

CITY OF STARKE

Operational Audit



COMMISSION MEMBERS, CHIEF OF POLICE, AND CITY CLERK

The City of Starke's Commission Members, Chief of Police, and City Clerk who served during the period October 2010 through September 2013 are listed below:

Commission Members

District No.

Daniel Nugent, Vice Mayor from 10-19-2010 to 10-3-2011, Mayor from 10-4-2011 to 10-1-2012, Vice Mayor from 10-2-2012	1
Carolyn Spooner, Vice Mayor from 10-4-2011 to 10-1-2012	2
Travis Woods, Vice Mayor to 10-18-2010, Mayor from 10-19-2010 to 10-3-2011, Mayor from 10-2-2012	3
Tommy Chastain, Mayor to 10-18-2010	4
Wilbur Waters	5

Chief of Police

Jeff Johnson

City Clerk

Linda Johns (1)

Note (1): City Clerk through 9-30-2013; new City Clerk elected 9-3-2013 and began serving effective 10-1-2013

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised Randy R. Arend, 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) 412-2881.

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CITY OF STARKE

EXECUTIVE SUMMARY

Our operational audit of the City of Starke disclosed the following:

GENERAL MANAGEMENT CONTROLS AND OVERSIGHT

Finding No. 1: Contrary to the Code of Ordinances, the City Commission did not employ a City Manager, resulting in those job responsibilities being performed by other personnel, some of which were incompatible and could have contributed to other deficiencies.

Finding No. 2: The City had not provided for an adequate separation of duties, or established adequate compensating controls, in several areas of its business functions.

Finding No. 3: The City had not established written policies and procedures necessary to assure the efficient and consistent conduct of accounting and other business-related functions and the proper safeguarding of assets.

Finding No. 4: Minutes of City Commission workshop meetings were not timely reviewed and approved.

PETTY CASH, CHANGE FUNDS, AND BANK ACCOUNTS

Finding No. 5: The City's petty cash and change funds were not adequately safeguarded and accounted for and the City did not always document the public purpose served by petty cash expenditures.

Finding No. 6: The City maintained an excessive number of bank accounts, and bank account reconciliations were not adequately prepared.

Finding No. 7: Some banks used as depositories were not approved by the City Commission, contrary to the City Charter; banking agreements and signature cards were not maintained for all banks and accounts; and payroll checks were only signed by the City Clerk, contrary to the City Charter.

Finding No. 8: The City had not developed written procedures for electronic funds transfers (EFTs), contrary to law, and the City's EFT agreement with the financial institution from which EFTs were made did not sufficiently limit EFTs or address all bank accounts used for EFTs.

COLLECTIONS, RECEIVABLES, AND UTILITY FUNDS

Finding No. 9: Certain cash collections were not recorded at the initial point of collection and checks were not restrictively endorsed immediately upon receipt.

Finding No. 10: The City did not actively pursue collection of delinquent business tax receipts or enforce late payment penalties.

Finding No. 11: The City did not periodically reconcile its utility deposits subsidiary ledger, general ledger, and bank account balance.

Finding No. 12: City procedures for preparing and reviewing quarterly electricity billing true-up calculations needed improvement.

Finding No. 13: The City did not always follow its procedures for determining uncollected utility accounts, disconnecting services, and granting refunds to customers for unexpended deposits related to water and sewer extensions. The City also did not have documented procedures for reviewing, calculating, and approving utility account adjustments.

Finding No. 14: The City did not maintain detailed separate accountability for each of its utilities. In addition, the City Commission did not, of record, address recommendations received from a contracted electric utility rate study, and did not obtain a rate study for the gas utility system.

Finding No. 15: The City Commission has not established a policy indicating minimum target levels of working capital funds to be maintained for the Enterprise Fund.

BUDGETARY CONTROLS

Finding No. 16: The City's 2011-12 and 2012-13 fiscal years' budgets were not prepared at the required level of detail, and did not consider the effect of available fund balances from prior fiscal years, contrary to law.

Finding No. 17: The City's budget amendments were not advertised and approved in the manner required by law, and certain General Fund expenditure functions were overexpended for the 2010-11 and 2012-13 fiscal years.

TRANSPARENCY REQUIREMENTS

Finding No. 18: The City did not timely post required budget information and did not include a link to its annual financial reports on its Web site, contrary to law.

PERSONNEL AND PAYROLL ADMINISTRATION

Finding No. 19: The salaries of City elected officials were not in accordance with applicable ordinances and the salary increases for elected officials were not properly authorized. In addition, City records did not evidence the specific authority for, or public purpose of, providing safety pay bonuses to City employees other than firefighters.

Finding No. 20: The City Commission had not, of record, approved position descriptions to be used as a basis for establishing minimum qualifications for candidates for employment and the City did not document the authorization to hire two of ten new employees tested.

Finding No. 21: Contrary to the *City's Personnel Rules and Regulations Manual*, the City Commission had not adopted a classification plan and pay plan to specify job requirements and salary rates for authorized City positions.

Finding No. 22: Contrary to the *City's Personnel Rules and Regulations Manual*, employee personnel evaluations were not completed, of record.

Finding No. 23: The City's monitoring of employee overtime could be improved.

PROCUREMENT AND EXPENDITURES

Finding No. 24: The City Commission did not, of record, approve the issuance of credit cards for use by City employees and did not adopt guidance as to the assignment and proper use of City credit cards, and the City needed to enhance controls over the use of credit cards.

Finding No. 25: City records did not always evidence adequate supporting documentation for purchases and disbursements, including properly approved purchase orders, invoices detailing the cost of goods and services, and evidence that goods and services were received.

CONTRACTUAL SERVICES

Finding No. 26: The City did not require that invoices for auditing services be provided in sufficient detail to demonstrate compliance with the terms of the contract, and \$64,822 of noncontract auditing services were requested and provided without apparent authority. In addition, the City overpaid \$2,567 for auditing services.

Finding No. 27: The City did not authorize individual projects under its engineering services agreement in accordance with agreement terms and revised the arrangement for payments to be made on a retainer basis without entering into a revised agreement. Also, contrary to law, the agreement did not include a provision prohibiting contingent fees.

Finding No. 28: The City did not, of record, enter into a signed and dated (executed) written agreement for legal services, and the City Commission did not timely approve a renewal agreement for such services.

Finding No. 29: The City did not competitively select its health insurance provider, contrary to law, and did not competitively procure commercial property, liability, and automobile coverage, contrary to the City's *Purchasing Policies and Bidding Procedures* for purchases greater than \$15,000 and good business practices.

Finding No. 30: City procedures for obtaining certain other professional services, and the related review of invoices, could be enhanced.

Finding No. 31: The City had not established procedures to document the basis for classifying individuals as independent contractors rather than City employees, and our review disclosed four individuals the City classified as independent contractors that perhaps should have been more appropriately classified as employees based on Internal Revenue Service guidelines.

VEHICLE USAGE

Finding No. 32: The City needed to enhance its written policies and procedures to ensure compliance with the Internal Revenue Code regarding the reporting of personal use of police vehicles in employees' gross compensation reported to the Internal Revenue Service.

PUBLIC WATER SYSTEM

Finding No. 33: The City had not developed standardized procedures for documenting the preventative maintenance and periodic testing of diesel generators for the City's water and sewer system, contrary to Florida Department of Environmental Protection rules.

CAPITAL ASSETS

Finding No. 34: The City did not timely reconcile the results of its 2011-12 fiscal year tangible personal property inventory to the property records.

Finding No. 35: The City had not developed written policies and procedures governing the acquisition, assignment, control, use, and disposition of motor vehicles, and providing for the timely renewal of vehicle registrations.

BACKGROUND

The City of Starke (City), located in Bradford County, is a Florida municipality originally incorporated as the Town of Starke in 1870 and then reincorporated as a City by the Florida Legislature through the enactment of Chapter 13426, Laws of Florida, 1927. The City operates under a Mayor-Commissioner form of government and is governed by an elected five-member City Commission. The five Commissioners annually elect one Commissioner to serve as Mayor and one to serve as Vice Mayor. The City also has an elected City Clerk and Chief of Police. The City provides law enforcement, fire control, electric, gas, water, sewer, and other general government services. The estimated population of the City in 2012 was 5,437¹.

FINDINGS AND RECOMMENDATIONS

General Management Controls and Oversight

Finding No. 1: Organizational Structure

The Government Finance Officers Association (GFOA), in its publication *An Elected Officials Guide to Internal Controls and Fraud Prevention*, notes that an effective internal control environment should include a rational and well-defined organizational structure that clearly assigns responsibility and accountability to individual employees. The City maintains an organizational chart that identifies three primary City functions: administration and finance under the direction of the City Clerk, the Police Department under the direction of the Chief of Police, and operations under

¹ Florida Estimates of Population 2012, University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research.

the direction of the Operations Manager, who is responsible for all other City departments, including Purchasing, Planning and Zoning, Code Enforcement, Fire, Electric, Gas, Water, Sewer, and Recreation Departments.

City ordinances also establish certain elected and employee positions to provide a proper separation of duties and responsibilities. For example, Section 2-131 of the Code of Ordinances (Code) established the office of City Manager to serve under the general direction and control of the City Commission (Commission). Section 2-133(a) of the Code provides that the City Manager is responsible to the Commission for the implementation of the Commission's policies and procedures including: managing and supervising departments, agencies, and offices of the City, except for the Police Department and City Clerk's office, to achieve goals within available resources; communicating official plans, policies, and procedures of the City Commission to the staff and general public; assuring that assigned areas of responsibility are performed within budget and the effective and efficient use of budgeted funds, personnel, materials, facilities, and time; handling all personnel matters, except for the Police Department and City Clerk's office; supervising and directing the operations of all public works including City electric, gas, water, and sewer utilities; supervising all expenditures, with the City Clerk, to insure budgeted appropriations are not exceeded; advising and making recommendations to the Commission about the City's financial condition; signing contracts approved by the Commission; and preparing and submitting an annual budget to the Commission. Section 2-161 of the Code provides the following duties and responsibilities for the elected City Clerk: maintaining the minutes and official records of the Commission; keeping a set of books showing the receipts and disbursements of all funds; serving as the City Treasurer and Tax Collector; issuing licenses and collecting license fees; and providing the City Manager with all such financial reports, records, and accounting information needed to properly fulfill the City Manager's responsibilities.

Our review of the City's organizational structure disclosed the following:

- Contrary to the Code, the Commission did not employ a City Manager. City personnel indicated that a City Manager had not been hired or employed since 2006 as a cost-saving measure and because of difficulty finding an individual with electric utility experience that also met the minimum qualifications for City Manager, which included a four-year college degree in public administration, business administration, or a closely related field, and a minimum of five years of work experience as a top-level municipal or public sector administrator.
- The position responsibilities of the City Manager were instead performed by the City Clerk and an Operations Manager hired by the Commission. In response to our inquiries, the Operations Manager indicated he was provided with a position description that included the same duties and responsibilities as the City Manager, although minimum qualifications for Operations Manager were less stringent than for the City Manager, and the primary responsibility of the Operations Manager was to oversee the electric, gas, water, and sewer departments, which requires certain specialized knowledge and skills. Based on our review of City minutes, budgets, procurement documentation, and contracts, the following duties and responsibilities of the City Manager were primarily performed by the City Clerk, with some assistance from the Operations Manager: administering personnel matters, supervising expenditures to insure budgeted appropriations were not exceeded, advising the Commission as to the financial condition and future needs of the City, administering the competitive procurement process, signing contracts, and preparing and presenting the annual budget.
- Certain responsibilities assigned or performed by the City Clerk represent an improper separation of duties. For example, the City Clerk was responsible for budget preparation, revenue collections (as the City Treasurer), expenditure approval and disbursement, record keeping for the City's accounting system, and the preparation of Commission meeting minutes. With such a combination of duties and responsibilities, errors, whether intentional or unintentional, or fraud, could occur without being timely detected.

Without a qualified individual to serve as the City Manager, and with the additional duties and responsibilities performed by the City Clerk in the absence of a City Manager, a work environment existed that may have contributed to the deficiencies cited in finding Nos. 4, 16 through 18, and 19 through 23 related to minutes, budgets, and payroll

and personnel. In addition, the absence of a City Manager could result in an improper separation of duties and responsibilities and may lead to confusion among elected officials and employees regarding the assignment of responsibilities and accountability of individual employees.

Recommendation: The City should hire individuals to fill employee positions in accordance with City ordinances or revise its ordinances establishing an organizational structure based on the intent of the Commission. Should the City Commission establish a new structure, it should ensure a proper separation of duties and assignment of responsibilities and accountability.

Finding No. 2: Separation of Duties

Governmental organizations, to the extent possible with existing personnel, should separate duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Failure to adequately separate duties increases the risk that errors or fraud could occur and not be promptly detected. Our review of the City's controls disclosed inadequate separation of duties, as follows:

- **Payroll and Personnel Processing.** One employee was responsible for recording payroll data in the accounting records from source documents, posting changes in rates of pay, adding new employees to the payroll system, recording overtime and other adjustments, removing terminated employees from the payroll system, and preparing payroll checks. Although the City Clerk reviewed payroll checks for mathematical accuracy, improper changes could be made to payroll data or rates of pay without being timely detected.
- **Utility Fee Collections.** One employee was responsible for preparing forms for utility fee collections (e.g., connection and transfer fees), collecting cash and checks from utility customers, and recording the receipts in the central cashier system. In these circumstances, collections could be diverted before deposit and not timely detected.
- **Bank Accounts.** The City's Finance Director was responsible for maintaining accounting records and completing bank account reconciliations. With this combination of duties, unrecorded and improperly recorded cash transactions could occur and not be timely detected and corrected. In addition, bank account reconciliations were not dated to evidence when they were completed and were not reviewed or approved by supervisory personnel.
- **Electronic Funds Transfers (EFTs).** The employee who could initiate transfers also had the ability to record journal entries in the accounting system. In these circumstances, unauthorized EFTs could be made and not timely detected.

Although we recognize that the City has limited staff available, making it difficult to adequately separate these functions, some risks related to inadequate separation of duties can be mitigated through the implementation of compensating controls, such as independent verifications of payrolls and bank account reconciliations, comparisons of amounts that should have been collected to actual amounts collected and deposited, and automated e-mail notifications to an employee independent of the EFT process.

Recommendation: The City should ensure that adequate compensating controls are implemented to help mitigate circumstances in which adequate separation of duties is not practical.

Finding No. 3: Written Policies and Procedures

Written policies and procedures, which clearly define the responsibilities of employees, are essential to provide both management and employees with guidelines regarding the effective, efficient, and consistent conduct of City business and the effective safeguarding of the City's assets. In addition, written policies and procedures, if properly designed,

communicated to employees, and effectively placed into operation, provide management additional assurance that City activities are conducted in accordance with applicable laws, ordinances, and other guidelines, and that City financial records provide reliable information necessary for management oversight. Written policies and procedures also assist in the training of new employees.

