REPORT NO. 2009-060
DECEMBER 2008

CITY OF RIVIERA BEACH, FLORIDA
AND
RIVIERA BEACH COMMUNITY REDEVELOPMENT AGENCY

Follow-up on Operational Audit Report No. 2007-075

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

MAYOR, COUNCIL MEMBERS, CITY MANAGER, AND COMMUNITY REDEVELOPMENT AGENCY EXECUTIVE DIRECTOR

City of Riviera Beach Mayor, Council Members, and City Manager, and the Riviera Beach Community Redevelopment Agency (CRA) Executive Director who served during the period January 2007 through June 2008 are listed below:

Thomas A. Masters, Mayor from 4-4-07
Michael Brown, Mayor to 4-3-07

Council Members	District No.
Lynne L. Hubbard, Chair Pro Tem from 4-4-07 to 3-18-08, Member from 3-19-08 Vanessa Lee, Chair Pro Tem to 4-3-07	1
Judy L. Davis, Member from 3-19-08 Norma Duncombe, Member to 3-18-08	2
Cedrick A. Thomas, Member from 4-4-07, Chair from 3-19-08 Elizabeth Wade, Member to 4-3-07	3
Dawn S. Pardo, Chair Pro Tem from 3-19-08 James Jackson, Member to 3-18-08	4
Shelby L. Lowe, Chair from 4-4-07 to 3-18-08, Member from 3-19-08 Ann Iles, Chair to 4-3-07	5

William E. Wilkins, City Manager

Floyd T. Johnson, CRA Executive Director

The project team leader was Ilene Gayle, CPA, and the project was supervised by Michael J. Gomez, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 487-9031.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (www.myflorida.com/audgen); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

City of Riviera Beach, Florida
and
Riviera Beach Community Redevelopment Agency

Follow-up on Operational Audit Report No. 2007-075

SUMMARY

This report provides the results of our follow-up procedures for each of the findings included in report No. 2007-075 and the City of Riviera Beach's (City) and the Riviera Beach Community Redevelopment Agency's (CRA) response thereto. Our follow-up procedures to determine the City's and the CRA's progress in addressing the 25 findings and recommendations contained in report No. 2007-075 disclosed that, as of the completion of our follow-up procedures in June 2008 for all findings except for finding No. 5, which was in November 2008, the City's and the CRA's actions adequately corrected 3 findings, partially corrected 14 findings, and had not corrected 3 findings. The City and CRA took no corrective action on 3 findings and had no occasion to take corrective action on 2 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 City of Riviera Beach and the Riviera Beach Community Redevelopment Agency for the period October 1, 2004, through November 30, 2005, and selected actions taken prior and subsequent thereto. Pursuant to Section 11.45(2)(l), Florida Statutes, the Auditor General, no later than 18 months after the release of report No. 2007-075, must perform such appropriate follow-up procedures as deemed necessary to determine the City of Riviera Beach and the Riviera Beach Community Redevelopment Agency's progress in addressing the findings and recommendations contained within that report.

STATUS OF REPORT NO. 2007-075 FINDINGS

CITY OF RIVIERA BEACH

General Management Controls

Finding No. 1: Written Policies and Procedures

Previously reported

Except for procurement policies and procedures, the City did not have written policies and procedures formally adopted by the City Council for its accounting and other business-related functions. In addition, the City had not established policies and procedures to set reasonable limitations as to the type, purpose, and amount of promotional activities to ensure that expenses were incurred only for those activities that benefit the City.

We recommended that the City Council adopt comprehensive written operating policies and procedures and ensure that such policies and procedures address promotional activities as well as the instances of noncompliance and management control deficiencies discussed in our report No. 2007-075.

Results of follow-up procedures

The City's actions have partially corrected this finding. In November 2007, the City hired a consultant to develop policies and procedures, and to devise an indexing system for inclusion in a comprehensive policies and procedures

manual. Although some policies and procedures were developed, including those addressing promotional activities, as of June 2008, they were not implemented or approved by the City Council.

Finding No. 2: Cash Collection Controls

Previously Reported

The City's cash collection procedures for the Building Inspection Department, the Parks and Recreation Department, the Jazz and Blues Festival, and the Occupational Licenses Department could be improved.

We recommended that the City implement procedures for documenting receipts received by mail and transferred among employees; reconcile deposit amounts to daily receipts logs and tickets sold; account for all tickets issued; and provide separate cash drawers or close-out procedures, by employee, for instances in which more than one employee uses the same cash drawer.

Results of follow-up procedures

The City's actions have partially corrected this finding. Our review of collection procedures disclosed:

Building Inspection Department. Although new collection procedures were drafted for building inspection permit collections, they were not implemented. Our review of the existing collection procedures disclosed:

- Transfer forms were not used to document the transfer of funds between employees within the Department;
- Various clerks collected money and worked out of the same change fund, although only one clerk was responsible for recording the daily collections;
- Documentation of an independent review of collections prior to deposit was not retained for audit;
- Permit applications processed were not reconciled to fees collected; and
- There was no evidence of supervisory review of voided permits.

Parks and Recreation Department. A mail log was implemented and collections received in the mail were recorded prior to transfer to the cashier. However, the mail log was also used to record other moneys received by, or sent from, that Department, making it impracticable for the Department to reconcile the mail log to recorded collections.

Jazz and Blues Festival. Our test of six 2007 Jazz Festival ticket collections disclosed that support was not evident for the collections relating to two tickets. The support provided for the remaining four ticket collections disclosed that one Ticket Accountability Form was not properly completed; in one instance, cash collections recorded in the deposit summary and daily collections report were $417 greater than the amount deposited; and, in another instance, we were unable to determine if the collection was deposited intact.

Occupational Licenses Department. To provide accountability should a loss occur, separate lockable cash drawers were assigned to each clerk for processing transactions.

Fixed Assets

Finding No. 3: Tangible Personal Property

Previously reported

The City had not established adequate controls over tangible personal property.

We recommended that the City implement procedures to ensure that the tangible personal property records are timely updated, properly reconciled to the accounting records, and documentation is retained to evidence the conduct of the annual physical inventory, including the persons that conducted the inventory, and the authority, date, and method of disposition of disposed items. We also recommended that the City ensure that all tangible personal property is marked as City property with an identifying number. Further, we recommended that the City ensure that items purchased are put to use promptly upon receipt. Finally, we recommended that the City ensure that City-owned football equipment is promptly returned at the end of each season.

Results of follow-up procedures

The City's actions have partially corrected this finding. Our review disclosed:

- **Physical Inventory.** The most current physical inventory was taken in October 2007 for the 2006-07 fiscal year. However, we again noted control deficiencies regarding segregation of duties and lack of transfer documents. Although Finance Department personnel performed test counts of certain departments' inventories on a sample basis, the department heads were still responsible for purchasing items and performing the annual physical inventory.

- **Property Tags.** Our test of nine property items purchased between February 2007 and February 2008, totaling $333,447, disclosed that, although the items were properly recorded in the City's tangible personal property records in a timely manner, the nine items were not appropriately tagged.

- **Property Records.** Our test of ten property disposals during the 2006-07 fiscal year disclosed that the disposition of nine items, with costs totaling $137,396, was not recorded in the City's tangible personal property records until the completion of the annual physical inventory subsequent to fiscal year end, rather than upon the date of the disposition.

- **Reconciliation of Property Records.** The City reconciled the subsidiary property records to the control accounts for the 2006-07 fiscal year.

- **Property Disposals.** Department heads were still responsible for approving the disposal of property items. For the ten property disposals tested, there were no property accountability forms completed and signed by the appropriate department head, contrary to City procedures, or documentation to evidence that someone independent of the process witnessed the property disposal. Nine of the ten disposals were supported solely by the physical count sheets prepared by the department head noting that the items were disposed.

- **Use of Property.** All nine purchased property items tested were put to use promptly upon receipt.

- **Accountability for Property**. In our report No. 2007-075, issued in December 2006, we noted that City personnel indicated that they were still in the process of retrieving City-owned football equipment used in the City's youth football league from the 2005 season, which ended in December 2005. During our current review, City personnel stated that the equipment for the 2005 season had since been retrieved; however, although requested, we were not provided documentation to support this statement. Additionally, our review

of the procedures to account for football equipment in the 2006 and 2007 seasons disclosed that inventory records were incomplete (i.e., some beginning inventory totals were missing and discrepancies were noted in equipment totals.) Also, although the City implemented procedures to hold the parents or guardians responsible for unreturned football equipment, we noted that the City did not request payment for the replacement costs related to unreturned equipment that was issued to 20 players in the 2007 season, contrary to City procedures.

Revenues

Finding No. 4: Jazz and Blues Festival

Previously Reported

Although ticket and vendor sales, parking fees, and sponsorship revenues for the City's annual Jazz and Blues Festival were projected to cover budgeted expenditures for the 2005 and 2006 Festivals, actual revenues were significantly less and the City exceeded its budgets for both years by $21,203 and $395,988, respectively. Additionally, the City had not remitted sales tax collections relating to the Festivals for the past five years to the Florida Department of Revenue (FDOR).

We recommended that the City enhance procedures to ensure that revenue estimates are reasonable, event expenditures do not exceed amounts budgeted, and sales tax is remitted on all applicable collections.

Results of follow-up procedures

The City's actions have partially corrected this finding. Our review disclosed that the City's revenue estimate for the 2007 Jazz and Blues Festival was 228 percent greater than the actual revenues. Although actual expenditures did not exceed budgeted expenditures for the event, transfers totaling $494,266 from the general fund were necessary to cover the projected revenues shortfall. The City appropriately remitted sales tax relating to the Festival to FDOR.

In June 2007, the City authorized the creation of a Jazz and Blues Festival Advisory Committee to advise the City Council on matters relating to funding, planning, management and operations of the 2008 Festival. Our review disclosed that the City's revenue estimate for the 2008 Festival was 47 percent greater than the actual revenues in the preceding year, and included a budgeted transfer from the general fund of $369,150. On September 25, 2008, the City provided a preliminary budget to actual accounting for the 2008 Festival. According to this accounting, actual expenditures of $716,071 exceeded actual revenues of $360,540 (excluding transfers from the general fund) by $355,531. Based on this accounting, it was not necessary for the City to transfer more than it anticipated for the 2008 Festival.

Finding No. 5: Marina Rental Collections

Previously Reported

The City did not invoice the tenant leasing space at the City Marina in accordance with the lease agreement. Additionally, reductions to the rental fees charged to the tenant for lunches charged at the tenant's restaurant, purchases at the tenant's ship's store, and various other items were not documented by invoices or receipts supporting the public purpose served.

We recommended that the City establish procedures to ensure that invoices to the tenant are in accordance with the lease agreement. Further, we recommended that invoices for charges to the tenant's operations be separately paid, provided the charges are supported by documentation of the public purpose served.

