, are considered to be public funds that must be expended for a public purpose. Furthermore, it is the responsibility of the governing body to make the appropriate findings that such an expenditure serves a public purpose and appropriately budget the funds for such. Notwithstanding the Town's response, we were not provided with any documentation evidencing the amount of such donations and contributions and how they related to the expenditures, and we were not provided with any explanation as to how the expenditures served a public purpose.

[Follow-up to Mayor's Response](#)

[See comments on page 1 under Status of Report No. 2004-178 Findings.](#)

Finding No. 49: Installment Purchases

Previously Reported

The Town, for vehicles acquired at a cost of \$299,869 through installment purchases, did not document that a competitive selection process was used to obtain the best interest rate available at the time that each purchase was financed. In addition, the Town did not always retain documentation related to such purchases, including payment schedules, invoices, or financing agreements.

We recommended that the Town ensure that documentation is maintained demonstrating that future financings are obtained in a competitive manner. We also recommended that documentation necessary to demonstrate that payments related to the financing arrangements are being made in accordance with the agreed upon payment schedules is maintained and, if necessary, the Town contact the finance company to obtain copies of payment schedules, invoices, or other documentation not currently on file with the Town.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town acquired, by installment purchase financing, four police vehicles during the 2003-04 fiscal year and three police vehicles during the 2004-05 fiscal year. In response to our request for documentation of the competitive selection process used in obtaining the financing for each purchase, we were provided a response stating that the vehicles acquired during the 2004-05 fiscal year were an emergency purchase, thus the financing was a sole source purchase. However, the Town's response did not address the 2003-04 fiscal year police vehicles acquisition and it is not apparent how an emergency purchase constitutes a sole source purchase.

In response to our request for Town action taken to obtain the missing documentation for installment purchases noted in our report No. 2004-178, we were provided documentation for several requested items; however, the Town could not provide invoices for two vehicles purchased or the invoice and the State contract pertaining to a purchase for lawn equipment which included a turf mower.

Follow-up to Mayor's Response

In his response, the Mayor indicated that the Town adequately addressed the finding because it had received three quotes for the vehicles and the Town was advised that it needed up-to-date financial statements and, as such, the financing was sole source. However, the Mayor did not provide documentation that the Town was unable to secure other financing without current audits. A preferable course of action would have been to complete up-to-date financial statements and proceed with the competitive purchase.

Finding No. 50: Competitive Selection Process

Previously Reported

The Town did not, in several instances, purchase goods or services using a competitive selection process in the manner required by Town Ordinance No. 89-116.

We recommended that the Town ensure that goods and services are competitively selected in accordance with good business practices and Town Ordinance No. 89-116.

Results of Follow-Up Procedures

The Town has not addressed this finding. The Town Council amended Ordinance No. 89-116 by adopting Ordinance No. 2005-2 effective August 2, 2005. Pursuant to Ordinance No. 2005-2, the purchase threshold for obtaining formal sealed bids increased from \$2,000 to \$5,001. Our review of nine purchases of goods or services, which met the bidding threshold in effect at the time of purchase during the period April 2004 through November 2005, disclosed five purchases, totaling \$67,417, for which vendors were not selected by formal sealed bids pursuant to Town ordinance and the Town did not document, of record, alternate competitive selection processes. In addition, for the remaining four purchases, various documents evidencing the sealed bid process (i.e. advertisements, tabulation sheets, non-selected bidder packages) were not provided for our review.

Follow-up to Mayor's Response

In his response, the Mayor indicated that except for one item, items purchased that were outside the threshold were emergency items. However, the Mayor did not provide documentation evidencing the selection was based upon an emergency requirement with his response.

Finding No. 51: Written Agreements**Previously Reported**

Contrary to good business practices, the Town, in some instances, incurred expenditures for contractual services without the benefit of signed written agreements.

We recommended that the Town ensure that future payments for contractual services are made pursuant to signed written agreements 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 of documentation supporting payments to vendors disclosed two instances, totaling \$232,739, where expenditures for contractual services were made without the benefit of a written contract. In addition, we noted payments totaling \$66,286 for two other contracts which were made for services rendered prior to the approval of the contracts by Town Council.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 52: Police Dispatch Services**Previously Reported**

The Town's written agreement with the City of Apopka, whereby the City provided dispatch services for the Town's Police Department, provided for an increase in fees if the number of calls increased by more than ten percent over the previous year; however, the agreement does not specify the amount of fee increase. Although the City increased its fee for such services, the Town did not verify that the City was entitled to the fee increase.

We recommended that the Town review the City of Apopka's records and verify that the number of calls handled by the City increased by more than ten percent as justification for the increased fees. We also recommended that the Town seek to amend the agreement to specify the amount of the fee increase that the City is entitled to in the event that calls increase by more than ten percent.

Results of Follow-Up Procedures

The Town has partially addressed this finding. In June 2004, the Town received information from the City of Apopka regarding the number of calls and the related costs used to determine the subsequent fiscal year cost for police dispatch services. Our review indicated that the fee increase was reasonable and justified. We were also provided an updated interlocal agreement between the City of Apopka and the Town for police dispatching services provided to the Town's Police Department. Our review indicated that the fees charged for police dispatch services for the period April 2004 through November 2005 were in accordance with this interlocal agreement; however, the agreement was not signed by representatives from either the City of Apopka or the Town. The agreement stipulates that should the percentage of calls increase by more than ten percent over the previous year, the City of Apopka and Town will review the call data and determine if an adjustment in the fee is necessary.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 53: Grant Administration Services**Previously Reported**

The Town paid a contractor \$32,600 for grant administration services; however, \$11,700 of the payments were not supported by invoices and, although the remaining \$20,900 of payments were supported by invoices, the invoices were not sufficiently detailed. In addition, some of the payments were not made pursuant to written agreements.

We recommended that the Town ensure that payments for contractual services are supported by signed written agreements and detailed invoices. We also recommended that the Town determine the extent to which the payments made to the contractor were for actual services rendered, and seek reimbursement of those funds paid for which services were not received.

Results of Follow-Up Procedures

The Town has partially addressed this finding. In response to our inquiry regarding actions taken to seek reimbursement, Town personnel responded that "the alleged overpayment was reviewed by Finance including all invoices and a site visit was conducted at the park. It appeared upon investigation that the FRDAP services were done and a new community fence was installed." However, the invoices reviewed by the Town were not provided with the response. Further, installation of a fence was only one of twelve elements of the FRDAP grants awarded.

The Town utilized a contractual agreement with an outside grant administrator for the Community Development Block Grant discussed in finding No. 24. Our review of the documentation, including invoices for payment of grant administrator services, indicated sufficient detail to support the work performed and billed.

Finding No. 54: Building Inspection Services**Previously Reported**

The Town's contracted building inspectors, in several instances, did not comply with the Town's Development and Technical Codes.

We recommended that the Town ensure that written agreements with contracted building inspectors include provisions requiring compliance with the Town's Development and Technical Codes, and require building inspectors

to maintain adequate documentation evidencing the completion of appropriate inspections, the proper issuance of certificates of occupancy, and compliance with other provisions of the Town's Codes.

Results of Follow-Up Procedures

The Town has not addressed this finding. The Town's building inspector's most recent contract, dated November 15, 2005, does not contain a clause requiring that the building inspector comply with the Town's Development and Technical Codes. In addition, our review of three building inspections disclosed no certification by the building inspector that the inspected project was in compliance with the Town's Development and Technical Codes.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 55: Contract for Fire and Rescue Services

Previously Reported

The Town's interlocal agreement with the City of Maitland and Orange County, whereby the City and 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 dual referenda for the transfer of any power or function from a municipality to a county. In addition, the Town did not provide documentation that it performed a cost/benefit analysis to determine whether outsourcing of fire and emergency services was economically beneficial to the Town.

We recommended that the Town either proceed with the referenda required by Article VIII, Section 4 of the State Constitution, or seek to revise the interlocal agreement to clearly indicate that the Town retains ultimate supervisory control over fire and rescue services. We also recommended that the Town perform a comprehensive cost/benefit analysis regarding the outsourcing of fire and rescue services to ensure that the Town entered into an economically advantageous agreement and, if appropriate, seek to amend or terminate the agreement.

Results of Follow-Up Procedures

The Town has partially addressed this finding. The Town sought a legal opinion, which provided that the Town, through a termination clause in the agreement, maintains ultimate supervisory control by virtue of the ability to terminate the contract. The legal opinion cited Attorney General Opinion No. 93-93. Although requested, we were not provided with a comprehensive cost/benefit analysis demonstrating that the outsourcing of fire and rescue services was economically advantageous to the Town.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 56: Advance Payments to Contractors

Previously Reported

The Town made advance payments to contractors contrary to Article VII, Section 10 of the State Constitution, including \$100,000 paid to a contractor with whom the Town was later involved in a lawsuit for alleged failure to perform by the contractor. The Town also paid \$5,000 to another contractor for which no evidence of services could be provided.

