

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-088
December 2018

CITY OF ARCHER

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

City Commissioners and City Manager

During the period July 2016 through November 2017, Zeria Folston served as City Manager and the following individuals served as City Commissioners:

Corey Harris, Mayor

Susan Drawdy, Vice Mayor

Iris Bailey, Commissioner from 12-12-16^a

Michelle Harris, Commissioner to 10-10-16^a

Fletcher Hope, Commissioner

Joan White, Commissioner

^a City Commissioner position vacant 10-11-16, through 12-11-16.

The team leader was Tonya Gaines, and the audit was supervised by Derek H. Noonan, CPA.

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CITY OF ARCHER

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SUMMARY

This operational audit of the City of Archer (City) focused on the progress that the City had made, or was in the process of making, in addressing the findings and recommendations in our operational audit report No. 2016-197. Our audit disclosed that the City had corrected 5 findings (Findings 4, 5, 7, 10, and 14), partially corrected 7 findings (Findings 1, 3, 6, 8, 11, 12, and 13) and had not corrected 2 findings (Findings 2 and 9).

BACKGROUND

In 1850, the City of Archer (City) was incorporated as a municipality. State law¹ abolished the City in 1929 and established a new City and City Charter, which was subsequently approved by voter referendum. The City is located in Alachua County, governed by five elected commissioners, and operates under a Commission-Manager form of government. The City Charter² requires the City Commission to annually select the Mayor from their number with due regard to his or her experience in government, ability, and qualifications.

The City provides citizens with services for general government, public works, recreation, water, and solid waste. The Alachua County Sheriff's Office provides police services and the Alachua County Fire Rescue provides fire and emergency medical services for the City. In 2017, the City had an estimated population of 1,165.³

FINDINGS AND RECOMMENDATIONS

Finding 1: Water Services

Previously Reported

City procedures did not provide an appropriate separation of duties for the water bill collection and recordkeeping functions or establish other controls to compensate for this weakness.

We recommended that the City enhance the water service collection procedures to separate the water bill collection and recordkeeping duties to the extent possible with existing personnel. If a sufficient number of personnel are not available to adequately separate duties, appropriate compensating controls should be implemented.

¹ Chapter 13906, Laws of Florida (1929).

² Section 7 of the City Charter.

³ Florida Population Estimates for Counties and Municipalities, April 2017, Florida Legislative Office of Economic and Demographic Research.

Results of Follow-Up Procedures

The City partially corrected this finding. To the extent possible with existing personnel, it is important for organizations to separate cash collection duties so that no one employee has access to cash and the ability to record cash transactions in the accounting records. If a sufficient number of personnel are not available to appropriately separate duties, compensating controls, such as comparisons of the total gallons pumped from the water system to the gallons used by, and billed to, customers are necessary to assess the accuracy of the collections.

Our discussions with City personnel and examination of City records disclosed that the City enhanced water service collection procedures in October 2016 as the Utility Clerk began preparing monthly adjustments reports show adjustments by customer name, account number, and amount, and the City Manager began reviewing and approving the reports. However, during the period July 2016 through November 2017, we identified other incompatible duties that controls had not been implemented to compensate for. Specifically:

- The Utility Clerk collected customer water bill payments and recorded collections in the water bill system providing the opportunity for cash collections to remain unrecorded in the system and be diverted without timely detection.
- The Accounting Technician received water bill payments from the Utility Clerk, prepared daily bank deposits, recorded the deposits in the accounting records, and performed monthly bank account reconciliations. In addition, when the Utility Clerk and Administrative Services Coordinator were simultaneously on leave, the Accounting Technician performed Utility Clerk duties. During those times, the Accounting Technician had the incompatible duties of accessing cash and recording entries into the customer water bill system accounts and the accounting system.

Absent appropriate separation of duties or compensating controls, there is an increased risk of cash transaction errors and that cash misappropriations, should they occur, may not be timely detected and resolved.

Recommendation: We continue to recommend that the City enhance the water service collection procedures to separate the water bill collection and recordkeeping duties to the extent possible with existing personnel. If a sufficient number of personnel is not available to adequately separate duties, appropriate compensating controls should be implemented.

Finding 2: Employment Practices and Personnel Records

Previously Reported

City records did not always evidence that employees met the education and experience requirements for their positions. Additionally, City records did not always document each employee's position classification, compensation authorization, or approved payroll deductions.

We recommended that the City establish procedures to ensure that:

- Before employees are transferred to new positions or new hires are selected to fill vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and documented.

- Documentation of each employee's position classification, compensation authorization, and approved payroll deductions is maintained.

Results of Follow-Up Procedures

The City did not correct this finding. Our discussions with City personnel and examination of City records disclosed that, for the period July 2016 through November 2017, personnel files contained documented verifications that employees met the education requirements for their positions and documented position classifications to identify employee job titles and respective responsibilities. However, the City had not established procedures to require documented verifications and documented position classifications, increasing the risk that such verifications would not be consistently performed and position classifications would not be appropriately documented. In addition, the City had not established procedures to require and ensure that employees meet all the requirements for their positions and that each employee's compensation authorization and approved payroll deduction is documented.