Results of follow-up procedures

The City's actions have partially corrected this finding. Our review of the Marina lease agreement and invoices disclosed:

- The lease agreement with the tenant expired December 31, 2007. The agreement contained a provision requiring the tenant to notify the City, within 60 days prior to the contract termination date, of the intent to renew the contract. Additionally, the agreement provided that in the event the tenant elected not to exercise its option to renew the lease for an additional term, the tenant shall provide notice to the landlord of not less than 90 days before the expiration of the existing term. Another provision of the lease agreement stated that if the tenant remains in possession of the premises with the landlord's consent, but without execution of a new written lease, the tenant shall be deemed to occupy the premises as a tenant from month-to-month, but otherwise shall be subject to all the covenants and conditions of the expired or terminated lease. The City received a request to enter into discussions regarding renewal of the lease on June 13, 2007, and negotiations for the renewal lasted until August 6, 2008, subsequent to the expiration of the lease. During the negotiations, the City continued to lease the space to the tenant on a month-to-month basis. However, monthly invoices to the tenant for the period January 2007 through March 2008 did not include an increase in the rental rate at the beginning of 2007 and 2008, contrary to the original lease agreement. This resulted in the City undercharging the tenant by $1,494.

- Prior to renewing the lease with the tenant, the City obtained an appraisal for the leased property, which estimated an annual market rent of $228,900, or $19,075 monthly. Also, the City received two unsolicited written offers in July and August 2008 from another interested party offering to pay $18,000 and $22,500 monthly, respectively. Notwithstanding the appraisal information and offers, the City leased the space to the existing tenant in August 2008 for $6,500 per month. In response to our inquiries, City staff indicated that the City relied on the appraisal obtained and considered the following factors in negotiations with the existing tenant:

  - The City stated, "The lease term was short, three years until the next re-negotiation, which indicates a lower rental value than for a fee simple sale or long term rental." However, typically a lower rental value would be considered for longer lease terms.

  - The City stated, "The improvements to the site were largely made by the Tenant; in order to demonstrate a continuity of commitment, the City reduced the rental to the Tenant who had taken that risk of capital outlay on a short lease term." However, the lease agreement signed with the tenant in September 2003 required the tenant to make $100,000 in improvements to the property, with a provision that if the City failed to renew the lease at the end of the lease term (only 16 months), the City would reimburse the tenant up to $100,000, less five percent depreciation and any salvage value. The City renewed the lease in December 2004 and did not significantly increase the rent (only $50 monthly) charged to the tenant even though the property had been improved and the air conditioned space had increased, according to the lease agreements, from 900 square feet to 1,500 square feet.

  - The City stated, "The tenant had demonstrated a capability to conduct and expand a business that was deemed to be an asset to the general operations of the Marina and provided a needed and valuable service to the residents of the City, and therefore, the rent was reduced from the recommendation made by Callaway and Price [appraisers] however, the monthly amount was almost tripled from the original agreement."

It is apparent that the City considered the existing tenant as an asset to the Marina area and wished to renew the lease agreement. Considering the appraisal and the unsolicited offers, both of which are considerably higher than the amount charged to the tenant, City records did not evidence that the City negotiated a market rate for the leased space nor the rental value of relevant factors considered in reducing the market rate.

- During our review, the City invoiced the tenant for monthly boat slip fees totaling $566, rather than $600, contrary to the lease agreement. City personnel stated that the amount invoiced was net of sales tax; however, the agreement did not clearly state whether or not the stated rate included sales tax.
- The lease agreement entered into in December 2004 required the tenant to pay a flat rate of $800 per month for utilities, which included water, sewer, garbage and electricity, with no provision for subsequent rate increases. However, our review of the City's solid waste disposal assessment on the leased property for the period October 1, 2007, through September 30, 2008, disclosed that for garbage service alone, the assessment was $16,288, or $1,357 per month, or $557 per month greater than the entire utilities invoiced to the tenant. Therefore, the City was significantly undercharging the tenant for utilities.
- As recommended in our report No. 2007-075, charges for tenant operations, if any, were separately paid, and not shown as a reduction on the tenant invoice.

In her response to our statement regarding lower rental values being typically considered for longer lease terms, the Interim City Manager indicated that the City disagrees and stated that the tenant had put so much money and capital into the structure, and the City has been unable to give any business a long-term lease due to imminent redevelopment. Further, the Interim City Manager indicated that the City had to make concessions in terms of a reduced rent so that the business opportunity would still be viable. The Interim City Manager also indicated that the total leased property did not change from the 2003 to the 2004 lease, only the portion of the property that was air conditioned. However, the Interim City Manager did not provide documentation to evidence that such concessions were required to keep the business opportunity viable or that, with the increased square footage of air conditioned space, the market rate of the leased property would not be higher.

Finding No. 6: Barracuda Bay Aquatic Complex Admissions Fees

Previously reported

The City did not have written policies and procedures regarding the authorization and documentation requirements for granting complimentary admissions to the City's Barracuda Bay Aquatic Complex. Complimentary admissions were granted during the school spring break week in 2005 based on a directive that indicated the former Mayor agreed to pay the admission fees. However, as of April 2006, the former Mayor had not paid and had disputed the amount due.

We recommended that the City establish written policies and procedures regarding the authorization and documentation required to support the issuance of complimentary admissions to City facilities, events, and activities. Additionally, we recommended that the former Mayor, Parks and Recreation Director, City Manager, and City Attorney resolve the dispute over the amount owed the City by the former Mayor. Also, we recommended that once the dispute is resolved, the former Mayor promptly reimburse the City for the agreed-upon amount.

Results of follow-up procedures

The City's actions have partially corrected this finding. On June 21, 2006, the City Council approved Resolution 85-06, establishing a free general admission policy for the City's Barracuda Bay Aquatic Complex. Additionally, the City drafted, but had not adopted, a special events' complimentary ticket policy that governed the distribution of complimentary tickets to other City events or programs.

The disputed amount due to the City from the former Mayor, as noted in our report No. 2007-075, was still unresolved as of June 2008. The City made attempts to collect the amount due; however, the former Mayor continued to contest the amount.

Procurement of Goods and Services

Finding No. 7: Disbursement Processing

Previously reported

Procurement card (p-card) transactions were not always authorized by City policy, approved by supervisory personnel, supported by receipts, documented as to the public purpose served, or within transaction limits set by City policy. Additionally, the City could not provide documentation that a refund was received for a purchased item returned, and bids were not always obtained when required by City Ordinance.

We recommended that procedures be strengthened to ensure that p-card transactions are in accordance with the written policies and procedures, such as retention of detailed invoices, adequate supervisory approval of all transactions, preparation and submission of documentation for lost or missing receipts, documentation of public purpose served, and timely reimbursement by cardholders when transactions were unauthorized. We also recommended that procedures be strengthened to identify, and take corrective actions with respect to, those cardholders who consistently violate the City's established p-card policies. Additionally, we recommended that the City ensure that refunds due on exchanges are collected and deposited into City bank accounts. Finally, we recommended that, for purchases exceeding $10,000, the City obtain competitive bids as required by City Ordinance No. 2412.

Results of follow-up procedures

The City's actions have not corrected this finding. Our review disclosed:

City Procurement Cards. The City's p-card transactions totaled $269,225 from September 2007 to February 2008. Our review of City p-card procedures and our test of 15 p-card transactions, totaling $20,848, disclosed:

- Three p-card transactions included State sales tax totaling $105, although the City is exempt from paying the tax. Also, we could not determine if sales tax was paid on three additional transactions because supporting documentation was not provided, although requested.
- Four p-card transactions, totaling $5,715, included gasoline and capital outlay related items, contrary to the City's p-card policy manual.
- Six p-card transactions, totaling $14,697, ranging from $1,134 to $4,536, were in excess of the individual transaction limit of $1,000.
- Two p-card transactions, totaling $585, were not supported by documentation evidencing supervisory approval and public purpose of the transaction. These transactions included food for a budget workshop ($473) and food for a luncheon meeting for six people ($112).

Also, we noted that two p-card transactions, totaling $1,500, were not timely reconciled to supporting receipts and; therefore, not recorded in the appropriate expenditure account in the accounting records until 16 months after the transaction date.

The City revised its p-card policy manual effective January 2006 to include disciplinary actions for cardholders who violate the policy. According to City personnel, no disciplinary actions were taken against a cardholder subsequent to the issuance of our report No. 2007-075, in December 2006, through June 2008.

Other Transactions. Our test of five purchases exceeding $10,000 disclosed that the City purchased three vans, totaling $68,643, without obtaining competitive bids although required by City Ordinance No. 2412. The vans were purchased with a county grant; however, the authorized dollar amount of the grant was only $20,000, requiring the City to use other City money to pay the difference between the purchase price and the grant amount. City personnel indicated that due to grant time constraints it was necessary to purchase the vans after receiving quotes. However, the grantor authorized the purchase of the vans three months prior to the purchase, allowing adequate time to obtain competitive bids.

In June 2006, the City and the CRA entered into an agreement with a consultant that included provisions for per diem meal reimbursement in excess of the amounts allowed by the City travel policy, which applies to consultants. The invoices were split and paid evenly between the City and the CRA. Our review disclosed that, as a result of the City not following its travel policy, the City overpaid the consultant $1,715 for meal reimbursements paid between January 2007 and June 2007. The CRA's portion of the overpayment is discussed in finding No. 18.

In May 2008, the City donated $4,100 to a local middle school for a graduation trip to Orlando. City personnel stated that the donation was considered promotional expenditures, and $2,000 of the donation was funded from the Police Enhancement Trust Fund. However, Section 932.7055(5)(a), Florida Statutes, provides that the money deposited in the Police Enhancement Trust Fund shall be used for school resource officers, crime prevention, safe neighborhoods, drug abuse education and prevention programs. Although requested, we were not provided documentation of the City's authority to expend trust fund money for donations and the public purpose served.

In her response, the Interim City Manager indicated that the vans discussed in the finding were purchased entirely from grant funds, which was an allowable grant expenditure based on a budget adjustment and authorization by Council action. However, the point of this part of the finding was that the City purchased the vans without obtaining competitive bids, contrary to City ordinance.

Contractual Services

Finding No. 8: Payments for Outside Legal Services

Previously reported

The City used outside law firms to alleviate the City Attorney's workload; however, it may have been more cost effective to hire an additional attorney. Also, payments to outside law firms for out-of-pocket expenses were not always supported by receipts, payment approvals were not always documented, and the City paid for the same services twice.

We recommended that, since the City uses outside legal services to alleviate the City Attorney's workload, the City evaluate the extent to which this is necessary and consider whether it would be more cost effective to hire a second attorney. Also, we recommended that the City enhance procedures relating to outside legal services to ensure prior approval is obtained for courier services billed, detailed invoices and supporting documentation are in accordance with written agreements prior to approval of invoices for payment, and to assure the City does not pay a firm for the same services twice. Additionally, we recommended that, the City seek reimbursement from the law firm regarding the overpayment.