Section 2-326 of the Code requires the Clerk to establish, and submit for approval by the Commission, procedural rules for purchasing goods and services. Although the City had written *Purchasing Policies and Bidding Procedures*, they had not been approved by the Commission. Additionally, our review of the City's operations disclosed that while the City had a written *Personnel Rules and Regulations Manual*, the City did not have written policies or procedures for its accounting and other business-related functions. For example, written procedures were not available to document controls over Commission minutes, budgets, revenues and cash receipts, cash management, credit cards and charge accounts, utility account adjustments, capital assets, and contract administration.

While we recognize the City is small in size and has limited resources, the establishment of comprehensive, written policies and procedures is necessary to help prevent instances of noncompliance or inadequate internal controls, such as those discussed in subsequent findings.

Recommendation: The Clerk should provide procedural rules for purchasing to the Commission for its approval as required by the Code. In addition, the City should establish comprehensive, written policies and procedures that are consistent with applicable laws and other guidelines. In doing so, the City should ensure that the written policies and procedures address the instances of noncompliance and internal control deficiencies discussed in this report.

Finding No. 4: City Commission Minutes

Section 286.011(2), Florida Statutes, requires that the minutes of Commission meetings be promptly recorded and open to public inspection. As a good business practice, to ensure that minutes accurately reflect all actions and proceedings of the Commission, the minutes of each meeting should be reviewed, corrected if necessary, and approved at a subsequent Commission meeting.

The *Government-in-the-Sunshine Manual (Manual)* prepared by the Office of the Attorney General, indicates that, subject to certain statutory exemptions, the Sunshine Law extends to any gathering, whether formal or casual, of two or more members of the same board or commission to discuss any matter on which foreseeable action may be taken by the public board or commission. In addition, the *Manual* indicates that the Sunshine Law specifically applies to informal discussions and workshops and refers to the Florida Supreme Court's statement that "collective inquiry and discussion stages" are embraced within the terms of the statute.

The City did not have written policies or procedures providing guidelines for timely recording, reviewing, and approving Commission meeting minutes. Meeting minutes were kept in bound books in the vault at City Hall. During the period October 2010 through March 2013, the Commission held 104 meetings, generally comprised of two regular meetings per month and periodic workshops and special meetings. Our review of the minute books disclosed that, as of November 26, 2013, minutes for 43 workshop meetings, held during the period October 18, 2011, through March 5, 2013, were not included in the City's official minute books. The Commission's meeting agendas generally indicated a specific date of meeting minutes that were submitted for approval; however, because the minutes were not included with the respective agenda, City records did not indicate which minutes were approved if more than one meeting was held on the same date.

Using the dates in the agendas, we determined that 24 workshop meetings were held on dates for which minutes were submitted to the Commission for review and approval, and 22 workshop meetings were held on dates for which minutes were not submitted to the Commission for review and approval, although minutes for 3 of these meetings (budget workshops) were included in the minute books. We also noted that minutes for 1 regular meeting held November 23, 2010, were not submitted to the Commission for review and approval, but were included in the minute books.

While the law does not require that meeting minutes be reviewed and approved, the timely review and approval of meeting minutes helps to ensure that the City's public records document discussions and official Commission actions.

Recommendation: The City should develop guidelines for review and approval of Commission minutes, and enhance its procedures to ensure that minutes for all Commission meetings are recorded, approved, and available for public inspection.

Petty Cash, Change Funds, and Bank Accounts
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Finding No. 5: Petty Cash and Change Funds

The purpose of a petty cash fund is to have a small amount of cash available from which to make purchases for items such as postage and minor office supplies. Change funds are used for the operation of cash registers and drawers to make change for customers when needed. During the period October 2010 through March 2013, the City reported reimbursements of \$3,862 to the petty cash funds and \$2,546 to the change funds for purchases of items from those funds. Our review of City's petty cash and change funds, and related controls, disclosed the following:

- The actual amounts in the City's petty cash and change funds did not reconcile to the City's accounting records. The City's accounting records reported petty cash and change fund accounts totaling \$1,575, comprised of \$800 in the General Fund and \$775 in the Enterprise Fund. However, our counts of the petty cash and change funds maintained by City personnel, performed on September 6, 2013, indicated there was only \$1,350 in such funds, comprised of three petty cash funds totaling \$550 (\$300 for code enforcement, \$200 of rolled coins, and a \$50 petty cash box) accounted for in the General Fund and two change funds of \$400 each, totaling \$800, accounted for in the Enterprise Fund. In response to our inquiries, City personnel indicated that the petty cash and change fund accounts had not been reconciled to the accounting records for a number of years and that the differences could not be explained.
- In addition to making change for the utility systems accounted for in the Enterprise Fund, the City used the two change funds to make reimbursements to City personnel for small purchases (e.g., postage, office supplies, gas, food, decorations, and keys) and to cash checks for City personnel. Our review of 15 reimbursement checks to the central cashier during the period October 19, 2010, through February 6, 2013, totaling \$2,081, disclosed that the receipts submitted by the central cashier for reimbursement were held in the cash drawer from 6 to 76 days after the purchases were made.
- Petty cash receipts in the code enforcement petty cash fund were also not timely submitted for reimbursement. We reviewed three code enforcement petty cash fund reimbursements during the period January 19, 2011, through August 22, 2012, with purchase receipts ranging in amount from \$130 to \$294 and totaling \$667, and noted they were not submitted for reimbursement until 15 to 271 days after the purchases were made.
- Our test of 28 petty cash reimbursements totaling \$4,756 for the period June 22, 2012, through February 8, 2013, disclosed that the public purpose served was not evident for petty cash reimbursements totaling \$675. Specifically, we noted expenditures of \$426 for party decorations and food, \$95 for a custom picture frame, \$90 for raffle tickets, and \$64 for miscellaneous items. City records included receipts that were reimbursed

from the petty cash account; however, the receipts contained minimal or no explanations to evidence how these expenditures benefitted the City.

The City also maintained three petty cash funds that were not recorded in the City's accounting records nor approved, of record, by the Commission. The petty cash funds were maintained in the Purchasing, Fire, and Police Departments as discussed below:

- **Purchasing Department.** The Purchasing Department had a \$50 petty cash fund to purchase supplies. Only one purchase was made from this fund during the period October 1, 2010, through March 31, 2013, which was reimbursed to the Purchasing Department from one of the change funds, and the change fund was subsequently reimbursed by the City as discussed above.
- **Fire Department.** The City wrote a monthly \$325 check to its Fire Chief, which the Fire Chief subsequently cashed to use for purchasing food, merchandise, and supplies for the fire station. In response to our inquiries, Fire Department personnel indicated that they accounted for receipts and disbursements for supplies in a ledger at the Fire Department. There was \$161 in cash on hand when we counted the fund on October 14, 2013, which agreed to the amount reported in the ledger. However, we noted the following discrepancies indicating a lack of monitoring of the use of these cash funds:
 - Our review of the ledger for the period from December 11, 2011, through December 29, 2013, disclosed that the entries were rounded to the nearest dollar, that numerous disbursement entries were to City employees, and that entries of \$5 and \$8 were for "missing money."
 - Fire Department personnel indicated that receipts were retained for purchases made, and receipts were randomly selected for submittal to the Accounts Payable Clerk. We reviewed receipts submitted with six monthly requests of \$325 each for the period February 8, 2011, through March 3, 2013, and noted that the receipts submitted totaled \$2,036, or \$86 more than the \$1,950 paid, and that individual receipts were dated from 69 to 404 days prior to the date submitted and were from \$94 less to \$66 more than the \$325 monthly reimbursement amount.
- **Police Department.** The Police Department maintained a cash fund to purchase bottled water and office supplies. Upon inquiry, we were advised that the source of the cash fund was cash collected from accident reports and fingerprinting. The cash collected was put in an envelope and used to make purchases. At the time of our review in September 2013, the cash fund totaled \$60. Our review of receipts books for cash collected for accident reports and fingerprinting indicated that \$590 was collected during the period October 1, 2010, through March 31, 2013, and that receipts for items purchased were kept in the envelope and totaled \$689.

Petty cash and change funds are more susceptible to misappropriation and theft when balances are not recorded in the accounting records and periodically reconciled to amounts on hand, and the location, amount, and purpose of these funds is not approved and periodically monitored.

Recommendation: The City should establish procedures to ensure that all petty cash and change fund balances are recorded in the accounting records and periodically reconciled to amounts on hand. The City should also strengthen its procedures to require documentation that expenditures serve an authorized public purpose, are reasonable and necessary, and benefit the City. Such documentation should be present in the City's records prior to payment. Finally, the City should ensure that the location, amount, and purpose of each petty cash and change fund is approved by the Commission.

Finding No. 6: Bank Accounts and Reconciliations

Effective internal controls require that reconciliations of bank account balances to accounting records be performed on a timely, routine basis, by someone independent of the recording of cash transactions. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and

correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

As of March 2013, the City maintained 44 bank accounts in three different banks. The City's Finance Director was responsible for preparing monthly bank reconciliations. Our review of the City's bank account reconciliations disclosed the following:

- Of the 44 bank accounts, 24 were reported in the General Fund, 3 in the Special Revenue Transportation Trust Fund, 5 in the Special Revenue Impact Fee Trust Fund, 8 in the Enterprise Fund, 3 in the Fiduciary Fund Employee Retirement System, and 1 in the Starke Community Redevelopment Agency Fund. Fourteen of the accounts showed little or no activity during the period September 30, 2012, through March 31, 2013. In response to our inquiries, City personnel indicated the numerous bank accounts were maintained to provide separate accountability for City moneys depending on the sources or uses of the moneys. However, separate accountability can also be readily established in the accounting records using account codes, whereas maintaining an excessive number of bank accounts results in additional record keeping responsibilities and increases the risk that errors could occur and not be timely detected. The City closed 6 of the 14 bank accounts and 1 other account during the period July through September 2013.
- For 3 of 6 bank account reconciliations reviewed for the month of March 2013, City personnel omitted or recorded incorrect amounts on the reconciliation, resulting in unreconciled differences as discussed below:
 - The reconciliation of the City's main account reported in the General Fund included \$32,219 in the accounting records cash balance that should have been reported as accounts receivable, thus overstating the accounting records cash account and resulting in an unreconciled difference with the bank account balance of \$32,219.
 - The cash amount was incorrectly recorded on the reconciliation form for the City's General Fund Police Investigative account, resulting in an unreconciled difference of \$96.
 - The cash balance in the accounting records for the Payroll account was not updated to include the cash from a voided check, resulting in an unreconciled difference of \$863 that remained unexplained for two months.

Without independent bank account reconciliations evidencing preparation dates and supervisory reviews and approvals as discussed in finding No. 2, there is an increased risk that errors or fraud could occur and not be promptly detected.

Recommendation: The City should enhance its procedures to ensure accurate independent reconciliations of bank accounts to the general ledger including supervisory review and the date the reconciliations were completed. The City should also continue its efforts to reduce the number of bank accounts.

Finding No. 7: Banking Agreements and Signature Cards

Arrangements for banking services should be evidenced by a written agreement embodying all provisions, conditions, and costs of such services. The use of a formal written agreement specifies the terms, conditions, and responsibilities of each party and protects their interests. Article V, Section 30 of the City Charter, and Section 2-291 of the Code require the Commission, at its first meeting in the month of July in each and every year, to designate a depository or depositories for all funds belonging to the City. In addition, Article V, Section 31 of the City Charter and Section 2-163 of the Code, require the City Clerk to issue and sign all warrants, and require warrants to be countersigned by the Chairman (Mayor).

As noted in finding No. 6, the City maintained 44 bank accounts in three different banks as of March 31, 2013. Our review disclosed the following:

- City records did not include banking agreements for any of the three depositories (banks).
- The Commission had not designated in its minutes the depository or depositories in which City funds were to be deposited, contrary to Article V, Section 30 of the City Charter, and Section 2-291 of the Code.
- At the time of our initial inquiries in August 2013, City records did not include current signature cards for any of the bank accounts. Subsequent to our inquiries, the former City Clerk provided us with 27 signed signature cards maintained at one bank that were dated August 28, 2013. After the election of a new City Clerk in September 2013, new bank signatures cards were prepared with the signatures of the City Clerk and Mayor, dated October 3, 2013, for 37 accounts maintained at three banks (7 bank accounts were closed from July to September 2013).
- Payroll warrants only had the City Clerk's signature, contrary to Article V, Section 31 of the City Charter, Section 2-163 of the Code, and good business practices.

Without maintaining current banking agreements and signature cards, documenting Commission approval of depositories, and requiring the City Clerk and Mayor to sign all payroll warrants, the risk is increased that errors or fraud could occur and not be timely detected.

Recommendation: The City should maintain current banking agreements for all banks and signature cards for all bank accounts, ensure annual approval by the Commission of public depositories, and require that the City Clerk and Mayor sign all payroll warrants.

Finding No. 8: Controls Over Electronic Funds Transfers

Pursuant to Section 668.006, Florida Statutes, the City is required to implement control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. The City used electronic funds transfers (EFTs) to pay certain vendors and to transfer funds from ten different bank accounts at one financial institution. Good control over electronic transfers requires the use of written agreements with financial institutions from which moneys are to be transferred. Such agreements should specify the locations and accounts to which transfers can be made, amounts that can be transferred, and the employees authorized to make such transfers and change the locations to where funds can be transferred. Our review of the City's controls over EFTs disclosed the following:

- The City had not developed written procedures regarding the authorization and processing of EFTs, contrary to law.
- We reviewed the City's EFT transactions for the month of March 2013, totaling \$1,547,113, and noted that the written EFT agreement at the financial institution addressed only 4 of the 10 accounts used to make EFTs.
- The written agreement with the financial institution from which EFTs were made allowed authorized users designated by the City to electronically initiate EFTs without the approval of another employee prior to the transfers.
- The written agreement with the financial institution did not restrict the locations where City funds could be transferred and allowed unlimited dollar amounts to be transferred.

While our tests did not disclose any EFTs made for unauthorized purposes, without written policies and procedures and written agreements specifying authorized destination accounts and dollar limits for each account from which

EFTs are to be made, and requiring, and separating the responsibilities for initiating and approving EFTs, there is an increased risk that unauthorized EFTs could occur without timely detection.

Recommendation: The City should establish written policies and procedures for authorizing and processing of EFTs pursuant to Section 668.006, Florida Statutes. The City should also ensure that its EFT agreement addresses all accounts from which EFTs are made, requires approval of a City employee other than the employee initiating the transfer, specifies the locations where City funds can be transferred, and specifies the dollar limits for transferred funds.

Collections, Receivables, and Utility Funds

Finding No. 9: Cash Collections

An effective control system requires that the receipt of collections be recorded at the initial point of collection to establish accountability as soon as possible. Prenumbered receipt forms and mail logs provide a means for documenting amounts collected, fixing responsibility for such amounts, and determining whether amounts collected are subsequently recorded in the accounting records and deposited. Also, the immediate placement of a restrictive endorsement on checks can be an effective deterrent to misappropriation of checks. The City Clerk received the majority of the mail collections at City Hall. The Police Department also collected various fees as approved by the Commission that were periodically remitted to the City Clerk for deposit. Our review of the March 2013 daily cash summary reports and supporting documentation disclosed the following:

- Mail collections at City Hall and the Police Department were not recorded at the initial point of collection through the use of a mail log or other means, and checks received were not restrictively endorsed immediately upon receipt. As such, City records did not evidence when checks were received or whether all checks received were ultimately deposited. Recording mail receipts at the initial point of collection establishes accountability and provides independent verification that payments were subsequently timely deposited to the City’s accounts.
- Although receipt forms were prepared for Police Department collections when payment was made in person, the receipt forms used were not prenumbered. Prenumbered cash receipt forms document amounts collected by employees, fix responsibility for such amounts, and determine that amounts collected are subsequently recorded to the accounting records and deposited in the bank.