To determine whether City records documented appropriate verifications and personnel actions, we examined the personnel files of all eight City employees as of November 2017 and found that:

- Personnel files for five of the eight employees did not evidence authorization for the employees' compensation.
- The position for one of the two employees hired during the period July 2016 through November 2017 required a high school or general education diploma plus 5 years of documented accounting or bookkeeping experience. Although the employee personnel file contained a copy of the employee's high school diploma, there was no evidence that the experience requirement was met. The employee's job application indicated that the individual only had 1 month of bookkeeping experience and, according to the Administrative Services Coordinator, the former City Manager verbally instructed her not to contact the former employer to verify the individual's prior work experience.
- The personnel file for one of three employees who had a voluntary payroll deduction lacked documentation authorizing the payroll deduction.

Documented verification of prior work experience would provide critical information for making personnel decisions and assurance that individuals selected for hire meet position requirements. Additionally, without maintaining salary schedules, personnel action forms, or alternative documentation of authorized compensation and approval of payroll deductions, the City could encounter difficulty in resolving employee compensation disputes should they arise, and the City cannot demonstrate the accuracy of the salary payments made.

Recommendation: We recommend that the City continue to verify that employees meet the education requirements for their positions and document position classifications by establishing procedures that require verifications of employee qualifications and position classifications be documented in the personnel files. City procedures should also be established to require and ensure that:

- Before employees are transferred to new positions or new hires are selected to fill vacancies, verifications that the individuals meet the experience requirements for the positions are performed and documented.
- Documentation of employee's compensation authorization and approved payroll deductions is maintained.

Finding 3: Attendance and Leave Records

Previously Reported

City procedures did not require employees to document time worked and leave used, the documented supervisory review and approval of such time, the independent verification of overtime payment calculations before payments were made, or the independent verification of leave earned and recorded. Specifically, overtime paid to the Assistant City Manager was calculated incorrectly, resulting in overpayments totaling \$187. In addition, the City did not always record sick leave earned by employees on the first day of each month as prescribed by City policies.

We recommended that the City establish written policies and procedures that require all employees to record time worked and leave used, supervisors to review and document approval of such time, and overtime payment calculations be verified before payments are made. We also recommended that the City establish policies and procedures to independently verify leave earned and recorded and continue efforts to record sick leave earned by employees on the first day of each month as prescribed by City policies. Additionally, we recommended that the City take action to recover the \$187 overpayment.

Results of Follow-Up Procedures

The City partially corrected this finding. Our examination of City records and discussions with City personnel disclosed that in June 2016 the City adopted a resolution,⁴ which revised the time sheet format to include columns that identified time in and out; leave hours, such as bereavement leave; and standby hours for public works' employees. The time sheets are used to record hours worked, including overtime, and include signature lines for the employee and the employee's supervisor.

The resolution implemented the use of leave request forms to document City Manager authorization for various types of leave taken by employees, including vacation and sick leave. In October 2016, the Accounting Technician began maintaining, for all employees, an employee leave worksheet for vacation and sick leave hours earned and used and cumulative leave balances. City personnel indicated that the City has an unwritten policy for the City Manager to review and approve the cumulative employee leave worksheet monthly. According to City personnel, the City Manager is also responsible for signing time sheets as the supervisor for all City employees and to demonstrate verification of overtime payment calculations prior to the preparation of payroll checks. City policies⁵ require that employees receive overtime payments based on one and one-half times their hourly rate.

According to City time sheet instructions, employees are to record partial hours worked in 15-minute increments. The increments are based on 8 to 22 minutes worked and employees are not compensated for work time of 7 minutes or less. Although the City had no written policies requiring employees to take lunch breaks or specifying the length of time for lunch breaks, City practices provide that employees should use at least one-half hour for lunch except that the City Manager can authorize employees to work through their lunch breaks and the City Manager's authorization is to be documented on the employee's time sheet.

⁴ City Resolution No. 2016-14.

⁵ Section 3.4, *City of Archer Personnel Policy and Employee Handbook*.

As part of our audit efforts to evaluate whether employee leave was appropriately documented and approved for the period July 2016 through November 2017, we requested for examination the employee leave worksheet and documentation for 89 of the 172 occasions that City employees used vacation and sick leave. We found that sick leave earned by employees was recorded on the worksheet on the first day of each month as prescribed by City policies; however, 3 employees' use of a total of 7 hours of vacation leave and 11 hours of sick leave on 5 of the 89 occasions was not supported by a leave request form. Although we requested, City personnel indicated that they were unable to locate the forms. Additionally, the City Manager did not sign the leave worksheet or other City records to document his approval of the employee leave earned and taken.

Also, to determine whether the 135 overtime payments totaling \$14,373 were correctly calculated based on appropriately approved time sheets during the period July 2016 through November 2017, we examined City records, including 25 time sheets that included overtime payment calculations and other documentation supporting 25 overtime payments totaling \$2,733. We found overtime payments were not always verified, of record, before payments were made and some payments were incorrectly calculated. Specifically:

- 3 overtime payments totaling \$478 to three employees were supported by 3 time sheets that were not signed as approved by the City Manager.
- In 11 instances, overtime payment calculations were based on the incorrect number of hours worked, resulting in 8 overpayments totaling \$97 and 3 underpayments totaling \$17. Specifically:
 - 3 overpayments for overtime totaling \$25 were made to two employees who did not either record at least one-half hour for lunch or receive the City Manager's authorization to work through lunch, contrary to City practices.
 - 3 overpayments for overtime totaling \$62 were made to two employees who had no hours recorded beyond their regular scheduled work hours.
 - 2 overpayments totaling \$10 were made to two employees for work time of 7 minutes or less.
 - Overtime totaling \$17 was not paid to 2 employees although, according to the time sheets, the employees worked overtime on three occasions.