Results of follow-up procedures

The City's actions have partially corrected this finding. The City did not evaluate whether it would be more cost effective to hire a second attorney rather than use the services of outside attorneys and continued to use the services of outside attorneys. For the period January 2007 through mid-April 2008, the City spent approximately $726,000 for outside legal counsel, and was reimbursed for the $5,864 overpayment noted in our report No. 2007-075. However, our review of documentation for payments made to outside attorneys disclosed:

- Receipts totaling $600 for reimbursable costs, such as postage, courier service, court fees, research and parking fees, were not included in the City's records to support payments to five law firms.
- Three firms did not provide adequate support for $307 of invoiced and paid photocopies and long distance call reimbursements, although the agreements required invoices to specify the number of photocopies, and the long distance number called, length of the call, and rate per minute.
- One firm was reimbursed a total of $171 for facsimile copies and local travel-related expenses, contrary to the agreement. Subsequent to our inquiry, the City Attorney discovered a duplicate payment to the firm for expense reimbursements totaling $84.

Finding No. 9: Wells Recreation Center Repairs

Previously reported

Contrary to City Ordinance No. 2412, the City did not competitively bid for certain repairs to the Wells Recreation Center.

We recommended that the City review its emergency purchasing procedures used during a declared state of emergency to ensure that purchases are necessary and prudent in order to protect City property and to prevent any further damage. We also recommended that, once the declared state of emergency is no longer in effect, the City resume its normal purchasing procedures.

Results of follow-up procedures

The City's actions have partially corrected this finding. The City amended its emergency procurement policies in August 2007 through approval of City Ordinance 3027. Our review of the new emergency procurement policies disclosed:

- The policy does not clearly define the term "locally declared disaster" or who is responsible for making the declaration. City personnel stated that a locally declared disaster is determined by the Mayor and ratified by the City Council. However, the policy does not mention the Mayor, but states that "the period of an emergency shall be determined by the City Manager" and lists "Declare a State of Emergency, if required", as a function of the City Council.
- During the City Council meeting within which Ordinance 3027 was enacted, the City Council established a time limit of 30 days after a disaster for the City Manager's contractual and spending authority, and provided an option for the City Manager to appeal for extended time. However, the emergency procurement policies contained in City Ordinance 3027 did not include this option. We further noted that City Ordinance 3027 provides that procedures would remain effective until repairs on City-owned facilities are completed. In response to our inquiry, City personnel stated that the omitted option was a scrivener's error, and conflicting language will be amended. As of June 2008, the Ordinance had not been amended for the conflicting language.

- City Ordinance 3027 requires the City Manager to report to the City Council on expenditures following a disaster. However, it would appear to be more reasonable for the City Manager to provide the City Council, prior to incurring the expenditures, with a report that details the damaged buildings and property, the scope of work, dollar amounts, and funding source.

Finding No. 10: Solid Waste and Recycling Services Contract

Previously reported

The City did not competitively select contractors for solid waste and recycling services since 1993.

We recommended that the City Council, prior to executing a new contract for these services, use a competitive selection process to select the contractor for solid waste and recycling services.

Results of follow-up procedures

The City had no occasion to take corrective action on this finding. The City's current solid waste and recycling contract was approved in October 2006 (prior to the release of our report No. 2007-075) without the use of competitive selection, and is effective through September 2010.

Finding No. 11: Youth Football Program

Previously reported

For the 2003 youth football season, the City entered into a partnership with the Riviera Beach Youth Football League to run the City's youth football program without the use of a written agreement that encompassed all significant duties and responsibilities of both parties. In 2004, a written agreement was subsequently executed and signed. However, the City did not provide for the required cure period in terminating the agreement with the League.

We recommended the City enhance procedures to ensure that any future collaboration arrangements are evidenced by a written agreement that encompasses all significant duties and responsibilities of both parties, including equipment; provides accountability for the City's assets; and requires documentation of any transfer of responsibility over these assets. We also recommended that procedures be enhanced to ensure that the City complies with the terms of the contract with regard to termination.

Results of follow-up procedures

The City had no occasion to take corrective action on this finding. Our review disclosed no collaborations or collaboration arrangements between the City and another organization subsequent to December 2006.

Other Matters

Finding No. 12: Conflict of Interest

Previously reported

Contrary to Section 112.313, Florida Statutes, the City contracted with a member of one of its advisory boards to provide grant coordination services.

We recommended that the City implement procedures to ensure future purchases of services are not made from vendors who are appointed by the City Council to serve on an advisory board. Additionally, we recommended that controls be enhanced to ensure payments to contractors do not exceed the contract amount.

Results of follow-up procedures

The City has taken no corrective action on this finding. Our review disclosed that procedures were not implemented to prohibit purchases of services from vendors who are appointed by the City Council to serve on an advisory board. Furthermore, on March 28, 2008, the City paid $1,200 to a member of the Jazz and Blues Festival Advisory Committee for the distribution of flyers and posters.

Finding No. 13: Financial Assistance to the Riviera Beach Community Redevelopment Agency

Previously reported

Contrary to Section 218.64, Florida Statutes, the City pledged a portion of half-cent sales tax revenues for the repayment of a bond issue obtained to pay the Riviera Beach Community Redevelopment Agency's (CRA) bond anticipation notes.

We recommended that the City ensure that half-cent sales tax revenues are used only for purposes authorized by Section 218.64, Florida Statutes.

Results of follow-up procedures

The City's actions have adequately corrected this finding. Our review disclosed that, from January 2007 to June 2008, half-cent sales tax revenues were used for purposes authorized by law.

RIVIERA BEACH COMMUNITY REDEVELOPEMENT AGENCY

General Management Controls

Finding No. 14: Management of the CRA

Previously reported

The CRA expended approximately $5.6 million from October 2002 to November 2005 for various consulting and professional services without an agreement with a Master Developer and without accomplishing the projects outlined in the 2001 CRA Plan. In addition, the CRA did not own most of the land on which the proposed CRA projects were to be located and it appeared that the CRA would have used eminent domain to acquire any land the Master Developer was unable to acquire; however, on May 4, 2006, the Legislature passed a bill (Chapter 2006-11, Laws of Florida) which prohibits governments from using eminent domain to acquire private land for economic development purposes.

We recommended that, in consultation with the City, the CRA Board re-evaluate the goals and objectives of the CRA and the 2001 Plan. In doing so, we recommended that the CRA assess the effect of the enactment of Chapter 2006-11, Laws of Florida, on the projects, and take appropriate action, including amendment of the 2001 Plan as necessary. Also, we recommended that, in the meantime, the CRA not expend additional moneys for program and construction management, real estate appraisal, or other professional services.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. Although the CRA engaged a consultant to facilitate a seven-day public meeting in October 2007 to update the Inlet Harbor redevelopment plan and develop a Citizen's Master Plan, a revised CRA Plan had not been developed as of June 2008. On March 26, 2008, the CRA terminated the Request For Proposals, and related negotiations, for a Master Developer.

Additionally, our review disclosed that, subsequent to December 2006, the CRA paid $141,758 to a program and construction services firm even though the CRA had assigned the firm no projects to oversee. See finding Nos. 18 and 19 for additional discussion on expenses related to consultant services.

Finding No. 15: Written Policies and Procedures

Previously reported

The CRA did not have written policies and procedures formally adopted by the CRA Board for its accounting and other business-related functions.

We recommended that the CRA Board adopt comprehensive written operating policies and procedures and ensure that such policies and procedures address the instances of noncompliance and management control deficiencies discussed in our report No. 2007-075.

Results of follow-up procedures

The CRA's actions have not corrected this finding. In June 2007, the CRA hired a consultant to develop, where appropriate, the administrative and operational policies and procedures necessary to address the findings noted in our report No. 2007-075. The policies and procedures were due to the CRA in August 2007. Upon inquiry, we were informed that the policies and procedures were scheduled to be produced and presented to the CRA Board in October 2008.

Budgetary Controls

Finding No. 16: Budget Preparation and Monitoring

Previously reported

The CRA's budget for the 2005-06 fiscal year did not include a revenue source or an appropriation for the repayment of $7,010,000 in bond anticipation notes that were due in July 2006. Additionally, we noted overexpenditures in the CRA's 2004-05 fiscal year budget and only cash basis budget-to-actual comparisons were provided to the CRA Board.

We recommended that the CRA management, pursuant to Section 189.418, Florida Statutes, ensure that all future budgets include all known obligations and corresponding revenue sources. In addition, we recommended that the CRA revise its procedures to perform a monthly budget-to-actual expenditures comparison on the accrual basis, and amend the budget as necessary.

Results of follow-up procedures

The CRA's actions have adequately corrected this finding. The CRA's budgets for the 2006-07 and 2007-08 fiscal years included all known obligations and corresponding revenue sources. Additionally, beginning in October 2007, monthly budget-to-actual expenditure comparisons were prepared on the accrual basis.

Long Term Debt

Finding No. 17: Debt Management and Capital Project Financing

The CRA did not have written policies and procedures for debt issuance, providing for a determination as to the amount of financing needed, timing of the needed funds, or availability of financing options. The CRA issued bond anticipation notes (BANs) without a detailed written plan indicating the purpose of the issuance and how the proceeds

would be used. The proceeds of the BANs were commingled with the CRA's tax increment funding and other revenues, and a majority of the funds were not used in accordance with the 2001 CRA Plan.

We recommended that, prior to issuing future debt, the CRA implement written debt management procedures, including procedures to prepare analyses identifying specific projects to determine: (1) the amount of financing needed for each specific project; (2) the timing of the needed funds; and (3) the available financing options, including an evaluation of the feasibility of required repayments. We also recommended that the CRA demonstrate that debt proceeds are utilized in accordance with the CRA Plan. Finally, we recommended that the CRA retain documentation of the analyses and monitor the progress of the projects in order to ensure that it maintains the ability to repay debt that has been issued.

Results of follow-up procedures

The CRA has taken no corrective action on this finding. The CRA had not approved or implemented written debt management policies and procedures. In response to our inquiry in May 2008, the CRA Executive Director stated that the CRA was working with the City Finance Department on the development of debt management procedures, and the intent was to have the CRA procedures agree with those of the City to the extent legally allowable.

As noted in our report No. 2007-075, on July 5, 2006, the City obtained financing to repay the BANs, pledging franchise fees, half-cent sales tax revenues, and tax increment funding. In connection with this financing arrangement, the City Council approved Resolution 82-06, which provided that on the 28th day of each month, the City would deposit one sixth of the semi-annual principal and interest payment into a debt service fund. The interlocal agreement, dated June 21, 2006, between the CRA and the City provided that the CRA would pay the City the tax increment revenues for the payment of the 2006 CRA note. However, our review disclosed that, contrary to the provisions of the Resolution and the interlocal agreement, the City had not established a debt service fund, but the CRA directly paid the semi-annual payment to the lender.