When collections are not documented at the initial point of receipt, checks are not restrictively endorsed immediately upon receipt, and prenumbered cash receipts are not used for payments made in person, there is an increased risk that errors, fraud, or theft may occur without timely detection.

Recommendation: The City should establish procedures that require the use of prenumbered receipts for payments made in person and require that all mail collections be recorded at the initial point of collection and checks restrictively endorsed immediately upon receipt.

Finding No. 10: Uncollected Local Business Taxes

Section 26-31 of the Code provides, with limited exemptions, that no person shall engage in, own or manage businesses, occupations, professions or services without first having properly applied for and obtained a local business tax receipt (i.e., business license), which range in cost from \$25 to \$1,500, depending on the type of occupation. Other sections of the Code govern the administration of local business taxes as follows:

- Section 26-37 of the Code provides that local business tax receipts shall be issued beginning August 1, and shall expire on September 30 of the next year. Local business tax receipts that are not renewed by September 30 are delinquent and subject to a delinquency penalty of ten percent for the month of October, plus an additional five percent for each subsequent month until paid, although the total delinquency penalty may not exceed 25 percent.
- Section 26-38 of the Code provides that any person who does not pay for the required local business tax receipt and obtain the receipt within 150 days after initial notice will be subject to additional actions and costs incurred as a result of collection efforts and a penalty of \$250.
- Section 26-42 of the Code provides that the City Clerk shall collect all local business taxes due from any source to the City and make and file with the Commission a yearly report showing all local business tax receipts issued during the prior calendar year, the amount of each local business tax receipt issued, to whom issued, and for what purpose.
- Section 26-44 of the Code requires the Chief of Police to enforce collection of delinquent local business taxes.

City records indicated that 1,885 local business tax receipts, for which collections totaled \$69,936, were issued for the 2012-13 fiscal year. Of the receipts issued, City records indicated that \$6,784 in local business taxes for 127 businesses had not been paid as of September 4, 2013 (almost one year after the required due date) and, as of June 10, 2014, \$3,030 in local business taxes for 59 businesses remained unpaid for the 2012-13 fiscal year. In response to our inquiries, City personnel indicated that the City does not actively pursue collection of delinquent business taxes or enforce the \$250 penalty, although the delinquent amount is added to the subsequent year's annual renewal billing statement. Thus, City personnel did not pursue the collection of \$31,750 in penalties associated with the 2012-13 fiscal year delinquent businesses. Additionally, contrary to Section 26-43 of the Code, the City Clerk did not file yearly reports with the Commission showing all business tax receipts issued for the 2010-11, 2011-12, or 2012-13 fiscal years. Subsequent to our inquiries in April 2014, the City Clerk provided a report to the Commission of business tax receipts issued for the 2013-14 fiscal year on April 15, 2014.

Recommendation: The City should implement procedures to ensure compliance with the Code and collection of revenues due to the City for business tax receipts.

Finding No. 11: Utility Deposits

The City Commission passed Resolution No. 2008-08, which established residential and commercial deposit amounts for utilities. Upon opening a new account, residential customers are required to remit a utility deposit of \$200 for utility services, and commercial customers are required to provide a preliminary deposit in an amount determined by the City Clerk that is reevaluated after six months and revised to two times the average monthly charge for utility services for the most recent six-month period.

The City maintained separate bank accounts for the residential and commercial utility deposits and recorded deposits as both cash and customer deposits payable in its accounting records. The City also maintained a customer deposits subsidiary ledger. However, the City did not have procedures for periodically reconciling the customer deposits payable liability account to the customer deposits subsidiary ledger or the customer deposits bank account balance. For example, from October 1, 2012, through September 30, 2013, the customer subsidiary ledger increased by \$13,836, from \$798,976 to \$812,812; the customer deposits payable liability account increased by \$17,136, from \$799,576 to \$816,712; and the customer deposits bank account balance increased by \$27,130, from \$837,198 to \$864,328. Subsequent to our inquiries, on October 21, 2013, the City posted a \$3,900 journal entry to agree the

customer deposits payable liability account with the customer deposits subsidiary ledger balance of \$812,812; however, these accounts were not reconciled to the customer deposits bank account balance.

Without periodic reconciliations, the City has limited assurance that customer deposits are properly accounted for and reported.

Recommendation: The City should implement procedures to ensure that customer deposit liability accounts are periodically reconciled to the customer deposits subsidiary ledger and the customer deposits bank account balance.

Finding No. 12: Electricity Billing True-Up Calculations

The City bills electricity customers monthly based upon the estimated cost of electricity from its contracted provider, and subsequently adjusts future billings based upon actual electricity costs and other factors using a true-up process. A true-up process is the adjustment of future electric utility rates based on the difference between the estimated and actual costs incurred. The City uses four worksheets to calculate a quarterly true-up adjustment. The true-up calculation worksheets were prepared by the City's Operations Manager, provided to the Finance Director for review, and used by the Billing Clerk to adjust the power cost for the subsequent quarterly billing period.

Our review of the City's true-up worksheets disclosed certain errors, including incorrect amounts carried forward from the prior quarter's true-up statements, and incorrect amounts transferred from supporting worksheets. For example, the November 2012 to January 2013 quarterly true-up worksheets contained several errors that we identified, mainly affecting a tax credit calculation and amounts deposited to or drawn from the City's rate stabilization fund. Although we believe the effect of the errors for the November 2012 to January 2013 quarterly true-up worksheets did not significantly affect customer electricity billings, the number and frequency of the errors could cause the City to over- or under-charge customers for electricity service or to over- or under-fund the rate stabilization fund.

Recommendation: The City should enhance its true-up calculation and review procedures to ensure that errors are timely detected and corrected, and actual costs of producing electricity are correctly charged to customers.

Finding No. 13: Utility Cutoff, Adjustment, and Water and Sewer Extension Cost Procedures

Cutoff Procedures. Section 102-6 of the Code requires the City Clerk to provide the Utility Director a complete list of uncollected utility accounts by the 21st of each month. The Code also requires meter readers to effect collection or discontinue service by the last day of the month in which the uncollected accounts list was received. Resolution No. 2008-08, Section 5, provides that a customer shall be allowed to extend the time for payment of utility bills twice per calendar year for up to seven days. Utility bills are mailed to customers on the 1st of the month, and City procedures provide for a late fee of \$5 for any account not paid by the 21st of the month. Further, utilities are to be disconnected if bills are not paid by the 29th of the month.

The February 2013 utility billing records showed that the City billed 2,652 customers, including 1,931 residential customers and 721 business customers. Our review of the City's actions pertaining to this billing cycle disclosed the following:

- Contrary to City procedures, the February 2013 list of uncollected accounts was not generated until March 5, 2013, or 12 days after the date required in Section 102-6 of the Code.
- The March 5, 2013, list of uncollected accounts showed 266 accounts subject to disconnection (201 residential accounts and 65 business accounts). Of these, 27 accounts were disconnected; 89 accounts paid

the late fee before utilities were cut off; 20 accounts were pending payment from a Suwannee River Economic Commission grant for customers in need of financial assistance; 120 accounts were provided extensions; and the status or resolution of 10 accounts was not available because two pages of the disconnection report were not evident in City records.

- For the 120 accounts provided extensions, 72 were residential accounts and 48 were business accounts. The list of uncollected accounts indicated that 8 accounts (5 residential and 3 business) were 43 days late and, therefore, had received a second consecutive extension, and 10 accounts (2 residential and 8 business) were 74 or more days late and, therefore, had exceeded the maximum two allowable extensions per year. In response to our inquiries regarding the extensions, City personnel indicated they did not have a procedure for tracking the number of extensions granted and that the City was reluctant to disconnect business accounts because of their importance to the community.

Utility Account Adjustments. The City Clerk authorized adjustments to customer utility accounts for various reasons, including billing error corrections (incorrect meter readings), checks returned for insufficient funds and the related unpaid bill, and sewer charges resulting from leaks related to large water usage that did not use the City's sewer system. In practice, when citizens complained about unusually large utility bills, the City Clerk would review the billings and would occasionally approve reducing the bill to a previous three-month average. However, the City did not have documented procedures for authorizing utility account adjustments or the amount of such adjustments. For example, City records did not evidence the basis for three utility account adjustments made on October 27, 2011, March 26, 2012, and September 25, 2013, totaling \$2,891, including an adjustment of \$1,102 to the water bill of a family member of a Commission member. Absent documented procedures for adjusting utility billings, such as requiring documentation from a plumber for water leaks or an electrician for electric usage issues; a methodology for determining the adjustment amount; and requirements for Commission approval, improper adjustments could be made and not timely detected.

Water and Sewer Extension Costs. Section 102-32 of the Code provides that a City water and sewer system extension or expansion project may be constructed by the City upon written request of the individual property owner, provided that such property owner deposits with the City the total estimated cost of such project; that the request for service is in the form of the written petition presented to the Commission; and that the parties desiring construction agree, in writing, to pay on demand any expenses actually incurred by the City in excess of the estimates. This Section also provides that the City refund portions of the deposits unexpended upon completion of the project to contributing parties in proportion to the contribution of each party.

The City's former Operations Manager approved extending a water line to a customer's residence by 600 feet at an estimated cost of \$4,800 in May 2007, and the customer paid the cost in full. Because the water line could support six residential water lines, City personnel refunded to the customer \$800 for each of three additional connections to the water line, totaling \$2,400, as of January 2013. Although the Code provides for refunding portions of unexpended deposits upon completion of a project, the Code does not provide for such an arrangement for constructing a water line extension and subsequently reimbursing a customer based on future connections. Nor did City records evidence Commission approval of the refunds.

Recommendation: The City should enforce its procedures for providing limited payment extensions and disconnecting electric service as required by City ordinance and resolution. In addition, the City should ensure that all disconnection report records are retained and that a procedure is developed for tracking the number of payment extensions provided. The City should also develop formal procedures for the review and approval of utility account adjustments, and ensure that the City ordinance is followed for water and sewer extensions, including refunds of extension costs, if any.

Finding No. 14: Enterprise Fund Financial Condition

Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services. Generally accepted accounting principles provide that a given activity must be accounted for in an enterprise fund if there is outstanding debt that is backed solely by fees and charges. The City reported its electric, gas, water, and sewer utility activities in a single enterprise fund and did not separately account for each utility’s assets, liabilities, and net position in its accounting records, although the revenues and expenses of each activity were separately accounted for and reported in the City’s government-wide statement of activities. Most of the City’s enterprise fund debt is secured by a pledge of the combined utility system except a note payable that is secured solely by a pledge of the electric utility revenues.

The City’s external financial auditors for the 2011-12 fiscal year reported that the utility system enterprise fund had experienced declining revenues for four consecutive years, and a decline in unrestricted net position (formerly referred to as net assets) of approximately \$3 million since September 30, 2007, making it difficult to meet cash flow demands. The external auditors noted that a rate study was performed for the electric utility and that rate studies were in progress for some of the other utilities.

The utility systems operating activity for the 2009-10 through 2012-13 fiscal years is summarized in Table 1, as follows:

Table 1

Enterprise Fund				
Increases in Net Position				
for Past Four Fiscal Years				
	Fiscal Year			
	2009-10	2010-11	2011-12	2012-13
Operating Revenues	\$ 12,774,159	\$ 11,695,707	\$ 11,115,560	\$ 11,189,924
Operating Expenses	(12,154,209)	(11,106,213)	(10,753,039)	(10,468,138)
Operating Income	619,950	589,494	362,521	721,786
Net Nonoperating Expenses and Transfers before Capital Grants	(1,042,999)	(1,078,256)	(545,177)	(927,630)
Net Loss before Capital Grants	(423,049)	(488,762)	(182,656)	(205,844)
Capital Grants (1)	706,591	1,007,674	2,230,238	1,214,807
Increase in Net Position	\$ 283,542	\$ 518,912	\$ 2,047,582	\$ 1,008,963
Note (1): The capital grants are primarily noncash assistance from the Florida Department of Environmental Protection for repayment of sewer system loan principal.				

Source: City's Audited Financial Reports

As shown above, the City reported losses each fiscal year before consideration of the capital grant funding. In addition, based on the amounts reported in the government-wide statement of activities, the sewer activity reported losses of \$840,035, \$803,437, \$577,746, and \$511,231 for the 2009-10 through 2012-13 fiscal years before considering the capital grant funding, which was dependent upon legislative appropriations and uncertain as to the timing of the

funding. Similarly, the gas utility reported losses of \$98,970, \$79,317, \$93,031, and \$44,061 for the 2009-10 through 2012-13 fiscal years when comparing customer gas charge revenues to operating expenses.

The electric rate study (Study), dated July 10, 2012, indicated that the City's existing electric rates did not provide sufficient resources to pay expenses and fund reserves. The Study made certain recommendations to the Commission, including:

- Consider adopting a 2.1 percent overall increase in electric rates, comprised of a 1.5 percent increase in commercial electric rates and a 3.1 percent increase in residential rates;
- Modify the power cost adjustment factor from 1.1364 per kilowatt hour (kWh) to the current system loss factor of 1.065 per kWh;
- Install demand meters for the largest customers and record demand data for the purpose of establishing a commercial demand rate for the future;
- Recognize that the gross receipts tax was being subsidized by the City because the full rate was not charged to customers;
- Consider a rate study for the water, sewer, and gas systems since the projected revenue requirement for the electric system did not contemplate potential shortfalls from the City's other utilities.

The Commission discussed the Study at its July 17, 2012, meeting and only approved changing (lowering) the power cost adjustment factor from 1.1364 to 1.065. The Commission also discussed charging customers the entire 2.5 percent gross receipts tax required to be paid to the State rather than the 1 percent it was including in the utility billings; however, City records did not evidence that the Commission approved increasing the gross receipts tax rate charged to customers or that any of the other recommendations were addressed at the meeting.

City personnel subsequently began charging customers the entire 2.5 percent gross receipts tax beginning October 1, 2012, for the 2012-13 fiscal year, without approval, of record, from the Commission. In response to our inquiries as to why the City did not implement the Study's recommendation to increase electric rates and install demand meters, City personnel indicated they felt the current rate structure would provide sufficient revenues to meet revenue requirements and that the City did not want to additionally burden its customers during unfavorable economic times.

The City obtained a water and sewer rate study during the 2012-13 fiscal year. The study indicated that the City's water and sewer rates were inadequate to meet projected expenditure requirements and recommended water system rates be increased 13 percent and sewer system rates be increased 38 percent to remain financially sound. At its September 10, 2013, meeting, the Commission approved a resolution to increase water and sewer base rates by one-third of the recommended amount annually for three years and increase usage rates by 5 percent annually for three years. A rate study was not obtained for the gas system.