Although the time sheets containing the calculation errors were approved by the City Manager, the approvals did not detect the calculation and payment errors.

- Two employees were underpaid a total of \$34 for overtime because the documented overtime hours worked were paid at the employees' regular hourly rates instead of one and one-half times their hourly rate. The time sheets containing the \$34 calculation errors were approved by the City Manager; however, the City Manager did not detect the errors.

In response to our inquiries, City personnel did not know why the City Manager did not always sign and approve time sheets or detect overtime payment errors. Absent City Manager documented approval of time sheets and detection of overtime calculation errors and incorrect payments, there is an increased risk that salary payment errors may occur, employee leave balances may not be accurate, and City records may not be sufficiently detailed in the event of a salary or leave dispute.

Further, according to the Administrative Services Coordinator, because of the small dollar amount, the City did not pursue recovery of the \$187 overtime overpayment made to the former Assistant City Manager and reported in our audit report No. 2016-197. Notwithstanding, City records did not demonstrate the basis or approval of this decision.

Recommendation: We recommend that the City:

- **Enhance procedures to require supervisors to review and document approval of employee leave and document verification that any overtime payment calculations are accurate before payments are made.**
- **Establish policies and procedures to document independent verifications of leave earned and recorded and ensure that employee leave request forms are completed and retained.**
- **Establish policies regarding lunch breaks, including necessary approval to work through lunch breaks.**
- **Take action to recover the overtime overpayments we identified above and in our prior report or document the basis and approval for not pursuing reimbursement.**
- **Compensate the applicable employees for the overtime underpayments totaling \$51.**

Finding 4: Payroll Advances

Previously Reported

Although the State Constitution expressly prohibits municipalities from giving, lending, or using credit to aid any person, the City gave seven payroll advances, totaling \$5,500, to the Assistant City Manager.

We recommended that, in the absence of constitutional or other legal authority, the City discontinue the practice of making payroll advances. Additionally, we recommended that the City rescind the policy that authorizes the approval of payroll advances.

Results of Follow-Up Procedures

The City corrected this finding. In May 2016, the City adopted a resolution⁶ removing the City Manager's authority to grant payroll advances. Our examination of payroll records for the period July 2016 through November 2017 did not disclose any payroll advances to employees.

Finding 5: Unused Sick Leave

Previously Reported

The City paid \$2,938 to the former City Manager for unused sick leave, contrary to City policies.

We recommended that the City ensure that employees are aware of City policies and that unused sick leave is not paid upon an employee's separation from City employment. In addition, we recommended that the City take appropriate actions to recover the \$2,938 from the former City Manager.

Results of Follow-Up Procedures

The City corrected this finding. Our examination of City records disclosed that the City Manager sent by mail and e-mail requests to the former City Manager seeking repayment for the \$2,938 improper unused sick leave payment. In addition, the City Attorney indicated that she had several communications with the former City Manager, who denied owing the City any money and refused to pay. In January 2018, the City Attorney sent a memorandum to the City Manager indicating that it was not in the City's

⁶ City Resolution No. 2016-10.

best interest to expend City resources to recover the payment. As a result, repayment from the former City Manager for the unused sick leave payment was no longer pursued.

To determine the propriety of sick leave payments during the period July 2016 through November 2017, we examined City records supporting payments to the two employees who separated from City employment during that period and did not note any payments for unused sick leave.

Finding 6: Performance Evaluations

Previously Reported

City records did not always document annual employee performance evaluations.

We recommended that the City ensure that performance evaluations are timely completed as required by City policies and documented in employee personnel records.

Results of Follow-Up Procedures

The City partially corrected this finding. Our examination of City personnel policies⁷ disclosed that performance evaluations are required to be conducted annually for regular employees and prior to the end of an employee's probationary period. The probationary period is defined as 90 days with an extension of another 90 days with the City Manager's approval.

To determine whether City personnel conducted required employee performance evaluations, we examined personnel records for the eight City employees as of November 2017 and noted that:

- Two probationary employees did not receive documented performance evaluations within 180 days of being hired, and City records did not evidence that the City Manager approved an extension of the probationary period. Both probationary employees were subsequently employed in permanent positions and received documented annual performance evaluations when due.
- Another probationary employee was employed in June 2016 in a permanent position before the 180-day maximum probation period and did not receive a documented performance evaluation. The employee was subsequently employed in another permanent position in October 2016 and received a documented annual performance evaluation in November 2016 but did not, according to City personnel, receive an annual performance evaluation in November 2017 when the other City permanent employees received annual performance evaluations.

In response to our inquiries, the City Manager indicated that he did not know whether the former City Manager conducted performance evaluations for the probationary employees and, if so, why they were not filed in the employees' personnel files. Additionally, the Administrative Services Coordinator indicated that she scheduled the November 2017 performance evaluation for the employee with the former City Manager but did not know why a performance evaluation was not documented in the employee's personnel file.

