

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-016
September 2020

TOWN OF CARYVILLE



Sherrill F. Norman, CPA
Auditor General

Council Members and Town Clerk

During the period October 2017 through March 2019, the following individuals served as Town of Caryville Council Member or Town Clerk:

Larry Palmer, Council Chairman from 2-12-19^a
Millard French, Council Chairman through 12-11-18^a
William Pate, Council Vice-Chairman and
Acting Council Chairman 12-12-18, through 2-11-19
Henry Chambers, Council Member
Mary Pate, Council Member from 11-14-17
Tommie Pittman, Council Member through 11-13-17
James Taylor, Appointed Council Member from 1-8-19^b
Kent Taylor, Town Clerk from 1-8-19^c
Suzanne Floyd, Town Clerk through 12-10-18^c

^a Council Chairman position was vacant 12-12-18, through 2-11-19.

^b Council member seat was vacant 12-12-18, through 1-7-19.

^c Town Clerk position was vacant 12-11-18, through 1-7-19.

The team leader was Walter K. Cunningham, CPA, and the audit was supervised by Derek Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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TOWN OF CARYVILLE

SUMMARY

This operational audit of the Town of Caryville (Town) focused on selected Town processes and administrative activities. Our audit disclosed a pervasive lack of adequate controls necessary to promote and encourage compliance with State laws, Town ordinances and regulations, contracts, grant agreements, and other applicable guidelines; reliability of records and reports; and the safeguarding of assets.

Finding 1: According to the financial audit report for the 2016-17 fiscal year, the Town's most recent audit as of June 2020, the Town had experienced deteriorating financial conditions. In addition, due to inadequate and incomplete financial records, the Town's financial condition as of June 2020 could not be determined.

Finding 2: Comprehensive policies and procedures to govern and direct Town activities, functions, and transactions had not been established and maintained for many operational areas.

Finding 3: Contrary to Government Finance Officers Association best practices, the Town had not, as of June 2020, established General Fund unrestricted fund balance requirements and Water and Garbage Fund working capital target amounts.

Finding 4: The Town did not timely obtain a 2016-17 fiscal year financial audit and, as a result, the Department of Revenue (DOR) withheld \$7,397 from the Town, including \$4,030 for half-cent sales tax revenues and \$3,367 for municipal revenue sharing revenues. The 2016-17 fiscal year financial audit report was filed with the Auditor General in June 2019, 345 days late. The DOR released the municipal revenue sharing revenues to the Town after the audit report was filed; however, according to the DOR, the Town could not recover the \$4,030 as the financial audit was untimely.

Finding 5: Financial reports and related records were not always in agreement, increasing the risk of undetected errors, misappropriation, and fraud. For example, for the period October 2017 through March 2019, the profit and loss statement report included Town fund expenses totaling \$296,964, which was \$106,242 more than the recorded general ledger amount.

Finding 6: Bank account reconciliations were not always timely performed.

Finding 7: Town records did not always demonstrate that water customers were correctly assessed for water use because some water meters were broken and inoperable and Town procedures did not always ensure timely collection of delinquent water bills.

Finding 8: Incompatible duties were not effectively separated and controls did not exist to compensate for those duties.

Finding 9: The Town did not timely remit required payroll taxes totaling \$39,952 to the Internal Revenue Service (IRS) for the 13 quarters ending June 30, 2015, through June 30, 2018. As a result, the Town had to pay interest totaling \$3,034 and late payment penalties totaling \$2,125 to the IRS.

Finding 10: Town records did not always evidence support for time worked by Town personnel.

Finding 11: Town policies did not set forth guidelines and procedures for establishing and maintaining appropriate controls over capital assets, including tangible personal property, and to help evaluate the adequacy of, and provide sufficient, capital asset insurance.

Finding 12: The Town had not codified or otherwise retained comprehensive records of Town ordinances and resolutions, contrary to State law.

Finding 13: Town Council meetings were not always properly noticed, contrary to State law, and minutes of the meetings did not always evidence review and approval.

BACKGROUND

In 1917, the Town of Caryville (Town) was incorporated as a municipality. State law¹ abolished the Town in 1955 and reincorporated it in 1965.² The Town is located in Washington County, comprises 3 square miles of land, and has a population of approximately 300 residents.³

The Town is governed by the Town Council composed of five Council members who are typically elected but may be appointed by the majority vote of the Council members.⁴ The Town Council is responsible for enacting ordinances, resolutions, and policies governing the Town, as well as appointing the Town Clerk. The Town Clerk is responsible for the administration of all Town affairs and carrying out policies adopted by the Council.

The Town provides citizens with services for general government, recreation, water, and garbage. The Washington County Sheriff's Office provides law enforcement services, and the Washington County Board of County Commissioners provides fire and emergency medical services.

During the period October 2017 through March 2019, the Town had three employees: a Town Clerk and two maintenance employees.

FINDINGS AND RECOMMENDATIONS

Finding 1: Financial Condition Assessment

Deteriorating financial conditions affect the ability of a local government to provide services, on a continuing basis, at the level and quality required for the health, safety, and welfare of its citizens. Auditor General rules⁵ require independent certified public accountants (CPAs) who perform a financial audit of a local governmental entity to assess the entity's financial condition. The audit report's management letter must include a statement that the CPA applied financial condition assessment procedures⁶ and, if

¹ Chapter 30646, Laws of Florida (1955).

² Chapter 65-1350, Laws of Florida (1965).

³ Florida Population Estimates for Counties and Municipalities, April 2018, Florida Legislative Office of Economic and Demographic Research.

⁴ According to the Town Government Structure and Procedures, "A vacancy of any seat of the Council will be filled at the next Council regular meeting following the vacancy, by the majority vote of the then seated Council."

⁵ According to Section 10.556(8), Rules of the Auditor General, the auditor is responsible for assessing financial condition and the methodology used is a matter of professional judgment.

⁶ Section 10.554(1)(i)(5), Rules of the Auditor General.

a deteriorating financial condition⁷ is noted, the CPA must include a statement that the entity's financial condition is deteriorating and provide a description of conditions causing the CPA to make that conclusion.