Although the Commission addressed the recommendations in the water and sewer study, it did not address, of record, the rate-related recommendations of the electric system rate study. For the 2012-13 fiscal year, the combined utility system reported a slight increase in operating revenues of approximately \$75,000 to \$11,189,924; however, the \$2,472,854 unrestricted net position of the utility system remained more than \$3 million lower than the September 30, 2007, balance. In addition, because the City did not maintain separate accountability for each utility in its accounting records, the City's records were not in sufficient detail to readily determine the extent to which fees and charges were sufficient to cover the cost of providing utility services, including future capital replacement costs. Maintaining detailed separate accountability in the accounting records for each utility activity would assist in rate setting each year to ensure that each activity's inflows are sufficient to cover outflows. When utility rates are not timely and thoroughly reviewed and revised, the City may not have sufficient revenues in future years to pay expenses and maintain required fund reserves.

Recommendation: The City should maintain separate accountability for each utility in its accounting records, consider implementing the rate-related recommendations from the electric system rate study, and obtain a rate study for its gas utility.

Finding No. 15: Enterprise Fund Working Capital

The GFOA, in its best practice publication titled *Appropriate Levels of Working Capital in Enterprise Funds*, recommends that local governments adopt a target amount of working capital to maintain in each enterprise fund and include such targets in a formal financial policy or plan. The GFOA further recommends that to arrive at the target amount, local governments should start with a baseline of 90 days of working capital and adjust the target based on the particular characteristics of the enterprise fund (using 45 days as the minimum acceptable level). In its best practice advisory, the GFOA presents various characteristics that should be considered and includes discussion about whether certain characteristics should be adjusted for in arriving at the target amount, such as whether transfers are expected to be made to the general government and whether annual depreciation expense is significantly more or less than the anticipated capital outlays of the next period.

The Commission had not established a policy indicating minimum target levels of working capital funds that should be maintained for its Enterprise Fund. As shown in Table 2 below, based on the 45-day minimum guideline, and after adjustments for anticipated transfers to the General Fund, depreciation, and capital outlays, the City had considerably less than 45 days of working capital for its Enterprise Fund as of September 30, 2011 and 2012:

Table 2

Calculation of Excess (Deficit) Working Capital			
	Fiscal Year Ended		
	9-30-2011	9-30-2012	9-30-2013
Current Assets	\$ 3,094,928	\$ 2,966,113	\$ 3,238,605
Current Liabilities	(2,521,699)	(2,110,447)	(1,764,321)
Total Working Capital	573,229	855,666	1,474,284 (A)
Annual Operating Expenses	11,106,213	10,753,039	10,468,138
(Less Depreciation Expense)	(1,152,255)	(1,087,020)	(1,159,495)
Interest Expense	382,812	254,517	250,886
Acquisition of Capital Assets (subsequent year)	613,745	96,639	488,000 (1)
Transfers Out to General Fund (subsequent year)	312,200	688,500	507,780 (1)
Total Expenses	11,262,715	10,705,675	10,555,309
45 Days' of Expenses (Expenses/365 x 45)	1,388,554	1,319,878	1,301,339 (B)
Excess (Deficit) Working Capital	<u>\$ (815,325)</u>	<u>\$ (464,212)</u>	<u>\$ 172,945 (A - B)</u>

Note (1): Amounts for fiscal years ended 9-30-2011 and 9-30-2012 are actual amounts and amounts for the fiscal year ended 9-30-2013 are from the 2013-14 fiscal year budget.

Source: City's Audited Financial Reports

Although the City’s Enterprise Fund working capital deficit has shown significant improvement, the improvement was primarily from the Florida Department of Environmental Protection capital grants received, as discussed in finding No. 14, that were responsible for the early repayment of long-term debt and resulted in decreases in current liabilities of \$308,197 and \$355,536 for the fiscal years ended September 30, 2012 and 2013, respectively. Establishing minimum working capital requirements, and taking actions to reach those levels, will help ensure that the City has sufficient funds to operate the fund, assist in determining appropriate utility services rates, and provide a basis for determining available funds that may be used for other lawful City purposes.

Recommendation: The Commission should, by formal resolution, establish a policy indicating minimum target levels of working capital funds that should be maintained for its Enterprise Fund and continue efforts to increase working capital on hand.

Budgetary Controls

Finding No. 16: Budget Preparation

Section 166.241(2), Florida Statutes, requires that each municipality adopt a budget each fiscal year and provides that the amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. In addition, this section requires, at a minimum, that the adopted budget show for each fund, as required by law and sound financial practices, budgeted revenues and

expenditures by organizational unit that are at least at the level of detail required for the annual financial report under Section 218.32(1), Florida Statutes. Our review of the City’s budget process disclosed that contrary to Section 166.241(2), Florida Statutes:

- The City’s adopted budgets for the 2011-12 and 2012-13 fiscal years were not presented by organizational unit at the level of detail required for the annual financial report under Section 218.32(1), Florida Statutes, which required that appropriations and expenditures be reported at the function and object level. Instead, the City’s approved budgets for the 2011-12 and 2012-13 fiscal years presented expenditures for the General Fund, Special Revenue Funds, and Enterprise Fund in total at the fund level.
- The City did not include balances brought forward in the approved budgets. Table 3 shows the appropriations approved by the Commission in its 2011-12 and 2012-13 fiscal year budgets and the balances that should have been brought forward from the prior fiscal year that were excluded from appropriations and reserves:

Table 3

Appropriations Approved by the Commission and Balances Not Brought Forward				
Fund	2011-12 Fiscal Year		2012-13 Fiscal Year	
	Appropriations Approved in Final Budget	2010-11 Fiscal Year Balances Not Brought Forward	Appropriations Approved in Final Budget	2011-12 Fiscal Year Balances Not Brought Forward
Governmental:				
General	\$ 3,895,750	\$ 1,269,111	\$ 4,020,225	\$ 1,095,888
Special Revenue:				
Transportation Trust	(1)	445,116	(1)	615,486
Impact Fee Trust	(1)	39,682	(1)	38,169
Enterprise (2)	13,410,100	4,285,274	12,366,750	3,922,799
Notes: (1) The City's budgets reported combined amounts for the Special Revenue Funds and the amounts reported were \$571,753 for the 2011-12 fiscal year and \$607,226 for the 2012-13 fiscal year.				
(2) The prior year balances not brought forward for the Enterprise Fund were calculated as the sum of the restricted and unrestricted net position, less amounts reported as inventory.				

Source: City Budget Resolutions and Audited Financial Reports

Failure to consider balances brought forward in the budget diminishes the usefulness of the budget as a financial management tool and limits the City’s ability to determine appropriate increases and decreases in revenues or expenditures that may be needed for the fiscal year for which the budget is being adopted. In addition, failure to consider balances brought forward could result in the amount of taxes or other revenue sources contemplated in the proposed budgets being increased beyond the amounts necessary to carry out planned expenditures or to establish reserves.

Recommendation: The City should ensure that future annual budgets are adopted at the proper level of detail and include all balances brought forward from prior fiscal years.

Finding No. 17: Budget Amendments

Section 166.241(2), Florida Statutes, provides that the adopted budget must regulate expenditures of the municipality, and an officer of a municipal government may not expend or contract for expenditures in any fiscal year except

pursuant to the adopted budget. Section 166.241(4), Florida Statutes, provides that the governing body of each municipality may, at any time within a fiscal year or within 60 days following the end of the fiscal year, amend a budget in the same manner as the original budget unless otherwise specified in the municipality’s charter. The City approves its annual budgets by resolution after publishing a budget advertisement in the local newspaper; however, the City Charter does not address budget amendments. For the 2010-11 fiscal year, the Commission approved budget amendments to increase both estimated revenues and expenditures in the General Fund, Special Revenue Funds, and the Enterprise Fund by \$62,504, \$79,441 and \$1,045,690, respectively. For the 2011-12 fiscal year, the Commission approved a budget amendment to increase General Fund estimated revenues and expenditures by \$128,171 and \$167,162, respectively. For the 2012-13 fiscal year, there were no budget amendments approved by the Commission. Our review of the City’s budget amendment process disclosed the following:

- Contrary to Section 166.241(4), Florida Statutes, the City approved its budget amendments by motion. Because the amendments increased revenues and expenditures, they were required to be approved in the same manner as the original budget, which would require Commission approval by resolution.
- For the 2010-11 and 2011-12 fiscal years, budget amendments were approved 7 and 47 days, respectively, after the 60-day period following the fiscal year-end timeframe established by law. The City’s external financial auditors also noted this deficiency in the City’s 2011-12 fiscal year audit report.
- The City’s budget amendments did not adequately address overexpenditures. The City’s 2010-11 and 2012-13 fiscal year audited financial statements disclosed that certain General Fund expenditure functions were overexpended for the 2010-11 and 2012-13 fiscal years, as shown in Table 4 below:

Table 4

Comparison of Final Budget to Actual Amounts			
General Fund	2010-11 Fiscal Year		
	Final Budget	Actual Expenditures	Difference
Current Expenditures:			
Economic Environment	\$	\$ 13,200	\$ (13,200)
Culture and Recreation	400,100	466,810	(66,710)
Debt Service		42,902	(42,902)
General Fund	2012-13 Fiscal Year		
	Final Budget	Actual Expenditures	Difference
Current Expenditures:			
Public Safety	\$ 2,354,575	\$ 2,408,785	\$ (54,210)
Culture and Recreation	93,800	117,872	(24,072)

Source: City's Audited Financial Report

Although the City had approved a budget amendment for the Culture and Recreation function for the 2010-11 fiscal year, the amendment was made to a special revenue fund rather than the General Fund where the expenditures were reported. The City’s external financial auditors also noted in the City’s 2011-12 fiscal year audit report that the City did not adopt an appropriations budget for the Special Revenue Impact Fee Trust Fund, resulting in expenditures of \$7,733 without apparent budgetary authority.

Recommendation: The City should ensure that budget amendments are approved through resolution when needed, but no later than 60 days following the end of the fiscal year, to ensure that expenditures are limited to budgeted amounts as required by law.

Transparency Requirements

Finding No. 18: Annual Financial Report and Budget Transparency

Section 218.32(1), Florida Statutes, requires that each local governmental entity submit a copy of its annual financial report for the previous fiscal year to the Florida Department of Financial Services (Department) in the format prescribed by the Department, and to provide a link to the Department's Web site to view the annual financial report submitted. Section 166.241(3), Florida Statutes, requires municipalities to post the tentative budget to its Web site at least two days before the budget hearing, post the final adopted budget to its Web site within 30 days after adoption, and post budget amendments to its Web site within 5 days of adoption.

Contrary to the above, the City did not provide a link on its Web site to the Department's Web site, and based on correspondence from City personnel, the budget amendments for the 2010-11 and 2011-12 fiscal years and the tentative and adopted budgets for the 2011-12 and 2012-13 fiscal years were not posted to the City's Web site until April 9, 2013, or from 166 to 702 days late.

The GFOA, in its best practice titled *Web Site Presentation of Official Financial Documents*, encourages every government to use its Web site as a primary means of timely communicating financial information to citizens and other interested parties. The City did not make its annual financial reports and audited financial statements available through its Web site and, as noted above, did not provide a link to the Department's Web site or timely include budget information on its Web site. Providing financial information on the City's Web site demonstrates accountability and transparency, and provides additional benefits such as increased efficiency and lower costs of providing information by making it readily available to users.

Recommendation: The City should enhance procedures to ensure that tentative and final adopted budgets, and budget amendments, are timely posted on its Web site, and include a link to the Department's Web site to view the City's annual financial report. In addition, to improve financial transparency, the City should also consider including other financial information on its Web site, such as its audit reports.

Personnel and Payroll Administration

Finding No. 19: Compensation for Elected Officials and Employee Bonuses

Elected Officials. Article IV, Section 23 of the City Charter requires that the salaries or other compensation of all City officers be fixed by ordinance. City ordinances establishing the salaries of City Commissioners, the City Clerk, and the Chief of Police were adopted on June 20, 2006. The ordinances were codified as Sections 2-40, 2-169, and 62-53 of the Code, which provide that the elected positions of City Commissioner, City Clerk, and Chief of Police shall be paid base salaries of \$12,547, \$45,000, and \$45,000, respectively, per year.

The salaries of these elected officials, along with all other City employees, were increased by the Commission by three percent effective October 2006, 2007, and 2008, as part of the approved budget, and by one percent effective February 2013 pursuant to an approved motion. However, as these salaries were established by ordinance and can only be changed by amending the ordinance or adopting another ordinance, these salary increases were not properly

authorized. Consequently, City Commissioners, the City Clerk, and the Chief of Police were paid a total of \$227,807 in salaries in excess of the base salaries provided in the respective ordinances for the 2006-07 through 2012-13 fiscal years.

Safety Pay Bonuses. Pursuant to its collective bargaining agreement with the Professional Fire Fighters of Starke, the City paid 10 firefighters an additional 24 hours of pay at their regular hourly rate as safety pay bonuses, totaling \$2,716 and \$2,736 (excluding benefits) for the 2011 and 2012 calendar years, respectively, for completing the year without a job-related injury. The City also paid 54 other City employees for the 2011 calendar year and 52 other City employees for the 2012 calendar year an additional 8 hours of pay at their regular hourly rate as safety pay bonuses, totaling \$6,911 and \$6,313 (excluding benefits), respectively, for completing the year without a workers' compensation claim; however, neither the City's *Personnel Rules and Regulations Manual* (Manual) nor other City records evidenced Commission approval for paying safety pay bonuses to City employees other than firefighters.

Recommendation: The City should amend or adopt its ordinances to ratify the salary increases provided to the elected officials from October 2006 through February 2013, or return the salaries to their previous levels. The City should also ensure that compensation for City elected officials is in accordance with applicable ordinances and that the authority for safety pay bonuses for City employees is properly documented, or the practice should be discontinued. In addition, the Commission should consult with legal counsel regarding salaries paid in excess of that authorized by ordinances.

Finding No. 20: Hiring Practices

Effective controls over the hiring of new employees includes establishing position descriptions that specify minimum education and experience requirements; verification of employment history and educational experience prior to offering employment; and the maintenance of personnel files that include completed employment applications, letters of reference, transcripts (if applicable), and other appropriate documentation evidencing authorized personnel actions. Our test of ten employees hired during the period October 1, 2010, through March 31, 2013, disclosed the following:

- Position descriptions specifying the minimum education and experience requirements were not utilized during the hiring process. Candidates for positions were hired based on requirements included in position advertisements, which may be inconsistently applied without referencing a position description.
- Employment applications were not evident in two personnel files. Absent employment applications, there is an increased risk that an employee lacks the necessary education or experience when hired.
- Personnel action forms reflecting the original approval of employees' appointment dates and starting salary were not evident in two personnel files (including one of the two employees for which an employment application was not available). Absent such records, the City cannot adequately document that employee appointments are appropriately authorized or establish dates required for the employees' probationary period and initial performance evaluation, as specified in the Manual.

