

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-019
September 2022

CITY OF DEERFIELD BEACH



Sherrill F. Norman, CPA
Auditor General

Mayor, Commission Members, and City Manager

During the period October 2018 through January 2020, the following individuals served as City of Deerfield Beach Mayor, Vice Mayor, City Commissioners, or City Manager:

William Ganz Jr., Mayor

Todd Drosky, Vice Mayor from 3-19-19

Gloria Battle, Vice Mayor through 3-18-19

Michael Hudak, Commissioner from 3-19-19

Joseph Miller, Commissioner through 3-18-19

Bernard Parness, Commissioner

Benjamin Preston, Commissioner from 3-19-19

Burgess Hanson, City Manager through 4-8-19

David Santucci, Interim City Manager from 4-9-19
through 9-5-19, City Manager from 9-6-19

The team leader was Clare Waters, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at dereknnoonan@aud.state.fl.us or by telephone at (850) 412-2864.

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CITY OF DEERFIELD BEACH

SUMMARY

This operational audit of the City of Deerfield Beach (City) focused on selected processes, programs, and functions. Our audit disclosed the following:

Payroll and Personnel Administration

Finding 1: City employee salary and benefits amounts charged to the Deerfield Beach Community Redevelopment Agency were not based on documented employee time and effort records.

Finding 2: Interview scoring sheets for City job applicants were not always completed properly or contained mathematical errors.

Finding 3: The annual leave payment to one employee exceeded by \$2,810 the amount allowed by City policy.

Finding 4: Errors were noted in overtime amounts paid to employees. In addition, City personnel did not perform a cost-benefit analysis to determine if incurring significant overtime costs for certain employees was more beneficial to the City than hiring additional staff.

Finding 5: City policies and procedures for monitoring the City of Deerfield Beach Municipal Firefighters' Pension Plan could be enhanced, and City personnel did not review and maintain documentation to support retiree average final compensation calculations used to determine retiree pension benefit amounts.

Procurement and Expenditures

Finding 6: Controls over the City's procurement of services could be enhanced.

Finding 7: City records did not demonstrate that all required documents were received from an entity receiving City grant moneys to operate a youth sports program.

Finding 8: The City should enhance its review of procurement card purchases to ensure that those purchases comply with City policy and serve a valid public purpose.

Finding 9: City travel policies were not consistent with City ordinances, and City records did not support meal subsistence payments as traveler departure and return times were not documented.

Motor Vehicles

Finding 10: Contrary to City policy, take-home vehicle assignments were not always supported by a properly completed Take-Home Vehicle Agreement signed by the employee and the applicable department director.

Finding 11: The City did not maintain records supporting the value of personal use of City vehicles reported as taxable income to the Internal Revenue Service.

Administration and Management

Finding 12: The City had not established target working capital amounts for its Solid Waste Fund. In addition, for the 2017-18 through 2019-20 fiscal years, the Solid Waste Fund experienced a deficit unrestricted net position.

Finding 13: City controls over budgetary processes need to be enhanced to ensure that budgets are prepared for all City funds and expenditures are limited to approved budgeted amounts.

Finding 14: The City did not document that quarterly investment reports required by City policy were provided to the City Manager.

Finding 15: City policies could be enhanced to provide for better accountability of City-owned property items.

BACKGROUND

The City of Deerfield Beach (City) was incorporated in 1925 as the Town of Deerfield. In 1951, the Town of Deerfield was abolished, and the City of Deerfield Beach was established.¹ The City is located in Broward County and has an estimated population of 87,106.² The City is governed by the City Commission composed of four elected Commissioners and an elected Mayor. The City Commission is responsible for enacting ordinances, resolutions, and policies governing the City, as well as appointing the City Manager. The City Manager serves as the Chief Administrative and Executive Officer and is responsible for the administration of all City affairs.

The City provides a full range of services including general government administration, public safety, sanitation, water and sewer service, recreational and cultural activities, public improvements, planning, zoning, highways and streets, and general administrative services.