At the time of our audit fieldwork, the Town's most recent financial audit report was for the 2016-17 fiscal year. In that report, the CPA disclosed that the Town had been, and continued to be, in a state of deteriorating financial condition. The deteriorating conditions reported included a \$37,902 operating loss in the Water and Garbage Fund, General Fund expenditures exceeding revenues by \$10,897, and current liabilities exceeding current assets by \$27,573 in the Water and Garbage Fund and by \$24,504 in the General Fund. Similar deficiencies were cited in the Town's previous financial audit report (for the 2012-13 fiscal year).

According to the CPA, the Town's deteriorating financial conditions occurred because the Town experienced decreasing revenues without a corresponding decrease in expenditures. The CPA reported that, if the current trend of deteriorating conditions continued, the Town could eventually be in a state of financial emergency and unable to provide critical services to its citizens. In addition, the auditor cited certain deficient practices that resulted in, among other things, uncollected delinquent water bills and unpaid payroll taxes (see Findings 7 and 9), that could impact the financial condition assessment.

In connection with our audit, we attempted to perform an assessment of the Town's financial condition as of July 2019. However, as discussed in Finding 5, the Town's accounting records were incomplete and contained errors; therefore, an accurate assessment of the Town's financial condition could not be made. In response to our inquiries in September 2019, the Town Clerk indicated that the Town planned to continue using the services of a recently hired bookkeeping company to improve accountability and planned to establish an emergency reserve fund. Also, the Town Clerk indicated that funds were currently sufficient to operate the Town without further losses under normal circumstances. Notwithstanding these responses, given the Town's insufficient accounting records, various control deficiencies, and areas of noncompliance, there is an increased risk that the Town's financial condition continues to deteriorate.

Recommendation: The Town should take immediate action to improve the Town's financial condition. Specifically, the Town should continue efforts to establish an emergency reserve fund and improve accountability by ensuring accurate and complete accounting records are maintained. The Town should also establish appropriate revenue and expenditure monitoring processes to ensure that, when revenues decrease, expenditures decrease as well.

Finding 2: Policies and Procedures

Policies and procedures are essential to defining the responsibilities of employees and providing both management and employees guidelines necessary to ensure the efficient and consistent conduct of Town business and effective safeguarding of Town assets. In addition, policies and procedures, if properly designed, communicated to employees, and effectively placed into operation, provide management additional assurance that Town activities are conducted in accordance with applicable laws, ordinances, and other guidelines and that Town records provide reliable information necessary for oversight and

⁷ Pursuant to Section 10.554(1)(f), Rules of the Auditor General, a deteriorating financial condition is a circumstance determined as of the fiscal year end that significantly impairs a county, municipality, or special district's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 218.503(1), Florida Statutes, to occur.

decision making by management and those charged with governance. Policies and procedures also assist in the training of new employees and help hold employees accountable for their actions.

Our review of Town operations and discussions with Town personnel disclosed that the Town had not established policies and procedures for many operational areas. For example, the Town had not established policies and procedures addressing the notification of public meetings or the preparation of minutes for those meetings. Also, there were no financial policies and procedures addressing budgets, revenues, cash, expenditures, capital assets, or grant administration.

In June 2018, the then Town Clerk indicated that records may have been removed by a former Town Clerk in, or prior to, June 2016. Additionally, according to the Town Clerk in May 2019, comprehensive policies and procedures may have existed at one time and several Town records were missing from Town Hall. Instances of noncompliance or control deficiencies as discussed in various findings within this report may have resulted, at least in part, from a lack of established policies and procedures.

Absent comprehensive policies and procedures, there is an increased risk of noncompliance with laws, rules, regulations, and good business practices. In addition, the lack of policies and procedures increases the risks of errors, misappropriations, and fraud, and the risk that Town operations and service quality will not be adequate and consistent.

Recommendation: The Town should establish comprehensive policies and procedures that provide for the consistent conduct of Town business and operations in accordance with applicable laws, ordinances, rules, regulations, and good business practices. The Town should ensure the policies and procedures address those areas impacted by the noncompliance and control deficiencies discussed within this report.

Finding 3: General Fund Unrestricted Fund Balance and Enterprise Fund Working Capital Requirements

To help ensure adequate funds are available to mitigate current and future risks, such as revenue shortfalls or unanticipated expenditures, Government Finance Officers Association (GFOA) best practices recommend that governments establish a formal policy providing a level of unrestricted fund balance⁸ that should be maintained in the governments' general fund. According to the GFOA, such a policy should be set by the appropriate body (e.g., Town Council) and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific period, including how resources will be directed to replenish fund balance should the balance fall below the level prescribed. The GFOA recommends that, at a minimum, general-purpose governments, regardless of size, maintain an unrestricted fund balance in their general fund that is no less than 2 months of the regular general fund operating revenues or regular general fund operating expenditures.⁹

For similar reasons, the GFOA recommends that governments develop a target amount of working capital¹⁰ to maintain in each enterprise fund (e.g., Water and Garbage Fund) and include such targets in a formal financial policy or plan. Maintaining targeted levels of working capital in enterprise funds helps

⁸ Unrestricted fund balance, according to the GFOA, includes committed, assigned, and unassigned fund balances and represents resources that have the least spending constraints.

⁹ GFOA Best Practice: *Fund Balance Guidelines for the General Fund*, September 2015.

¹⁰ The GFOA defines working capital as current assets less current liabilities.

provide a government with a buffer for meeting obligations in the event of revenue shortfalls or unanticipated expenses relating to the applicable enterprise operations. The GFOA further recommends that, to determine the appropriate target amount, local governments should start with a baseline of 90 days' worth of working capital and then adjust the target based on the particular characteristics of the enterprise fund in question. The GFOA provides that in no case should the target be less than 45 days' worth of the fund's working capital needs. In its best practice advisory, the GFOA presents various characteristics that should be considered by a local government when determining the appropriate targets.¹¹

Our examination of Town records and discussions with Town personnel disclosed that the Town had not adopted policies that address or provide an appropriate level of unrestricted fund balance to be maintained in the General Fund or an appropriate target amount of working capital to be maintained in the Water and Garbage Fund for the purpose of mitigating risks of revenue shortfalls and unanticipated expenditures or expenses. In response to our inquiries, Town personnel indicated that policies had not been established because staff lacked the experience to develop such policies.