We recommended that the Town discontinue the practice of making advance payments to contractors. We also recommended that the Town, in consultation with its legal counsel, take appropriate action to recover the \$5,000 from a grant consultant.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. In response to our inquiry, Town personnel indicated that they had attempted to contact the former grant consultant, but were unsuccessful, and “further legal investigation was cost prohibitive.” The response also stated that “a very extensive research document was located identifying grant funding opportunities in the 2002 contractor’s file for services rendered;” however this document was not provided for our review.

We also were provided information regarding the settlement of a lawsuit related to the \$100,000 advance payment made by the Town to a contractor for construction of the library. On March 2, 2004, the Town Council approved Resolution No. 2004-17, accepting a \$35,000 settlement from the contractor, and subsequently received the payment in April 2004.

Our test of contractual services did not indicate any evidence of advance payments to contractors during the audit period.

Finding No. 57: Travel Policies

Previously Reported

The Town’s travel policies did not provide adequate guidance regarding travel allowances or the times of departure or return necessary for a traveler to be paid meal allowances.

We recommended that the Town ensure that its travel policies and procedures adequately address all aspects of travel, including requirements to substantiate travel allowances and to entitle travelers to meal allowances.

Results of Follow-Up Procedures

The Town has not addressed this finding. In response to our inquiry for amended travel policies and procedures, Town personnel stated that there have been no amendments to the travel policies and procedures since March 2000.

Follow-up to Mayor’s Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 58: Travel Reimbursements

Previously Reported

Travel-related expenditures were not always adequately supported or in accordance with Section 112.061, Florida Statutes, or the Town’s travel policies and procedures.

We recommended that the Town require travelers to provide adequate supporting documentation for any travel expense claims, including evidence of pre-approval by Town officials, as appropriate, certifications by the traveler as to the public purpose served, conference agendas, and evidence of the traveler’s time of departure and return. We also recommended that the Town’s Finance Department personnel, as required by the Town’s Personnel Manual, review all travel-related expenditures for compliance with applicable Town policies prior to making payments.

Results of Follow-Up Procedures

The Town has not addressed this finding. We reviewed 22 travel expenditures, totaling \$8,963, for six instances of travel incurred by Town personnel and officials. Based upon our review, we noted the following:

- Seven expenditures, totaling \$2,301, were not supported by a travel voucher.
- Of the six travel vouchers completed for the travel expenditures tested, three did not contain the traveler and/or traveler's supervisor signature.
- Two expenditures, totaling \$1,726, were not supported by the required hotel and conference registration receipts.
- Meal allowances, totaling \$551, paid to four travelers were not properly supported as to the traveler's departure and arrival times. In addition, for one traveler, meal allowances were paid when the traveler attended a conference function, the cost of which was included in the registration fee payments, and a meal was provided. For another traveler's reimbursement, we were not provided the requested documentation supporting the registration fees paid, which may have also included meals provided at conference functions.

As indicated above, the Finance Department did not consistently and thoroughly apply the requirements of the Town's Personnel Manual as they relate to travel.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 59: Travel Allowances**Previously Reported**

Travel allowances paid to Council members were not supported by documentation demonstrating that such allowances were reasonable based on applicable mileage reimbursement rates and the amount of typical miles traveled during a given month for official Town business.

We recommended that the Town ensure that future payments for travel allowances are supported by documentation demonstrating that such allowances are reasonable based upon applicable mileage reimbursement rates and the amount of typical miles traveled during a given month for official Town business.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. Our review of Town budgets and payroll records for the 2003-04, 2004-05, and 2005-06 fiscal years, and Town Ordinance No. 2005-7 (see finding No. 43) disclosed the Town Council no longer receives a travel allowance, as the amount previously paid had been included in the budgeted Council salaries.

Finding No. 60: Cellular Telephones**Previously Reported**

Prior to July 1, 2003, the Town did not have Town Council adopted policies and procedures relating to cellular telephone usage, and had not otherwise established adequate controls over the usage of cellular telephones. Consequently, several Council members and employees made numerous calls that were personal in nature and did not

serve a public purpose. The Town had recovered \$6,709 from the Council members and employees; however, as of February 2004, had not been reimbursed \$5,256.

We recommended that the Town ensure that cellular telephone usage is for Town business and implement appropriate procedures to ensure compliance with the newly adopted cellular usage policy. We also recommended that the Town take action to recover, from applicable current or former Council members and employees, the amount of cellular telephone expenditures incurred for personal use.

Results of Follow-Up Procedures

The Town has partially addressed this finding. On July 1, 2003, the Town Council adopted Resolution No. 2003-34 providing for policies and procedures for the request and use of cellular telephones. This Resolution states that new cellular telephones may be requested by submitting a Technology Equipment Request form for approval by the Finance Department and Chief Administrative Officer. Our review of the Town's cellular telephone billing statements for the period August 2005 through December 2005 indicated the Town had six cellular telephones issued to Town employees. Although requested, we were not provided with Technology Equipment Request forms for these cellular telephones.

The Town's cellular telephone policy also requires reimbursement for any personal calls made using the Town-provided cellular telephone, and any calls over the established limits must be reviewed by the supervisor for evidence of misuse and may be subject to appropriate disciplinary action. Our review of the Town's cellular telephone service billing statements for the period August 2005 through December 2005 disclosed that one cellular telephone user had exceeded the monthly standard service charges by \$933 during that period. We requested, but were not provided, evidence of the user's reimbursement to the Town or the user's certification of the business purposes of the calls. In addition, we were not provided documentation evidencing supervisory review of these billing statements required by Town Resolution No. 2003-34.

In response to our request for documentation evidencing the Town's actions to collect reimbursements from former Council members and employees for the cost of personal use of the Town's cellular telephones as noted in our report No. 2004-178, the Chief Administrative Officer (CAO) stated that employees and Council members paid their balances by payroll deduction or check, and a former Council member, recently elected back to the Council, made arrangements to pay his outstanding balance in three installments. However, we were only provided documentation supporting the repayment of \$900 of the \$5,256 owed to the Town as of February 2004.

During the Town Council meeting of April 20, 2004, the Town's General Counsel provided an opinion that it would not be cost effective to pursue reimbursements from these individuals. We also noted that during the Town Council meeting of July 20, 2004, the Mayor requested Council approval for reimbursement of his personal cellular telephone payments for the prior 18 months at a rate of \$90 per month. Although the Council approved this request, and a payment of \$1,620 was made on September 17, 2004, no documentation supporting the business use of the Mayor's personal cellular telephone calls was submitted to support the payment.

Finding No. 61: Telecommunication Taxes

Previously Reported

The Town was billed for Federal, State and local telecommunication taxes from which it is exempt.

We recommended that the Town contact the cellular service provider and request the removal of the taxes from the outstanding bills, and seek credit for any taxes previously paid on invoices.

Results of Follow-Up Procedures

The Town has partially addressed this finding. We were provided documentation evidencing the Town's request, in May 2006, to the cellular service provider seeking credit for any taxes previously paid on invoices; however, we were not provided documentation to support credits awarded to the Town by the provider. We did, however, note that the Town is not paying taxes on its current cellular telephone service billing statements.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 62: Telephone Lines**Previously Reported**

During the audit period, the Town maintained and paid for service on 77 telephone lines for Town business. The Town paid about \$21,700 for 47 telephone lines for which it either received no services or did not use, including 20 lines which were not functional.

We recommended that the Town implement procedures to periodically review its telecommunication needs and ensure that only active, working telephone lines are included on the monthly billing statements.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of the Town's current telephone billing statements disclosed that the Town paid for service on 40 telephone lines, a reduction from the 77 telephone lines noted in our report No. 2004-178. However, when we requested information as to the location and departments using these telephone lines, we were provided a response which indicated the Town was paying for service on six lines that it did not know the location and use for until corresponding with the telephone service provider. In addition, although requested, the Town did not provide us with a policy or procedure for periodically reviewing its telecommunication needs.

Finding No. 63: Vehicle Maintenance**Previously Reported**

During the audit period, the Town did not maintain vehicle maintenance logs, and records of vehicle usage were often incomplete as to destination, public purpose served, or beginning and ending odometer readings. Upon audit inquiry, the Town Council adopted Resolution No. 2003-40 in August 2003 establishing policies and procedures regarding operation and maintenance of Town vehicles.

We recommended that the Town ensure that the provisions of the recently adopted policies and procedures are implemented and monitored.