Procurement of Goods and Services

Finding No. 18: Disbursements Processing

Previously reported

Expenditures of the CRA were not always supported by receipts or invoices to document that transactions were valid, served a public purpose, and were in accordance with the CRA Plan. Payments for contractual services were not always supported by invoices detailing the services rendered, were not always in accordance with the written agreement, and one consultant was reimbursed twice for the same expense.

We recommended that the CRA implement procedures to ensure that contractual expenditures are properly supported and in accordance with the contract provisions, the 2001 Plan, and Section 163.387(6), Florida Statutes. We also recommended that the CRA seek reimbursement of the $4,015 overpayment, and obtain documentation for the unsupported payments noted in the finding. Additionally, we recommended that, prior to expending additional CRA moneys for consulting and real estate appraisal services, the CRA re-evaluate its needs for these services and ensure that they comply with the 2001 Plan, or the amended Plan as discussed in finding No. 14. Finally, we recommended that the CRA document the public purpose for all expenditures and ensure that such expenditures comply with the 2001 Plan and Section 163.387, Florida Statutes. We recommended that such documentation be present in the CRA's records prior to payment.

Results of follow-up procedures

The CRA's actions have not corrected this finding. Our review of CRA expenditures, totaling $536,882, disclosed that three payments totaling $6,500 were for donations and sponsorships, which were not related to the projects described in the 2001 Plan (and the CRA has not updated its Plan). Also, our review of payments to consultants from September 2006 to March 2008 disclosed:

- One consultant was paid a total of $13,600, exceeding the contract amount by $3,600, and without receipt of deliverables. In response to our request for documentation of the receipt of the deliverables, CRA personnel stated that the deliverables (policies and procedures) were scheduled to be produced and presented to the CRA Board in October 2008.
- CRA personnel advised that the CRA uses the City's travel policy. Two consultants were reimbursed for travel expenses at rates that exceeded the City's travel policy, resulting in overpayments for meal reimbursement ($3,478) and mileage ($10).
- Two consultants were reimbursed $2,364 for expenses (i.e., cellular telephone charges and airline tickets and change fees) that were not adequately supported by detailed receipts.
- The CRA entered into a settlement agreement with the program and construction consultant to settle disputed claims. The agreement included a clause stating that both parties would execute general mutual releases upon payment of the money provided herein. The mutual release was dated February 28, 2007, and stated that each of the parties releases the other from all liability for claims and demands arising out of payments due under the contract and sublease through February 28, 2007. However, our review disclosed that, subsequent to executing the settlement agreement, the CRA paid the consultant $72,754 for services provided in January and February 2007.
- Our review of the program and construction management consultant's invoice for March 2007 disclosed that there was no work order or other authorization directing the consultant's work effort for the month. We also noted that the administrative position was billed at a rate of $57 per hour ($5,130 total), although the contract indicated that the position would be filled by an intern at no cost to the CRA. Additionally, the CRA was billed for a document control specialist at a rate of $73 per hour ($12,629 total); however, although requested, we were not provided evidence of the documents or work product produced on the CRA's behalf.
- The contract for the program and construction management services required the consultant to immediately deliver all documents, written information, and other records of the CRA in its possession, to the CRA upon the effective date of termination or expiration. In June 2007, the CRA notified the consultant that the contract was suspended, and the CRA Board terminated the agreement in January 2008. In response to our inquiry regarding documents and records provided by the consultant, the CRA Executive Director indicated that the CRA was working through its attorney to obtain the documents from the consultant.

On March 26, 2008, the CRA entered into a settlement agreement with a second professional services consultant which released the CRA of $824,875 due on outstanding invoices in return for the CRA ratifying the payments that were already made.

Furthermore, although requested, we were not provided evidence of the CRA's efforts to seek reimbursement of the $4,015 overpayment and obtain documentation for the unsupported payments noted in our report No. 2007-075.

In his response, the CRA Executive Director indicated that promotional expenditures should be allowable since they are part of the administrative expenditures that support the CRA's overall operations. However,

the point of our finding is that the promotional expenditures were not related to the projects described in the 2001 Plan, contrary to Section 163.387(6), Florida Statutes.

Also, in his response, the CRA Executive Director indicated that our finding, which stated that one consultant was paid a total of $13,600, exceeding the contract amount by $3,600, and without receipt of deliverables, was incorrect. He indicated that the $13,600 represented a payment of $10,000 for a project that was completed in August 2007 and a payment of $3,600 for a project that was completed in February 2008 and that deliverables were presented to the CRA for both projects. However, there was only one written contract between the CRA and the consultant. The deliverables specified in the contract did not include a final report as indicated in the CRA's response, but included a list of policies to be acted upon by the CRA and documented procedures in the form of a procedures manual, neither of which were provided to the CRA or us at the time of our review. Since the deliverables specified in the contract were not received by the CRA at the time of payment to the consultant, it was not evident what basis the CRA relied upon to make such payments.

Contractual Services

Finding No. 19: Consultant Contracts

Previously reported

CRA Board approval was not provided for some consulting services contracts and some contracts did not contain clearly defined deliverables or total contract costs. For one consulting firm, the CRA paid $849,042 in excess of the CRA Board-approved work order and the CRA could not provide documentation to evidence that the tasks outlined in the work order had been received. The CRA did not provide a cost/benefit analysis demonstrating that the outsourcing of functions performed by the firm was more cost effective than using CRA employees. In resolving disputed claims from one consultant through the legal process, the CRA spent $150,077 more than the disputed amounts.

We recommended that contracts for services not be acquired until the CRA determines, through a cost/benefit analysis or other means, that it is more cost-effective to contract for the services rather than have staff perform the functions. Additionally, we recommended that the CRA enhance procedures to ensure that documentation is retained to evidence that all contracts: have been reviewed and approved by the CRA Board; are in writing and contain provisions which clearly define the specific duties and responsibilities of both parties, including clearly defined deliverables; clearly indicate the total contract price; and include provisions requiring the contractor to provide invoices in a detail that is sufficient for proper pre-audit and post audit. Also, we recommended that the CRA enhance procedures for monitoring invoices to ensure the reasonableness of amounts invoiced and provide for a cost/benefit analysis when resolving disputes to ensure the most cost effective action is taken.

Results of follow-up procedures

The CRA has taken no corrective action on this finding. Subsequent to the issuance of our report No. 2007-075, the CRA hired four consulting firms. However, although requested, we were not provided evidence that the CRA performed a cost/benefit analysis, or retained documentation to support the selection process for contracting with these firms. Additionally, our review disclosed:

- One consultant was hired through electronic mail correspondence to conduct a feasibility study. There was no written contract to evidence the terms and conditions, specific duties and responsibilities of each party, and the contract deliverables. Also, Board approval of the arrangement was not evident in the CRA's records.
- Two contracts did not clearly indicate the total contract price.

- One contract did not include a provision requiring the contractor to provide invoices in sufficient detail for a proper pre- and post audit.

Also, we noted that one contract for outside attorney services did not require invoices to include detailed support for reimbursable expenses, and did not contain provisions specifying expenditure types and rates allowable for reimbursement.

Finding No. 20: Sublease to Consultant

Previously reported

The CRA leased more office space than it required, although some space was subleased to one of the CRA's consultants. In total, the CRA paid $84,235 for office space not utilized or subleased from May 2001 to May 2006. The agreement for the subleased space extended beyond the lease period between the CRA and the landlord and, as of October 2, 2006, the sublessee owed the CRA $32,180 in sublease payments. In addition, the CRA did not provide documentation of sales tax collected or remitted for the sublease payments.

We recommended that the CRA avoid entering into agreements to lease more space than it needs. Additionally, we recommended that, for any instances in which the CRA subleases space, the CRA ensure that the term of the sublease does not extend beyond the date on which the CRA's lease expires and the CRA collect and remit sales tax on the sublease. Also, we recommended that the CRA continue to pursue collection of sublease payments owed by the consultant. Finally, we recommended that the CRA calculate the sales tax due on the subleased space since January 1, 2003, and promptly remit such amounts to the Florida Department of Revenue, along with any penalties and interest due for late filing.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. The CRA renewed its office space lease on September 1, 2006, for three years, with an expiration date of August 31, 2009. The lease renewal was for the same amount of office space as noted in our report No. 2007-075, and the CRA's consultant continued to sublease space through December 2007. However, the CRA had not received rental payments totaling $41,727 from the consultant for the period of March 2007 through December 2007. The CRA paid $53,114 for office space not utilized or subleased from January 2007 through April 2008.

On February 28, 2007, the CRA entered into a settlement agreement with the consultant which covered all claims through the date of the agreement. Upon payment of the settlement, both parties signed a release for claims covering the period through February 28, 2007. On February 28, 2008, the CRA remitted $10,120 to the Florida Department of Revenue for sales tax and interest relating to the sublease payments from January 2004 through February 2007, including the sales tax on the claims included in the settlement agreement.

Finding No. 21: Former CRA Executive Director's Employment

Previously reported

The former CRA Executive Director was employed without the benefit of a written agreement clearly documenting the terms and conditions of his employment. Further, the CRA did not provide documentation of CRA Board approval of his compensation for part of the period of his employment. Finally, the CRA treated his compensation as though he were an independent contractor rather than an employee, possibly contrary to the Internal Revenue Code.

We recommended that the CRA ensure that all future compensation agreements are pursuant to a Board-approved written contract. Also, we recommended that procedures be enhanced to ensure that payments are made in accordance with the written compensation agreement and documentation is retained to evidence amounts paid. Additionally, we recommended that the CRA contact the Internal Revenue Service to determine what corrective actions, if any, should be taken regarding the amounts reported for the former CRA Executive Director. Also, we recommended that, in the future, the CRA determine whether individuals are employees or independent contractors and individuals determined to be employees be treated as employees and appropriate taxes be withheld and paid on their compensation, in accordance with the Internal Revenue Code.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. On November 1, 2007, an agreement was signed to extend the CRA Executive Director's employment contract for six months (through April 2008). On May 14, 2008, the CRA Board extended the employment contract for two years. Our review of salary payments to the CRA Executive Director from September 1, 2007, to June 6, 2008, disclosed that appropriate taxes were withheld and paid on his compensation.

However, the CRA had not contacted the Internal Revenue Service regarding the amounts reported for the former CRA Executive Director and any corrective actions that may be required.

Finding No. 22: Transfer of Funds

Previously reported

The CRA's written agreement with its financial institution did not include restrictions as to where funds in CRA bank accounts could be transferred. Also, the CRA provided for only a single-control procedure in which fund transfers could be made and approved by the same individual.

We recommended that the CRA amend its agreement with its financial institution to specify the locations and accounts where funds can be transferred. Also, we recommended that the CRA reconsider using the dual-control security procedures and revise the agreement with the financial institution accordingly.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. On September 7, 2007, the CRA sent a letter via facsimile to the bank requesting the implementation of the dual control security procedures. An additional request was made via electronic mail on March 3, 2008. The bank confirmed on March 4, 2008, that dual controls had been added to the CRA's accounts.

However, our review disclosed that the CRA had not amended its agreement with its financial institution to specify the locations and accounts where funds can be transferred.