Timely conducted performance evaluations are important management tools that inform employees of their accomplishments, needed improvements, training needs, and help management make and support personnel decisions.

⁷ Section 2.3 and 2.4, *City of Archer Personnel Policy and Employee Handbook*.

Recommendation: We continue to recommend that the City ensure that employee performance evaluations are timely completed as required by City policies and documented in employee personnel records.

Finding 7: Procurement

Previously Reported

City procedures could be enhanced to ensure, for every purchase that exceeds \$2,500, that the City Commission preapproves the purchase and follows the applicable competitive selection process set forth in the City Code of Ordinances.

We recommended that the City enhance procedures to ensure that purchases of goods and services are made in accordance with the City Code of Ordinances. We also recommended that such procedures require that, for every contract or purchase that exceeds \$2,500, quotations and bids are obtained and examined by the City Commission and that the City Commission's preapproval is documented.

Results of Follow-Up Procedures

The City corrected this finding. Our examination of City records and discussions with City personnel disclosed that, in August 2016, the City adopted an ordinance⁸ that amended City purchasing policies to:

- Establish procedures to ensure that all agreements for professional services are written and approved by the City Commission.
- Reduce the number of required quotations from five to three for purchases between \$2,500 and \$7,500.

Our examination of City records and discussions with City personnel identified City contracts with eight vendors for goods and services exceeding the \$2,500 competitive selection threshold and provided during the period July 2016 through November 2017. We found that the City competitively selected each of the eight vendors in accordance with City ordinances and policies and paid the vendors a total of \$75,710.

Finding 8: Credit Cards and Fuel Purchasing Cards

Previously Reported

The City had not established written policies and procedures governing assignment and use of credit cards and fuel purchasing cards (fuel P-cards).

We recommended that the City Commission determine whether credit cards and fuel P-cards should continue to be used for City purchases and, if so, ensure that appropriate written policies and procedures governing the assignment and use of the cards are established. We also recommended that such policies and procedures:

- Identify the employees authorized to have the cards.
- Require employees who are assigned to sign written agreements that limit card use to business purpose and evidence the employee's concurrence to comply with the agreements.

⁸ City of Archer Ordinance No. 03-2016.

- Address safeguarding the cards, prompt card cancellation upon employment reassignment or separations, allowable purchases, acceptable merchants, card limits based on employee purchasing responsibilities, and process for reporting lost or stolen cards.
- Require employees to document the authorized public purpose for card charges and provide documentation, such as employee-signed card receipts, to designated supervisory personnel for review and approval.
- Either prohibit different employees from using the same card, identify the employees who use the cards by separate personal identification numbers (PINs), or maintain signed card receipts to identify who incurred each card charge.
- Document an independent evaluation of the reasonableness of fuel purchases based on recorded vehicle odometer readings.

Results of Follow-Up Procedures

The City partially corrected this finding. Our examination of City records and discussions with City personnel disclosed that, in June 2016, the City adopted a resolution⁹ that requires:

- Identification of the employee receiving a credit card.
- Employees to provide documentation, such as employee-signed card receipts, to designated supervisory personnel for review and approval.
- Employees to sign written agreements that limit card use to business purposes.
- Safeguarding of cards.
- Prompt card cancellation upon separation of employment.
- Reporting of lost or stolen cards.
- Documentation of the public purpose for card purchases as evidenced by the cardholder receipt.

However, the resolution or policies and procedures did not:

- Identify allowable purchases, acceptable merchants, or card limits based on employee purchasing responsibilities.
- Either prohibit different employees from using the same card, identify the employees who use the cards by separate PINs, or maintain signed card receipts to identify who incurred each card charge.

In addition, our examination of City records disclosed that a fuel log is maintained to record the name of the employee who signs to obtain a fuel P-card, the City vehicle or public works equipment that the fuel P-card will be used for, the beginning and ending odometer mileage readings, number of gallons of gas pumped into the City vehicle or public works equipment, the date and time the fuel P-card was issued and returned, and the date the P-card receipt is submitted. The Accounting Technician records the vehicle odometer readings on a worksheet, examines the odometer readings for reasonableness, and monthly provides the worksheet to the City Manager, who reviews and signs it.

To determine whether City personnel complied with City credit card policies and appropriately documented approval of the credit card transactions totaling \$48,454 included on the 33 credit card statements for the period July 2016 through November 2017, we examined City records supporting all

⁹ City of Archer Resolution 2016-12 refers only to credit cards; however, City personnel indicated that the resolution also applies to fuel P-cards.