As noted in Findings 1 and 5, the Town's accounting records were incomplete and contained errors; therefore, an accurate assessment of unrestricted fund balance and enterprise working capital amounts could not be made. According to the Town's 2016-17 audited financial statements, at September 30, 2017, the Town reported a General Fund deficit unrestricted fund balance of \$32,504 and a Water and Garbage Fund deficit working capital of \$27,573. These deficits demonstrate that appropriate fund balances and working capital amounts were not maintained to provide financial buffers consistent with GFOA best practices. Town policies establishing and requiring the maintenance of appropriate unrestricted balances and working capital target amounts may have precluded those deficits.

Recommendation: The Town should establish policies to ensure acceptable levels of General Fund unrestricted fund balance and Water and Garbage Fund working capital amounts are maintained consistent with GFOA best practices.

Finding 4: Financial Audits

Pursuant to State law,¹² each municipality with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, which has not been subject to a financial audit the 2 preceding fiscal years, is required to obtain a financial audit of its accounts and records by an independent CPA. The resulting audit report must be filed with the Auditor General within 45 days after delivery of the audit report to the governing body of the municipality, but no later than 9 months after the end of the municipality's fiscal year.

Our examination of Town records and discussions with Town personnel disclosed that a financial audit of the Town was completed for the 2012-13 fiscal year and financial audits of the Town were not required for the 2013-14 and 2014-15 fiscal years. Additionally, Town revenues or total expenditures and expenses ranged between \$100,000 and \$250,000 for the 2015-16 fiscal year; however, the Town did not obtain the required audit because, according to Town personnel, certain records for the 2015-16 fiscal

¹¹ GFOA Best Practice: *Working Capital Targets for Enterprise Funds*, February 2011.

¹² Section 218.39(1)(g), Florida Statutes.

year were reportedly missing and the Town's former auditor expressed doubt that an audit for the 2015-16 fiscal year could be completed. In addition, the Town Clerk at the time was not willing to accept responsibility for the completeness or accuracy of the Town's records for the period prior to her employment, which included the 2015-16 fiscal year.

In December 2017, the Legislative Auditing Committee (Committee) directed the Town to obtain an audit for the 2016-17 fiscal year financial statements in lieu of an audit for the 2015-16 fiscal year. The Committee also directed the Town to prepare records for that audit, consider hiring someone with expertise in governmental accounting to review records and compile financial statements for that fiscal year, and provide a copy of an engagement letter for auditing services to the Committee by May 1, 2018. The Committee indicated that, if the Town was unable to find an auditor by that date, the Auditor General would be directed to perform the 2016-17 fiscal year financial audit. Our discussions with Town personnel and examination of Town records regarding the Town financial audits disclosed the following sequence of events:

- In April 2018, the Town Clerk informed the Committee that the Town had been unable to contact auditing firms to conduct the 2016-17 fiscal year audit due to "other issues." Since the Town Clerk at that time separated from Town employment in December 2018, Town personnel were unavailable to clarify for us what "other issues" prevented contacting auditing firms.
- In May 2018, the Committee directed the Auditor General to perform the 2016-17 fiscal year financial audit for the Town.
- In February 2019, the Committee redirected the Auditor General to end efforts to perform the 2016-17 fiscal year financial audit because Town personnel did not have the expertise to prepare financial statements and had not hired someone to prepare the statements. The Committee also directed the Town to hire a CPA to perform the financial audit and took action against the Town for failure to timely obtain a 2016-17 fiscal year financial audit by directing the Department of Revenue (DOR) and Department of Financial Services (DFS) to withhold State funds due to the Town until the Town filed the 2016-17 fiscal year audit report.
- Also, in February 2019, the Town engaged a CPA to perform the 2016-17 fiscal year financial audit.
- In June 2019, the 2016-17 fiscal year financial audit report was completed, and the Town filed the report with the Auditor General, 345 days late.
- Also, as of June 2019, the DOR and DFS had withheld half-cent sales tax revenues totaling \$4,030 and municipal revenue sharing revenues totaling \$3,367 from the Town for April and May 2019. After the audit report was filed, the DOR released to the Town the municipal revenue sharing revenues of \$3,367 because the Town filed the audit report in the same fiscal year that the funds had been withheld. However, pursuant to State law,¹³ the Town could not recover the \$4,030 in half-cent sales tax revenues as the Town did not obtain a timely financial audit.

Timely audits are necessary to provide accountability and assurance to citizens and those charged with governance; help ensure that management and those charged with governance are promptly informed of financial concerns (e.g., deteriorating financial conditions), control deficiencies, and financial-related noncompliance; and allow for timely review by appropriate Federal, State, and county oversight agencies.

Recommendation: The Town should ensure that financial audits are timely obtained and that the audit reports are timely presented to the Town Council and filed with the Auditor General by

¹³ Section 218.63 (2), Florida Statutes.

the statutorily prescribed deadline. To that end, the Town should ensure that financial statements are prepared in accordance with generally accepted accounting principles by capable employees or contracted staff and that the financial audits are conducted by independent CPAs timely selected by the Town Council.

Finding 5: Accounting Records and Related Controls

Properly designed and maintained accounting systems are necessary to ensure accurate and complete financial information is available to timely prepare financial statements in conformity with generally accepted accounting principles. To help ensure the validity and accuracy of the accounting system information and records, it is important to maintain records in sufficient detail to provide for periodic reconciliations of financial report amounts to the amounts recorded in general ledger or detailed subsidiary records and to support the amounts reported on the financial statements. According to State law¹⁴ and Department of State, Division of Library and Information Services, records retention schedules, Town financial records must be maintained for a minimum of 3 fiscal years, and certain financial records must be maintained permanently. Failure to maintain records in accordance with State law could result in City officials being subjected to certain penalties.