FINDINGS AND RECOMMENDATIONS

PAYROLL AND PERSONNEL ADMINISTRATION

Effective payroll policies and procedures establish controls to ensure that payroll transactions, including terminal leave and overtime payments, are handled accurately and consistently in accordance with applicable laws and the directives of the City Commission and City management. Effective personnel policies and procedures address, among other things, the screening of job applicants, salary determinations and allocations, and leave accruals.

¹ Chapter 27503, Laws of Florida.

² *Florida Population Estimates for Counties and Municipalities, April 2021*, Florida Office of Economic and Demographic Research.

Finding 1: City Salary and Benefit Costs Charged to the Deerfield Beach Community Redevelopment Agency

The Deerfield Beach Community Redevelopment Agency (CRA) is responsible for redevelopment of the area that encompasses most of the City's beach district and the area along Hillsboro Boulevard from Federal Highway to the intercoastal waterway. The CRA is governed by a Board composed of the City Commissioners. State law³ provides that CRAs may expend moneys in their redevelopment trust fund for administrative and overhead expenses directly or indirectly necessary to the implementation of a community redevelopment plan. Additionally, Government Finance Officers Association (GFOA) Best Practices⁴ recommend that, when allocating indirect costs, such as shared administrative expenses, a systematic and rational methodology should be used in the calculation of the amounts allocated.

During the period October 2018 through January 2020, the CRA had two employees, and three City employees also performed CRA-related functions, such as preparing for CRA public meetings and performing general administrative duties. The City recovered from the CRA a portion of the salary and benefits costs of the three City employees (an Assistant City Manager, an Assistant City Clerk, and the Director of Economic Development) for time and effort spent performing CRA duties. During the period October 2018, through January 2020, the City charged \$275,537 to the CRA for a portion of the salaries and benefits for the three City employees.

To evaluate whether the allocated salaries and benefits costs were calculated using a systematic and rational methodology, we examined City records and asked City personnel how the amounts were determined. Our audit procedures disclosed that:

- Although we requested, City records, such as personnel activity reports or time surveys detailing the amount of time and effort spent by the Assistant City Manager and the Director of Economic Development on CRA activities, were not provided to justify the \$89,940 and \$134,954, respectively, charged to the CRA. In response to our inquiries, City personnel indicated that during the period of October 1, 2018, through January 31, 2020, there was no requirement for exempt employees⁵ to maintain time and effort documentation. Absent records to support the time and effort spent by the two employees on CRA activities, the City cannot demonstrate that the costs charged to the CRA were commensurate with the actual time and effort spent by those employees on CRA activities.
- The CRA was charged \$50,643 for 25 percent of an Assistant City Clerk's salary and benefits. According to records provided by the City, the Assistant City Clerk spent approximately 4 percent of available work hours on CRA-related tasks during the period October 1, 2018, through January 31, 2020. Based on the time and effort documentation provided by the City, the CRA should have been charged approximately \$7,600, or \$43,043 less than the \$50,643 charged. For non-exempt employees,⁶ such as the Assistant City Clerk, the City lacked procedures to compare the employee's documented time and effort to the amount allocated to the CRA. Absent such periodic comparisons, there is increased risk that the City will overcharge the CRA for services provided.

³ Section 163.387(6)(c)1., Florida Statutes.

⁴ GFOA Best Practice: *Indirect Cost Allocation*, February 2014.

⁵ Exempt employees are paid a fixed amount of compensation per pay period based upon a minimum number of hours worked.

⁶ Non-exempt employees are paid hourly, and compensation can vary by pay period based upon the number of hours worked.