131 credit card transactions totaling \$17,826 included on 12 of the 33 credit card statements. Our examination disclosed that:

- 4 transactions totaling \$1,182 were supported by receipts; however, the receipts did not contain sufficient details to demonstrate that the expenditures were reasonable and served a public purpose. For example, one receipt for \$1,076 was for a 5-night stay at a hotel and neither the receipt nor other City records documented the purpose for the hotel stay. In response to our inquiry, City personnel indicated that the hotel stay was for the City Manager to attend a work conference; however, neither a travel voucher nor other City records were maintained to document the basis for the expenditure.
- For 3 transactions representing 11 hotel stays, the traveler did not use the City sales tax exemption and paid tax totaling \$218 using a City credit card. State law¹⁰ provides a sales tax exemption for municipalities on certain transactions and a valid sales tax exemption certificate is required to avoid the payment of sales tax. According to the Administrative Services Coordinator, a copy of the City's sales tax exemption certificate was provided to all travelers; however, she did not know why the travelers did not claim the sales tax exemption.
- For 2 transactions totaling \$157 to large retailers, the credit card statements were the only available records supporting the transactions. Absent receipts or other documentation supporting the public purpose for the items purchased, City records did not demonstrate that the transactions were reasonable and appropriate. According to City personnel, documentation supporting the transactions was lost.

Additionally, our examination disclosed that \$11,464 was charged from June 2016 through November 2017 to the former interim City Manager's credit card even though the former interim City Manager discontinued City employment prior to the charges being incurred. In response to our inquiry, the Administrative Service Coordinator indicated that the City continued to use the former interim City Manager's credit card, without his knowledge, after he left City employment to take advantage of the additional line of credit. Notwithstanding, although our examination of City records supporting the charges did not disclose any expenditures that did not appear to serve a public purpose, failure to cancel former employee credit cards increases the risk of credit card misuse without the ability to fix responsibility for misuse.

Recommendation: We continue to recommend that the City enhance credit card and fuel P-card policies and procedures by:

- **Identifying allowable purchases, acceptable merchants, and card limits based on employee purchasing responsibilities.**
- **Either prohibiting different employees from using the same card, identifying the employees who use the cards by separate PINs, or maintaining signed card receipts to identify who incurred each card charge.**

In addition, the City should enhance credit card procedures to require:

- **Maintenance of receipts and other documentation to support the basis for credit card expenditures and to demonstrate that the expenditures are reasonable and serve a public purpose.**
- **Use of the City sales tax exemption certificate, when applicable, to avoid payment of sales tax.**

¹⁰ Section 212.08(6), Florida Statutes.

- **Timely cancellation of credit cards assigned to employees who separate from City employment.**

Finding 9: Travel Expenditures

Previously Reported

City procedures did not ensure that employees used travel authorization and travel voucher forms to demonstrate that travel expenditures were for official City business and complied with State law.¹¹ Additionally, the City did not always maintain documentation, such as applicable conference programs or agendas and vendors invoices, to support travel expenditures and did not always calculate travel mileage reimbursements based on State law.

We recommended that the City ensure that employees use travel authorization and travel voucher forms to demonstrate that travel expenditures are for official City business and comply with State law. We also recommended that the City ensure that documentation to support travel expenditures is maintained, such as applicable conference programs or agenda and vendor invoices, and that mileage reimbursements are calculated based on the State rate.

Results of Follow-Up Procedures

The City did not correct the finding. Our examination of City records and discussions with City personnel disclosed that, in June 2016, the City adopted a resolution¹² requiring travelers to report all travel expenditures on a travel authorization form. Although not established procedures, according to City personnel, during the period July 2016 through November 2017 certain travel practices were followed. Specifically:

- Mileage reimbursements were based on State law, and travelers were responsible for providing vendor invoices to the Administrative Services Coordinator to support travel expenditures.
- The Administrative Services Coordinator was responsible for reviewing vendor invoices supporting travel expenditures and preparing related travel vouchers.
- The Administrative Services Coordinator was responsible for providing travel vouchers to the City Manager for approval.
- After City Manager approval of travel vouchers, the vouchers were provided to the Accounting Technician for payment processing.

To determine whether City records demonstrated that the 38 travel expenditures totaling \$8,535 for the period July 2016 through November 2017 were for official City business and complied with State law, we examined City records supporting 20 selected travel expenditures totaling \$5,752, which included two expenditures totaling \$1,279 included in the \$17,826 credit card expenditures discussed in Finding 8. We found that mileage reimbursements complied with State law; however, we also found that:

- Travel authorization forms did not always document the authorization and approval for trips to a conference or convention, the public purpose for the travel, and the estimated costs of the travel, including hotel, rental car, and conference registration costs. Specifically:

¹¹ Section 112.061, Florida Statutes.

¹² City of Archer Resolution No. 2016-14.

- Travel authorization forms for 15 travel expenditures totaling \$5,325 for lodging, rental cars, meals, and tolls, did not document the purpose of the travel.
- City records did not include copies of conference programs or agendas for 3 expenditures totaling \$1,500 for conference registration fees.
- Although the travel expenditures were generally supported by documentation that included hotel, toll, and rental car invoices, City records did not include travel vouchers to support the 20 travel expenditures totaling \$5,752.

Absent approved travel authorization forms prior to travel, approved travel vouchers to document travel costs incurred, and City-established policies that require the maintenance of documented support for travel vouchers, there is increased risk that unauthorized travel may occur and that travel costs may not comply with City policies and procedures.

Recommendation: We continue to recommend that the City ensure that employees use travel authorization and travel voucher forms to demonstrate that travel expenditures are for official City business and comply with State law. In addition, the City should establish policies that require the maintenance of approved travel vouchers and related support.

Finding 10: Professional Services Contracts

Previously Reported

The City had not established policies and procedures to ensure that contractual arrangements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, or that the contracts be subject to City Commission approval.