To gain an understanding of Town accounting records, we inquired of Town personnel, examined Town records, and found that the Town maintains accounting records on a computer using accounting software and that the Town Clerk is responsible for making accounting entries in the accounting records. We also requested for examination selected financial reports and related records, including profit and loss statements for the period October 2017 through March 2019, March 2019 balance sheets for the various funds, and corresponding general ledger and detailed subsidiary records. Our comparison of these financial reports and records disclosed several amounts that did not agree, and records were not available to explain why the differences existed. For example:

- The profit and loss statement for October 2017 through March 2019 included Town fund expenses totaling \$296,964, while the detailed general ledger for that period showed expenses totaling \$190,722, or \$106,242 less than the profit and loss statement.
- The profit and loss statement for October 2017 through March 2019 and related general ledger disclosed Water and Garbage Fund revenue of \$41,864. However, for that period, the detailed subsidiary records showed \$128,929 for the Fund revenue, or \$87,065 more than the profit and loss statement and general ledger amounts.
- The March 31, 2019, balance sheet reported accounts receivable of \$3,787; however, the detailed general ledger accounts receivable was \$13,752 at that date, or \$9,965 more than the balance sheet amount.

In response to our inquiries, Town personnel indicated that Town procedures had not been established to require and ensure the accurate recording of financial activity, periodic reconciliations of financial reports to the corresponding general ledger and detailed subsidiary records, or retention of accounting records used during the fiscal year close-out and reporting processes. In addition, Town personnel indicated that, when closing the accounting records for the 2017-18 fiscal year, several detailed records were inadvertently deleted or lost so reasons for the noted differences could not be provided.

¹⁴ Section 119.021(2)(a) and (b), Florida Statutes.

The inadequate accounting records were similarly noted by the CPA who audited the Town's 2016-17 fiscal year financial statements and issued a qualified opinion on those statements. Without complete and accurate accounting records and reports, the Town cannot demonstrate proper accountability for activities or assure citizens and oversight agencies of the appropriate stewardship of Town resources. The lack of complete and accurate records also increases the risk of undetected errors, misappropriation, and fraud.

Recommendation: The Town should establish a properly designed and maintained accounting system and related policies and procures to require and ensure the accurate recording of financial activity, periodic reconciliations of financial reports to corresponding general ledger and detailed subsidiary records, and appropriate retention of accounting records used during the fiscal year close-out and reporting processes.

Finding 6: Bank Account Reconciliations

Bank account reconciliations verify that cash amounts included in the bank statements and the Town accounting records are accurate and correct and help provide for the timely detection of errors and fraud. Effective bank account reconciliation procedures require and ensure that:

- Employees performing, reviewing, and approving the reconciliations do not have cash handling and journal entry responsibilities.
- The identities of the employees who perform the reconciliations and the employees who review and approve the reconciliations are documented to properly affix responsibility for those functions.
- Reconciling items are documented and promptly and thoroughly investigated, explained, and resolved.
- Reconciliations are timely completed and any related adjustments to Town accounting records are timely made.

During the 18-month period October 2017 through March 2019, the Town had nine different bank accounts, including the General Fund and the Water and Garbage Fund bank accounts, which accounted for most of the Town's financial activities. Two of the nine accounts were closed during that period, so as of March 31, 2019, the Town had seven bank accounts. At that date, the cash balances in those seven accounts totaled \$40,904, including \$23,715 in the General Fund bank account, \$7,681 in the Water and Garbage Fund bank account, and \$9,508 in other five accounts.

According to Town personnel, the Town Clerk who served during the period October 1, 2017, through December 10, 2018, did not prepare bank account reconciliations and, after the Town Council became aware of this, a bookkeeping company was hired in February 2019 to reconcile the bank statements to the Town records.¹⁵ For the 18-month period October 2017 through March 2019, 141 monthly bank account reconciliations¹⁶ should have been prepared and, therefore, documentation for

¹⁵ While the Town Clerk maintained records to account for deposits, disbursements, and related cash balances, the records were not sufficient to account for other account balances and transactions, such as receivables and payables, or prepare governmental fund and entity-wide financial statements in accordance with generally accepted accounting principles.

¹⁶ The 141 monthly bank account reconciliations included six accounts that remained open for the 18-month audit period, one account that remained open for 15 months during that period, and 18 reconciliations for the two accounts that were closed.

141 reconciliations should have been available upon our request in May 2019. Our examination of the documentation provided disclosed that:

- While the bookkeeping company prepared 117 of the monthly bank account reconciliations by March 2019, the number of days between the respective bank statement date and completion of the related bank account reconciliation to Town records ranged from 39 to 463 days, with an average completion date of 164 days after the applicable the bank statement date.
- The documentation did not evidence that anyone reviewed or approved the bank account reconciliations prepared by the bookkeeping company.
- 24 monthly bank account reconciliations were not performed, including 2 for the General Fund account, 4 for the Donations-Buildings account, 4 for the Community Block Grant account, and 14 for the Volunteers Fire Fighters Fund account. The average monthly balance of the General Fund account was \$19,558, based on the 16 bank statements available for our examination.

In response to our inquiry in June 2019, Town personnel indicated that policies and procedures had not been established to provide for accurate and timely bank account reconciliations. Absent such policies and procedures, there is an elevated risk that errors and fraud may occur and not be timely detected. A similar finding was noted in the 2016-17 fiscal year financial audit report.

Recommendation: The Town should establish appropriate policies and procedures to ensure that bank account reconciliations are properly and timely performed, documented, reviewed, and approved. Such policies and procedures should also require that:

- **Individuals performing, reviewing, and approving the reconciliations do not have cash handling and journal entry responsibilities.**
- **The identities of the individuals who perform the reconciliations and those who review and approve the reconciliations be documented to properly affix responsibility for those functions.**
- **Reconciling items be documented and promptly and thoroughly investigated, explained, and resolved and any necessary adjustments to Town accounting records be timely made.**

Finding 7: Water Services

The Town operated a public water system that provided water services to an average of 160 residential and commercial customers during the period October 2017 through March 2019. Water meters are used to measure and determine customer water use. During the period October 2017 through March 2019, the Town assessed water customers a total of \$61,713 based on billing rates established in Town ordinances and resolutions.¹⁷ In-town customers are assessed a monthly minimum fee of \$19.30 for the first 3,000 gallons used and \$5 for each additional 1,000 gallons. Out-of-town customers are assessed a monthly minimum fee of \$24.13 for the first 3,000 gallons used and \$5 for each additional 1,000 gallons.