Results of Follow-Up Procedures

The Town has not addressed this finding. Town Resolution No. 2003-40, effective August 5, 2003, requires that all employees be responsible for updating a daily vehicle log when using a Town vehicle for any purpose. The Town's policies and procedures require the log to be a comprehensive sheet that contains enough information to surmise the daily mileage and activities of the vehicles.

We requested the daily vehicle log sheets for the Public Works and Police Department vehicles for the period April 2004 through November 2005. In response to our request, Public Works Department personnel stated that the completed log sheets could not be located. We were provided with a daily task sheet; however, these records did not contain the information required, such as vehicle mileage. In addition, we were provided with blank copies of vehicle daily check lists.

We were provided with some, but not all, of the daily vehicle log sheets for the Police Department. These sheets were often incomplete as to the beginning and ending mileage. We were also provided with a response that the Police Chief and Lieutenant were not required to maintain such log sheets on the vehicles assigned to them on a 24-hour basis; however, we were not provided any policy exempting these positions from this requirement.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 64: Gas Credit Cards

Previously Reported

The Town Council had not established a policy regarding the usage of gas credit cards, and credit cards users were not required to sign a written agreement specifying acceptable use of the credit cards. Also, credit card charges were not always supported by receipts.

We recommended that the Town enact written policies and procedures governing the control and use of gas credit cards and ensure that receipts for all charges incurred on Town-issued gas credit cards are maintained and examined to ensure the propriety of gas credit card charges. We also recommended, regarding the \$2,450 of unsupported credit card charges disclosed by our review, and any other credit card charges not supported by receipts, that the Town either require the credit card users to provide receipts or other appropriate documentation evidencing the propriety of such charges, or recover such amounts from the users.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Although requested, the Town was unable to provide documentation of any efforts to request receipts, or seek reimbursements, in the amount of \$2,450, from the Town employees who had used the Town's gas credit cards, but did not submit receipts for the charges as noted in our report No. 2004-178.

We requested the Town's policies and procedures governing the use of gas credit cards. In response, we were provided a copy of the Procurement Policy, Ordinance No. 2005-2, which amended Ordinance No. 89-116 and adopted a purchasing policy. We were informed that the gas credit card policy was incorporated within Ordinance No. 2005-2; however, our review of the Ordinance indicated that gas credit cards were not specifically addressed. Additionally, we requested employee-signed statements acknowledging receipt and responsibility for the 22 gas credit cards issued; however, four statements were not provided.

Finding No. 65: Full-Time Use of Town Vehicle

Previously Reported

The Town Council did not approve the assignment of a Town-owned vehicle on a full-time (24 hour) basis to the Public Works Director, and it was not apparent why he was assigned a vehicle on a full-time basis. In addition, the

Public Works Director did not maintain a vehicle usage log to demonstrate the extent to which the vehicle was used for personal use (i.e., driving the vehicle home overnight or elsewhere) so that the value of such personal use could be reported as compensation to the Internal Revenue Service.

We recommended that the Town maintain vehicle usage logs documenting the 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 full-time basis.

Results of Follow-Up Procedures

The Town has not addressed this finding. Currently, the Town has 12 vehicles assigned to Police Department personnel, and 1 vehicle assigned, on an “as needed basis,” to the Public Works Director. Although requested, we were not provided documentation evidencing the Town’s calculation of the amount reported as other compensation on the former Public Works Director’s 2002 W-2 wages statement, nor any evidence that the Town contacted the Internal Revenue Service to determine what corrective action was required regarding the unreported value of personal use of vehicles assigned on a full-time basis. Also, we were not provided the 2003 or 2004 W-2 wage statements for any of the Town’s Public Works Directors employed during our audit period.

In his response identifying the vehicles assigned to specific police officers, the Police Chief stated that Police Department Policy No. 501.4 requires the officer assigned a “take-home” vehicle to pay, by payroll deduction, \$25 to \$30 bi-weekly depending on the distance to their residence, and the officer is also responsible for routine oil changes. However, our review of the payroll records disclosed that six officers, including the Police Chief and Captain, did not have the fee deducted from their pay as required. Subsequently, the Police Chief stated that he and the Captain were exempt from having the amounts deducted from their pay; however, the other four officers were not addressed. Our review of Police Department Policy No. 501.4 indicated that it does not provide such an exemption for any officers assigned a vehicle.

In responding to our request of Town employees, other than police officers, having 24-hour use of a Town vehicle, the Chief Administrative Officer stated that the Public Works Director is assigned a Town vehicle on an “as-needed basis,” for potential emergency purposes only. However, as noted in finding No. 63, vehicle usage records were not available for the Public Works Department vehicles, therefore, the Town could not document, of record, the personal use mileage incurred by the Public Works Director when utilizing the vehicle for determining any additional income to be reported to the Internal Revenue Service.

Follow-up to Mayor’s Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 66: Insurance Bids

Previously Reported

Contrary to Section 112.08(2)(a), Florida Statutes, and good business practices, the Town had not bid for employee health, dental, vision, property, general liability, automobile, and workers’ compensation insurance coverage. Subsequent to our inquiry, the Town publicly bid for health, dental, vision, general liability, automobile, property, and workers’ compensation insurance, for policy coverage effective October 1, 2003.

We recommended that the Town periodically bid its contracts for insurance to ensure that it has obtained the necessary coverage at the lowest cost consistent with acceptable quality and performance, and maintain documentation evidencing such efforts.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. Our review of Town Council minutes and insurance billing statements indicated that there were no new insurance contracts during April 2004 through November 2005, providing no opportunity for the Town to bid its contracts for insurance.

Finding No. 67: Automobile and Property Insurance

Previously Reported

The Town had not established procedures to ensure that insurance coverage for property was adequate in the event of damage or loss of property. In addition, property insurance schedules were inaccurate and provided for insurance coverage of several vehicles no longer owned by the Town.

We recommended that the Town ensure that all insurable assets are identified and reconciliations between insurance coverage of record and the Town's property records are performed. We also recommended that, the Town contact the Florida League of Cities, Florida Municipal Insurance Trust, and request a refund of the \$12,233 in premiums paid relating to the vehicles no longer owned by the Town.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of the Town's insured automobile schedules for the 2004-05 and 2005-06 fiscal years disclosed that nine vehicles, reported in our report No. 2004-178 that had been previously identified by the Town as disposed of were still listed as owned by the Town. As a result, premiums totaling \$22,872 were paid until notification was provided to the insurance provider on January 30, 2006. Additionally, six vehicles identified by the Town as sent to auction in August 2004, four of which the auctioneer provided payment for the subsequent sale, were included in the 2004-05 and 2005-06 insured automobile schedules, resulting in additional premiums paid totaling \$15,726.

Finding No. 68: Retiree Insurance

Previously Reported

The Town paid the health, dental, and vision insurance for a former employee who retired from the Town in 1995; however, the Town's Personnel Manual did not provide for payment of insurance premiums for retired employees and the Town Council did not, of record, approve the agreement.

We recommended that the Town Council, if it wishes to allow the payment of insurance premiums of retiring employees in the future, adopt a policy allowing for such and prescribing the conditions for such payments.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our review of the minutes of Town Council meetings disclosed no changes to their Personnel Manual related to the payment of insurance premiums on retirees. However, our review of the Town's payments of employee health and dental insurance premiums disclosed that the Town incorrectly paid the insurance premiums for two employees, who terminated employment in June and July 2005, respectively, for September, October, and November 2005. Subsequent to our inquiry, the Town received a \$1,036 credit for one of

the former employee's premiums paid by the Town, but continued to pay the premiums, totaling \$3,065, for the other former employee through April 2006.

Follow-up to Mayor's Response

In his response, the Mayor indicated the Town believes this finding is moot. However, the Mayor did not address the instances in which the Town continued to pay the insurance premiums for two former employees, or any changes to the personnel manual related to the payment of insurance premiums for retirees. He also did not provide documentation to support the refund of premiums paid through April 2006.

Finding No. 69: CRA Funding

Previously Reported

The Town had not made required annual contributions of tax increment revenues to the Town of Eatonville Community Redevelopment Agency (CRA). The amount owed to the CRA as of August 31, 2003, including late fees and interest, totaled approximately \$516,000. The Town and the CRA, without authority to do so, waived the late fees and interest, and established a plan for the Town to pay monthly installments to the CRA over an extended period of time.

We recommended that the Town, in accordance with Section 163.387, Florida Statutes, and Ordinance No. 97-08, immediately pay the CRA the required contributions, and related late fees and interest, as adjusted for any payments by the Town to, or on behalf of, the CRA.