Recommendation: The Commission should adopt position descriptions that specify minimum education and experience requirements. Also, to provide for effective and efficient personnel administration, the City should ensure that employment applications, position descriptions, and personnel action forms are utilized during the hiring process and maintained in the personnel files.

Finding No. 21: Employee Classification and Pay Plans

Section 8 of the Manual provides that the Commission will adopt a classification plan and a pay plan to ensure that like pay is given for jobs of equal value. These plans will be contained in separate documents, but should be

considered in conjunction with the Manual. The Manual defines a classification plan as a systematic arrangement of positions into separate and distinct classes with each class containing positions, which have similar prerequisite qualifications and which are similar in the nature of their work, duties, and responsibilities. Additionally, the Manual defines a pay plan as a systematic schedule of pay grades relating to the position classes established in the classification plan.

City personnel advised us that the City's practice was to rely upon personnel action forms from department heads to determine pay rates for new hires and promotions. For example, a Wastewater Plant Operator received a \$4 per hour pay increase after obtaining a job-related professional certification, as documented by a personnel action form from the former Operations Manager. According to the Manual, this pay increase should have been based on the established classification and pay plans rather than at the Operations Manager's discretion.

In response to our inquiries, City personnel initially indicated that the Operations Manager was the only employee with a position description. However, after the September 2013 City elections, the newly elected City Clerk located an employee classification plan (position descriptions) that had been developed in the mid 2000's but had not, of record, been approved and adopted by the Commission. The position descriptions contained position titles and minimum and maximum pay rates for each position; however, as the position descriptions were not utilized by the City for employment advertisements, candidate selections, or salary determinations, City records did not evidence the authority for employment and salary determinations, or the appropriateness of the Wastewater Plant Operator's \$4 per hour pay increase noted above.

Employee classification and pay plans establish minimum requirements for new hires, as discussed in finding No. 20, and also document required experience, education, and certifications, as applicable, needed for current employees to advance to other City positions.

Recommendation: The Commission should adopt a classification plan and a pay plan to ensure that personnel administration and payroll costs are properly managed.

Finding No. 22: Performance Evaluations

Section 13 of the Manual requires that performance evaluations be completed at the end of an employee's one year probationary period and on or about September 2nd annually thereafter. The Manual further provides that employees are not eligible for a wage increase unless a performance evaluation has been completed within the last 12 months, and supervisors are not be eligible for a pay raise if they have not submitted evaluations for their subordinates. Lastly, the completed performance evaluations are to be placed in the employee's personnel file.

Our review of 20 employee personnel files disclosed that annual performance evaluations were not completed during the period October 2010 through March 2013. In response to our inquiries, City personnel indicated that annual performance evaluations were not prepared for employees within the Administrative and Finance Department and the Operations Department for the past 16 years or within the Police Department for the past 10 years.

On October 24, 2013, the newly elected City Clerk, who began serving October 1, 2013, performed preliminary evaluations for the Administrative and Finance Department personnel.

Recommendation: The City should continue its efforts to ensure that employee performance evaluations are timely completed and maintained in personnel files as required by the Manual.

Finding No. 23: Overtime Payment Monitoring

During the 2011 and 2012 calendar years, the City incurred expenditures of \$171,712 and \$208,942, respectively, for overtime pay. The City provides for overtime payments to employees for required performance of work in excess of the assigned work day, as authorized by Section 7 of the Manual. The Manual provides that overtime work in excess of established hours of work and days of work be kept to a minimum and be authorized only when required to meet operating service requirements. The Manual further provides that employees work overtime only when directed to do so by their supervisor, and that standby duty (on-call hours) will be at the discretion of, and pay scale deemed appropriate by, the City Manager.

As shown in Table 5 below, our review of payroll records disclosed six employees with total overtime payments ranging from 26 to 45 percent of their base salaries for the 2011 calendar year and seven employees with total overtime payments ranging from 26 to 71 percent of their base salaries for the 2012 calendar year:

Table 5

Employees Paid the Largest Overtime as a Percentage of Base Pay					
2011 Calendar Year					
Position Description	Total Overtime Hours	Total Overtime Paid	Total Base Wages	Total Wages	Overtime Percentage of Base
Wastewater Plant Operator (1)	624.5	\$ 10,585	\$ 23,608	\$ 34,193	45
Wastewater Plant Operator (2)	602	11,244	27,082	38,326	42
Billing Clerk (3)	638.25	11,321	26,811	38,132	42
Electric Lineman (4)	507	15,107	45,656	60,763	33
Gas Crew Supervisor (5)	480.5	13,162	41,515	54,677	32
Public Works Laborer	384.5	5,338	20,800	26,138	26
Total Overtime		\$ 66,757			
Total Citywide Overtime		171,712			
Percentage of Citywide Overtime		39			
2012 Calendar Year					
Position Description	Total Overtime Hours	Total Overtime Paid	Total Base Wages	Total Wages	Overtime Percentage of Base
Wastewater Plant Operator (1)	994	\$ 22,245	\$ 31,200	\$ 53,445	71
Wastewater Plant Superintendent (2)	989	20,956	29,682	50,637	71
Electric Lineman (4)	606	18,334	45,656	63,990	40
Billing Clerk (3)	502.25	9,025	26,811	35,836	34
Wastewater Plant Operator	482	7,651	22,880	30,531	33
Gas Crew Supervisor (5)	463	13,242	43,035	56,277	31
Electric Lineman	376	8,221	31,304	39,525	26
Total Overtime		\$ 99,674			
Total Citywide Overtime		208,942			
Percentage of Citywide Overtime		48			

Notes (1) through (5) designate specific individuals that received overtime pay in both the 2011 and 2012 calendar years, and the Wastewater Plant Operator in Note (2) for the 2011 calendar year was promoted to Wastewater Plant Superintendent in December 2011 and served in that position for the 2012 calendar year.

Source: City Records

As shown above, five of the seven employees (positions (1) through (5) in Table 5) receiving the largest overtime as a percentage of base pay during the 2012 calendar year were also included with those who earned the largest overtime as a percentage of base pay during the 2011 calendar year. In response to our inquiries regarding the amount of overtime paid for these employees, City personnel indicated that, although overtime hours worked were reported on employee time sheets, procedures had not been established for monitoring or determining the reasonableness of overtime wages paid.

Our review of overtime records also disclosed that a significant amount of overtime was reported for employees that were on-call. The City allows certain employees to report overtime hours when they are on-call, generally for nine hours per week (one hour per day during the week and two hours per day on weekends), as well as actual time worked if called in. The United States Department of Labor, Wage and Hour Division, provides in its fact sheets that an employee who is required to remain on-call on the employer's premises is working while on-call and an employee who is required to remain on-call at home, or who is allowed to leave a message where he/she can be reached, is not working (in most cases) while on-call, although additional constraints on the employee's freedom while on-call could require this time to be compensated. In response to our inquiries, City personnel indicated that employees were not required to remain on premises while on-call, and there were no written procedures regarding on-call requirements or limitations, although there is a verbal understanding that employees on-call must respond in a timely manner and must not have been consuming alcohol. Absent written procedures or guidelines, reporting on-call duty as overtime hours worked may not be consistent with the intent of the Commission or United States Department of Labor on-call guidelines.

When overtime payments are not effectively monitored, there is an increased risk that errors, waste, or fraud may occur and not be timely detected. Properly developed policies or procedures could establish guidance requiring department heads and supervisory staff to review and consider the reasonableness of overtime services and related charges.

Recommendation: The City should enhance management controls by performing overtime and staffing analyses to ensure the most cost efficient and effective use of human resources. Also, the City should evaluate whether its practices are consistent with the Commission's intent and United States Department of Labor on-call guidelines, and amend the Manual as necessary.

Procurement and Expenditures

Finding No. 24: Credit Cards

During the period October 2010 through March 2013, City employees made purchases totaling \$3,240 using a Visa credit card and \$4,718 using Home Depot and Sears store credit cards. Our review of the control and use of credit cards disclosed the following:

- **Assignment, Use, and Approval of Credit Cards.** The Commission did not, of record, approve the issuance of the credit cards or adopt policies, procedures, or other guidance as to the proper use of credit cards. Nor did the City require users of the credit cards to sign written agreements specifying acceptable uses of the credit cards. Although the Visa credit card was used only by the City Clerk, the two store credit cards were assigned to the Purchasing Director and were shared among, and generally used by, two City employees. Absent policies and procedures establishing the proper authorization and use of City credit cards, the risk is increased that inappropriate transactions could occur and not be timely detected.
- **Purchasing and Payment Processes.** The City had not developed purchasing and payment procedures for the Visa credit card and store cards. For example, although Visa credit card and store credit cards were

generally used to expedite the purchase of selected goods and services in an efficient manner, the City followed its regular purchasing procedures, which require a material requisition and purchase order, for 4 purchases, totaling \$1,722, made with a store credit card, and used a material requisition (without a purchase order) for 6 purchases, totaling \$1,039, made with the Visa credit card. In addition, for two of the store credit cards, although receipts and other documentation were retained, billing statements were shredded by the Purchasing Director after review.

- **Lack of Supporting Documentation.** Our review of 25 transactions totaling \$6,121 disclosed that original receipts were not available to support 8 Visa credit card purchases totaling \$1,301 and 2 store card purchases totaling \$130. The Visa billing statements included notations for the 8 purchases; however, the notations were not sufficient to support the purchases. Absent supporting receipts for charges incurred and paid on City credit cards, City records do not demonstrate that such charges are reasonable and serve a public purpose.
- **Late Fees and Finance Charges.** Our review of Visa credit card statements disclosed that the City paid \$184 in late fees and \$43 in finance charges (total of \$227) due to failure to timely pay balances in full. Failure to timely pay bills in full results in additional fees and charges, which is an inefficient use of the City's resources. In addition, the City was charged an annual renewal fee of \$50 on the March 2011 billing statement, and subsequently paid the fee, although City records did not evidence the fee was required by the credit card agreement.

In November 2013, the newly elected City Clerk also obtained Visa credit cards for himself, the Chief of Police, the Fire Chief, and the Operations Manager. In addition, the newly elected City Clerk indicated he recently began using a Home Depot card retained from his prior position as Operations Manager. Without written procedures governing the use of City credit cards, and effective monitoring procedures, there is an increased risk that the credit cards could be used for unauthorized purchases or that errors or fraud may occur without timely detection.

Recommendation: The Commission should determine whether and by whom credit cards should be used and, if so, establish written policies and procedures governing their control and use. Such policies and procedures should require all employees utilizing credit card privileges to sign a written agreement evidencing their understanding of, and agreement with, the City's credit card policies and procedures. Additionally, the City should enhance its controls to provide for the retention of detailed billing statements and receipts for all charges on City-issued credit cards, and to provide for timely payments in full to avoid incurring additional fees and charges.

Finding No. 25: Purchasing and Disbursement Processing

The City is responsible for establishing controls that provide assurance that the process of acquiring goods or services is effectively and consistently administered. The City's *Purchasing Policies and Bidding Procedures* require that all purchases be based upon a requisition originating from the department head and a properly authorized purchase order; that all purchases for less than \$1,000 be made by an approved purchase order issued prior to purchase; that purchases from \$1,000 to \$15,000 be made only after informal bids (written or verbal quotes) are received from at least three vendors, recorded on the required form, and attached to the requisition; and that purchases greater than \$15,000 be made only after competitive formal bids are received.

Our examination of 32 expenditure transactions totaling \$384,881, for the period October 2010 through April 2013, disclosed deficiencies in the City's purchasing and disbursement processing procedures. Specifically, we noted the following:

- Sixteen expenditures totaling \$137,303 were not supported by a requisition, purchase order, or other documentation evidencing preapproval. Purchase orders and requisitions serve to document management's authorization to acquire goods or services, including the prices, quantities, and specifications, and authorize

vendors to provide the goods or services to the City. The expenditures included \$64,471 for a truck chassis, \$33,649 for attorney services to defend an ethics complaint, \$15,266 for ballistic vests, \$6,036 for signal maintenance fees, and \$2,000 for a summer camp program. One expenditure of \$215 for athletic awards was not supported by a vendor invoice. City personnel indicated the support was misplaced or missing.

- Two expenditures totaling \$11,866 were not supported by evidence of receipt, such as a signature and date of the employee that received, inspected, and approved that goods and services were received. The expenditures were comprised of \$6,827 for police vehicle lights and related equipment and \$5,039 for baseball uniforms.
- One expenditure included police vehicle lights costing \$5,181 that was not supported by informal bids from at least three vendors.

The absence of adequate supporting documentation, including properly approved purchase orders, invoices detailing the cost of goods and services, and evidence that goods and services have been received, increases the City's risk of paying for unsubstantiated or improper expenditures. Failure to procure goods or services using a competitive selection process increases the risk that the goods or services may not be obtained at the lowest cost consistent with acceptable quality.

Recommendation: City personnel should ensure that requisitions and purchase orders are used to document the approval of purchases, and a competitive selection process used, as required by the City's purchasing policies. The City should also ensure that all expenditures are supported by vendor invoices, documentation of receipt, and evidence of review and approval for accuracy and completeness prior to payment.

Contractual Services

As a matter of good business practice, contracts should be designed to effectively protect the interests of both contracting parties. Contracts should include specific information about the requirements of all contracting parties and avoid the use of ambiguous or undefined terminology. Effective contract management requires monitoring of contractor performance and service delivery to ensure compliance with the terms and conditions of the contract, verifying receipt of contract deliverables, and evaluating the achievement of related City goals. Effective contract management also requires verification, prior to payment, that contractor-submitted charges are allowable and adequately documented.

To determine the propriety of payments for contractual services, we reviewed City monitoring procedures and tested expenditures totaling \$314,632 for ten City contracts for the period October 9, 2010, through August 8, 2013.

Finding No. 26: Auditing Services

Pursuant to Section 218.39, Florida Statutes, the City is required to obtain an annual financial audit performed by an independent certified public accountant. The City must select the financial auditor using the procedures prescribed in Section 218.391, Florida Statutes, which requires the City to establish an audit committee, advertise the need for audit services, and issue a request for proposals. Section 218.391(7)(b), Florida Statutes, requires that a procurement of audit services for the annual financial audit obtained pursuant to Section 218.39, Florida Statutes, be evidenced by a written contract, with a finite contract term, that includes certain provisions, such as a requirement that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.

Auditor Selection. The City obtained audit services for the annual financial audit for the 2007-08 fiscal year pursuant to a contract dated October 15, 2008, renewable for two additional one-year periods (i.e., the 2008-09 and 2009-10

fiscal years). On October 4, 2011, the Commission approved a new audit services contract with the same firm for the annual financial audit of the 2010-11 fiscal year, renewable for two additional one-year periods, without using the auditor selection procedures in Section 218.391, Florida Statutes.

Contract Payments. The contract for the 2007-08 through 2009-10 fiscal year audits provided that the fees for audit services would be at the firm’s standard hourly rates plus out-of-pocket costs, not to exceed \$57,300 per year, and the contract for the 2010-11 fiscal year audit stated that the costs would not exceed \$59,000. The contracts also provided that if significant additional time was necessary, a new fee estimate would be negotiated before additional costs were incurred, and identified certain services considered in addition to the basic financial statements that would be billed separately, such as assistance with depreciation schedules, the annual financial report and other required State reports, and Federal and State single audit testing and reporting.