Town ordinances provide that each water service customer is to pay for the water used each month as assessed by the Town on or before the 10th day of the following month. Payments made after that date shall include a 10 percent penalty based on the customer's outstanding balance. In addition, water bills not paid on or before the 10th day of the following month will cause customer water service to be

¹⁷ Town of Caryville Ordinance No. 17-01 and Resolution No. 17-8. The in-town and out-of-town billing rates were effective July 15, 2018.

discontinued and a separate assessment to customers for the reconnection of water services. The Town Clerk is responsible for all aspects of the water billing process, including the production and mailing of invoices, collection of cash from water customers, updating of accounting records, assessment of penalties, and notification to Town maintenance personnel to discontinue customer water service for nonpayment.

To determine whether the Town appropriately assessed water service customers for the period October 2017 through March 2019, we analyzed billing data and found that water rates prescribed by ordinance were generally applied. On average, 156 water accounts were assessed the monthly minimum fee, including 29 accounts that did not have any recorded water usage, and 5 water accounts were assessed amounts exceeding the monthly minimum fee.

In response to our inquiries, Town management indicated that many water meters were broken and inoperable and, as such, water customers were usually assessed the minimum rate even though water use may have exceeded 3,000 gallons. As a result, Town management cannot demonstrate that customers were correctly assessed for water use and that all revenues related to that use were properly collected and recorded. Town management indicated that applications were being made for a Community Development Block Grant and a USDA-Rural Development matching grant to assist with replacing broken and inoperable water lines and meters.

Additionally, as shown in Table 1, our analysis disclosed 92 delinquent water accounts (i.e., accounts unpaid after the 10th day following the billing month) with balances totaling \$12,999 as of March 31, 2019.

Table 1
Delinquent Water Accounts
As of March 31, 2019

Amount Outstanding	Number of Accounts	Total
\$501 to \$1,000	5	\$3,641
\$100 to \$500	31	\$7,099
Less than \$100	56	\$2,259
Total	92	<u>\$12,999</u>

Source: Town records.

During the period October 2017 through March 2019, the Town Clerk directed the maintenance workers to disconnect water service to 16 water accounts for nonpayment. In response to our inquiry in June 2019, Town management indicated that they were unaware why only 16 delinquent accounts were disconnected but that efforts were being made to ensure actions to collect unpaid bills are applied as uniformly as possible. Insofar as the 92 delinquent water accounts as of March 31, 2019, represented over 50 percent of the total water accounts, Town collection efforts have not been effective.

Absent accurate assessments for water use and appropriate actions to help collect amounts due from customers, less resources may be available for Town operations, which may have contributed to the Town's financial difficulties and culminate in the Town's inability to meet its fiscal obligations. A similar finding was noted in the 2016-17 fiscal year financial audit report.

Recommendation: The Town should continue efforts to replace broken and inoperable water meters to help ensure that customer use of water services is accurately assessed. In addition, the Town should take prompt and appropriate actions to collect amounts due for water services. Such actions should include assessing the 10 percent penalty on unpaid balances and disconnecting water services when accounts remain delinquent.

Finding 8: Separation of Duties

Governmental organizations, to the extent possible with existing personnel, should separate duties so that no one employee has control over all phases of a transaction. For example, no one employee should have access to physical assets and recordkeeping responsibilities for those assets. When a sufficient number of administrative employees are not available to appropriately separate duties, compensating controls should be implemented, such as reassignment of functions to non-administrative employees, contracted vendors, or Council members and enhanced monitoring by the Town Council, to partially mitigate the financial risk.

Our review of Town records and discussions with Town personnel disclosed that duties were not always appropriately separated among employees or Town officials. Specifically, the Town Clerk, who is the Town's only administrative employee, prepares and sends invoices for water and garbage services, collects cash and checks as payment, records payments to customer accounts, prepares related bank deposits and deposits the funds into the applicable bank account, and records the deposits in the accounting records. As such, the Town Clerk has control over the collection process and could divert collections for unauthorized purposes without timely detection. Although we requested, Town records were not provided to evidence any efforts to provide compensating controls to mitigate this weakness.

Without compensating controls, inadequate separation of duties increases the risk that errors or fraud could occur and not be promptly detected and resolved.

Recommendation: The Town should enhance procedures to separate cash collection and recordkeeping duties to the extent possible. If a sufficient number of personnel are not available to adequately separate these duties, appropriate compensating controls should be implemented.

Finding 9: Unpaid Payroll Taxes

Federal law¹⁸ requires employers to withhold from employees' pay certain taxes, including Federal income tax, Social Security tax, and Medicare tax. Employers must quarterly file Form 941 with the Internal Revenue Service (IRS) to report wages paid, Federal income tax withheld, and both the employer and employee share of Social Security and Medicare taxes withheld. The amounts withheld and reported are to be remitted by employers to the IRS on a monthly basis.

Our examination of Town records and discussions with Town personnel disclosed that the Town did not timely file Form 941 nor timely remit payroll taxes to the IRS for the 13 quarters ending June 30, 2015, through June 30, 2018. In response to our inquiry, the Town Clerk indicated that the Town Council did not become aware of the unpaid taxes until February 2019 when IRS delinquent tax notices were received by the Town after the former Town Clerk left employment in December 2018. In March 2019, the Town

¹⁸ Title 26, Section 3111, Code of Federal Regulations.