Results of Follow-Up Procedures

The Town has not addressed this finding. The Town did not provide a response to our inquiry regarding the statutory authority allowing the Town and CRA to waive the late fees and penalties noted in our report No. 2004-178. Instead, we were provided with minutes of a November 30, 2004, Orange County Board of County Commissioners (County) meeting indicating approval of the Town's request for waiver of the statutorily required tax increment revenue contributions owed for the 1997 through 2002 tax years along with related late fees and interest. However, the County meeting minutes did not cite the statutory authority allowing the County to waive the amounts owed by the Town to the CRA. Although we noted that the Town made a \$15,000 payment in accordance with the installment plan referred to in our report No. 2004-178 we determined that, for the 1997 through 2002 tax years, the Town owed the CRA approximately \$524,000, \$796,000 and \$870,000 as of September 30, 2003, 2004, and 2005, respectively.

An amended interlocal agreement, dated December 9, 2004, between the County and the Town, which established new tax increment funding requirements for the County and Town, effective January 1, 2005, was also approved by the County at its November 30, 2004, meeting. Under the terms of the amended interlocal agreement, the Town is required to make its annual contribution by January 1 and notify the County accordingly, prior to the County making its contribution. Should the Town fail to pay the annual required contribution on or before the January 1 deadline, as prescribed by law, the amended agreement provides that the County's obligation to pay its share to the CRA shall terminate for the current and all subsequent years.

In addition, the amended agreement provides for rebates to the County and Town to be made within 30 days of the CRA's receipt of the annual contributions, proportionate to the respective contributions, so that the aggregate annual contributions do not exceed an amount established by the agreement. The agreement established the amount at \$200,000 for the 2004 through 2008 tax years, and \$250,000 for the 2009 through 2013 tax years. While Section 163.387(7), Florida Statutes, provides for refunds of moneys remaining in the CRA trust fund on the last day of the

fiscal year to the taxing authorities after consideration of specified uses, the application of the rebate requirement in the interlocal agreement is automatic without regard to the plans of the CRA for use of the tax increment funding. The County and Town contributed \$189,272 and \$257,818, respectively, (\$447,090 total) to the CRA for the 2005 tax year. In accordance with the agreement, the County and Town were rebated \$104,603 and \$142,487, respectively, (\$247,090 total) within 30 days of receipt by the CRA of the annual contributions. For the 2006 tax year, the County and Town contributed \$290,441 and \$389,226, respectively, (\$679,667 total) and were rebated \$204,975 and \$274,692, respectively (\$479,667 total) within 30 days of receipt by the CRA of the annual contributions.

Section 163.387(1)(b), Florida Statutes, provides that the governing body of a county may, in the ordinance providing for the funding of a CRA trust fund, determine the amount to be funded by the taxing authority annually to be less than the 95 percent tax increment established by Section 163.387(1), Florida Statutes; however, in no event shall such an amount be less than 50 percent of the required contribution. As such, the County and Town net contributions for the 2004 and 2005 tax years did not comply with Section 163.387(1)(b), Florida Statutes, as net contributions for 2004 (\$84,669 and \$115,331) and 2005 (\$85,466 and \$114,534) represented only 44.7 percent and 29.4 percent, respectively, of their calculated contribution amounts for those years. In addition, the Town did not comply with the law for the 1997 through 2002 tax years since it did not make a contribution to the CRA for those years.

[Follow-up to Mayor's Response](#)

[See comments on page 1 under Status of Report No. 2004-178 Findings.](#)

Finding No. 70: CRA Interlocal Agreement

Previously Reported

The Town and the CRA entered into an interlocal agreement whereby the CRA agreed to provide municipal services to the Town, and the Town agreed to make quarterly payments to the CRA to compensate it for such services; however, the Town did not make \$94,268 of required payments to the CRA. Because the services provided by the CRA, at least to some extent, were unrelated to approved CRA projects as specified in the CRA Plan, the validity of this contractual arrangement was questionable. In addition, neither the Town nor the CRA's records documented the actual percentage of time that CRA employees spent on CRA related activities versus activities related to non-CRA related activities.

We recommended that the Town Council review the job responsibilities for the transferred positions to determine the legality and appropriateness of the current compensation arrangement. If the arrangement is determined to be legal and appropriate, we recommended that the Town fulfill its obligations to pay the CRA for services provided under the arrangement. In addition, we recommended that the Town require the employees in the transferred positions to document time spent on Town- and CRA-related activities.

Results of Follow-Up Procedures

The Town has not addressed this finding. Although requested, we were not provided with documentation evidencing that the Town Council determined the legality and appropriateness of the compensation arrangement. In addition, our review of the CRA's bank account transactions disclosed that the Town did not make payments for the remaining \$94,268. Although we noted that the Town made periodic transfers during the period from October 2003 through December 2003, totaling \$52,000, to the CRA Trust Fund bank account, we were not provided an explanation regarding the purpose of the transfers. We also inquired as to the existence of any additional interlocal agreements that may have been in effect for the period April 2004 through November 2005, to which both Town and

CRA personnel responded that there were none. While Town and CRA personnel stated no interlocal agreements existed during this period, the CRA continued to fund CRA positions which performed both CRA and non-CRA related duties, without documenting the proportion of the time spent on each.

[Follow-up to Mayor's Response](#)

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 71: CRA Trust Fund Expenditures

Previously Reported

Audit tests disclosed several CRA Trust Fund expenditures that were not supported by documentation demonstrating how the expenditures benefited the CRA and complied with the CRA Plan and Sections 163.387(6) and 163.370(2), Florida Statutes. Also, the basis for paying \$9,028 of severance pay to the former CRA Executive Director was not apparent of record.

We recommended that the Town ensure that expenditures of CRA tax increment revenues are properly authorized, supported, and expended in accordance with the CRA Plan and Section 163.370, Florida Statutes.

Results of Follow-Up Procedures

The Town has not addressed this finding. Our test of ten expenditures from the CRA Trust Fund disclosed that eight expenditures, totaling \$46,700, were not supported by detailed invoices or were not related to projects described in the CRA Plan. These expenditures included:

- Payment of \$535 for the repair of radio equipment reportedly utilized by the Code Enforcement Officer in the field. However, the Code Enforcement Officer's salary and benefits are funded by the CRA (25 percent) and the Town (75 percent); therefore, the CRA payment of the total cost of repairs is not appropriate, provided that the allocation of salary and benefit is appropriate (see additional information below).
- Legal services, costing \$20,469, included services on behalf of the Hungerford Board of Trustees, to which we were not provided a response to our request for any written agreements between the Town and the Hungerford Board of Trustees. Other legal costs included developmental services, but did not identify a specific project within the CRA Plan.
- Planning fees in the amount of \$22,430 included services for parcels of land that had been annexed into the Town's boundaries in April 2004, but for which the CRA had not amended its boundaries to include these parcels. These parcels relate to a project, Kennedy Commerce, which is not identified in the CRA Plan.

In addition, our review of the CRA payroll transactions for the period April 2004 through November 2005 indicated that the CRA paid salaries, totaling \$131,058, for six positions which also provided Town services unrelated to activities described in the CRA Plan. In response to our inquiry regarding the salaries paid from the CRA Trust Fund, the CRA Manager stated that the CRA Administrative Assistant for Planning and Building position is funded equally by the CRA and the Town; and that the Code Enforcement Officer position is funded 25 percent by the CRA and 75 percent by the Town; however, he did not address the other four positions paid from CRA funds during this period. Additionally, we were not provided any agreements between the Town and CRA outlining the services to be provided and documentation to be submitted and maintained to evidence the time spent by each employee on CRA and non-CRA projects. While the budgets for the Town and CRA indicated shared funding of these positions, the Town had not reimbursed the CRA for its share of these salaries for this period.

Follow-up to Mayor's Response

In his response, the Mayor indicated that there is a new modified CRA project plan that was provided to us. However, we were provided a spreadsheet, not a modified CRA project plan. Additionally, in response to our inquiry in March 2006, the CRA Director stated the CRA Plan had not been amended, and our review of the Orange County Board of County Commissioners meeting minutes did not indicate the approval a new plan, as required under the interlocal agreement between the Town and County.

Finding No. 72: CRA Creating and Amending Documents

Previously Reported

Contrary to Section 189.418(2), Florida Statutes, several resolutions and ordinances amending the CRA Board's composition were not timely submitted to the Florida Department of Community Affairs (FDCA).

We recommended that the Town ensure subsequent amendments, modifications, or updates of the documentation by which the CRA was created are timely submitted to the FDCA in accordance with Section 189.418(2), Florida Statutes.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Although we were informed by FDCA that the Town, in April 2006, submitted Resolution No. 97-23, dated December 16, 1997, which created the CRA, neither the Town nor the CRA submitted to FDCA the amended interlocal agreement approved by Orange County on November 30, 2004. The interlocal agreement provided for Orange County to appoint a representative to the CRA Board. Although the legality of this provision is being reviewed by the CRA General Counsel, we are unaware of any statutory authority waiving the filing requirement of the CRA amending document.