The City made payments to the firm totaling \$271,289 during the period October 1, 2010, through September 30, 2012, for the 2008-09, 2009-10, and 2010-11 fiscal year audits and for certain additional services as shown in Table 6 below:

Table 6

Payments Made to Audit Firm			
Description	Fiscal Year of Expenditures		Total
	2010-11	2011-12	
2008-09 Fiscal Year Audit Services	\$ 59,448	\$	\$ 59,448
2009-10 Fiscal Year Audit Services	57,719		57,719
2010-11 Fiscal Year Audit Services		59,000	59,000
Additional Contract-Related Services	22,350	7,950	30,300
Other Noncontract Services	23,795	41,027	64,822
Total	\$ 163,312	\$ 107,977	\$ 271,289

Source: City Records

Our review of invoices from and payments to the audit firm disclosed the following:

- Payments for audit services exceeded the \$57,300 contract amount by \$2,148 for the 2008-09 fiscal year audit and \$419 for the 2009-10 fiscal year audit.
- Payments totaling \$64,822 for the noncontract services were made under the direction of the former City Clerk and were not provided for in the audit services contract.
- Contrary to Section 218.391, Florida Statutes, the contracts did not include a provision requiring invoices for fees or other compensation to be in sufficient detail to demonstrate compliance with the terms of the contracts. Although the contracts included a statement that fees for audit services would be billed at the firm’s standard hourly rates plus out-of-pocket expenses, invoices submitted by the firm totaling \$256,724 were not in sufficient detail to demonstrate compliance with the contract since they did not indicate the staff members, dates, hours, or hourly rates for each service invoiced.
- Contrary to the terms of the contracts, the City did not, of record, negotiate new fee estimates for the additional contract-related audit services totaling \$30,300 or noncontract services totaling \$64,822.

Absent detailed billings, the City cannot be assured that invoices for services are in accordance with the contract. Failure to monitor contract invoices and payments increases the risk that payments will exceed the contract terms. Additionally, failure to include costs for known services in the contract, such as the single audit-related work, or to

obtain cost estimates for services not covered in the contract, increases the risk that the City would not have sufficient resources or budget authority to pay for the services.

Recommendation: The City should ensure compliance with the auditor selection and contract requirements prescribed in Section 218.391, Florida Statutes. The City should also either document the necessity for the \$2,567 paid in excess of the contract for the 2008-09 and 2009-10 fiscal years or request a refund from the audit firm. Additionally, the City should establish contract monitoring procedures to ensure that payments do not exceed contract amounts.

Finding No. 27: Engineering Services

The City entered into an agreement with an engineering firm in December 2008 for a period of one year, with an option to renew for three additional years from the date of the agreement. The agreement required that each project authorized under the terms of the agreement have a mutually agreed upon scope of work, completion date, fee amount, and method of payment added to the agreement by a written amendment. The Commission did not, of record, approve renewal of the agreement in 2009; however, on August 17, 2010, the Commission approved extending the agreement for the two remaining years (i.e., through December 2012 based on the date of the agreement). The City used the engineering firm for projects for the period December 2011 through September 2012 and, in October 2012, the City's Operations Consultant (who was the previous Operations Manager as discussed in finding No. 30) renegotiated with the firm to pay a monthly retainer of \$5,000 for the period October 2012 through September 2013, for certain specified services, such as general advice and consulting, technical review and assistance with regulatory agency compliance issues, and minor technical reports.

During the period October 2010 through December 2013, the City paid the engineering firm \$551,528. Our review disclosed the following:

- The engineering firm was paid fees for individual projects ranging from \$1,123 to \$194,713. However, City records did not evidence that written amendments were entered into with the engineering firm for the individual projects providing for the scope of work, completion dates, fee amounts, and method of payment. In response to our inquiries, City personnel indicated that individual projects were verbally negotiated with the firm.
- The City did not enter into a written agreement with the engineering firm for the monthly retainer paid beginning October 2012. City personnel provided letters from the engineering firm outlining the services to be provided under the retainer arrangement; however, a written agreement was not prepared and entered into. In response to our inquiries, the City Clerk indicated a written agreement was not prepared because of an oversight.
- Although Section 287.055, Florida Statutes, requires that contracts for engineering services include a provision prohibiting contingent fees, the 2008 agreement with the engineering firm did not include the statutorily required language pertaining to the prohibition of contingent fees. In response to our inquiries, the City Clerk indicated that the missing language was an oversight. Including the required clause in professional service contracts ensures that the City is protected from legal claims of outside parties not directly associated with the contract.

In the absence of a written agreement specifying the nature of the services to be performed or documentation specifying terms for specific projects under an agreement including the amount of the compensation to be provided, the City cannot be assured that payments made to contractors are in compliance with the intent of the Commission and that the City received the services to which it was entitled.

Recommendation: The City should ensure that engineering agreements are written and that each project authorized utilizing engineering services has, in writing, a mutually agreed upon scope of work, completion date, fee amount, and method of payment. The City should also include the prohibition against contingent fees clause in its agreements for engineering services, as required by law.

Finding No. 28: Legal Services

The Commission, at its October 7, 2008, meeting, selected a firm to provide attorney services and directed the City's Operations Manager and City Clerk to negotiate the agreement fees. The Commission approved the legal services agreement at its February 17, 2009, meeting. The agreement was effective February 1, 2009, and provided for a flat fee of \$5,000 per month for all legal services, including meetings, depositions, court appearances, research, and any other matters reasonably requiring the utilization of time by the attorney. The agreement was initially for a period of one year and was renewable for two additional one-year terms, for a total of three years.

The City paid the firm \$150,160 for legal services during the period October 2010 through March 2013. Our review of the City's administration of the agreement disclosed the following:

- The agreement provided that it would become effective upon execution by the parties; however, although requested, City personnel did not provide us with a signed and dated (executed) copy of the agreement.
- The City did not approve the renewal of the agreement for the two additional one-year periods until August 17, 2010, or more than 6 months after the expiration of the initial one-year period.

The City continued using the firm, without executing a new agreement or approving extending the agreement after the renewal periods expired on January 31, 2012, until the firm ceased providing legal services on July 25, 2013.

Recommendation: The City should ensure that signed copies of agreements are obtained and maintained in the City's records, and ensure timely Commission approval of agreement renewals and new agreements upon expiration.

Finding No. 29: Insurance Services

Pursuant to Section 112.08(2)(a), Florida Statutes, municipalities are authorized to pay for all or part of premiums for life, health, accident, hospitalization, legal expense, or annuity insurance for their officers and employees, and to enter into contracts with insurance companies or professional administrators to provide such insurance. Before entering into a contract for such insurance, a municipality must advertise for competitive bids and select the most favorable bid. The City, as required by the City's *Purchasing Policies and Bidding Procedures* for purchases greater than \$15,000 and as a matter of good business practice, should also obtain competitive bids from insurance providers when acquiring other types of insurance coverage, such as commercial property, liability, and automobile coverage.

The City utilized a broker to obtain health insurance and remitted premiums to a health insurance provider totaling \$365,235, \$344,455, and \$309,978 based upon annual employee premiums of \$5,230, \$5,347, and \$5,101, for the 2010-11, 2011-12, and 2012-13 fiscal years, respectively. During the 2010-11 and 2011-12 fiscal years, the broker recommended the health insurance plan based on a survey of the market; however, during the 2011-12 fiscal year insurance selection process, the Commission requested that additional options be provided for the 2012-13 fiscal year. The broker, for the 2012-13 fiscal year, presented three plans from three different insurance providers and the Commission chose a plan from those presented; however, contrary to Section 112.08(2)(a), Florida Statutes, the City did not advertise for competitive bids prior to selecting the plan. The City also purchased commercial property,

liability, and automobile coverage from another local insurance broker and made payments totaling \$270,198, \$230,703, and \$232,072 during the 2010-11, 2011-12, and 2012-13 fiscal years, respectively, without obtaining bids from other insurance providers or brokers, contrary to the City's *Purchasing Policies and Bidding Procedures*.

The City did not enter into agreements with the insurance brokers and did not pay a fixed fee for the services provided. In response to our inquiries regarding potential commissions received by the brokers for the insurance products recommended, City personnel contacted the brokers and were verbally advised that the health insurance broker received a four to five percent commission on the premiums paid and the property and liability insurance broker received a ten percent commission on the premiums paid. In these circumstances, the insurance brokers may have limited incentive to recommend insurance services at the lowest cost consistent with acceptable quality.

In response to our inquiries, City personnel indicated that the City had used the same brokers for many years and was unaware of the need to periodically request bids. Absent agreements for fixed-price insurance broker services and periodic competitive procurement of insurance products, the City was unable to demonstrate it obtained its insurance coverage at the lowest cost consistent with acceptable quality.

Recommendation: The City should enter into fixed-price agreements for future insurance broker services and periodically competitively procure its insurance products to ensure that necessary coverage is obtained at the lowest cost consistent with acceptable quality.

Finding No. 30: Other Professional Services

Operations Consultant. The City entered into a contract with its former Operations Manager dated January 3, 2012, to provide operations consultant services. The contract did not specify a contract period, but provided for the contractor to be paid \$20 per hour for services rendered and provided for the use of a City vehicle. During the period January 3, 2012, through September 3, 2013, the City paid a total of \$28,519 for these services based on monthly invoices showing the number of hours worked by day. According to Commission minutes for a workshop meeting held on January 12, 2012, the Commission discussed making certain revisions to the draft contract; however, the contract was signed January 3, 2012, or 9 days prior to the meeting, and already contained the recommended revisions. In addition, the monthly invoices submitted by the consultant did not evidence review and approval by City personnel, increasing the risk of improper payments. For example, we noted mathematical errors in two invoices submitted that may have resulted in the consultant being underpaid by \$300. In response to our inquiries regarding the contract date, the operations consultant acknowledged that the contract was not signed until August 30, 2013, about 20 months after services were first provided and subsequent to our request for a copy of the contract, and that the contract was inadvertently dated prior to the January 12, 2012, Commission workshop meeting.

Code Enforcement Officer. The City entered into a contract dated October 18, 2010, for code enforcement officer services. The contract provided that the contractor may receive requests for services through City offices, shall report to the City Manager or designee, and shall be responsible for all code enforcement services, and for the City to furnish all needed equipment, supplies, and facilities for providing 80 hours of code enforcement services per month for \$900 monthly. The contractor submitted monthly invoices showing the days and hours worked; however, the invoices did not indicate the specific code enforcement services and activities performed. Absent descriptions of the services and activities performed, the invoices did not evidence that the contractor was performing code enforcement services for the hours invoiced. Also, invoice approval was not evidenced by the signature or other documentation of review by a City employee prior to payment. The contract also provided that it was renewable each year upon the mutual agreement of the parties; however, City records did not indicate whether this contract was renewed annually.

Without effective procedures to review and approve invoices prior to payment and to monitor for compliance with contract terms and conditions, there is an increased risk of improper payments being made without timely detection.

Recommendation: The City should strengthen its procurement procedures for other professional services to ensure contracts are properly approved and specify a contract period, and vendor invoices are complete, in accordance with contract terms and conditions, and properly reviewed and approved prior to payment.

Finding No. 31: Employee/Independent Contractor Status

The Internal Revenue Service (IRS) regulations require employers to make a determination of whether a worker is an employee or independent contractor. The IRS has established certain guidelines to assist employers in making the distinction between whether an individual is an employee or an independent contractor. This distinction is important because there are certain laws that apply when an individual serves in the role of an employee rather than an independent contractor. For example, compensation to independent contractors is not subject to withholding for employment taxes, such as Federal Insurance Contributions Act (FICA) and Medicare taxes, and retirement plan contributions may be required for employees that are not required for independent contractors.

To help employers consider relevant facts and circumstances when making employee or independent contractor determinations, the IRS developed a list of factors such as whether workers are required to comply with employer instructions, training requirements, and established work hours. The factors also include consideration of whether workers personally provide services and maintain their own office space and related equipment. For circumstances in which an employer is unable to establish the basis upon which a worker is an employee or independent contractor, an employer may file Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS for it to make the determination.

Our review disclosed that the City classified the following four workers as independent contractors, who, based on IRS guidelines, perhaps should have been more appropriately classified as employees:

- The City's former Operations Manager, who retired from employment with the City on January 2, 2012, was paid \$28,519 as an independent contractor for work performed during the period January 3, 2012, through September 30, 2013, as an operations consultant to perform his former duties as Operations Manager and to train a new Operations Manager.
- An independent contractor was paid \$21,275 from May 20, 2013, to December 10, 2013, to provide accounting services as Interim Finance Director until a permanent Finance Director was hired.
- The City contracted with an individual to provide code enforcement officer services for the City and paid the individual a total of \$19,763 from October 2010 through March 2013. The City had contracted for these services from the individual since October 2008.
- The City paid one of its part-time firefighters \$38,281 to provide maintenance and repair services on City vehicles from October 2010 through March 2013. The employee was paid on an hourly basis with no employment withholding taxes but did not have a written contract with the City.

The four independent contractors were required to provide the services personally, and the City provided office or work space and related equipment, including City vehicles, tools, and supplies, for the workers to use in performing the contracted services. City records did not evidence the basis for classifying these workers as independent contractors. Without adequate and sufficient information of record to evidence the relevant facts and circumstances for classifying individuals as employees or independent contractors, there is an increased risk that the City may be

subject to additional payroll taxes and penalties for individuals classified as independent contractors that should have been classified as employees.

Recommendation: The City should establish procedures to document the relevant facts and circumstances upon which workers are classified as independent contractors rather than employees. The City should also contact the IRS to determine whether these four individuals should be classified as employees rather than independent contractors, and, if appropriate, amend its payroll reporting and remit any required payroll taxes and retirement contributions for the employees to the appropriate Federal and State agencies.

Vehicle Usage

Finding No. 32: Vehicle Taxable Fringe Benefit

Procedure 1.102 of the *Police Department Procedures Manual* (Police Manual), establishes guidelines for the use of take home vehicles. The procedure allows police officers to utilize assigned vehicles for personal business within the City's geographical boundaries. City records disclosed that 18 police officers were assigned City-owned vehicles on a full-time basis, seven of which were unmarked vehicles.

United States Treasury Regulation (Regulation) 1.61-21(a)(2) provides that an employee's gross income includes the fair market value of any fringe benefit not specifically excluded from gross income by another provision of the Internal Revenue Code (IRC). Section 132(a)(3) of the IRC provides that gross income will not include the value of any fringe benefit that qualifies as a working condition fringe benefit. Regulation 1.132-5(h) further provides that the use of a qualified nonpersonal use vehicle is a working condition fringe benefit provided the use of the vehicle conforms to the requirements of Regulation 1.274-5(k). Regulation 1.274-5(k)(6) states that unmarked law enforcement vehicles are qualified nonpersonal use vehicles only if all of the following apply:

- The employer must officially authorize personal use;
- Personal use must be incidental to law enforcement purposes, such as being able to report directly from home to a stakeout or surveillance site, or to an emergency situation;
- The employer must be a governmental unit responsible for prevention or investigation of crime; and
- The vehicle must be used by a full-time law enforcement officer.