Council submitted a letter to the IRS acknowledging the unpaid taxes and requesting that a payment plan be put into place to allow the Town to pay those taxes and associated interest and penalties. Subsequently, in March 2020, the Town paid the IRS \$45,111, including interest totaling \$3,034 and penalties totaling \$2,125.

Failure to timely file and remit payroll taxes resulted in the Town unnecessarily incurring IRS fees and penalties, further contributing to its deteriorating financial condition.

Recommendation: The Town should establish procedures to ensure that payroll taxes are timely reported and paid.

Finding 10: Payroll and Personnel Administration

Effective payroll policies and procedures ensure payroll transactions are processed accurately and consistently in accordance with applicable laws and Town Council directives. Such policies and procedures should address, among other things, the calculation and determination of amounts payable to employees for their work based on records that substantiate the time worked and evidence review and approval by knowledgeable supervisory personnel.

The Town's three employees record their arrival and departure times and hours worked on timecards. On a weekly basis, the Town Clerk enters hours worked based on the employee-completed timecards into the payroll system, which calculates the payment amounts and generates paychecks for the three employees. Prior to receiving their paychecks, the employees are required to compare the hours recorded on their timecards to the hours on their pay remittances and sign their timecards as an assertion that the amount paid is correct based on the hours worked. According to the Town Clerk, as an additional control, the Vice Chairman weekly reviews the employee timecards and assigns work to two maintenance workers and daily monitors the progress made by the maintenance workers. Additionally, the Town Clerk indicated that the Vice Chairman visits Town Hall daily to see that the employees, including the Town Clerk, are on assignment and working.

As part of our audit we requested for examination documentation supporting 25 payroll checks totaling \$6,714 selected from the 132 payroll checks totaling \$42,920 issued during the period October 2017 through March 2019. However, for 18 payroll checks, timecards were not provided to document the employees' hours worked because, according to the Town Clerk, the timecards could not be located. Without the underlying timecards, the Town is unable to demonstrate that the payroll expenditures were for authorized work and in the proper amounts.

Recommendation: The Town should enhance procedures to ensure that properly completed and approved timecards are maintained to support payroll transactions.

Finding 11: Capital Assets

Effective controls over capital assets, including tangible personal property (TPP), are necessary to adequately safeguard and account for Town assets. Appropriate controls should include, for example, the maintenance of capital asset records that reflect asset beginning balances, acquisitions, additions, disposals, and ending balances. Additionally, at least annually, an inventory of the TPP items should be conducted and reconciled to TPP subsidiary records. Such controls help ensure that TPP is used for

intended purposes and not inappropriately removed from the entity's premises. A proper and accurate accounting of TPP and other capital assets is also useful in determining appropriate levels and types of insurance needed to protect those assets.

The 2016-17 fiscal year audited financial statements provide that capital assets have an estimated life over one year and a cost, or value if donated, of \$5,000 or more. According to Town personnel, as of October 2019, the Town had capital assets including land, buildings, water utility infrastructure, and TPP consisting of a garbage truck and a lawn mower. However, the Town had not established subsidiary records to account for those assets.¹⁹ Also, Town management indicated that, while they retained and recorded the deeds for all land and buildings, they did not maintain records cataloging those properties in a manner to reflect dates of acquisition or addition or dates of disposition. Further, Town management indicated that they rely on the Town's insurer, Florida Municipal Insurance Trust,²⁰ to assess and determine the needed property insurance levels. However, given the inadequacy of the property records, the Town had limited assurance that the Town had sufficient insurance levels.

Absent effective controls to account for capital assets, including periodic TPP inventories, reconciliations of the inventory results to subsidiary records, and appropriate adjustments to insurance levels based on those procedures, there is an increased risk that the items may be misused or stolen and for capital asset insurance to be insufficient. A similar finding was noted in the 2016-17 fiscal year financial audit report.

Recommendation: The Town Council should adopt policies for establishing and maintaining appropriate controls and records for and capital assets, including TPP. After adoption, Town personnel should follow the adopted policies and use the established records to help evaluate the adequacy of, and provide sufficient, capital asset insurance.

Finding 12: Town Ordinances and Resolutions

State law²¹ requires that every local government ordinance or resolution shall, upon its final passage by the governing body, be recorded in a book kept for that purpose and shall be signed by the presiding officer and clerk of the governing body. According to the State's records retention schedules,²² records documenting municipal ordinances and resolutions must be retained permanently. The State's record retention schedules apply to records regardless of the format in which they reside. Therefore, records created or maintained in electronic format are required to be retained in accordance with the minimum retention requirements prescribed in the schedules.²³

In May 2019, as part of our audit, we requested a codification, or equivalent record, of Town ordinances and a record of all resolutions; however, such codifications and records were not provided. Upon inquiry,

¹⁹ Although subsidiary records were not maintained, based on the Town's most recent audited financial statements, the Town's TPP was reported at a value of \$57,342 and land and buildings were reported at a value of \$1,056,737, as of September 30, 2017. Notwithstanding, due to inadequate records, the auditor of those financial statements was unable to conclude whether those balances were fairly stated.

²⁰ Florida Municipal Insurance Trust is a nonprofit, tax exempt risk sharing pool that provides insurance for public entities in the State.

²¹ Section 166.041(5), Florida Statutes.

²² *State of Florida General Records Schedules GS1-SL for State and Local Government Agencies*, Item #s 228 and 297.

²³ *State of Florida General Records Schedules GS1-SL for State and Local Government Agencies*, General Information and Instructions, Section V. Electronic Records.

Town management indicated that records of the ordinances and resolutions existed at one time; however, many records are missing from Town Hall. According to Town management, since the ordinances and resolutions were not backed-up electronically, the Town cannot reproduce the documents. Subsequent to our inquiry, in October 2019 Town management indicated that a portion of the ordinances and resolutions were located and organized into a binder.

Records of Town ordinances and resolutions are necessary to document for historical and ongoing managerial and administrative purposes those activities, functions, programs, and events that are appropriate and allowable. Such records are necessary to provide current and future Town Councils a basis to properly and consistently govern the Town and a basis for Town employees to properly administer Town business. Additionally, such records provide the Town's citizenry an understanding of the Town's governance decisions and a means to hold the Town Council and personnel accountable for their actions. Absent a complete codification or other comprehensive record of Town ordinances and resolutions that are available to the public for inspection, the Town Council, employees, and citizens have limited assurance that Town actions are always appropriate and consistent.