Recommendation: To ensure that the CRA is charged for the actual costs of City services provided to the CRA, the City should:

- **Develop a reasonable and systematic cost allocation methodology that supports the salary and benefits costs of exempt employee services charged to the CRA.**
- **Charge the CRA for non-exempt City employee salaries and benefits costs based on the documented time and effort expended on CRA-related activities.**

Finding 2: New Hires

The City's *Employee Personnel Rules and Regulations*⁷ require that:

- All applicants for appointment or promotion shall file a written or online application on a form prescribed by the Department of Human Resources (HR Department).
- The hiring department, in consultation with the HR Department shall initially screen all applications to qualify and sort applications.
- A three-person ad-hoc screening committee is established by the HR Department to interview and rate selected applicants based on pre-determined questions. Each committee member assigns a point score, on a scale from 1 to 5, for each question on the interview questionnaire, and those scores are entered onto to a summary interview matrix that summarizes each member's scores for each candidate.

During the period October 1, 2018, to January 31, 2020, the City hired 227 employees. Our examination of documentation and discussion with City personnel regarding 30 selected new hires, in positions for which the City interviewed 76 candidates, disclosed that:

- The interview scoring documents to support the hiring of 1 employee were not provided. In response to our inquiries, City personnel indicated that they could not locate the scoring documents and were unable to determine whether the scoring documents were not created or were created and subsequently lost.
- For 1 position opening, the committee interviewed 7 candidates and 5 of the candidates were not scored on one question because the scoring documents did not include a point scale for that question. For an additional candidate, a committee member did not assess a score for two questions.
- Due to errors transcribing individual interview scores to the summary matrix or mathematical errors, the interview scores for 17 candidates for 11 positions were incorrect. As a result, a lower-scored applicant was hired for 1 of the 11 positions.

City personnel indicated that the scoring errors and omissions we noted were the result of oversights made by the screening committee members and that, in April 2021, City procedures were updated to require HR Department personnel to recalculate final interview scores, verify that the scores reflected on the summary interview matrix match the scores awarded by each individual committee member, and resolve any scoring discrepancies.

Errors in scoring candidates for open positions may result in the City offering a position to a less-qualified applicant.

⁷ Section 3.02, *City of Deerfield Beach Employee Personnel Rules and Regulations*.

Recommendation: The City should ensure that each interview question is scored by each committee member, interview scores are correctly entered onto the summary interview matrix, and the total scores are mathematically correct.

Finding 3: Terminal Leave Payouts

The City's *Employee Personnel Rules and Regulations*,⁸ established per the City Charter,⁹ provided that employees earn annual leave monthly based upon years of service and limited the maximum amount of annual leave that may be accrued and paid upon separation of employment to a maximum of the annual leave earned over 2 years. In addition, after ten or more years of employment, City employees may be paid for 50 percent of accrued sick leave up to 1,500 hours.¹⁰ The City Commission approves the adoption of all rules and amendments thereto by resolution, except that the City Manager may unilaterally amend the rules if any portion thereof is invalidated, found unlawful or unenforceable by a court of competent jurisdiction, or in conflict with State or Federal law. In such case, the City Manager's authority to amend the rules is limited to address the conflict.

During the period of October 1, 2018, through January 31, 2020, the City paid \$529,274 to 92 employees for unused annual and sick leave upon the employees' separation from City employment. Our examination of City records and discussions with City personnel regarding terminal leave payouts totaling \$459,354 to 23 former employees disclosed that 1 employee was overpaid for accumulated annual leave.

The employee, who separated from City employment after 11 years of service, was paid \$18,736, for 320 hours of accumulated annual leave, 48 hours in excess of the maximum 272 hours of annual leave established for employees with 10 to 14 years of service, resulting in an overpayment of \$2,810. In response to our inquiries, City personnel provided an employment offer letter, which stated that the employee would earn 20 days (160 hours) of annual leave per year, resulting in a maximum of 320 hours for 2 years of accumulated annual leave. However, the authority for the City Manager to approve employment offer letter terms that were more generous than the City's *Employee Personnel Rules and Regulations* was not apparent. Consequently, although the employee was paid for annual leave in accordance with the employment offer letter, the employee was paid for 48 accrued annual leave hours in excess of the maximum established by City rules. Terminal leave overpayments may result if City rules are not followed when issuing employment offer letters and calculating terminal leave payouts.