Our review disclosed that the Police Manual did not limit personal use of unmarked vehicles to incidental use for law enforcement purposes and, therefore, did not limit personal use as required above. Although the City's land area is only 6.8 square miles (approximately 2.6 miles by 2.6 miles), City records disclosed that over an 18-month period, approximately 12,720 gallons of fuel were used for the unmarked vehicles, ranging from 1,146 to 2,826 gallons for each of the City's seven unmarked vehicles, or about 64 to 157 gallons per month. Since current City procedures fail to limit personal use to that incidental to law enforcement purposes, the City cannot establish that all of the unmarked vehicle usage qualified as a working condition fringe benefit, and therefore, was properly excluded from the gross income of the user of the vehicle.

Recommendation: The City should enhance its written policies and procedures to ensure compliance with applicable provisions of the Internal Revenue Code.

Public Water System

Finding No. 33: Diesel Generator Usage Records

Florida Department of Environmental Protection (FDEP) Rule 62-555.320(14), Florida Administrative Code (FAC), provides that each community water system serving, or designed to serve, 350 or more persons or 150 or more service connections must provide standby power using one or more auxiliary power sources (i.e., generators or engines) for operation of that portion of the system’s water source, treatment, and pumping facilities necessary to deliver drinking water meeting all applicable standards at a rate at least equal to the average daily water demand for the system. FDEP Rule 62-555.350(2), FAC, provides that suppliers of water must keep all necessary public water system components in operation and must maintain such components in good operating condition so the components function as intended. This Rule also requires that preventative maintenance on electrical or mechanical equipment, including exercising of auxiliary power sources, be performed in accordance with the equipment manufacturer’s recommendations or in accordance with a written preventive maintenance program established by the supplier of water; however, in no case shall auxiliary power sources be run under load less frequently than monthly.

During the period October 2010 through April 2014, the City’s water system served approximately 2,500 service connections. The City maintained diesel-powered generators that served as standby power supplies to its three water treatment plants. City personnel advised us that the generators were run every Wednesday (not under load) for about 15 minutes and were run at least once per month for 4 hours under load. In the event of power disruption, the generators run under load until 15 minutes after power is restored. The City maintains logs to document the dates and times that generators are run along with operating information, including fuel levels in each generator’s tank.

Our review of the generator test and maintenance reports disclosed that the reports were not consistently completed, and the reports for each of the three generators contained extended periods where no generator running activity was indicated at all. For example, during the 2012–13 fiscal year, the first entry to the water tower generator test report was on January 23, 2013, or 16 weeks after the October 1, 2012, start of the fiscal year. In addition, there was no indication of preventative maintenance performed on the generator during the fiscal year and there were only two other entries on the report, with the next entry dated August 6, 2013, which was over six months after the first entry noted above. As a result, the reports did not evidence required preventative maintenance was performed or that generator testing was conducted at required intervals. In response to our inquiries regarding the deficiencies noted in the reports, City personnel indicated that standardized procedures for such maintenance, testing, and documentation had not been established.

Recommendation: The City should enhance its procedures to ensure that diesel generator tests are conducted as required and that test and maintenance reports are timely and accurately prepared and maintained to evidence that proper preventative maintenance is performed and diesel generators are periodically tested at required intervals.

Capital Assets

Finding No. 34: Tangible Personal Property Inventory

City staff maintained inventory records to document the results of the 2011-12 fiscal year annual physical inventory of tangible personal property. However, at the time of our review in September 2013, the City had not, of record, reconciled the physical inventory to the capital asset records to determine whether differences existed between actual

and recorded property. For example, our review of the City's capital asset records for motor vehicles disclosed numerous instances where vehicles that had been disposed of were still reported as active in the capital asset records, vehicles that were acquired by the City had not been added to the capital asset records, and capital asset records were not updated for vehicles transferred between departments (see finding No. 35). Additionally, City records did not evidence that a thorough investigation was conducted for the items not located in the annual physical inventory process or that the Commission approved the disposal of the items not located before removing them from the capital asset records as of September 30, 2012. For example, City personnel provided a property disposal report indicating that 20 furniture, machinery, and equipment items costing \$47,381, 9 vehicles costing \$49,963, and 2 trailers costing \$13,500 were removed from the tangible property records as of September 30, 2012, that were not located in the annual physical inventory. However, City records did not evidence efforts to locate these items or Commission approval to remove these items from the property records.

In response to our inquiries, City personnel indicated that, although an inventory had been performed, the results of the inventory were not reconciled to the capital asset records. Instead, assets marked as deleted or disposed were updated in the capital asset records to indicate disposition of the assets; however, the inventory process did not include investigation of missing items, update of capital asset records for changes in custodians, and Commission approval by resolution in the minutes. Effective controls over tangible personal property include periodic comparisons of detailed property records with existing assets, and appropriate actions to resolve differences.

Recommendation: The City should ensure that the results of physical inventories of tangible personal property are promptly reconciled to the City's property records.

Finding No. 35: Motor Vehicles

Vehicle Property Records. To ensure proper accountability and safeguarding of motor vehicles, the City should maintain an adequate record of each motor vehicle. The City did not have comprehensive written policies and procedures governing the acquisition, assignment, control, use, and disposition of motor vehicles to ensure the proper accounting and reporting of these assets in the City's property records. As a result, our audit tests disclosed deficiencies in the City's motor vehicle property records as discussed below.

City personnel provided a list of City-owned motor vehicles for our review; however, there were numerous instances where motor vehicles listed in the City's property records were misclassified by category. For example, some vehicles were classified as machinery equipment or another nonmotor vehicle category. Conversely, there were also instances where equipment and other capital assets were reported as vehicles or transportation equipment. In response to our inquiry, City personnel provided another list that included 15 additional motor vehicles identified in the property records. Additionally, we noted the following deficiencies in the City's property records:

- The City purchased seven used police vehicles costing a total of \$22,000 from another local governmental entity in July 2012; however, all seven vehicles were recorded as a single asset in the City's property records.
- As of September 13, 2013, the City's property records continued to show three motor vehicles as active items assigned to the City's Police Department. However, Police Department records showed that two of the items had been previously disposed of, and the other had been transferred to the City's Fire Department. In addition, we noted four other motor vehicles operated by the City's Water Department; however, the City's property records continued to show these items assigned to the City's Recreation Department, which had been outsourced in a prior year.
- Although requested, City records did not evidence how or when seven motor vehicles, with acquisition costs of approximately \$45,000, were disposed of. Also, the dispositions were not presented to or approved by the Commission.

- Subsidiary records maintained by the City's Police Department identified two motor vehicles with acquisition costs totaling \$24,094 that had not been recorded in the City's property records as of September 13, 2013. The City had registered and obtained insurance covering these vehicles; however, the vehicles had not been added to the property records.

The deficiencies noted above increase the possibility that errors or loss of property could occur and not be timely detected.

Vehicle Registrations. The City assigned four motor vehicles, which were State-registered with confidential tags (regular motor vehicle tags for undercover operations rather than municipal tags), to police officers. Our review disclosed that the registrations for all four vehicles were expired at the time of our initial inquiry on September 13, 2013. Although these vehicles also were assigned City (municipal) vehicle tags that have no expiration date, the use of these vehicles with regular motor vehicle tags and expired registrations appears to be contrary to Section 320.07, Florida Statutes, which prohibits vehicles from being operated on State roads after expiration of the renewal period. Subsequent to audit inquiry, on September 30, 2013, the City requested renewal of the confidential tags for these four vehicles and paid the applicable fees.

Recommendation: The City should develop comprehensive written policies and procedures over the use of and accounting for City-owned motor vehicles to ensure adequate accountability for those assets. The City should also develop procedures to provide for the timely renewals of vehicle registrations.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its April 1, 2013, meeting, directed us to conduct this audit.

We conducted this operational audit from May to November 2013 and in March and April 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.

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

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included selection and examinations of various records and transactions from October 2010 through September 2013, and selected actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Organizational Structure, Public Records, and Minutes	Reviewed organizational structure of the City and assessed the functional responsibilities within the organizational structure to determine whether they were adequately separated to provide effective internal controls. Examined and reviewed City Commission meeting notices and related minutes, and other City records, to determine compliance with applicable laws and other guidelines. Determined whether the City maintained public records in accordance with Chapter 119, Florida Statutes.
Audit Findings Disclosed by the City’s Independent Auditor	Reviewed recent findings reported by the auditor and determined the status of the City’s corrective actions.
Written Policies and Procedures	Determined whether the City had written policies and procedures in place for major business functions.
Related-Party Transactions	For selected City officials, reviewed Department of State Division of Corporation records and City records to identify any potential relationships that represent a conflict of interest with City vendors.
Budgetary Controls	Reviewed the City’s budgetary procedures for adequacy and determined whether adopted budgets and amendments were prepared and adopted in accordance with applicable laws, City policies and procedures, and other guidelines. Determined whether the City’s Web site included the tentative and final budgets, and related budget amendments, pursuant to Section 166.241(3), Florida Statutes.
Cash Management and Electronic Funds Transfers	Reviewed the City’s procedures related to cash. Reviewed bank account reconciliations for timeliness and completeness. Reviewed banking and electronic funds transfer agreements for authorized signatures and for sufficiency in providing adequate safeguards. Determined compliance with the reporting requirements in Chapter 280, Florida Statutes.
Revenues and Cash Receipts	Reviewed policies and procedures for assessing and collecting permit fees, taxes, and other revenue sources to determine compliance with applicable laws, City policies and procedures, and other guidelines. Also, tested the accuracy of amounts collected and the timeliness of cash receipts deposited in the bank.
Enterprise (Utility) Fund	Assessed the financial condition of the Enterprise Fund. Tested utility deposits, billings, collections and adjustments, and cutoff procedures for compliance with applicable laws, City policies and procedures, and other guidelines.
Personnel and Payroll	Reviewed the City’s procedures for completion and maintenance of key personnel records. Tested compensation, new hires, payroll transactions, and evaluation procedures for compliance with applicable laws, City policies and procedures, and other guidelines.
Overtime Payments	Reviewed City policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procurement and Expenditures	Reviewed the City’s assignment and use of credit cards and its charge account. Tested City check disbursements, and credit card and charge account payments, to determine whether they were properly approved, served a public purpose, and were in accordance with applicable laws, rules, regulations, contracts, grant agreements, City policies and procedures, and other guidelines.
Contractual Services	Tested selected contracts, and contract and service arrangement payments, to determine compliance with competitive selection requirements; whether contracts clearly specified deliverables, time frames, documentation requirements, and compensation; and whether the City complied with Section 112.313, Florida Statutes, in contracting with its employees. Also tested selected payments for proper support and compliance with contract terms.
Vehicle Utilization	Reviewed procedures and records related to the assignment and use of vehicles, determined compliance with Internal Revenue Service requirements, and reviewed maintenance procedures and usage monitoring of vehicles.
Public Water System	Reviewed procedures and records related to diesel-powered generators used in the City’s public water system to determine compliance with applicable laws, City policies and procedures, and other guidelines.
Tangible Personal Property	Compared City subsidiary ledgers with control accounts, reviewed tangible personal property inventory procedures, and reviewed control procedures for property acquisitions and disposals.

EXHIBIT B
MANAGEMENT'S RESPONSE



City Of Starke

Carolyn B. Spooner
MAYOR

COMMISSIONERS:
Tommy Chastain
Danny Nugent
Wilbur L. Waters
Travis V. Woods

CITY CLERK
Ricky Thompson

POLICE CHIEF
Jeff Johnson

FIRE CHIEF
Tom Rowe

PURCHASING DIRECTOR
Bridget Underhill

UTILITY SERVICES
Electric
Water
Sewer

BUILDING DEPARTMENT
Wilson Whidden, Official

ZONING DEPARTMENT
Nora Thompson, Consultant

CODE ENFORCEMENT
LaJuan Whittle,
Code Officer

August 20, 2014

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

Re: State Audit Response

GENERAL MANAGEMENT CONTROLS AND OVERSIGHT

FINDING NO. 1: CONTRARY TO THE CODE OF ORDINANCES, THE CITY COMMISSION DID NOT EMPLOY A CITY MANAGER, RESULTING IN THOSE JOB RESPONSIBILITIES BEING PERFORMED BY OTHER PERSONNEL, SOME OF WHICH WERE INCOMPATIBLE AND COULD HAVE CONTRIBUTED TO OTHER DEFICIENCIES.

At the August 5, 2014, City Commission meeting the Commission agreed to advertise and hire a City Manager. Once a City Manager is selected and hired, all Ordinances will be reviewed for proper separation of duties and assignments of responsibilities and accountability.

FINDING NO. 2: THE CITY HAD NOT PROVIDED FOR AN ADEQUATE SEPARATION OF DUTIES, OR ESTABLISHED ADEQUATE COMPENSATING CONTROLS, IN SEVERAL AREAS OF ITS BUSINESS FUNCTIONS.

The City will develop and implement controls that will comply with separation of duties as practical.

FINDING NO. 3: THE CITY HAD NOT ESTABLISHED WRITTEN POLICIES AND PROCEDURES NECESSARY TO ASSURE THE EFFICIENT AND CONSISTENT CONDUCT OF ACCOUNTING AND OTHER BUSINESS-RELATED FUNCTIONS AND THE PROPER SAFEGUARDING OF ASSETS.

The City will provide procedural rules for purchasing to the City Commission for approval and will establish written comprehensive procedures that are consistent with applicable laws and other guidelines and other related functions.

FINDING NO. 4: MINUTES OF CITY COMMISSION WORKSHOP MEETING WERE NOT TIMELY REVIEWED AND APPROVED.

The City will develop guidelines for review and approval of all City Commission meeting minutes.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

PETTY CASH, CHANGE FUNDS, AND BANK ACCOUNTS

FINDING NO. 5: THE CITY'S PETTY CASH AND CHANGE FUNDS WERE NOT ADEQUATELY SAFEGUARDED AND ACCOUNTED FOR AND THE CITY DID NOT ALWAYS DOCUMENT THE PUBLIC PURPOSE SERVED BY PETTY CASH EXPENDITURES.

The City will establish procedures to ensure that all petty cash and change fund balances are recorded and reconciled in the account records.

FINDING NO. 6: THE CITY MAINTAINED AN EXCESSIVE NUMBER OF BANK ACCOUNTS, AND BANK ACCOUNT RECONCILIATIONS WERE NOT ADEQUATELY PREPARED.

The City will develop written procedures to limit the number of bank accounts and ensure accurate independent reconciliations to the general ledger.

FINDING NO. 7: SOME BANKS USED AS DEPOSITORIES WERE NOT APPROVED BY THE CITY COMMISSION, CONTRARY TO THE CITY CHARTER; BANKING AGREEMENTS AND SIGNATURE CARDS WERE NOT MAINTAINED FOR ALL BANKS AND ACCOUNTS; AND PAYROLL CHECKS WERE ONLY SIGNED BY THE CITY CLERK, CONTRARY TO THE CITY CHARTER.