In his response, the CRA Executive Director indicated that our recommendation is impractical since the CRA does its own payroll, and the net pay of employees is direct deposited to the respective bank accounts of employees by way of funds transfers. For clarification, our finding relates to the agreement with the CRA's financial institution, within which the CRA should specify the locations and accounts to and from which transfers can be made, amounts that can be transferred, and the employees authorized to make such transfers. Our finding does not extend to the CRA's direct deposit program for employees and vendors.

Other Matters

Finding No. 23: Financial Review Advisory Committee Report Implementation

The CRA did not implement all recommendations made by the Financial Review Advisory Committee (FRAC) in its December 2004 report, including those related to a phase-in or time table for development and setting annual goals for project management, justification for staffing levels, improvement of its accounting system and analyses of consultant claims, and a requirement for the CRA's Master Developer to repay some CRA obligations.

We recommended that CRA management enhance its efforts to implement the recommendations of the FRAC.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. As noted in finding No. 14, the CRA was in the process of revising the redevelopment plan, and hired a consultant to ensure that appropriate systems and procedures are developed to implement the findings noted in our report No. 2007-075, as well as those noted by the FRAC. Also, as noted in finding No. 15, the policies and procedures addressed by the consultant were scheduled to be produced and presented to the CRA Board in October 2008.

The CRA Executive Director reviewed and presented to the CRA Board the justification for each position, identifying the core skills needed to carry out the CRA mission. On March 26, 2008, the CRA terminated the Request For Proposals, and related negotiations, for a Master Developer. Additionally, the CRA executed settlement agreements with two consultants relating to disputed charges totaling $1,030,589.

Finding No. 24: Vehicle Usage Logs

Previously reported

The CRA did not require the CRA Executive Director to maintain a vehicle log for the CRA-provided vehicle assigned to him to demonstrate the vehicle usage served primarily a public purpose and to document and calculate the amount of taxable income that should be subjected to employment taxes and reported to the Internal Revenue Service.

We recommended that the CRA Board require the CRA Executive Director to maintain a detailed vehicle usage log. Also, we recommended that the usage log demonstrate that the vehicle was used primarily for a public purpose and only incidentally benefited the employee personally, and that the vehicle log be used to determine the value of personal use to be included on the employee's Form W-2, Wage and Tax Statement, when applicable. Additionally, we stated that the vehicle usage log would also be useful in determining the reasonableness of gas purchases charged to the CRA.

Results of follow-up procedures

The CRA's actions have partially corrected this finding. The CRA Executive Director began maintaining a vehicle usage log in March 2007. Our review of these logs disclosed that gasoline purchases appeared to be reasonable compared to the vehicle usage. However, we noted the following:

- The usage logs indicated the trip's destination, but did not evidence the business or public purpose of the trip.
- The usage log for July 2007 was not complete. The log showed an ending odometer reading on July 18, 2007, of 695 miles, and the next entry, on August 1, 2007, showed a beginning odometer reading of 735 miles.
- For the months of June through December 2007, the CRA erroneously reported business miles as personal, and vice versa, in calculating the amount to be reported on the CRA Executive Director's W-2 form. This

resulted in an understatement of personal usage. Subsequent to our inquiry, the personal usage was recalculated and a corrected W-2 form was issued.

Finding No. 25: Report of Activities

Previously reported

The CRA's report of activities for the 2003-04 fiscal year consisted only of its audited financial statements and did not include a description of activities, contrary to law.

We recommended that CRA management consult with the City regarding the nonfinancial information that should be included in the report of activities, such as progress on CRA projects and future activities planned.

Results of follow-up procedures

The CRA's actions have adequately corrected this finding. Our review of the CRA's report of activities for the 2006 and 2007 fiscal years disclosed that the reports contained nonfinancial information as well as financial information.

SCOPE AND OBJECTIVES

The scope of this project included selected actions and transactions taken subsequent to December 2006 to determine the extent to which the City and the CRA has corrected, or is in the process of correcting, deficiencies disclosed in our report No. 2007-075.

METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent City and CRA records, inquiry of City and CRA personnel, and observation of procedures in practice. This follow-up review was conducted in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our follow-up procedures regarding findings and recommendations included in our report No. 2007-075, operational audit of the City of Riviera Beach, Florida, and the Riviera Beach Community Redevelopment Agency for the period October 1, 2004, through November 30, 2005, and selected actions taken prior and subsequent thereto.

David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

The City's October 27, 2008, response to our findings and the City's December 9, 2008, supplemental response to finding No. 5, which was amended subsequent to the City's initial response, are included as Exhibit A. The CRA's response to our findings is included as Exhibit B.

EXHIBIT A
CITY OF RIVIERA BEACH'S RESPONSES

CITY OF RIVIERA BEACH

OFFICE OF
CITY MANAGER

600 WEST BLUE HERON BLVD. • RIVIERA BEACH, FLORIDA 33404
(561) 845-4010 FAX (561) 840-3353

October 27, 2008

Mr. David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

We are in receipt of your letter dated September 26, 2008, transmitting the draft report of your follow-up procedures to determine the City of Riviera Beach's and the Community Redevelopment Agency's progress in addressing the findings and recommendations included in your Report No. 2007-075 – Operational Audit of the City of Riviera Beach and Riviera Beach Community Redevelopment Agency for the period October 1, 2004, through November 30, 2005, and selected actions taken prior and subsequent thereto.

We have reviewed the draft report and wish to provide you with the following written comments, including additional information that we believe would affect your determination. Our comments along with supporting documentation, where appropriate, are contained in the attached report response. The Community Redevelopment Agency's responses have been forwarded to you separately by Mr. Johnson.

We appreciate the work your staff has done while working with the City and we look forward to the time when the matters raised in your report will be completely resolved.

If you have questions or desire further discussion on the responses we are submitting, please contact me at (561)845-4010.

Sincerely,

Gloria Shuttlesworth
Interim City Manager

cc: Honorable Thomas Masters, Mayor
Honorable City Council
Floyd T. Johnson, Executive Director, CRA

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

Finding No. 1:
Written Policies and Procedures

1.) Response: Management does recognize that the current paper-based system is obsolete and has encoded the framework of an electronic policies and procedure indexing system to allow easier revisions, as well as more rapid and effective utilization by City personnel. Although current written operating policies are authorized by the City Manager, certain policies, including the Promotional Expense policy, will be brought to Council for authorization in the near future.

Finding No. 2:
Cash Collection Controls

2.) Response: The City is continually improving its cash receipting controls, in a cost effective manner, based on priorities determined by the amount of cash collected and the risk of loss. The City's financial accounting software has several levels of receipting programs. Management has expanded the use of the most sophisticated program and Parks and Recreation and Business Taxes (Occupational Licenses) began using this in fiscal year '07. This program allows assignment of virtual cash drawers to each individual cashier. Ticket accounting has improved each year as the volume of Jazz ticket sales has increased. Different cash drawers are now used in Building Inspections and Business Taxes, permits and remittances are reconciled annually, and remote payments have been initiated in the Billing and Collections office.

The Parks and Recreation Department has not and does not receive checks. A system will be implemented this year to provide for the use of checks and credit cards. This process will substantially reduce the amount of cash received in the department.

Fixed Assets

Finding No. 3:
Tangible Personal Property

3.) Response: Fixed asset accounting has improved annually since the implementation of American Data Group's (ADG's) fixed asset software. Training classes, together with electronic documentation have been, and will continue to be offered to all departments. City management will continue to improve the control of fixed assets and has ordered property identification stickers for use on all City owned property. Internal control and segregation of duties are being improved as additional resources and capacity become available.

Certain types of equipment that has shown a high risk of loss will be considered for a deposit requirement.

Accountability for Property:

2005 Football inventories:
The process in 2005 was that all head coaches were issued the equipment and were responsible for the return of the equipment/items. However, that process has been since revised. In 2005, coaches returned football items as they received them. The inventories were reconciled in 2005. Documentation referencing this matter (2005 inventories) is in storage.

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

2006 and 2007 Football Inventories:
Inventories were corrected by conducting an inventory of the football equipment.
The list of the "outstanding" equipment was provided in May/2008 to the auditors. The revised issuance process, held parents responsible for the return of equipment.

Of the 20 kids on the outstanding list in May/ 2008, staff has since retrieved equipment from 5 participants. However, staff has made several attempts to contact the parents of the 15 program participants who still have City equipment, attempts were made to no avail.

Attempts resulted in either of the following:
1. Staff visited residence: Parent/Participant changed residence.
2. Staff attempted to contact guardian by phone number provided. The phone number was either not operable or no one answered.
3. Request Letters were sent to residents. (No return response)

Note: The 15 youths who did not return equipment, did not return to the program this year (season 2008).

Revenues

Finding No. 4:

Jazz and Blues Festival

4.) Response: The City's budgeted transfer from General Fund was $369,150 but the actual transfer of $355,884 is less than 4% different than projected and is less than the originally authorized transfer.

Finding No. 5:
Marina Rental Collections

5.) Response: City Marina Rental Collections

Concerning the slip rentals, the leases have been re-written and enforcement is improving. Procedures have been put in place to properly administer the lease agreements, provide the lessees a signed copy and to formalize a lease termination method.

Regarding the Tiki lease, the boat slip portion has been adjusted to show the lease amount of $600.00 for the additional slip plus state sale tax. The separation of the utilities, Water, Garbage, LP Gas and Electric is now required as a part of the lease. The process to separate them has not been completed. Bids from Electrical Repair companies have been received and are being finalized. A meeting to determine appropriate garbage charges is scheduled for later this month with the Lessee.

All other notations and concerns in this item have been addressed.

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

Finding No. 6:
Barracuda Bay Aquatic Complex Admissions Fees

6.) Response: The City has prepared a policy on complimentary admissions for City events which will be amended for facilities.

After an analysis of the cost benefit of legal action against the Former Mayor to collect a debt of less than $6,000, the City has pursued less expensive methods of dispute resolution and debt collection which to date have been unsuccessful. We will be sending the Mayor a final letter requesting that he submit to the City the amount he has determined is owed. Should we not receive a response staff will seek direction from the City Council on whether to take further collection action or write it off as a bad debt to take it off the books.

Procurement of Goods and Services

Finding No. 7:
Disbursement Processing

7.) Response: The City agrees in general with this finding and will revise the purchasing and spending guidelines to allow more of the types of expenditures that are consistent with the efficient and effective use of credit cards. We found no expenditures that were inconsistent with a public purpose.

The City will also increase enforcement of the existing requirements for receipts, refunds, and statements of public purpose.

The vans discussed above were purchased entirely from grant funds which was an allowable grant expenditure based on a budget adjustment and were authorized by Council action.

The expenditure from Fine and Forfeiture monies will be changed to an allowable source.