Recommendation: The City should ensure that employment offer letter terms are consistent with, and terminal leave payouts are calculated in accordance with, the City's *Employee Personnel Rules and Regulations*. Any differences should be approved by the City Commission.

Finding 4: Overtime Payment Monitoring

During the period October 1, 2018, through January 31, 2020, the City paid a total of \$1.2 million for overtime worked. The City's *Employee Personnel Rules and Regulations*¹¹ provide for overtime pay for

⁸ Section 7.03, *City of Deerfield Beach Employee Personnel Rules and Regulations*.

⁹ Section 4.05, *City of Deerfield Beach City Charter*.

¹⁰ Section 7.02, *City of Deerfield Beach Employee Personnel Rules and Regulations*.

¹¹ Section 2.03, *City of Deerfield Beach Employee Personnel Rules and Regulations*.

time worked in excess of 40 hours per week by non-exempt employees.¹² Overtime is paid at a rate of one and one-half times the employee's regular wage rate. The *Employee Personnel Rules and Regulations* also provide for an unpaid meal period to non-exempt employees.¹³

During the period October 1, 2018, through January 31, 2020, approximately 62 percent of the total City overtime payments were paid to employees in the Parks and Recreation Parks Division and the Sustainable Management Solid Waste and Recycling Division. To determine if overtime payments were properly made, we selected 20 payments totaling \$33,820 to five employees from those two divisions and reviewed the supporting documentation. Our review disclosed that:

- 2 overtime payments were not supported by the hours recorded on the employee timecards.
 - One employee was paid for 29.5 hours of overtime although the employee's timecard reflected only 21.5 hours of overtime, resulting in an overpayment of \$369. City personnel indicated the overpayment occurred due to an error entering the timecard hours into the City's payroll application. Subsequent to our inquiries, the City recovered the overpayment from the employee in March 2021.
 - Another employee was paid for 45 hours of overtime although the employee's timecard reflected only 29.5 hours of overtime, resulting in an overpayment of \$681. City personnel indicated that the overpayment occurred due to human error when counting the overtime hours recorded on the employee's timecard.
- 3 overtime payments to two employees incorrectly included the employees' designated meal period. The two employees were overpaid a total of \$179 for 4 hours of overtime. City personnel indicated that the overpayments occurred due to human error when counting the overtime hours on the timecards.

Absent sufficient and complete review of overtime calculations, including the time recorded on employee timecards, there is an increased risk of overpayments.

In addition, as shown in Table 1, our analysis of overtime hours disclosed that the five employees worked significant overtime hours, ranging from 18.1 to 30.2 percent of the total hours worked during the same period.

¹² Exempt employees are prohibited from receiving overtime payments.

¹³ The *City of Deerfield Beach Employee Personnel Rules and Regulations* do not specify the length of a meal period. In practice, employees choose half-hour or 1 hour meal periods.

Table 1
Employee Overtime Hours as a Percentage of Total Hours
October 2018 Through January 2020

Employee	Division	Total Hours	Regular Hours	Overtime Hours	Overtime Hours as Percentage of Total Hours	Total Overtime Paid
1	Sustainable Management	4,023	2,808	1,215	30.2%	\$45,982
2	Sustainable Management	3,426	2,720	706	20.6%	29,645
3	Sustainable Management	3,716	2,800	916	24.7%	34,972
4	Parks and Recreation	3,636	2,800	836	23.0%	34,624
5	Parks and Recreation	3,731	3,057	674	18.1%	30,957
Total		<u>18,532</u>	<u>14,185</u>	<u>4,347</u>	<u>23.5%</u>	<u>\$176,180</u>

Source: City records.