We recommended that the City establish policies and procedures that require written contracts for professional services. We also recommended that such requirements ensure that contractual agreements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, and that the contracts be subject to City Commission approval.

Results of Follow-Up Procedures

The City corrected this finding. In July 2016, the City adopted an ordinance¹³ establishing policies and procedures to ensure all agreements for professional services are written and approved by the City Commission. To determine whether payments for services were properly supported by written contracts approved by the City Commission, we examined City records for all contracts supporting the 11 payments for professional services totaling \$20,533 during the period July 2016 through November 2017 and found that the contracts contained the essential elements and were approved by the City Commission.

¹³ City of Archer Ordinance No. 03-2016.

Finding 11: Budget Preparation and Adoption

Previously Reported

City-adopted budget resolutions for the 2013-14 and 2014-15 fiscal years included projected revenues and projected expenditures; however, the resolutions did not include balances brought forward from the respective prior fiscal years as required by State law.

We recommended that the City ensure that future budgets include beginning fund balance amounts that include balances brought forward from prior fiscal years.

Results of Follow-Up Procedures

The City partially corrected this finding. Our examination of City records disclosed that the City approved the 2016-17 fiscal year budget at the November 14, 2016, City Commission meeting. The General Fund budget included projected revenues and projected expenditures of \$732,026 each and a beginning fund balance of \$301,703. However, the beginning fund balance amount for the 2016-17 fiscal year was \$173,038 less than the ending fund balance amount of \$474,741 for the 2015-16 fiscal year. Upon further review, we found that the incorrect beginning fund balance amount was also reported as governmental activities unrestricted net position as of September 30, 2015, on the City's 2014-15 fiscal year audited government-wide statement of net position.

In response to our inquiries, City personnel indicated that they were either not employed by the City at the time the 2016-17 fiscal year budget was created or were not involved in the budget preparation process. As such, they were not sure why the September 30, 2015, unrestricted net position balance was used as the General Fund 2016-17 fiscal year beginning fund balance budget amount. Without inclusion of appropriate balances brought forward from prior fiscal years, the usefulness of the budget as a financial management tool is diminished.

Recommendation: City personnel should enhance budget procedures to ensure that future budgets include accurate beginning fund balance amounts brought forward from prior fiscal years.

Finding 12: Budget Monitoring

Previously Reported

During the 2013-14 fiscal year, the City did not make any budget amendments to adjust budgeted transactions as circumstances changed nor did City records document why the City reported total budgeted expenditures (\$598,816) instead of the City-approved 2013-14 fiscal year budget resolution projected expenditures (\$602,904). Because of the lack of budget monitoring, at September 30, 2014, the City had over expended 14 budget expenditure categories by a total of \$122,416.

We recommended that the City timely amend budgets, as necessary, and ensure that expenditures are limited to budgeted amounts as required by State law.

Results of Follow-Up Procedures

The City partially corrected this finding. Our examination of City records disclosed that the City's 2015-16 audited financial statements reported expenditures totaling \$622,067. The City's amended budget¹⁴ for this same period reported budgeted expenditures of \$714,353. However, as a result of City personnel providing incorrect budget information to the auditors of the financial statements, the audit reported that the City over expended five budget expenditure categories by a total of \$26,855.

In response to our inquiries, City personnel indicated that the individuals who prepared the budgetary statement presented in the audited 2015-16 fiscal year financial statements are no longer employed by the City and, therefore, they did not know why the audit report budget amounts did not agree with the final budget approved by the City Commission.

Failure to properly prepare the budgetary statement included in the City's audited financial statements provides the reader with inaccurate budgetary information and may cause the reader to draw incorrect conclusions regarding whether City expenditures exceeded the legally adopted budget.

Recommendation: The City should ensure that the accurate final amended budget amounts are used to prepare the budgetary statement included in the audited financial statements.

Finding 13: Petty Cash Fund

Previously Reported

City procedures could be enhanced to ensure records are maintained to document the authorized public purpose of petty cash fund replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

We recommended that the City enhance procedures to ensure records are maintained to document the authorized public purpose for petty cash replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

Results of Follow-Up Procedures

The City partially corrected this finding. In June 2016, the City adopted a resolution¹⁵ that established guidelines and procedures for handling petty cash. To determine whether petty cash controls were adequately designed, implemented, and effective to ensure petty cash transactions were appropriately documented and approved, we examined City records supporting the 40 disbursements totaling \$798 for 6 petty cash reimbursements during the period July 2016 through November 2017. While the petty cash disbursements and reimbursements were independently reviewed and approved of record, our examination disclosed that:

- The City did not maintain supporting documentation for 2 disbursements totaling \$12. As a result, City records did not evidence that the disbursements served a valid public purpose.
- A \$50 petty cash advance was issued for travel expenditures that included food, parking, and tolls. However, City petty cash procedures specifically prohibit petty cash use for travel

¹⁴ City of Archer Resolution No. 2016-53.

¹⁵ City of Archer Resolution No. 2016-11.

expenditures except for tolls, unless other travel-related costs for the same trip are incurred, in which case all travel expenditures associated with the trip, including the tolls, must be processed on a travel authorization form.