Contractual Services

Finding No. 8:
Payments for Outside Legal Services

8.) Response: For over twenty years the City has budgeted for a second attorney, known as the "Assistant City Attorney." However, during the period of the first audit, the position was vacant. Since then, the position has been filled. In the next few years, the City will be in a position to hire additional in-house attorneys because a new facility will be built with more space provided to the City Attorney's Office. As stated in the previous response, the hiring of additional attorneys will alleviate the need for hiring outside attorneys except where specialized assistance is needed.

As it relates to enhancing the office's procedures relating to outside legal services and reviewing invoices for supporting documentation for various items such as courier services, parking fees, etc., please be advised that the City Attorney's Office is committed to ensuring that all invoices comply with the Standards for Legal Services developed by the office . To that end, the office has instituted a procedure where the office's paralegal reviews the invoices for proper documentation prior to submission to the City Attorney. The City

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

Attorney then reviews the invoice and documentation as well, noting any findings made by the paralegal. The invoice is not submitted for payment until all supporting documentation is provided by outside counsel. This procedure has proved effective with two sets of eyes reviewing the invoices in detail.

Finding No. 9:
Wells Recreation Center Repairs

9.) Response: After the series of hurricanes struck Palm Beach County in '04-05, the City was unable to get representative bids for many construction jobs, however, consistent with section 3-106 Emergency Procurements of the Purchasing Ordinance 2412: "procurements shall be made with such competition as is practicable under the circumstances" the City did get three quotes to replace the roof of this facility.

The City has made changes to the emergency procurement code to allow purchases to be done in a timely manner while retaining as many qualities of competitive pricing as possible during times of constrained availability of vendor services.

The emergency procedures have not been utilized since the passage of ordinance 3012. The scrivener's error will be presented to City Council for approval in November of 2008.

Finding No. 10:
Solid Waste and Recycling Services Contract

10.) Response:

In 1993 the City's garbage/trash collection services were privatized as a means of reducing the cost of providing these essential services to the tax paying residents and businesses of Riviera Beach. At that time, the City issued a Request for Proposal outlining the City's requirements and anticipated contract renewal terms. Subsequently, Waste Management was selected as the best value contractor; City administration negotiated satisfactory terms and the Rivera Beach City Council authorized a five (5) year franchise agreement with options for additional five (5) year terms.

In 1997, the City Council approved the first renewal for the contract. The terms of this amended agreement addressed rate changes and provided for two additional five (5) year terms upon the successful negotiation of rates between the City and the Contractor. Subsequently, in 2000, an additional five (5) year renewal term was successfully negotiated.

In 2006, staff held a public workshop to provide information to the City Council and allow for public input regarding the matter of entering into the final five (5) year renewal term of the franchise agreement with Waste Management. At this public forum, City administration presented various reports and analyses concerning the past performance of the contractor, competitiveness of existing rates, opportunity for improving customer service, and prospects for reducing cost through a competitive selection process.

After considering input from the public and staff, the City Council authorized the final renewal – the consensus being that available empirical information did not provide a compelling basis for forgoing the very favorable rates which staff had negotiated with the Contractor, rates which were actually less than the pre-negotiated rates in 1993.

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

The current and final renewal term of the franchise agreement ends in 2011 and City administration is prepared to issue a Request for Proposal in 2010 to allow at lease 18 months for evaluation of proposals, negotiation of the agreement and provide sufficient mobilization time for the selected contractor.

Finding No. 11:
Youth Football Program

11.) Response: The Auditors essentially recommended enhanced procedures for collaborative arrangements with the City's football program. The contract with Riviera Beach Youth Football was terminated at the direction of the City Council. The policy direction from the City Council was to operate the City's football program with City staff. The policy direction of the City Council would seem to make the initial finding as well as the follow-up comment moot.

Other Matters

Finding No. 12:
Conflict of Interest

12.) Response: The City Attorney has addressed this by the following action which was put into effect May, 2008.

MEMORANDUM

DATE: MAY 19, 2008

RE: ADVISORY BOARD MEMBERS ALSO WORKING AS CONTRACT PERSONNEL

You have requested that I update the City's standard contract as it relates to the "Personnel Services Contract." As there is no "Personnel Services Contract," I am assuming that you are asking that the "Personal Service Agreement" be updated to reflect that persons who are serving on the City's advisory boards are put on notice that they cannot also have contracts with the City. In addition to updating the Personal Service Agreement, I have also included the language in the "Contract for Consulting/Professional Services" as well.

Specifically, the Florida Code of Ethics for Public Officers and Employees applies to officers and employees of local governments, and the term "public officer" includes a municipal advisory board member. §112.313(1), Fla. Stat. (2007). The section provides that no agency advisory board member, acting in a private capacity, may rent, lease or sell any realty, goods, or services to the agency. §112.313(3), Fla. Stat. (2007). Therefore, an advisory board member may not contract with the City to perform services for the City while the individual continues to be a board member.

There are, however, exemptions under subsection 112.313(12), Florida Statutes, for advisory board members that allow for waiver of the requirements of subsections (3) and (7). Under subsection (12), the appointing body may, upon a full disclosure of the transaction/relationship to the appointing body prior to the waiver and an affirmative vote in favor of waiver by two-thirds vote of that body. Or, if the appointment was made by an individual, wavier may be had, after a public hearing, by a determination by the appointing person and full disclosure of the transaction/relationship by the appointee to the appointing person. In addition to these waiver

City of Riviera Beach
Audit Follow-up to Report No. 2007-75: City Response

options, there are also approximately 10 more exemptions for which a board member may qualify. *See* §112.313(12) (a-j), Fla. Stat. (2007).

Nevertheless, even though there are exemptions, you are requesting some language which puts everyone on notice of the law. However, in addition to adding language to the "Personal Services Agreement" and the "Contract for Consulting/Professional Services" I also believe that language should be added to the applications for advisory board members. That way the potential board member is put on notice before applying for an advisory board, that they may no longer have an opportunity to solicit business in the City if they are selected as an advisory board member. The language I am including in the Personal Service Agreement and in the Contract for Consulting/Professional Services is as follows, and the revised Agreements are attached. **(Please note: I have taken this opportunity to also make other changes to the Personal Service Agreement as well.)**

Language for Personal Service Agreement and Contract for Consulting/Professional Services

> **Please be advised, in accordance with section 112.313, Florida Statutes, and pertinent Opinions of the Florida Commission on Ethics, that if you are a member of a city board, including an advisory board, you may be ineligible to enter into a contract/agreement with the City. If you are a member of a city board, including an advisory board, prior to executing this contract, please contact the Florida Commission on Ethics at (850) 488-7864 to secure an informal advisory opinion regarding your eligibility to enter into this contract/agreement.**

In addition, I would suggest that the below language be added to all advisory board applications, and by copy of this memorandum to department directors, I am encouraging those in charge of particular advisory boards to make the adjustment as soon as possible.

Language for Advisory Board Applications

> **Please be advised, in accordance with section 112.313, Florida Statutes, and pertinent Opinions of the Florida Commission on Ethics, that advisory board members and/or the company(ies) in which they may have a direct financial interest, may not be eligible to do business with the City of Riviera Beach during the members' term. If you believe you may be ineligible, prior to submitting your application, the City encourages you to contact the Florida Commission on Ethics to secure an informal advisory opinion regarding your eligibility to serve.**

CITY OF RIVIERA BEACH

600 WEST BLUE HERON BLVD. • RIVIERA BEACH, FLORIDA 33404
(561) 845-4010 FAX (561) 840-3353

OFFICE OF
CITY MANAGER

December 9, 2008

Mr. David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Per instructions via my telephone conversations with Mr. Michael Gomez this morning, the following response is submitted reference the updated preliminary and tentative Finding No. 5. I was not able to incorporate this into our original response as in response to the latest inquiry received from Mr. Gomez was not a part of the initial finding. I believe these came later after Mr. Goelz and Mr. Lozman contacted your office. When I spoke to Mr. Gomez on or about November 19th, he inquired if the City had considered any additional offers made for the space leased by the Tiki Restaurant. I advised Mr. Gomez that I had sent responses to the questions Ms. Gayle had regarding the only offer I was aware of. I was not aware of any other offers. Subsequent to my conversation with Mr. Gomez, staff from the Mayor's Office provided copies of a letter that had been sent to the Mayor reference an offer made by Mr. Goelz. As indicated to Mr. Gomez, the correspondence had been directed to the Mayor and to my knowledge had never been processed through this office. The comments below address the specific changes made to the findings as discussed in my telephone conversation with Mr. Gomez this morning. If you have any questions or need clarification, please feel free to contact me.

Revised preliminary and tentative Finding No. 5 (December 9th revision).

"However, typically a lower rental value would be considered for longer lease terms."

The City respectfully disagrees. Because the tenant has put so much money and capital into the structure and the City has been unable to give it or any business a long term lease due to imminent redevelopment, the City had to make concessions in terms of a reduced rent so that the business opportunity would still be viable.

"The City renewed the Lease in December 2004, and did not significantly increase the rent (only $50 monthly) charged to the tenant even though the property had been improved and had increased, according to the lease agreements, from 900 square feet to 1,500 square feet."

This sentence is incorrect. Although inartfully written, the statement in the 2003 Lease referred to in the THEREFORE clause states that the leased premises consists of "approximately 900 square feet of air conditioned and outdoor decking." What it means is that 900 square feet was air conditioned space, plus

Letter to David W. Martin
December 9, 2008
Page -2-

the outdoor decking equaled the leased premises. At that time, the City failed to include the entire square footage of the TIKI bar in the Agreement. However, I must reiterate that the leased premises were never intended to be just 900 square feet. The 900 square feet referred to is the air conditioned space only, and that has been documented. In 2004, the air conditioned space was increased to 1,500 square feet, but it never increased the overall size of the Tiki Bar leased premises. That 1,500 square feet of air conditioned space still exists today and that has also been documented. Finally, in drafting the new Lease, the then marina director wanted the entire space reflected as it presently exists in the 2008 Lease THEREFORE clause. The square footage of the entire leased space is now documented in the Lease as "approximately 1,500 square feet of indoor 'under air' space and 9,136 square feet of outdoor decking area for a total of 10,636 square feet of space." Accordingly, the leased premises did not increase, only how the space was allocated changed.

Sincerely,

Gloria Shuttlesworth
Interim City Manager

GS:dpm

EXHIBIT B
RIVIERA BEACH COMMUNITY REDEVELOPMENT AGENCY'S RESPONSE

RIVIERA BEACH COMMUNITY REDEVELOPMENT AGENCY

BANK OF AMERICA FINANCIAL CENTRE
2001 BROADWAY SUITE 300
RIVIERA BEACH FLORIDA 33404
PHONE: 561-844-3408
FAX: 561-881-8043
WEBSITE: www.rbcra.org

October 27, 2008

Mr. David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

We are in receipt of your letter dated September 26, 2008 transmitting the draft report of your follow-up procedures to determine the City of Riviera Beach's and the Community Redevelopment Agency's progress in addressing the findings and recommendations included in your report No. 2007-075 - Operational Audit of the City of Riviera Beach and Riviera Beach Community Redevelopment Agency for the period October 1, 2004, through November 30, 2005, and selected actions taken prior and subsequent thereto.