The current list of banks used as depositories will be submitted to the City Commission for approval on September 9, 2014, and when any changes are made it will be taken to the Commission for approval. All banking agreements and signature cards have been updated for all depository banks as of October 2, 2013, and will be done at the beginning of each fiscal year after the appointment of the Mayor. As of April 1, 2014, the City Commission adopted a Resolution authorizing the Mayor and City Clerk to execute all contracts, agreements, checks and financial documents on behalf of the City of Starke. A Resolution will be presented to the City Commission for adoption at the beginning of each fiscal year.

FINDING NO. 8: THE CITY HAD NOT DEVELOPED WRITTEN PROCEDURES FOR ELECTRONIC FUNDS TRANSFERS (EFT's), CONTRARY TO LAW, AND THE CITY'S EFT AGREEMENT WITH THE FINANCIAL INSTITUTION FROM WHICH EFT's WERE MADE DID NOT SUFFICIENTLY LIMIT EFT's OR ADDRESS ALL BANK ACCOUNTS USED FOR EFT's.

The City will establish written policies and procedures for authorizing and processing of EFT's pursuant to Section 668.006, Florida Statutes.

COLLECTIONS, RECEIVABLES, AND UTILITY FUNDS

FINDING NO. 9: CERTAIN CASH COLLECTIONS WERE NOT RECORDED AT THE INITIAL POINT OF COLLECTION AND CHECKS WERE NOT RESTRICTIVELY ENDORSED IMMEDIATELY UPON RECEIPT.

The City will establish written procedures that require the use of pre-numbered receipts for payments made in person and require all mail collection and checks restrictively endorsed immediately upon receipt.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

FINDING NO. 10: THE CITY DID NOT ACTIVELY PURSUE COLLECTION OF DELINQUENT BUSINESS TAX RECEIPTS OR ENFORCE LATE PAYMENT PENALTIES.

The City will implement written procedures to ensure compliance with the City Code for business tax receipts.

FINDING NO. 11: THE CITY DID NOT PERIODICALLY RECONCILE ITS UTILITY DEPOSITS SUBSIDIARY LEDGER, GENERAL LEDGER, AND BANK ACCOUNT BALANCE.

The City will establish written procedures to ensure that customer deposit liability accounts are periodically reconciled to the customer deposits subsidiary ledger and the customer deposits bank account balance.

FINDING NO. 12: CITY PROCEDURES FOR PREPARING AND REVIEWING QUARTERLY ELECTRICITY BILLING TRUE-UP CALCULATIONS NEEDED IMPROVEMENT.

The City will enhance its electric true-up calculation to ensure that errors are timely detected and corrected.

FINDING NO. 13: THE CITY DID NOT ALWAYS FOLLOW ITS PROCEDURES FOR DETERMINING UNCOLLECTED UTILITY ACCOUNTS, DISCONNECTING SERVICES, AND GRANTING REFUNDS TO CUSTOMERS FOR UNEXPENDED DEPOSITS RELATED TO WATER AND SEWER EXTENSIONS. THE CITY ALSO DID NOT HAVE DOCUMENTED PROCEDURES FOR REVIEWING, CALCULATING, AND APPROVING UTILITY ACCOUNT ADJUSTMENTS.

The City will revise its cutoff procedures to ensure they are fair and equitable for all customers, residential and commercial. The City will also develop written procedures for review and approval of utility adjustments, and ensure that the City ordinance is followed for water and sewer extensions, including refunds of extension cost, if any.

FINDING NO. 14: THE CITY DID NOT MAINTAIN DETAILED SEPARATE ACCOUNTABILITY FOR EACH OF ITS UTILITIES. IN ADDITION, THE CITY COMMISSION DID NOT, OF RECORD, ADDRESS RECOMMENDATIONS RECEIVED FROM A CONTRACTED ELECTRIC UTILITY RATE STUDY, AND DID NOT OBTAIN A RATE STUDY FOR THE GAS UTILITY SYSTEM.

The City will consider all rate related recommendations for each utility in its enterprise fund to ensure its continued financial health.

FINDING NO. 15: THE CITY COMMISSION HAS NOT ESTABLISHED A POLICY INDICATING MINIMUM TARGET LEVELS OF WORKING CAPITAL FUNDS TO BE MAINTAINED FOR THE ENTERPRISE FUND.

The City Commission will by formal resolution establish a policy indicating minimum target levels of working capital for its enterprise fund and will revisit the policy periodically for increases to the minimum working capital.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

BUDGETARY CONTROLS

FINDING NO. 16: THE CITY'S 2011-12 AND 2012-13 FISCAL YEARS' BUDGETS WERE NOT PREPARED AT THE REQUIRED LEVEL OF DETAIL, AND DID NOT CONSIDER THE EFFECT OF AVAILABLE FUND BALANCES FROM PRIOR FISCAL YEARS, CONTRARY TO LAW.

The City will ensure that future annual budgets are adopted at the proper level of detail and included all balances brought forward from prior fiscal years.

FINDING NO. 17: THE CITY'S BUDGET AMENDMENTS WERE NOT ADVERTISED AND APPROVED IN THE MANNER REQUIRED BY LAW, AND CERTAIN GENERAL FUND EXPENDITURE FUNCTIONS WERE OVER EXPENDED FOR THE 2010-11 AND 2012-13 FISCAL YEARS.

The City will ensure that budget amendments are approved by resolution when necessary, however no later than 60 days following the end of the fiscal year.

TRANSPARENCY REQUIREMENTS

FINDING NO. 18: THE CITY DID NOT TIMELY POST REQUIRED BUDGET INFORMATION AND DID NOT INCLUDE A LINK TO ITS ANNUAL FINANCIAL REPORTS ON ITS WEB SITE, CONTRARY TO LAW.

The City will enhance procedures to ensure that tentative and final adopted budgets, budget amendments, and the City's Annual Financial Report and Audit Report are timely posted on its web site and include a link to the Florida Department of Financial Services web site.

PERSONNEL AND PAYROLL ADMINISTRATION

FINDING NO. 19: THE SALARIES OF CITY ELECTED OFFICIALS WERE NOT IN ACCORDANCE WITH APPLICABLE ORDINANCES AND THE SALARY INCREASES FOR ELECTED OFFICIALS WERE NOT PROPERLY AUTHORIZED. IN ADDITION, CITY RECORDS DID NOT EVIDENCE THE SPECIFIC AUTHORITY FOR, OR PUBLIC PURPOSE OF, PROVIDING SAFETY PAY BONUSES TO CITY EMPLOYEES OTHER THAN FIREFIGHTERS.

The City will amend its ordinance to ratify the salary increases provided to the elected officials from October 2006 through February 2013. The City will also review and amend all applicable ordinances regarding elected officials compensation and personnel rules regarding safety pay bonuses for City employees.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

FINDING NO. 20: THE CITY COMMISSION HAD NOT, OF RECORD, APPROVED POSITION DESCRIPTIONS TO BE USED AS A BASIS FOR ESTABLISHING MINIMUM QUALIFICATIONS FOR CANDIDATES FOR EMPLOYMENT AND THE CITY DID NOT DOCUMENT THE AUTHORIZATION TO HIRE TWO OF TEN NEW EMPLOYEES TESTED.

The Commission will approve position descriptions that specify minimum education and experience requirements. The City will also ensure that employment applications, position descriptions, and action forms are utilized and maintained in personnel files.

FINDING NO. 21: CONTRARY TO THE CITY'S PERSONNEL RULES AND REGULATIONS MANUAL, THE CITY COMMISSION HAD NOT ADOPTED A CLASSIFICATION PLAN AND PAY PLAN TO SPECIFY JOB REQUIREMENTS AND SALARY RATES FOR AUTHORIZED CITY POSITIONS.

The Commission will adopt a classification and pay plan to specify job requirements and manage payroll costs.

FINDING NO. 22: CONTRARY TO THE CITY'S PERSONNEL RULES AND REGULATIONS MANUAL, EMPLOYEE PERSONNEL EVALUATIONS WERE NOT COMPLETED, OF RECORD.

The City will ensure employee evaluations are completed on an annual basis and maintained in personnel files.

FINDING NO. 23: THE CITY'S MONITORING OF EMPLOYEE OVERTIME COULD BE IMPROVED.

The City will monitor overtime to ensure efficient and effective use of human resources including, on call (stand-by) guidelines.

PROCUREMENT AND EXPENDITURES

FINDING NO. 24: THE CITY COMMISSION DID NOT, OF RECORD, APPROVE THE ISSUANCE OF CREDIT CARDS FOR USE BY CITY EMPLOYEES AND DID NOT ADOPT GUIDANCE AS TO THE ASSIGNMENT AND PROPER USE OF CITY CREDIT CARDS, AND THE CITY NEEDED TO ENHANCE CONTROLS OVER THE USE OF CREDIT CARDS.

The City Commission will establish a written policy and procedures governing City use and control of all City-owned credit cards.

FINDING NO. 25: CITY RECORDS DID NOT ALWAYS EVIDENCE ADEQUATE SUPPORTING DOCUMENTATION FOR PURCHASES AND DISBURSEMENTS, INCLUDING PROPERLY APPROVED PURCHASE ORDERS, INVOICES DETAILING THE COST OF GOODS AND SERVICES, AND EVIDENCE THAT GOODS AND SERVICES WERE RECEIVED.

By the City adopting Finding #3 all requisitions, purchase orders and vendor invoices will be reviewed and approved for accuracy and completeness prior to payment.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

CONTRACTUAL SERVICES

FINDING NO. 26: THE CITY DID NOT REQUIRE THAT INVOICES FOR AUDITING SERVICES BE PROVIDED IN SUFFICIENT DETAIL TO DEMONSTRATE COMPLIANCE WITH THE TERMS OF THE CONTRACT, AND \$64,822 OF NONCONTRACT AUDITING SERVICES WERE REQUESTED AND PROVIDED WITHOUT APPARENT AUTHORITY. IN ADDITION, THE CITY OVERPAID \$2,567 FOR AUDITING SERVICES.

The City will ensure compliance with the auditor selection and contract requirements prescribed in Section 218.391, Florida Statutes. The City will also request documentation for excess payments made to the audit firm for the 2008-09 and 2009-10 contract years and establish written procedures to monitor contracts.

FINDING NO. 27: THE CITY DID NOT AUTHORIZE INDIVIDUAL PROJECTS UNDER ITS ENGINEERING SERVICES AGREEMENT IN ACCORDANCE WITH AGREEMENT TERMS AND REVISED THE ARRANGEMENT FOR PAYMENTS TO BE MADE ON RETAINER BASIS WITHOUT ENTERING INTO A REVISED AGREEMENT. ALSO, CONTRARY TO LAW, THE AGREEMENT DID NOT INCLUDE A PROVISION PROHIBITING CONTINGENT FEES.

The City will ensure that all authorized projects utilizing engineering services are in writing, with a mutually agreed upon scope of work, completion date, fee amount and method of payment.

FINDING NO. 28: THE CITY DID NOT, OF RECORD, ENTER INTO A SIGNED AND DATED (EXECUTED) WRITTEN AGREEMENT FOR LEGAL SERVICES, AND THE CITY COMMISSION DID NOT TIMELY APPROVE A RENEWAL AGREEMENT FOR SUCH SERVICES.

The City will ensure that signed copies of agreements are obtained and maintained in City records, and ensure timely Commission approval of agreements upon expiration.

FINDING NO. 29: THE CITY DID NOT COMPETITIVELY SELECT ITS HEALTH INSURANCE PROVIDER, CONTRARY TO LAW, AND DID NOT COMPETITIVELY PROCURE COMMERCIAL PROPERTY, LIABILITY, AND AUTOMOBILE COVERAGE, CONTRARY TO THE CITY'S PURCHASING POLICIES AND BIDDING PROCEDURES FOR PURCHASES GREATER THAN \$15,000 AND GOOD BUSINESS PRACTICES.

The City will ensure the periodic competitive procurement of its insurance products to obtain the lowest cost, consistent with acceptable quality.

FINDING NO. 30: CITY PROCEDURES FOR OBTAINING CERTAIN OTHER PROFESSIONAL SERVICES, AND THE RELATED REVIEW OF INVOICES, COULD BE ENHANCED.

The City will strengthen its procurement procedures to include contracts and related materials.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

FINDING NO. 31: THE CITY HAD NOT ESTABLISHED PROCEDURES TO DOCUMENT THE BASIS FOR CLASSIFYING INDIVIDUALS AS INDEPENDENT CONTRACTORS RATHER THAN CITY EMPLOYEES, AND OUR REVIEW DISCLOSED FOUR INDIVIDUALS THE CITY CLASSIFIED AS INDEPENDENT CONTRACTORS THAT PERHAPS SHOULD HAVE BEEN MORE APPROPRIATELY CLASSIFIED AS EMPLOYEES BASED ON INTERNAL REVENUE SERVICE GUIDELINES.

The City will establish procedures for employee classification relative to independent contractors. The City will also consult with the IRS concerning the four individual's classification and will abide by their recommendations.

VEHICLE USAGE

FINDING NO. 32: THE CITY NEEDED TO ENHANCE ITS WRITTEN POLICIES AND PROCEDURES TO ENSURE COMPLIANCE WITH THE INTERNAL REVENUE CODE REGARDING THE REPORTING OF PERSONAL USE OF POLICE VEHICLES IN EMPLOYEES' GROSS COMPENSATION REPORTED TO THE INTERNAL REVENUE SERVICE.

The City will enhance its written policies and procedures to ensure compliance with applicable provisions of the Internal Revenue Code.

PUBLIC WATER SYSTEM

FINDING NO. 33: THE CITY HAD NOT DEVELOPED STANDARDIZED PROCEDURES FOR DOCUMENTING THE PREVENTATIVE MAINTENANCE AND PERIODIC TESTING OF DIESEL GENERATORS FOR THE CITY'S WATER AND SEWER SYSTEM, CONTRARY TO FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION RULES.

The City will enhance its procedures to ensure that diesel generator tests are conducted as required and that test and maintenance reports are timely and accurately prepared and maintained to evidence that proper preventative maintenance is performed and diesel generators are periodically tested at required intervals.

CAPITAL ASSETS

FINDING NO. 34: THE CITY DID NOT TIMELY RECONCILE THE RESULTS OF ITS 2011-12 FISCAL YEAR TANGIBLE PERSONAL PROPERTY INVENTORY TO THE PROPERTY RECORDS.


The City will ensure that the results of physical inventories of tangible personal property are promptly reconciled to the property records.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

FINDING NO. 35: THE CITY HAD NOT DEVELOPED WRITTEN POLICIES AND PROCEDURES GOVERNING THE ACQUISITION, ASSIGNMENT, CONTROL, USE, AND DISPOSITION OF MOTOR VEHICLES, AND PROVIDING FOR THE TIMELY RENEWAL OF VEHICLE REGISTRATIONS.

The City will develop comprehensive written policies and procedures concerning the use of and accounting for City-owned motor vehicles to ensure adequate accountability for those assets. The City will also implement procedures for timely vehicle registration renewals.

Sincerely,



Carolyn Spooner, Mayor