Although specifically prohibited, according to the Administrative Services Coordinator, the petty cash advance was given because the traveler did not have enough money to cover the upfront travel expenditures, and the City Manager approved the advance with the stipulation that all invoices be submitted to justify and support the expenditures.

Since cash is highly susceptible to misappropriation, it is essential that controls be established to document the authorized public purpose for petty cash fund replenishments and related disbursements and that petty cash fund transactions be independently reviewed and approved.

Recommendation: The City should continue to enhance procedures to ensure records are maintained to document the authorized public purpose for petty cash disbursements. Additionally, in accordance with City procedures, petty cash should not be advanced for travel-related expenditures other than tolls.

Finding 14: Anti-Fraud Policies and Procedures

Previously Reported

The City needs to establish anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

We recommended that the City establish anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

Results of Follow-Up Procedures

The City corrected this finding. In June 2016, the City adopted anti-fraud policies¹⁶ for handling and reporting fraud, which included:

- Procedures for employee-reporting of suspected ethics and fraud violations. Including incident-reporting procedures that allow employees to report suspected fraud to their supervisor unless the supervisor or City Manager is involved, in which case the individual should report suspected fraud to the City Attorney.
- Responsibilities for investigating suspected violations.
- Protections for the reputation of persons suspected but not found guilty of fraud.
- Consequences for fraudulent behavior.

¹⁶ City Resolution Number 2016-13.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the City of Archer (City) and issued our report No. 2016-197 in June 2016. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of that report, appropriate follow-up procedures to determine the City's progress in addressing the findings and recommendations contained within report No. 2016-197.

We conducted this follow-up audit from January 2018 to June 2018 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up 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.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses 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.

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up 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 the 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.

Our audit included transactions, as well as events and conditions, occurring during the audit period of July 2016 through November 2017, and selected City actions taken prior and subsequent thereto. Our audit included the examination of pertinent City records and transactions, inquiry of City personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning the relevant population value or size and quantifications relative to the items selected from examination.

Specifically, we:

- Reviewed applicable laws, rules, regulations, City ordinances, and City policies and procedures and interviewed City personnel to gain an understanding of the City's processes.

- Evaluated City policies and procedures for business-related functions during the audit period to determine whether the established policies and procedures provided adequate and sufficient controls over water services, personnel and payroll, procurement of goods and services, budgets, and petty cash.
- Evaluated City policies and procedures regarding the collection and recording of utility payments, to determine whether the City had established adequate separation of duties or had implemented effective compensating controls.
- Examined City personnel files for the eight employees as of November 30, 2017, to determine whether the files contained appropriate documentation including position classification and the basis for salary payments and documentation of employee-approved payroll deductions and whether employee performance evaluations were conducted for each applicable employee in accordance with City policies.
- For the two employees hired during the audit period, requested for examination evidence of the requisite education and work experience to determine whether employees met the minimum education and work experience requirements according to job position descriptions and whether City personnel documented independent verification of those requirements.
- From the 39 payroll periods included in the audit period containing 172 uses of employee sick and annual leave, examined documentation for 89 uses of leave occurring during 20 payroll periods to determine whether such usage complied with City policies and procedures.
- Examined City records supporting sick leave accrued for the City's ten employees during the period July 2016 through November 2017 for compliance with City policies and procedures.
- Examined City records for the two employees who separated from City employment during the audit period to determine whether the employees were paid for unused sick leave balances.
- Evaluated City efforts to recover the \$2,938 of unused sick leave payment improperly made to the former City Manager and disclosed in our report No. 2016-197.
- Examined City payroll records for the ten individuals employed during the audit period to determine whether the City provided any payroll advances.
- For the 135 overtime payments totaling \$14,373 during the audit period, examined documentation for 25 overtime payments totaling \$2,733 to determine whether overtime was earned and calculated in accordance with City policies and procedures. Additionally, we evaluated City efforts to collect the \$187 improperly paid to the former Assistant City Manager as overtime and disclosed in our report No. 2016-197.
- Examined City records supporting payments for goods and services exceeding the City's \$2,500 competitive procurement threshold and totaling \$75,710 to eight vendors during the audit period to determine whether the City complied with its competitive procurement policies and procedures.
- Examined the 11 payments totaling \$20,533 for professional services incurred during the audit period to determine whether the City entered into contracts for those services and whether the contracts contained the essential contract elements.
- Examined City records supporting 131 selected credit card transactions totaling \$17,826 and 44 fuel purchasing card transactions totaling \$1,392 made during the audit period to determine whether expenditures were made in accordance with City policies and procedures. Also, we evaluated City policies and procedures for the assignment and use of credit cards and fuel purchasing cards to determine whether such policies and procedures were adequate to prevent and detect improper purchases.
- For the 38 travel expenditures totaling \$8,535 during the audit period, examined documentation for 20 expenditures totaling \$5,752 to determine whether expenditures were made in accordance with applicable State laws, City ordinances, and City policies and procedures.