We have reviewed the draft report and wish to provide you with the following written comments, including additional information that we believe would affect your determination. Our comments along with supporting documentation, where appropriate, are contained in the attached report response.

We appreciate the work your staff has done while working with our Agency and we look forward to the time when the matters raised in your report will be completely resolved.

If you have questions or desire further discussion on the responses we are submitting, please contact me at (561) 844-3408.

Sincerely,

Floyd T. Johnson, Executive Director

c: Honorable Thomas Masters, Mayor
CRA Board of Commissioners
Ms. Gloria Shuttlesworth, Acting City Manager

Riviera Beach Community Redevelopment Agency

Response to Report No. 2007-075 - Operational Audit of the City of Riviera Beach and Riviera Beach Community Redevelopment Agency for the Period October 1, 2004, through November 30, 2005, and Selected Actions Taken Prior and Subsequent Thereto

The CRA's responses to the follow-up review by the State Auditor General's office on its Report No. 2007-075 - "Operational Audit of the City of Riviera Beach and Riviera Beach Community Redevelopment Agency for the Period October 1, 2004, through November 30, 2005, and Selected Actions Taken Prior and Subsequent Thereto" are presented in the following general format.

- Statement of the Community Redevelopment Agency's response to each unresolved finding and recommendation under the caption:

  Community Redevelopment Agency Response to Finding No. XX

  The response will include a discussion of any clarifying position of the Agency specifically on the item being addressed and supporting documentation, if any, is referenced.

The Agency's responses to the follow-up audit are as follows.

Finding No. 14: Management of the CRA

Community Redevelopment Agency Response to Finding No. 14

The audit report's unresolved issues related to Finding No. 14 and the Agency's responses are as follows.

1. The audit report noted that a revised CRA Plan had not been developed as of June 2008.

   CRA Response:

   Although the statement by the auditors is technically correct, the Agency has taken substantial steps toward the development of a new plan. Many technical requirements must be met to revise any CRA's master plan. The process can take up to eighteen months or more and it entails reviews, input, and authorization from several levels of governmental entities and authorities.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

The CRA recognized that changing market conditions, and amended eminent domain laws required that the City completely revise its CRA plan to go in a new direction and consider new development tools. To involve the residents and stake holders in the community, the City hired the Treasure Coast Regional Planning Council (TCRPC) in August of 2007 to conduct a citizens' charrette to begin the plan redesign process for the City. The charrette took place in October 2007. Over 300 residents took part in a week long process to draft a new vision for the future of Riviera Beach. Following the extremely successful charrette, the TCRPC went to work to produce the Charrette Master Plan which formally identified the new direction and vision plan for the CRA. The document was presented to the CRA's Board of Commissioners and the public in January 2008. The formal document was finalized and approved by the Board in February 2008. Following the Commission's acceptance of the new plan, the CRA has a new vision for the Agency. This new vision serves as the basis for formulating the revised CRA plan.

In accordance with section 163.360, F.S. (Community redevelopment plans), a Community Redevelopment Plan must conform to the Comprehensive Plan. The existing Riviera Beach CRA plan is a very detailed plan for developing the entire CRA on a parcel by parcel basis with specific development guidelines for each property. Therefore, to create a new CRA Plan, multiple tasks must be completed.

In June 2008, the CRA successfully completed negotiations to hire the TCRPC to prepare all of the necessary elements to update the CRA Plan which are generally identified as follows.

- Prepare amendments to the Riviera Beach Comprehensive Plan, which will be forwarded to the Department of Community Affairs for review and approval.

- Prepare the revised CRA Plan.

- Prepare the new Land Development Regulations for the redevelopment area.

The new CRA plan is now under development. The basis for the new development direction has already been completed in the Charrette Master Plan, which was adopted by the Board of Commissioners. The CRA's revised goals, which are included in the Charrette Master Plan, call for incremental development based on traditional neighborhood design principles and new urbanism. These goals are to be included in the new CRA Plan.

Amending the plan requires detailed studies and analyses including activities such as, but not limited to, traffic projections; planning and zoning; concurrency; and, economic studies to ensure the plan's viability and feasibility.

Once the Comprehensive Plan amendments have been accepted by the Department of Community Affairs and the City Council, the City can proceed with adopting the new CRA plan.

All parties who monitor the Agency and its activities must understand that moving the CRA in a new direction is a time consuming process that requires multiple steps and can not be rushed. The future of Riviera Beach's redevelopment efforts depends on strict adherence to the process. In that regard, the Board of Commissioners has adopted the following policy statement.

> "The Agency shall prepare and implement the overall redevelopment plan for the development of the Community Redevelopment Areas designated by the City of Riviera Beach and the CRA's Board of Commissioners. The Agency shall cause the redevelopment plan to be updated, as required, to insure that the redevelopment plan is responsive to the needs of the City in fighting blight and eliminating slum conditions, and the Agency shall provide the tools needed to foster and support redevelopment of the targeted area(s). The redevelopment plan shall serve as the basis for the Agency's short-term and long-term strategic planning for the target area(s) and it will serve as the Agency's guide for the timely planning for and allocation of resources."

2. The audit report's recommendation was that until the CRA updates its plan, it should not expend additional moneys for program and construction management, real estate appraisal, or other professional services.

CRA Response:

It is not practical to adopt this recommendation of the auditors unless the Agency ceases its operations, in total. As noted above (CRA response to issue number one), the adoption of a new plan consists of a process that could take a year or more.

Until a new plan is adopted, the CRA must continue to operate under the existing plan. The Agency strives to make certain that the projects currently being undertaken are within the scope of the types of projects contemplated in the existing 2001 Master Plan. However, the Agency will exercise tighter control over the identification of projects to implement and will exercise the necessary oversight of the projects being developed to ensure that development activities are properly controlled: fiscally, administratively, and operationally.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

3. The audit report noted that subsequent to December 2006, the CRA paid $141,758 to a program and construction services firm even though the CRA had assigned the firm no projects to oversee.

CRA Response:

This issue should now be considered resolved.

This consultant no longer performs services for the Agency. Their contract was terminated by the Board of Commissioners in early 2007.

Although the consultant had not been assigned a project or projects to oversee, the consultant was still performing services under the agreement it had in place with the City. The payment of $141,758 represents four invoices submitted by the contractor for the months of December 2006 and January through March 2007. The December invoice was not received nor was it paid in 2006. The cumulative payments of $141,758 were for invoices not being disputed by the Agency. Consequently, they were not a part of the settlement agreement, covering disputed invoices from the consultant, that was signed at the end of February 2007. Additional comments regarding this consultant are included in findings No. 18 and 19.

The Agency has now adopted appropriate policies and procedures that, if adhered to and properly implemented, will eliminate the possibility of this type of contractual agreement in the future.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

Finding No. 15: Written Policies and Procedures

Community Redevelopment Agency Response to Finding No. 15

The audit report's unresolved finding is that the administrative and operational policies and procedures necessary to address the findings noted in audit report No. 2007-075 were scheduled to be produced and presented to the CRA Board in October 2008.

CRA Response:

This issue should now be considered resolved.

The Agency's Board of Commissioners adopted a "Comprehensive Policies and Procedures Manual" on October 8, 2008. The policies and procedures contained in the manual address all of the areas referenced in audit report No. 2007-075 and the issues addressed by the Financial Review Advisory Committee (FRAC) in its report dated December 20, 2004. Additional comments on this issue are included in finding No. 23.

A copy of the Agency's "Comprehensive Policies and Procedures Manual" can be viewed on the CRA's web site at http://www.rbcra.com .

Finding No. 16: Budget Preparation and Monitoring

Community Redevelopment Agency Response to Finding No. 16

CRA Response:

No action required. This matter has been resolved per the Auditor General's follow-up audit report.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

Finding No. 17: Debt Management and Capital Project Financing

Community Redevelopment Agency Response to Finding No. 17

The audit report's unresolved issues related to Finding No. 17 and the Agency's responses are as follows.

1. The audit report noted that the CRA had not approved or implemented written debt management policies and procedures.

   CRA Response:

   This issue should now be considered resolved.

   As of October 8, 2008, the CRA's debt management policy and procedures were adopted by the Board of Commissioners and included in the Agency's comprehensive policies and procedures manual, which was also adopted by the Board on October 8, 2008.

2. The audit report noted that contrary to the provisions of Resolution 82-06 and the interlocal agreement with the City, the City had not established a debt service fund, but the CRA directly paid the semi-annual payment to the lender.

   CRA Response:

   This issue should now be considered resolved.

   Per discussion with the City's Finance Director, future payments of the debt obligation will be made by the City. The City will provide the CRA with appropriate documentation of funds held for payment of the debt and it will provide the Agency with verification that the semi-annual payments of principal and interest have been made.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

Finding No. 18: Disbursements Processing

Community Redevelopment Agency Response to Finding No. 18

The audit report's unresolved issues related to Finding No. 18 and the Agency's responses are as follows.

1. The audit report noted that three payments were made totaling $6,500 for donations and sponsorships, which were not related to the projects described in the 2001 Plan.

   CRA Response:

   The expenditure of funds, in reasonable amounts, for expenditures in support of activities like the ones represented by these transactions should be allowable. The CRA's budget includes administrative expenses that are general in their nature that do not directly support an Agency project or projects. Administrative expenditures support the Agency's overall operations. "Promotional" expenses are part of those administrative costs. Such expenses can take the form of direct advertising or support of a project or they can be expenditures in support of community, civic, or educational activities related to the CRA's mission. A Community Redevelopment Agency does not operate in a vacuum. A CRA is part of the community at-large.

   The Agency's comprehensive policies and procedures manual includes guidelines on promotional expenditures. Proper documentation of promotional expenditures is essential, including the documentation of their relationship to CRA projects and/or to the CRA's mission.

2. The audit report noted that one consultant was paid a total of $13,600, exceeding the contract amount by $3,600, and without receipt of deliverables.

   CRA Response:

   This finding by the auditors is incorrect.

   The $13,600 quoted in the finding represented a payment of $10,000 for a project that was completed in August 2007 and a payment of $3,600 for a project that was completed in February 2008. Deliverables were presented to the Agency in both projects.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

The Palm Beach Consulting Group's initial contract with the CRA was in the amount of $10,000. The contract was signed on June 27, 2007. The project was concluded and a final report delivered to the Executive Director and the Chairman of the Board of Commissioners. The report was dated August 24, 2007. The "Scope of Services" did not call for the consultant to develop the Agency's comprehensive manual but to address only the procedures specifically referenced in the audit report.

The Agency determined that the consultant had completed the assignment that was contracted for and that the consultant had provided the Agency with the deliverables specified in the contract. The consultant's report was provided to the Auditor General's staff conducting the follow-up review prior to the start of their field work in March 2008.