We asked City personnel if they periodically prepare a cost-benefit analysis to determine if it is in the City’s best interests to pay overtime or hire additional employees and City personnel responded that no formal analysis is performed. Instead, during the annual budget process, City personnel consider whether adding additional part-time, temporary, or full-time positions; using new technologies; and adjusting service levels could reduce the need for overtime pay. However, City personnel do not document this consideration.

Notwithstanding the explanation provided by City personnel, a documented cost-benefit analysis would evidence whether paying significant amounts of overtime to existing employees is more cost effective than hiring additional employees and would also demonstrate that City services are being provided in the most cost-effective manner.

Recommendation: The City should enhance its overtime monitoring procedures to ensure that employee meal periods are properly excluded and that employee timecards accurately reflect overtime earned. Additionally, the City should periodically perform and document a cost-benefit analysis to determine whether it is in the City’s best interests to pay overtime or hire additional employees.

Finding 5: City of Deerfield Beach Municipal Firefighters’ Pension Plan

The City of Deerfield Beach Municipal Firefighters’ Pension Plan (Plan) was established by ordinance¹⁴ as a defined benefit pension plan that provides eligible retirees with monthly retirement income based on the member’s monthly average final compensation and length of credited service. City ordinances¹⁵ define average final compensation as the average monthly compensation paid to the Plan member during the member’s highest 3 years of contributing service, and State law¹⁶ provides that average final compensation exclude all accrued unused annual and sick leave hours and overtime payments in excess of 300 hours per year. The Plan is administered by its Board of Trustees (Board).

¹⁴ Article V, City of Deerfield Beach, Code of Ordinances.

¹⁵ Section 54-251, City of Deerfield Beach, Code of Ordinances.

¹⁶ Section 175.032(5), Florida Statutes.

The City transferred its fire rescue services to the Broward County Sheriff’s Office (BSO), effective October 1, 2011. Firefighters employed by the City prior to that transition date were given the option of either remaining in the Plan or electing to participate in the Florida Retirement System.¹⁷ As of September 30, 2020,¹⁸ the Plan had 138 individuals receiving benefits and 60 active Plan members and reported a net pension liability of \$36.6 million. As the Plan continues to have beneficiaries and active Plan members, the City is responsible for funding the Plan, even though the City no longer employs firefighters. Table 2 shows the Plan net pension liability, City contributions to the Plan, and Plan net position as a percentage of the total pension liability for the 2017-18, 2018-19, and 2019-20 fiscal years.

Table 2
Plan Net Pension Liability, City Contributions,
and Net Position as a Percentage of Total Pension Liability
For the 2017-18, 2018-19, and 2019-20 Fiscal Years

	2017-18	2018-19	2019-20
Net Pension Liability	\$35.7 million	\$39.2 million	\$36.6 million
City Contributions to the Plan	5.3 million	6.0 million	6.0 million
Plan Net Position as a Percentage of Total Pension Liability	77.0%	75.6%	78.0%

Source: Deerfield Beach Municipal Firefighters’ Pension Trust Fund 2017-18, 2018-19, and 2019-20 fiscal year audited financial statements.

Because the City is responsible for funding the Plan to pay promised benefits to current and future Plan beneficiaries, and given the significant annual contribution amounts, it is incumbent upon the City to adequately fund the Plan and monitor Plan operations. Our examination of City records and discussion with City personnel disclosed deficiencies in the City’s monitoring of the Plan. Specifically:

- According to the Plan’s actuarial valuation,¹⁹ the Plan’s assumed rate of return on investments was unrealistic. The actuary who calculated the Plan liability for the 2017-18, 2018-19, and 2019-20 fiscal years indicated that the Plan’s 7.5 percent assumed rate of return was too high relative to the average actuarial rate of return on Plan investments of 4.8 percent during the 10-year period 2009-10 through 2018-19²⁰ and conflicted with the actuary’s judgment in applying actuarial standards.²¹ By setting the assumed investment return rate too high, there is an increased risk that the City will have to make higher contributions in future years if actual investment returns are lower than anticipated.
- City policies do not require City personnel to verify that Plan member monthly average final compensation and length of credited service are correctly calculated. The Plan’s actuary performs pension benefit calculations for retiring members. According to the Plan’s actuary and Plan’s attorney, these calculations are based on biweekly pay period census data that the actuary receives from the BSO.