Recommendation: The Town should codify and otherwise maintain and make available for public inspection comprehensive records of ordinances enacted and resolutions adopted by the Town Council. Backups of those records should be prepared, retained, and safeguarded. We also recommend that the Town continue efforts to recover records of prior ordinances and resolutions.

Finding 13: Town Council Meeting Notices and Minutes

State law²⁴ requires the Town to provide reasonable notice of all Town Council meetings and that the minutes of those meetings be promptly recorded and open to public inspection.²⁵ During the period October 2017 through March 2019, the Town Council held 24 meetings, generally composed of a required regular meeting on the second Tuesday of each month and occasional special meetings. However, we found that the Town does not have policies and procedures addressing the noticing of public meetings or the recording and approval of meeting minutes and Town records did not always demonstrate compliance with the requirements for meeting notices and minutes. Specifically:

- Although we requested, Town personnel were unable to provide evidence that the meetings were noticed in accordance with State law.²⁶ According to Town personnel, notices of regular and special meetings were posted at Town Hall, the local post office, and local stores; however, we were unable to determine if the meetings were properly noticed as the Town did not maintain records of those meeting notices. Failure to provide adequate notice of Town Council meetings limits the general public's opportunity to appear and present their views on matters that might affect their rights and to otherwise be aware of and participate in Town affairs.
- Although meeting minutes were prepared and approved by the Town Council at subsequent meetings, minutes for 22 of the 24 meetings were not signed by the Town Council Chairman and

²⁴ Section 286.011(1), Florida Statutes.

²⁵ Section 286.011(2), Florida Statutes.

²⁶ *Government in the Sunshine Manual 2019 Edition*, Part I(D)(4)(a) outlines what reasonable notice may include, including but not limited to, the time and place of the meeting, an agenda for the meeting prominently displayed and provided at least 7 days prior to the meeting, and provision of press releases to the local news media.

Town Clerk. Signatures by the Chairman and Town Clerk serve to document that the minutes as recorded and approved by the Town Council are the Town's official minutes.

The Town's charter does not contain requirements for noticing Town Council meetings or for the recording and approval of minutes of those meetings. In addition, as discussed in Finding 12, because a complete record of Town ordinances and resolutions was not available for examination, the Town could not demonstrate that any ordinances or resolutions included provisions related to noticing Town Council meetings or the recording and approval of meeting minutes.

Recommendation: The Town should ensure that reasonable notice is provided for Town Council meetings and documentation is maintained to evidence such notice. In addition, the Town should establish policies and procedures for review and approval of Council meeting minutes, and such policies and procedures should require that all Town Council meetings minutes be signed by the Council Chairman and Town Clerk upon Town Council approval of the minutes.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational 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(2)(j), Florida Statutes, the Legislative Auditing Committee, at its February 7, 2019, meeting, directed us to conduct this operational audit of the Town of Caryville.

We conducted this operational audit from May 2019 through August 2019 and during June 2020 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.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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.

As described in more detail below, 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 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 the selection and examination of transactions and records for the audit period October 2017 through March 2019, and selected transactions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically 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, personnel, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws and contracts, and interviewed Town personnel to gain an understanding of the Town's processes and to determine whether the Town had established effective policies and procedures for major Town functions, such as public meeting notices, grant administration, finance, banking, capital assets, revenues and cash receipts, payroll, and procurement.
- Examined minutes of Town Council meetings held during the audit period to determine the propriety and sufficiency of actions taken relative to the programs, activities, and functions included in the scope of this audit.
- Determined whether the Town prepared and adopted a budget and related amendments for the 2018-19 fiscal year and the budget appropriately included all funds.
- Determined whether payroll taxes for the audit period were timely reported and remitted to the Internal Revenue Service.
- Inquired of Town personnel and examined Town records to determine whether adequate internal controls and records had been established to promote accountability for the Town's transactions and events.
- Examined selected financial reports and related records, including profit and loss statements for the period October 2017 through March 2019, the March 2019 balance sheets for the various funds, and corresponding general ledger and detailed subsidiary records to determine whether Town's accounting records and reports were complete and accurate.
- Requested records necessary to assess the Town's financial condition as of July 2019.

- Determined whether the Town, as of March 2019, maintained an unrestricted budgetary fund balance within the General Fund and a target amount of working capital within the enterprise funds as recommended by GFOA Best Practices.
- Determined whether the Town had established adequate banking controls to ensure:
 - The number of bank accounts held by the Town were reasonable and necessary.
 - The Town maintained banking agreements for all bank accounts.
 - Bank account balances were timely reconciled to the general ledger and the reconciliations contained evidence of supervisory approval.
 - All Town bank accounts were held in a qualified public depository and all necessary documentation was filed with the Florida Chief Financial Officer.
 - Public depositories were designated and approved by the Town Council.
- From the 485 nonpayroll checks totaling \$291,659 issued by the Town for the audit period, examined 92 selected checks totaling \$46,614 issued in December 2017, June 2018, and March 2019 to determine the reasonableness of the payments and applicable vendors and whether authorized Town officials signed the checks.
- Determined whether, during the audit period, the Town had adequate controls established over the acquisition, disposition, accountability, and safeguarding (including adequate insurance) of capital assets.
- Interviewed Town personnel to gain an understanding and evaluate the process for any capital asset disposals, including land, during the audit period.
- Interviewed Town personnel to determine whether any major software purchases were made during the audit period and, if so, the propriety of the purchasing process and whether the purchase enhanced the Town accounting records.
- Examined Town water assessment records for the audit period and documentation of the subsequent receipts for the Town's water accounts, which averaged 160 accounts during that period, to determine whether customers were accurately charged for water use and services.
- Examined Town records supporting 25 payroll transactions totaling \$6,714 selected from the 132 payroll transactions totaling \$42,920 during the audit period to determine compliance with applicable laws, rules, regulations, and other guidelines.
- Determined whether the Town's payroll deductions and matching contributions during the audit period were promptly remitted to the appropriate entity.
- Reviewed payment, invoice, and other records supporting the Town's 2016-17 fiscal year audit to determine whether audit services were procured in accordance with State law, related payments complied with amounts specified in the engagement letter, and there were any consequences for an untimely audit.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