Follow-up to Mayor's Response

In his response, the Mayor stated that the documents were provided to FDCA. As we note in our report, Resolution No. 97-23 was submitted during April 2006; however, the document that changed the composition of the CRA Board, providing for a member to be appointed by the Orange County Board of County Commissioners, was not submitted to FDCA.

Finding No. 73: CRA Budgets

Previously Reported

Contrary to Section 189.418(3), Florida Statutes, the CRA did not adopt budgets for the 1997-98 through 2001-02 and 2003-04 fiscal years.

We recommended that the Town ensure a budget is prepared each fiscal year for the CRA in accordance with Section 189.418(3), Florida Statutes.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Our review of the CRA meeting minutes disclosed that the CRA budget for the 2005-06 fiscal year was not adopted until April 4, 2006, 186 days after the start of the fiscal year. Therefore, any expenditures incurred by the CRA for the period October 1, 2005, through April 4, 2006, were in violation of Section 189.418(3), Florida Statutes.

Finding No. 74: CRA Audit Reports

Previously Reported

Contrary to Ordinance No. 97-08 and Section 163.387(8), Florida Statutes, the CRA did not provide for audits for the 1997-98 through 1999-2000 fiscal years, and the audits for the 2000-01 and 2001-02 fiscal years were not completed in a timely manner, and were not, of record, provided to one of its taxing authorities.

We recommended that the Town ensure that independent financial audits of the CRA are timely conducted in accordance with Ordinance No. 97-08 and Section 163.387(8), Florida Statutes, and copies of the audit reports distributed to each taxing authority.

Results of Follow-Up Procedures

The Town has partially addressed this finding. Although the 2002-03 and 2003-04 audit reports were prepared and transmitted to the County, correspondence from the County, dated March 27, 2006, indicated that the CRA audit report for the 2002-03 fiscal year had been received, but did not provide the date it was received by the County. Our review of the CRA Board meeting minutes disclosed that the CRA's 2003-04 audit report was approved by the CRA Board, 16 months after the end of the applicable fiscal year, on April 4, 2006. The report was prepared for mailing to the County on April 13, 2006.

Finding No. 75: Voluntary Property Annexation

Previously Reported

The Town Council enacted ordinances providing for the voluntary annexation of certain property by an affirmative vote of two then Council members; however, since two members do not constitute a quorum as defined by Section 166.041(4), Florida Statutes, the validity of the annexation was questionable.

We recommended that the Town consult with its legal counsel to determine the legal status of these annexations.

Results of Follow-Up Procedures

The Town has not addressed this finding. The Town's General Counsel, in March 2004, provided the opinion "that the Town Council had a quorum and the Ordinance was properly passed and adopted by the Town Council." Although the opinion indicated that five Council members were present at the meeting, a quorum (numerical majority of the entire governing body) was unable to vote due to conflicts involving three council members. As indicated in our report No. 2004-178, Attorney General Opinion No. 85-40 states that a majority of a quorum may legally enact any ordinance or resolution only if the members of a governing body who are legally entitled to vote still constitute a quorum. Therefore, the Town has not adequately addressed the validity of the Town's annexation of the properties.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 76: Conflicts of Interest

Previously Reported

Our audit disclosed several situations that may represent conflicts of interest as contemplated by Section 112.313 or 112.3143(3)(a), Florida Statutes. The Mayor, in his response to our report No. 2004-178 regarding his business relationship with a local developer that appeared to represent a conflict of interest pursuant to Section 112.313(7),

Florida Statutes, stated that the Florida Commission on Ethics (Commission) had dismissed the issue as being a non-conflict issue; however, the Commission's report dismissed the issue and concluded that "there is no probable cause to believe that the Respondent violated Section 112.313(6), Florida Statutes, as alleged." The report did not contemplate the possible violation of Section 112.313(7), Florida Statutes.

We recommended that the Town refer the noted instances of possible conflicts of interest to the Commission for a determination of whether such instances represent violations of Sections 112.313(3), 112.313(7), or 112.3143(3), Florida Statutes. We also recommended that the Town provide training for the Town Council on the requirements of Sections 112.313 and 112.3143(3)(a), Florida Statutes, to help avoid future situations that could result in conflicts of interest.

Results of Follow-Up Procedures

The Town has not addressed this finding. In response to our request for documentation evidencing that the Town had referred the noted instances of possible conflicts to the Commission on Ethics, we were not provided any additional referrals to the Commission. In addition, although requested, we were not provided documentation evidencing that the Town provided training for the Town Council on the requirements of Sections 112.313 and 112.3143(3)(a), Florida Statutes.

In response to our request to the Commission for any complaints filed for the instances noted above, we were provided the following documentation:

In Complaint No. 01-126 regarding Respondent Michael Johnson, former Councilman, the Commission's report, dated March 21, 2003, stated that based upon the dates payments were made to the former Councilman for employment by the complainant, and the dates that the Town Council voted for the voluntary annexation of complainant's property, the Commission found probable cause to believe the Respondent violated Section 112.313(7)(a), Florida Statutes. The report also found probable cause to believe that the Respondent violated Section 112.3143(3)(a), Florida Statutes. The Commission's Joint Stipulation of Fact, Law, and Recommended Order, dated August 19, 2003, found violations of Sections 112.313(7)(a) and 112.3143(3)(a), Florida Statutes, and imposed a civil penalty of \$800 upon the Respondent.

Follow-up to Mayor's Response

See comments on page 1 under Status of Report No. 2004-178 Findings.

Finding No. 77: Public Records Retention

Previously Reported

During the course of our audit, the Town was unable to provide certain documents, including ordinances and resolutions. Town personnel were unable to provide explanations for the missing public records and there was nothing, of record, to indicate that the records were disposed of in accordance with a disposal program established pursuant to Section 119.01(4), Florida Statutes.

We recommended that the Town ensure that all Town records are maintained and available for public inspection as required by Chapter 119, Florida Statutes.

Results of Follow-Up Procedures

The Town has not addressed this finding. Several Town records were not adequately maintained for public inspection pursuant to Chapter 119, Florida Statutes. While various Town ordinances, resolutions, and minutes were

available, various disbursement documents (finding Nos. 11, 22, 34, 48), bid documents (finding No. 50), and vehicle logs (finding No. 63) were not maintained as part of the Town's public records.

Finding No. 78: Council Minutes

Previously Reported

Town Council meeting minutes were not always approved in a timely manner, and approvals of minutes for some meetings were not made a part of the transcribed minutes.

We recommended that the Town ensure that all meeting minutes are transcribed, reviewed, corrected if necessary, and approved by the Council of record, in a timely manner.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. Our review disclosed that the minutes from April 2004 through February 2006 were properly approved by the Town Council.

Finding No. 79: Amended Town Charter

Previously Reported

The Town Charter was amended by voter referendum in March 1998; however, the Town did not file the amended Charter with the Florida Department of State (FDOS) until April 2003, more than five years after the Charter was revised.

We recommended that the Town ensure that future amended Charters are filed with the FDOS, in a timely manner in accordance with Section 166.031(2), Florida Statutes.

Results of Follow-Up Procedures

The Town has adequately addressed this finding. In response to our inquiry to determine whether the Charter had been revised during the period April 2004 through November 2005, Town personnel stated the Charter had not been revised, providing no opportunity for the Town to file amended Charters with FDOS.

SCOPE AND OBJECTIVES

The scope of this project included selected actions and transactions taken subsequent to April 2004, through August 2006, to determine the extent to which the Town has corrected, or is in the process of correcting, deficiencies disclosed in our report No. 2004-178.

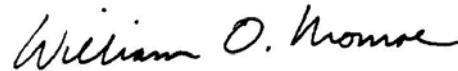
METHODOLOGY

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 applicable Generally Accepted Government Auditing Standards.

AUTHORITY

Pursuant to the provisions of Section 11.45(2)(l), 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 our report No. 2004-178 –operational audit of the Town of Eatonville, Florida, for the period October 1, 2001, through March 31, 2003, and selected actions taken prior and subsequent thereto.

Respectfully submitted,



William O. Monroe, CPA
Auditor General

This follow-up review was conducted by Keith A. Wolfe, CPA, and supervised by Marilyn D. Rosetti, 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.