- Examined the Commission-approved budgets and applicable City records for the 2015-16 and 2016-17 fiscal years for compliance with State law. Specifically, we compared the beginning fund balance amounts on the original budget resolutions to ending fund balances from the respective prior fiscal years to determine whether prior year fund balances were accurately brought forward. Also, we compared the final 2015-16 fiscal year budget to actual 2015-16 fiscal year expenditures to identify any over expenditures.
- Examined City records supporting the 40 petty cash disbursements during the audit period totaling \$798 for compliance with City policies and procedures and to determine whether the disbursements were adequately supported, independently reviewed and approved, and served a valid public purpose.
- Evaluated City anti-fraud policies to determine whether the policies contained necessary elements to be effective.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

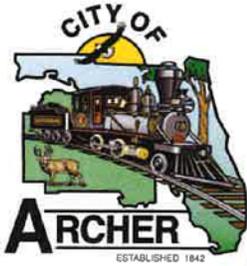
AUTHORITY

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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



CITY OF ARCHER

Mayor: Iris Bailey
Vice-Mayor: Joan White

Commissioners

Fletcher Hope
Wade Wheeler
Melanie Wells

City Manager

Charles A. "Tony" Hammond

December 18, 2018

Auditor General
State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Preliminary and Tentative Audit Findings and Recommendations:

Dear Sherrill F. Norman, per your request on 11/21/2018, the following attached information is provided pursuant to Section 11.45(4)(d), Florida Statutes.

Should you have any additional questions, please feel free to contact me at 352-495-2880 or by email at ibailey@cityofarcher.com

Respectfully,

A handwritten signature in blue ink that reads "Iris Bailey". The signature is written in a cursive style.

Iris Bailey, Mayor
City of Archer

16870 SW 134TH AVE., P.O. BOX 39 - ARCHER, FLORIDA 32618-0039
Tel: (352)495-2880 Fax (352)495-2445

City of Archer

State Audit Follow-up Responses

Finding 1: Although our limited staff does not allow for appropriate separation of all duties it is at the City Managers direction that the Utility Clerk collect and record payments immediately upon receipt, the Accounting Technician verifies the daily transactions and cash received from customers on a daily basis ensuring all funds are accounted for and the Administrative Services Coordinator verifies all transactions and makes the final deposit. In the absence of one or more, the City Manager may fill in or the Utility Clerk or Accounting Technician may fill in.

Finding 2: The City Commission directed the new City Manager to develop a new Personnel Policy as well as new job descriptions. These documents are in the process of being reviewed by the Commission right now, in addition a new verification process has been established that verifies all new hires to include educational and experience requirements. In addition, there is a requirement for a background check on all new hires and an annual review of personnel records for forms and accuracy. This will be conducted on the anniversary date of hire for each employee.

Finding 3: The City Manager and/or Public Works Director are required to sign all leave request and only the City Manager can approve overtime and overtime payments and their accuracy. A new Personnel Policy has been developed and is before the Commission which sets guidelines for leave and earning, lunch breaks, overtime, approval of overtime and compensation as well as record keeping. The recovery of the overtime payment identified above was not advised by the attorney as it was not cost effective. Compensation for those underpaid will be taken care of.

Finding 4: Agreed.

Finding 5: Agreed.

Finding 6: The new City Manager has adopted a new evaluation form and each employee has had a current evaluation, new/probationary employees have had an evaluation at the 90-day mark as required, and the permanent employees have had one completed on their anniversary month. The Deputy City Clerk ensures each evaluation is filed in the Personnel Record and the City Manager maintains a copy on his computer as the originator. Each evaluation indicates suggested improvements and educational training that might be beneficial for both the employee and the City of Archer.

Finding 7: Agreed.

Finding 8: Fuel cards have been issued to each vehicle and each mower and each employee has their own personal Pin. On the monthly statement, their pin indicates the amount of fuel purchased, for what vehicle, and at what cost and purpose. Receipts are signed and turned in on a daily basis and marked for the given purpose/vehicle.

On September 10, 2018 a new Purchasing Policy and Procedures Manual was adopted which established new guidelines for all credit card purchases and record keeping, in addition the requirement of maintaining all receipts and other documentation to support credit card purchases and demonstrate that the expenditures were reasonable and for public service and a City sales tax exemption certificate is assigned to each credit card that is issued. The cancellation of credit cards assigned to employees who have separated from the City has been taken into task by the new City Manager.

Finding 9: The City Manager developed a Purchasing Policy and Procedures Manual that was adopted on 09/10/2018 which contained detailed guidelines on travel requirements and reporting procedures. These guidelines require the use of travel vouchers and forms by all employees to demonstrate that all expenditures are for official City business and comply with State law. This policy will be reviewed and updated annually on its anniversary month to include all associated forms.

Finding 10: Agreed.

Finding 11: The budget procedures for each fiscal year includes ensuring that the accurate fund balances are brought forward from prior fiscal years this is accomplished in the December meeting after all of the charges and accounting statements have been received and processed for the previous fiscal year.

Finding 12: The City will ensure that the final amended budget amounts are used to prepare the budgetary statement included in the audited financial statement. The new Accounting Technician is aware of the importance of this issue and this information was provided to the Commissioners at the 12/10/18 meeting.

Finding 13: A new Petty Cash Policy was adopted on 08/15/2018 and other guidelines were set up in the Purchasing Policies and Procedures Manual that was adopted on 09/10/2018. Both of these policies establish all the requirements for the use and accountability of the Petty Cash Fund.

Finding 14: Agreed.