In February 2008, the Executive Director of the CRA asked that the consultant prepare an "update" to the August 24, 2007 report which included actions taken by the Agency between August 2007 and March 2008, when the auditors started their fieldwork. This project was undertaken to give the incoming auditors a complete understanding of what actions the Agency was involved in and the status of their efforts in anticipation of the auditors' return to the Agency for the follow-up to the initial audit. The consultant performed this task (an update of the August 2007 report) at a cost of $3,600. The consultant prepared an update report that was dated March 3, 2008. The report was submitted to the Chairman of the Board of Commissioners and the Executive Director of the CRA. Although related in content, this project was separate and distinct from the project that resulted in the August 24, 2007 report. This report update was also provided to the auditors prior to the start of their field work in March 2008.

3. CRA personnel advised the auditors that the CRA uses the City's travel policy. Two consultants were reimbursed for travel expenses at rates that exceeded the City's travel policy, resulting in overpayments for meal reimbursement ($3,478) and mileage ($10).

CRA Response:

These issues should be considered resolved at this time.

The Agency's travel procedures and those of the City have been reviewed. Adopted travel procedures of the Agency are now in substantial agreement with those of the City.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

4. Two consultants were reimbursed $2,364 for expenses (i.e., cellular telephone charges and airline tickets and change fees) that were not adequately supported by detailed receipts.

CRA Response:

These issues should now be considered resolved.

The Agency's procedures have been strengthened to require proper support for disbursements paying consultant invoices and for disbursements generally.

5. The CRA entered into a settlement agreement with the former program and construction consultant to settle disputed claims. The agreement included a clause stating that both parties would execute general mutual releases upon payment of the money provided herein. The mutual release was dated February 28, 2007, and stated that each of the parties releases the other from all liability for claims and demands arising out of payments due under the contract and sublease through February 28, 2007. However, the audit review disclosed that, subsequent to executing the settlement agreement, the CRA paid the consultant $72,754 for services provided in January and February 2007.

CRA Response:

This issue and issues related to the company that once performed program and construction management services to the Agency should now be considered resolved. The company's contract was terminated by the Agency and procedures have been adopted and are in place to prevent the use of similar "open-ended" contracts in the future.

As noted in the audit report, the Agency contracted with a company to deliver program and construction management services. As a result of questions raised by the Agency's new management, over $800,000 of billings from the company were placed in a "disputed" status and payment was withheld. As a result of lengthy negotiations between the company and the Agency, the company agreed to accept a payment of approximately $206,000 "in full consideration of all outstanding claims for payments." The settlement agreement was dated February 28, 2007. There were four (4) payments made to the company totaling $141,758, which were made subsequent to the settlement. These payments were for invoices dated December 2006 and January through March 2007. The invoices were for work performed that was not in dispute. The $72,754 amount referred to above is part of the $141,758. The company did not perform billable services to the CRA after March 2007. (Additional discussion of issues related to this response can be found in response number 3 to finding No. 14.)

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

In a letter to the CRA Board of Commissioners dated May 23, 2007, the company requested that the Agency "suspend" its contract for a period of thirty to ninety days "or until such time that work will be available." At its meeting on May 23, 2007, the Agency's Board passed a resolution to suspend the services of the contractor for a period of 90 days or until such time that the Board authorized the contractor to resume services. The company's contract was subsequently terminated by the Board of Commissioners.

6. The auditors' review of the program and construction management consultant's invoice for March 2007 disclosed that there was no work order or other authorization directing the consultant's work effort for the month. The review also disclosed that the administrative position was billed at a rate of $57 per hour ($5,130 total), although the contract indicated that the position would be filled by an intern at no cost to the CRA. Additionally, the CRA was billed for a document control specialist at a rate of $73 per hour ($12,629 total); however, although requested, the auditors were not provided evidence of the documents or work product produced on the CRA's behalf.

CRA Response:

This issue should now be considered resolved. The company's contract was terminated by the Agency and procedures are in place to prevent the use of similar contracts in the future.

7. The audit report noted that the contract for program and construction management services required the consultant to immediately deliver all documents, written information, and other records of the CRA in its possession, to the CRA upon the effective date of termination or expiration. In June 2007, the CRA notified the consultant that the contract was suspended, and the CRA Board terminated the agreement in January 2008. In response to your inquiry regarding documents and records provided by the consultant, you noted that the CRA Executive Director indicated that the CRA was working through its attorney to obtain the documents from the consultant.

CRA Response:

Staff have recently located CRA documents and records that were locked in a storage area located in office space once occupied by the company. Staff are in the process of determining if these are the Agency's documents in question. If not, the Agency will continue to pursue its records and documents using legal means.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

8. The audit report noted that the auditors were not provided evidence of the CRA's efforts to seek reimbursement of a $4,015 overpayment and the auditors were not able to obtain documentation for the unsupported payments noted in your report No. 2007-075.

CRA Response:

This issue should now be considered resolved.

Staff have reviewed the issue with the Agency's attorney and have determined that the cost to pursue recovery may be greater than the amount recovered, if any. The Agency has strengthened its vendor payment procedures to prevent the duplicate payment of invoices.

Finding No. 19: Consultant Contracts

Community Redevelopment Agency Response to Finding No. 19

The audit report's unresolved issues related to Finding No. 19 and the Agency's responses are as follows.

The audit report noted that one consultant was hired through electronic mail correspondence to conduct a feasibility study. There was no written contract to evidence the terms and conditions, specific duties and responsibilities of each party, and the contract deliverables. Also, Board approval of the arrangement was not evident in the CRA's records.

The audit report also noted that two contracts did not clearly indicate the total contract price; one contract did not include a provision requiring the contractor to provide invoices in sufficient detail for a proper pre- and post audit; and, one contract for outside attorney services did not require invoices to include detailed support for reimbursable expenses, and did not contain provisions specifying expenditure types and rates allowable for reimbursement.

CRA Response:

These issues can now be considered resolved.

The standard portion of Agency contracts for professional services has been modified to include language requiring adequate documentation and support for amounts to be paid and/or reimbursed under contracts for such services and that a "scope of services and deliverables" should be included in each contract in a separate schedule referenced in the body of the main contract. Additionally, the Agency's adopted procedures have been amended to include the review of such documentation before payment of an invoice is

approved. A contract approval checklist, which must be approved before a contract is signed, has been developed. A contractor payment checklist, which must be approved before a contract payment is made, has been developed and will accompany all requests for contractor payments. The properly completed contractor payment checklist becomes a part of the documentation for payment. The comprehensive policies and procedures manual is being updated to include the use of these checklists.

Finding No. 20: Sublease to Consultant

Community Redevelopment Agency Response to Finding No. 20

The audit report's unresolved issues related to Finding No. 20 and the Agency's responses are as follows.

The audit report recommended that the CRA avoid entering into agreements to lease more space than it needs.

CRA Response:

This issue should now be considered resolved.

The Agency's Board has adopted a policy statement and associated procedures regarding the leasing of space. They are included in the Agency's comprehensive policies and procedures manual adopted in October 2008.

The CRA's office lease does not expire until August 2009. Due to the terms of the lease, the Agency does not qualify under any of the conditions that would allow it to terminate its lease before the lease term is concluded. According to the policy and associated procedures, the Agency will exercise caution in renting space in the future.

Finding No. 21: Former Executive Director's Employment

Community Redevelopment Agency Response to Finding No. 21

The audit report's unresolved finding is that the CRA had not contacted the Internal Revenue Service regarding the former CRA Executive Director's possible mis-classification as a consultant as opposed to being classified as an employee, the effect on compensation payments made to the former Executive Director while in that classification, and any corrective actions that may be required.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

CRA Response:

This matter is being referred to a lawyer or CPA who specializes in tax issues to advise the Agency on its appropriate course of action to follow in contacting the Internal Revenue Service.

Finding No. 22: Transfer of Funds

Community Redevelopment Agency Response to Finding No. 22

The audit report's finding is that the CRA had not amended its agreement with its financial institution to specify the locations and accounts where funds can be transferred.

CRA Response:

This issue should be considered resolved. This recommendation cannot be implemented as recommended by the auditors. The bank's system cannot limit the accounts to which funds can be transferred, if a customer chooses to use its funds transfer system.

The CRA maintains bank accounts for operations/payroll and short-term investments with a major U.S. bank. Funds are kept in an investment account until needed for operations/ payroll. The Agency transfers funds between the accounts as funds are needed. Procedures are in place to monitor the transfer of funds to insure that transfers have been properly authorized.

The Agency's bank provides fund transfer services for its customers to transfer funds between its accounts within the bank and outside the bank network. A customer can decide to exercise his/her option to use or not use the transfer system. If a customer elects not to use the bank's transfer services, the ability to make transfers is blocked for that customer. If a customer decides to use the banks transfer services, the ability to make transfers is open for all participating banks and available accounts. Transfers cannot be limited by the bank only to certain accounts. Following the auditor's recommendation becomes more impractical since the Agency does its own payroll and the net pay of employees is direct deposited to the respective bank accounts of employees by way of funds transfers.

To provide for the internal control feature suggested by the auditors, the Agency's procedures are being changed to include second-party monitoring of payroll transfers to employee direct deposit accounts and second-party monitoring of transfers, in general.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

Finding No. 23: Financial Review Advisory Committee Report Implementation

Community Redevelopment Agency Response to Finding No. 23

The audit report's unresolved findings are specifically related to completing the recommendations of the FRAC committee.

The audit report notes that the CRA must ensure that appropriate systems and procedures are developed to implement the findings noted in report No. 2007-075, as well as those noted by the FRAC.

CRA Response:

This issue should now be considered resolved.

The Agency has restructured its operations; resolved outstanding issues with consultants based on imprudent practices of the Agency in prior years; strengthened its management and oversight activities; developed and adhered to sound business, operational, and fiscal practices; and, developed a 'Comprehensive Policies and Procedures Manual," which has been approved by the Board of Commissioners.

Finding No. 24: Vehicle Usage Logs

Community Redevelopment Agency Response to Finding No. 24

The audit report's unresolved issues related to Finding No. 24 and the Agency's responses are as follows.

1. The usage logs indicated the trip's destination, but did not evidence the business or public purpose of the trip.

CRA Response:

This issue should be considered resolved.

The business or public purpose of trips will be recorded in the usage log. This requirement will be included in the Agency's procedures manual.

Riviera Beach Community Redevelopment Agency
Response to Auditor General's Report No. 2007-075 - Operational Audit

2. The usage log for July 2007 was not complete. The log showed an ending odometer reading on July 18, 2007, of 695 miles, and the next entry, on August 1, 2007, showed a beginning odometer reading of 735 miles.

CRA Response:

This issue should be considered resolved.

Agency staff have been instructed in the proper method to complete the vehicle log. The log should now be maintained in a complete and accurate manner.

Finding No. 25: Report of Activities

Community Redevelopment Agency Response to Finding No. 25

No action required. This matter has been resolved per the Auditor General's follow-up audit report.