APPENDIX A
MAYOR'S RESPONSE



TOWN OF EATONVILLE

"THE OLDEST BLACK INCORPORATED MUNICIPALITY IN AMERICA"

ANTHONY GRANT
MAYOR

October 10, 2006

Mr. William O. Monroe, CPA
Auditor General, State of Florida
G 72 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Operational Audit No. 2004-178

Dear Mr. Monroe:

This letter is the Town of Eatonville's response to the Operational Audit Follow-Up Report issued September 11, 2006 by the Auditor General's Office. I want to thank you and your staff for the time and dedication given to the original April 2004 Operational Audit and this follow-up. I do feel this process raised many issues that needed correction by the Town.

As verified by your staff, we have certainly made progress since the original operational audit, which identified deficiencies covering an eight year timeframe and going as far back as 1995. Unfortunately, due to the age and type of deficiency, like those involving specific events of the past, resolution may not be possible or practical. For instance, Finding No. 18 recommended reconstruction of 1999 documentation on the purchase of Town Hall and determining if taxes paid could be recovered. Even if these records could be reconstructed and a determination made that Town officials had not agreed to pay the 1999 taxes on the property as part of the purchase negotiations, a five year statute of limitations applies to tax refund requests.

As your auditors know from the follow-up review, reconstructing documentation on these events of the past has proven to be difficult. Town records spanning a period covering 1995 to early 2003 were reviewed by your office as part of the original Operational Audit. Additionally, the Town's external audit firm, at the same time, was also trying to catch up the financial audits and was also pulling samples and reviewing records for Fiscal Years 2002 and 2003. At that same time, the Town experienced significant turnover in its administrative staff, leaving a new administration to find records and documentation for yours and the external audit staffs to complete their work.

Since this time, the external auditors have continued working to complete the FY 2004 audit and are now working to complete the FY 2005 audit within the next 30 days. My staff feels that having so many people requesting to look at information spanning so many different periods of time that this has likely resulted in some documentation not getting re-filed correctly.

Re: Operational Audit No. 2004-178
Page 2

As a result, some documentation wasn't readily available for additional review as part of the follow-up. Therefore, final determination as to the resolution of some findings could not be made by your staff.

A Town this size does not have the staff to meet day-to-day operations and accommodate the administrative demand that has been required to endure an Operational Audit, four fiscal years of external audits and a follow-up review within an 18 month period. Town staff was required to address the recommendations of the Operational Audit and also meet the reporting requirements contained in the Intergovernmental Agreement with the Governor's Office. With all of this considered, it would be unrealistic to expect that complete resolution of the deficiencies could occur this soon. Attached are the responses which provide our reply to the follow-up status for each original finding as contained in the Follow-Up Report.

The Operational Audit originally had 79 findings. Of those findings, 8 are now moot or the Town continues to dispute the original finding. This leaves 71 outstanding findings. Of the 71 outstanding findings, the Town feels 51% or 36 of the findings were partially addressed, and 41% or 29 of these were fully addressed; with only 8% remaining to be addressed. So in total, the Town feels it has either partially or fully addressed 92% of the outstanding findings.

Again, I appreciate the work your staff did to identify operational improvements for the Town of Eatonville. Our administration will continue to be committed to improving the Town's operations and taking corrective actions to further address outstanding issues.

Sincerely,



Anthony Grant
Mayor

cc: Town Council

Attachments



**TOWN OF EATONVILLE OPERATIONAL AUDIT 2004-178 FOLLOW-UP
RESPONSES OCTOBER 2006**

FINDING NO. 1

Prior Audit Findings

Town's Response: *The Town agrees that this Finding has been partially addressed; however, it has been substantially addressed because in the 2004 Audit. There were 15 Findings resolved of the original 17 remaining. When the 2005 Audit is completed, more findings will show up as resolved. The Town's external auditor included, in his management letter, all of the 2004-178 Operational Findings of the Auditor General for disclosure purposes in the FY 2004 Audit. The Town disagrees with counting each of these as a finding of the FY 2004 Audit.*

FINDING NO. 2

Written Policies and Procedures

Town's 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 continue to strive to complete this task by adding new policies as determined necessary. As the policies and procedures are complete, they are brought to the Town Council for approval.*

FINDING NO. 3

Separation of Duties

Town's Response: *The Town disagrees, we believe this finding has been addressed. The only time water and sewer fee collection and disbursement processes are performed by the same person is if another employee is out on leave. Further, reconciliations are performed by another individual at all times.*

FINDING NO. 4

Financial Audits

Town's Response: *The Town agrees that this finding has not been addressed. The Town's audits were almost three (3) fiscal years behind when the Operational Audit was completed. The Town completed the FY 2003 and FY 2004 audit and is working on completing FY 2005 within the next 60 days. It is expected that the FY 2006 audit will be completed in a timely manner.*

FINDING NO. 5Financial Emergency

Town's Response: *The Town disagrees and this is a disputed finding. The Auditor General's office accepted the FY 2004 audit without concern. Therefore, this is a disputed finding. With regard to the original finding, the Florida League of Cities Pension Fund Manager stated and confirmed that the Town did meet all required retirement contributions (see 04/14/04 letter). The Town disagrees with the new finding that fund equity should have been reclassified in prior year audits resulting in a Financial Emergency (s.218.502 FS). The statute states, "...for which available resources are not sufficient to cover". The Town is in the process of having a new Rate Study done to insure a rate structure that will sustain all requirements of the Water and Sewer Revenue Bond Reserve. Also, regarding the CRA finding, the Town disagrees. The Auditor General's Office made an inquiry regarding this finding of the Town's external auditor and accepted the response offered. Further, the Town's external auditor was not required to provide a restatement of the financial position*

FINDING NO. 6Financial Condition

Town's Response: *The Town agrees that this finding is partially addressed; however, the Town is adequately addressing this finding because the Town's financial situation during the past few years has improved dramatically. Considerable progress has been made in improving its financial situation by working toward building a 20% reserve account. The budget forecasting process has been improved to eliminate year end deficiencies.*

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

FINDING NO. 7Budget Preparation

Town's Response: *The Town disagrees. We believe that this finding has been addressed. The FY 2005-2006 budget projection included excess revenue over expenditure and not cash projected estimates.*

FINDING NO. 8Budget Adoption

Town's Response: *The Town agrees that this finding has not been addressed. Every effort will be made to adopt the budget by the date indicated in the charter. Last year's budget would have met the deadline; however, the council meeting was postponed due to the illness of a council member.*

FINDING NO. 9Budget Over Expenditures

Town's Response: The Town disagrees because the Town has partially addressed this Finding. To prevent overspending all FY 2005-06 accounts that were depleted were flagged. If an account needs additional funding, a budget transfer is completed before the expense can be paid. All department heads receive monthly reports to monitor their accounts.

FINDING NO. 10Truth and Millage Reporting

Town's Response: The Town agrees that this finding has been partially addressed. The advertisement of the FY 2005-06 budget met all required criteria of the Dept. of Revenue, except for failing to include the roll back rate. This was corrected with the FY 2006-07 budget advertisement.

FINDING NO.11Petty Cash

Town's Response: The Town disagrees, and we believe that this finding has been addressed. The Town has a resolution supporting Petty Cash disbursement and has adjusted the Petty Cash administrative usage policy to adhere to the resolution and will reconcile on a monthly basis.

FINDING NO. 12Bank Reconciliation

Town's Response: The Town disagrees with this finding because we believe that it has been partially addressed in Fiscal Year 2006. All bank reconciliations were completed in a timely manner and signed by both preparer and Accounting Coordinator.

FINDING NO. 13Check Signing

Town's Response: Complete (Addressed)

FINDING NO. 14Electronic Transfer of Funds

Town's Response: The Town agrees that we have partially addressed this finding. There is a written agreement with the bank which allows electronic fund transfers to other institutions and vendors. We have now established a limit on the amount of funds that can be transferred.