TOWN OF CARYVILLE
4436 OLD SPANISH TRAIL
CARYVILLE, FL 32427

August 31, 2020

Ms. Sherrill F. Norman
Office of the Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

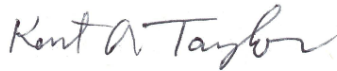
Dear Ms. Norman,

In accordance with Section 11.45(4)(d), Florida Statutes, I am enclosing the response to the preliminary and tentative findings contained in the audit of the Town of Caryville. This response reflects specific actions being taken and those contemplated to address the finding of the report.

The Town of Caryville is committed in our responsibility to the community by providing a full accounting of our actions and to the State Legislature for its continued support. We appreciate the opportunity to review your report and will use it to address our policies and procedures.

If you need additional information or clarification, please feel to contact me by telephone, email or by mail.

Sincerely,



Kent A. Taylor
Town Clerk
(850) 548-5571
admin@caryvillefl.com

**TOWN OF CARYVILLE
RESPONSE TO
PRELIMINARY AND TENTATIVE AUDIT FINDINGS
August 31, 2020**

Finding 1: While the Town's financial condition has deteriorated, it is slowly returning to normal, as the current Town Council recognizes the need for financial austerity and expenses are being held to a minimum. Also the Town Council supports the Emergency Fund allocation. Fund Raising activities with the minor enterprise fund, which complements and reduces pressure on the General Fund were significantly increased last year but dramatically slowed this year due to COVID-19. Incomplete financial records should not be a problem in the future and monitoring processes are being established and will be documented in our Policies and Procedures manuals.

Finding 2: Previous clerks evidently did not maintain a set of Policies and Procedures for Town activities in the past and probably did not know they were required. We are currently collecting procedural data and forms as need arises and will soon begin the process of implementing a formal set of Procedures, along with a set of Policies to guide Management (Chairman & Vice Chairman at this time) Clerks, and Maintenance in the performance of their duties.

Finding 3. Unrestricted General Fund balance requirements and Water & Garbage Working Capital Target amounts are expected to be set up in the next Budget Meeting in September (exact date not yet set) to reflect GFOA best practices.

Finding 4. The Town is committed to performing regular, timely audits by an Independent CPA and ensuring that timely and accurate financial reports are produced. Unfortunately we are also late for the 2018-2019 audit because Mr. Joseph Jones, CPA who performed our 2016-17 audit began to experience failing health and retired mid-stream in the audit. The Town Council engaged a replacement auditor (Edward Chapman, CPA) to finish the audit. Mr. Chapman should have the 2018-2019 audit finished very soon.

Finding 5. To address this issue, the Town hired a professional bookkeeper (Lois Robinson of Private Bookkeeping Solutions, LLC to organize the office, who has installed new software (QuickBooks Desktop Pro 2019) and set up new office files to avoid lost records. After this the Town hired Mrs. Robinson to perform monthly oversight on the books. Periodic (Monthly) Reconciliations of financial reports to corresponding general ledger are performed by the private Bookkeeping service. Policies and procedures are to be established to ensure accurate accounting and record retention.

Finding 6. The Private Bookkeeper now routinely performs the Bank Reconciliations as one of her duties on a monthly basis, performing journal entries as needed to facilitate Reconciliation. Routine journal entries and cash handling is the Clerk's responsibility. Policies and Procedures will be established concerning the Bank reconciliations, review and approval.

Finding 7. A USDA-RD grant has been secured that includes replacing all water meters. We are working with those customers that appear to make an effort and enforcing collection on those that stop paying. Water and Garbage collections and procedures are significantly improved. Additionally the Water and Garbage billing system is slated to be replaced by the upcoming USDA-RD Grant which should allow for better management oversight by the council. The Town regular assesses a 10% penalty on past due accounts and delinquent accounts are disconnected when they remain delinquent. The Water & Garbage Fund Balance has improved over 100% of the June 2019 level.

**TOWN OF CARYVILLE
RESPONSE TO
PRELIMINARY AND TENTATIVE AUDIT FINDINGS
August 31, 2020**

Finding 8. Unfortunately in a small Town the Budget limits the Town's ability to hire sufficient personnel to prevent overlapping duties that could create a potential for abuse and neglect. However the Bookkeeping Service performs the Bank Reconciliations and Reconciliations of Financial Reports to General Ledger, while the Clerk receives Cash Collections, in addition all cash collections are recorded with a numbered Receipt and receipt copies are maintained as permanent records.

Finding 9. The private bookkeeper schedules Tax Payments on regular basis for automatic withdrawal by IRS and QuickBooks emails the Clerk with a notifications of payment. The Town has requested IRS to set up a payment schedule for the old Tax debt and has received several letters to the effect that they do not have time to address it. In response the Town Council has authorized the Clerk to pay old Taxes one period at a time at the end of each quarter, (oldest quarters first) as long as sufficient Funds are available. Formal procedures will be documented for regular Tax Payments.

Finding 10. Time cards are now attached to the Paycheck stub which is filed along with other Payables in our new record keeping system. This procedure will be documented.

Finding 11. Policies for Capital assets, including tangible personal property are slated to be included in our Policy Manual and established records used to help evaluate adequacy of Capital Asset Insurance.

Finding 12. Existing verifiable Town ordinances and resolutions will be codified as required with Backup records and they will be available for public review when requested. We continue to try an recover lost ordinances and resolutions with some success.

Finding 13. Notices of Town Council meetings will be preserved and minutes will be reviewed and approved or modified as necessary to obtain approval by the council. Minutes will be signed and sealed after approval to document process and included in Policy manual with a formal policy.

End of Response.