FINDING NO. 15Authorized Investments

Town's Response: Complete (Addressed)

FINDING NO. 16Investment Earnings

Response: *The Town disagrees with this finding. We believe this finding is partially addressed. The Town has been working on a renegotiated banking agreement to reflect a competitive fee and interest earning structure which can be offered with a Pooled cash process.*

FINDING NO. 17Tangible Personal Property

Response: *The Town agrees that this finding has been partially addressed. The Town will implement a fixed asset Policy to develop a new threshold for assets and adjust the physical inventory to match it 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 NO. 18Purchase of Town Hall Building

Response: *Complete (Addressed).*

FINDING NO. 19Capitol Project Financing

Response: *The Town agrees with this finding. The Town will adopt a debt acquisition and management policy to govern the conditions and processes to be used when acquiring or re-financing existing debt. With regard to whether the Governor's Office approved the re-issuance of debt, the Town got verbal approval from the Governor's Office.*

FINDING NO. 20Debt-Related Reporting and Reserve Requirements

Response: *The Town agrees with this finding. Once the FY 2005 Audit is complete, the Town will be able to report its audit findings in a timely manner. The Finance Director will review annual requirements and prepare a checklist to ensure compliance with all bond requirements.*

FINDING NO. 21Accountability of Restricted Resources

Response: *This is a disputed finding and the Town disagrees. The local option tax revenue for the period of April 2004 to November 2005 are evidenced by documented direct expenditures in the amount of \$215,561.00 and documented allocated expenditures wages and benefits in the amount of \$82,701.06 and other documented operational expenditures in the amount of \$132,859.94.*

FINDING NO. 22Local Option and Municipal Fuel Taxes

Response: *The Town disagrees with this finding. At the beginning of each fiscal year, even before the budget is adopted, an analysis is developed reconciling planned expenditures that comply with the uses permitted for these revenues. The revenue and spending is then monitored to make sure these revenues are used only for the permitted purposes.*

FINDING NO. 23Financial Reporting of Fund Equity-Restricted Resources

Response: *The Town disagrees with this finding because we believe we have addressed this finding with determination that all of the CDBG required match was booked and allocated. The Town can only draw down what it can match. Fund equity has been properly recorded and reported in the 2004 CAFR.*

FINDING NO. 24Construction Contract Grants

Response: *The Town disagrees with this finding because we believe it has been addressed. The Town adopted a grant management handbook in June 2003 which outlines measures to prevent these problems in the future. The one reviewed in the follow-up was prior to this.*

FINDING NO. 25Summer Food Program

Response: *The Town disagrees with this finding and it has been addressed. The Town attempted to collect what funds it could from the previously reported finding, and has adopted a grant management handbook setting the guidelines for grant management so this situation will not occur in the future. The Town requested reimbursement for the 2005 administration costs.*

FINDING NO. 26Post Office

Response: *The Town disagrees because we believe this finding has been addressed. Policy was adopted to address this situation and is being adhered to. Shortages/thefts were reported to the Postmaster for investigation. Documentation is available. As part of the budget process, a determination is made annually whether to continue operating the post office.*

FINDING NO. 27Developer's Escrow Account Agreement

Response: *Complete (Addressed)*

FINDING NO. 28Pre-numbered Receipts

Response: Complete (Addressed)

FINDING NO. 29Water & Sewer Services

Response: The Town disagrees with this finding. We believe it is partially addressed. Action was taken, the meter was determined to be failing causing inaccurate readings; it has been repaired. Water produced by the Town is going to be compared to the level billed to provide assurance that these differences are caught and remedied early. Other efforts are continuing to assure leaks are detected and addressed.

FINDING NO. 30Utility Receivables

Response: The Town disagrees with this finding because we believe this finding has been partially addressed. Action is underway, and the Town will decide on which collection agency to use for recovering monies on delinquent accounts.

FINDING NO. 31Denton Johnson Center

Response: The Town agrees that this finding is partially addressed. We do have a new formal Policy and fee schedule for use of this facility which was adopted by Town Council on September 5, 2006.

FINDING NO. 32Code Enforcement Fines

Response: The Town disagrees because this finding has been adequately addressed. The Code Enforcement board no longer exists. The Town has a Code Enforcement Hearing Officer. Any waivers are documented as to the purpose.

FINDING NO. 33Building Permit Fees

Response: The Town disagrees with this finding because it has been adequately addressed. Building permits are being assessed in accordance with the approved schedule adopted by the Town Council.

FINDING NO. 34Pledged Donations

Response: The Town disagrees because this finding has been adequately addressed and is a moot finding. The fire station in question has been completed since March 2004 when the terms and conditions were discussed as to who would fund what with regard to the fire station. The developer's foundation made all payments and has not demanded matching funds.

FINDING NO. 35Job Descriptions

Response: *The Town disagrees. This is a disputed finding. Requiring the Town Council to approve job descriptions is not a "best practice" of municipalities and in fact, violates the separation of the legislative and administrative duties of the municipality and the strong Mayor form of government.*

FINDING NO. 36Hiring Practices

Response: *The Town disagrees because we believe this finding has been addressed. New employees are hired into positions that have been established in the budget by the Town Council. New hires either meet minimum qualifications for the job they are hired into or, have comparable combination of education/experience as is permitted by the Town. However, the Town will be more diligent about keeping all employee related information in their personnel file.*

FINDING NO. 37Personnel Evaluations

Response: *We disagree and feel that this finding has been partially addressed. Performance evaluations will be completed on all personnel. The Town will continue working to adhere to the Policy.*

FINDING NO. 38Compensation Plan

Response: *The Town disagrees because this is a disputed finding. The current compensation plan provides for salary adjustments to be made. Employees with longevity may exceed the pay range there by topping out. The Town has plans to review and update the current compensation plan as funding permits.*

FINDING NO. 39Employee Pay Raises

Response: *The Town agrees that this finding has been partially addressed.. The new compensation plan adopted by the Town Council addresses many of the old problems. The Town is adhering to its policies when making pay adjustments. However, we have noted there are a few edits still needed to the Personnel Manual.*

FINDING NO. 40Overtime Payments and Compensatory Leave

Response: *The Town disagrees because this finding has been partially addressed. The Town has a standard form to record overtime and comp time. Management is requiring employees to use comp time before vacation time.*

The recovering of unauthorized comp time previously paid to the two former employees would be impractical, since it was paid in 2000 and 2001. The Town has chosen to implement this finding prospectively. As a result of this second review, the

FINDING NO. 40 cont'dOvertime Payments and Compensatory Leave

Town realizes there should be a policy change allowing department heads, as necessary, an extension beyond 30 days for overtime and comp use.

FINDING NO. 41Employee Leave

Response: *The Town agrees that this finding has been partially addressed. The twelve hours for the interim CAO have been returned and documented. Legal counsel has been sought about the sick leave issue regarding firefighters.*

FINDING NO. 42Employee Compensation

Response: *The Town disagrees and feels that this finding has been partially addressed. Timesheets must be approved by each employee's supervisor; they are responsible for ensuring the hours reflected are correct. The Finance Director reviews all timesheets for accuracy and periodically makes sure the pay rates reflected in the Payroll system tie in to the last documented and approved pay rate for each employee. A payroll/status change notice is prepared and approved on individual pay changes. Any council approved "group" or across the board payments will be calculated in a spreadsheet as to the gross amount owed to each employee and this spreadsheet will be approved by the CAO and Finance Director.*

FINDING NO. 43Council Members Compensation

Response: *The Town disagrees; this finding has been addressed. The Town feels that this finding is complete. The Town Council addressed changes to its compensation as part of the Budget process which is adopted by resolution annually at two (2) public hearings. The Mayor has repaid the overpayment in the amount of \$100 per pay check which we believe is a very reasonable rate.*

FINDING NO. 44Taxable Compensation

Response: *The Town agrees this finding has been partially addressed. The Town is processing all compensation paid to council members through its payroll system and withholding for April, May & June 2003 was subsequently deducted and filed with the amended 941. The Town is now consistent in the way compensation is being paid. Bonus payments of any kind will be paid through the payroll system.*

FINDING NO. 45General Employee Pension Fund

Response: *The Town agrees with this finding. The Town will make sure the Plan Administrator (the Florida League of Cities) is filing the required information with the Division of Retirement. Further, the April 14, 2004 letter from the FMPTF states that the Town has fulfilled its obligation to participants.*

FINDING NO. 46Police Officer's Pension Fund

Response: *The Town agrees with this finding. The Town expects to have the 2006 and future audits completed in a timely manner which will then provide for the timely receipt of premium tax revenues. As well, the Finance Director has noted that when these funds are received, the transfer to the Pension Fund must occur within 5 days.*

FINDING NO. 47Disbursement Processing

Response: *The Town disagrees; we believe this finding to be partially addressed. We are following the Policies and Procedures and they have been updated and put in place. The accounts payable and purchasing processes have also been improved. The IMS software improvement is also in each department. A purchasing ordinance has been approved by Town council in 2005 and updated in 2006. The Town was in dispute of two invoices, noted as 66 and 77 days in length, which caused the delay.*

FINDING NO. 48Unauthorized Expenditures

Response: *The Town disagrees. We believe this finding to be partially addressed. Staff will review the Attorney General Opinions on this subject and will be improving this area regarding what is a public purpose, ensuring the Town Council approves the items.*

FINDING NO. 49Installment Purchases

Response: *The Town disagrees with this finding. We feel this is adequately addressed because the Town had done three quotes for 2003-2004 vehicles and we were informed by the company that up to date financials were necessary. We were in the process of completing the 2002 Audit and 2003 Audit and up to date financials were not available. Therefore, we obtained the vehicle installment purchase program as a sole source from another municipality.*

FINDING NO. 50Competitive Selection Process

Response: *The Town disagrees with this finding; it has been partially addressed. Except for the instance as expressed above, other items that were purchased outside of the threshold were emergency items. Further, the Town will continue improving its selection processes including piggybacking on other entities bids to ensure it is getting the best value for its dollar.*

FINDING NO. 51Written Agreements

Response: *The Town disagrees. We believe that this finding has been addressed. Since the Operational Audit, the Town has worked to ensure written agreements exist for services procured. However, the Town is still working to improve its records management process. The Town will be centralizing records to assure copies of all contractual agreements are properly executed and maintained with the Clerk. Further, the Finance Director has been instructed to make sure payment for services are not made until after such services are performed and such performance is documented and approved by the appropriate Town official.*

FINDING NO. 52Police Dispatch Services

Response: *The Town disagrees. This is a moot finding that has been completely addressed. The Town has a new agreement with the City of Apopka, whereby they will provide dispatch services for the Town's police department.*

FINDING NO. 53Grant Administration Services

Response: *The Town agrees that this finding has been partially addressed. However, this was a finding which occurred back in 2000. All contractual agreements for service are now required to contain specific deliverables and articulate when payment will be made. All of this must be in writing. Contracts are still being centrally located, so they can be better managed to assure consistency in implementation of this procedure.*

FINDING NO. 54Building Inspector Services

Response: *The Town disagrees. This finding has been addressed. The building permit application was amended to include LDC Compliance in October 2005. Documentation is available.*

The Town feels its contract for inspection services implies such review should identify issues of non-compliance with the Town's Development and Technical

Codes. The Town will make the necessary amendment to the building official content for inspection services.

FINDING NO. 55Contract for Fire and Emergency Services

Response: *The Town disagrees. This finding has been adequately addressed and is a moot finding. The Town has a new agreement in place and has addressed these issues including a cost/benefit calculation.*

FINDING NO. 56Advance Payments to Contractors

Response: *Complete (Addressed)*

FINDING NO. 57Travel Policies

Response: *The Town disagrees. This finding has been partially addressed, and the documentation is available. The Town has updated its travel related Policy and Procedures. This issue was taken to the Personnel Services Committee on February 24, 2006.*

FINDING NO. 58Travel Reimbursements

Response: *The Town disagrees. This finding has been partially addressed and documentation was provided. Also, the Town's travel form presently requires a follow-up signature after the travel is complete, even in instances when no money is owed to the traveler. This was identified in the follow-up review. Additionally, the Finance Director is going to ensure additional quarterly control and travel forms have been put in place.*

FINDING NO. 59Travel Allowances

Response: *Complete (Addressed)*

FINDING NO. 60Cellular Telephones

Response: *The Town agrees that this finding is partially addressed. The Town Council adopted, on 7/1/03, an administrative policy, "Request and Use of Cellular Phones" to insure compliance with the policy. The Town has very few cellular phones in use. However, it recognizes there still may be some issues with the approval process for "overages" and this will be addressed to ensure they are with documented as work related or reimbursement.*

FINDING NO. 61Telecommunication Taxes

Response: *The Town agrees that this finding is partially addressed. The Town is no longer paying telecommunications taxes on its telephone services. However, the Town has obtained credit for the past taxes paid in error and documentation is available regarding the refund.*

FINDING NO. 62Telephone Lines

Response: *The Town agrees that this finding is partially addressed. The Town has reduced the number of telephone lines. The Finance department is reviewing the telephone bills monthly for compliance and every six months or more. An operational internal audit will be performed identifying all the associated numbers. Procedure 3000.5 Telecommunications (Telephone Lines) has been developed to reconcile the telephone lines with the monthly billing statements.*

FINDING NO. 63Vehicle Maintenance

Response: *The Town disagrees with this finding. We believe that it has been partially addressed. New policies and procedures on vehicle maintenance were put in place, including use of a vehicle maintenance log by doing the following:*

Public Works Department

- *Upon arrival in the morning, the employee inspects the vehicle and then records the beginning mileage on the form.*
- *The employee will then record, throughout the day, mileage from one destination to another.*
- *If there are any repairs to be done, the employee then records the needed repairs on the form and the vehicle is sent to be repaired.*
- *The employee then places the form back into his folder until the end of his shift, and records the ending mileage of the day.*

The Police Department

- *Vehicle logs provided by the police department were in compliance with Town policy.*
- *Daily logs (beginning and ending shifts) for vehicle mileage were provided.*
- *The police department has a policy which specifically addresses the issue of the Chief and Captain being exempt from documenting daily log sheets.*
- *Instances of incomplete logs are addressed through counseling and discipline.*

Additionally, the finding was incorrect in addressing a lieutenant because there is no lieutenant in the police department. A copy of the policy is provided for review.

FINDING NO. 64Gas Credit Cards

Response: *Town agrees that the finding has been partially addressed. We have enacted Policy and Procedure 3000.6 "Gas Credit Card Usage". This policy monitors and governs the usage of the gas credit card and also provides receipt documentation. The Town has a current gasoline arrangement with local stations which is cost effective and meeting its requirements. All department representatives must monitor card usage on a monthly basis.*

FINDING NO. 65Full-Time Use of Town Vehicles

Response: *The Town disagrees with this finding and it has been partially addressed. The Town provided the 2002 W-2 wage statement for the Public Works Director. We agree that the four months usage in 2003 was not recorded. In 2004, the new Public Works Director did not use the Town vehicle. The current Public Works Director uses the vehicle on an as needed basis. We are developing a take home vehicle policy for the Public Works Department.*

FINDING NO. 66Insurance Bids

Response: *Complete (Addressed)*

FINDING NO. 67Automobile and Property Insurance

Response: *The Town agrees with this finding. This on-going reconciliation process does need continued improvement. The Town has been credited for some of the overpayments of premiums identified however, the Town is appointing one individual in the Finance Department to do a quarterly review of the vehicles on the policy in comparison to those in use to prevent this problem.*

FINDING NO. 68Retiree Insurance

Response: *The Town disagrees, and believes this finding is moot. This event happened in 1995. As a general practice, the Town does not intend to provide payments for insurance on retiring employees. This finding relates to a specific instance approved under a special agreement between the Town and the former employee (now deceased).*

FINDING NO. 69CRA Funding

Response: *The Town disagrees with this finding, and it has been partially addressed. The Town and County are jointly working together to modify the CRA Project Plan and funding shares. As of 2003, the Town is paying annual*

contribution as per agreement. The Town has had several legal reviews of the structure. The Town will ask for a further legal opinion as to this matter.

FINDING NO. 70CRA Interlocal Agreement

Response: *The Town disagrees. The finding has been properly addressed. The early interlocal agreement has not been signed by either the Town council or the CRA board, although they both have approved the document by an official voting action. The Finance Director paid the 1st quarter. The CRA Attorney has reviewed the interlocal agreement that the CRA has with the Town and it has been approved by the CRA Board and the Town council. The document is available for review.*

FINDING NO. 71CRA Trust Fund Expenditures

Response: *The Town disagrees with this finding. The testing expenditures we provided were in the old CRA plan, and there is a new modified CRA project plan we provided to the Auditor General's staff at the Exit Conference. All CRA expenditures are required to have an appropriation line in the approved budget.*

FINDING NO. 72CRA Creating and Amending Documents

Response: *The Town disagrees with this finding because the Town sent DCA the documents they did not have and provided a copy of the submission to Auditor General Staff at the Exit Conference.*

FINDING NO. 73CRA Budgets

Response: *We agree with this finding. The CRA current budget was presented in a timely manner. Subsequently, the budget was taken back to the Board for approval.*

FINDING NO. 74CRA Audit Reports

Response: *The Town agrees with this finding. The Town will have the CRA audit completed separately from the regular Town audit to ensure timeliness until the Town audits are back on schedule.*

FINDING NO. 75Voluntary Property Annexation

Response: *The Town disagrees on this finding because it has been adequately addressed. The Town has resolved this issue.*

FINDING NO. 76Conflict of Interest

Response: *The Town disagrees with this finding, and it has been partially addressed. Some council members have attended the sessions through the Florida League of Cities on Conflict of Interest. As well, whenever a potential conflict of interest arises, the Town will seek written advice from its legal counsel if there are any questions regarding appropriate actions that should be taken to address the situation.*

FINDING NO. 77Public Records Retention

Response: *The Town has purchased a document imaging system which will assist in record retention. The Town is focused on getting its records in order and ensuring the Clerk has the official copy of all key documents.*

FINDING NO. 78Council Minutes

Response: *Completed.*

FINDING NO. 79Amended Town Charter

Response: *Completed.*