¹⁷ BSO Agreement for Fire and Police Services, Exhibit C, *Transition of Fire Rescue Employees*, September 2011.

¹⁸ The 2019-20 fiscal year audited Plan financial statements are the most current available as of March 2022, and the Plan information presented in those financial statements is as of the September 30, 2020, measurement date.

¹⁹ Deerfield Beach Municipal Firefighters’ Pension Trust Fund Actuarial Valuation as of October 1, 2020.

²⁰ The September 30, 2020, actuarial supplement did not include the actuarial rate of return on Plan investments during the 10-year period 2010-11 through 2019-20. The actuarial valuation as of October 1, 2019, included the average actuarial rate of return during the 10-year period 2009-10 through 2018-19, which was the most recent information available as of March 2022.

²¹ Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.

To determine whether the retirement payments under the Plan appropriately considered Plan member monthly average final compensation with overtime payments limited to 300 hours per fiscal year and accrued unused annual and sick leave hours excluded, we requested the retirement benefit calculation forms for 5 of 15 Plan members who retired during the period October 2018 through January 2020. The Plan actuary's calculations of the average final compensation for the 5 Plan members provided to us were not in sufficient detail to evidence whether the amounts excluded unused annual and sick leave hours and overtime hours in excess of 300 hours. Although we requested, neither City personnel nor the Plan actuary provided documentation to support the average final compensation calculations used to determine the amount of retiree benefits to be paid by the Plan; consequently, City records did not demonstrate that the average final compensation calculations properly excluded unused annual and sick leave amounts and overtime compensation in excess of 300 hours.

In response to our request for an explanation as to why City personnel do not verify the accuracy of Plan member average final compensation calculations, City personnel responded that such verification is unnecessary because they rely on the competence of the Plan actuary and the Plan's financial statements auditor. Notwithstanding, given the City's significant financial obligations to the Plan,²² verification of the Plan actuary's calculation would provide additional assurance that Plan member average final compensation is properly calculated and not overstated based upon failure to exclude unused leave and overtime compensation in excess of 300 hours. In response to our further inquiries regarding the records obtained by the Plan actuary to perform the calculations and the calculation methodologies used by the actuary, City personnel contacted the Plan attorney, who indicated that "all payroll records and personnel action forms that may exist are not maintained by the pension plan" and "the pension plan does not receive payroll records and would not be able to answer the questions posed."

Absent this information, City records did not demonstrate that accrued annual and sick leave hours and overtime in excess of 300 hours were properly excluded from the retiree average final compensation calculations, and City management has limited assurance that retiree benefits did not exceed amounts intended by City ordinances.

Recommendation: The City should work with the Plan Board to establish a more realistic rate of return for the Plan and consider that rate when establishing and funding future Plan contributions. In addition, the City should establish policies and procedures to verify and document that average final compensation amounts are calculated in compliance with City ordinances.

Follow-Up to Management's Response

In response to the finding, the City indicated that the value of unused annual and sick leave of specified amounts may be included in the average final compensation calculation "consistent with the applicable City Code regulations." Notwithstanding, as the City ordinance contains provisions that contemplate the inclusion of unused annual and sick leave in this calculation,²³ those provisions do not comply with Section 175.032(5), Florida Statutes, which prohibits the inclusion of annual and sick leave in the calculation of average final compensation except as allowed under collective bargaining agreements in

²² As shown in Table 2, the Plan's 2019-20 fiscal year net pension liability was \$36.6 million and City contributions to the Plan totaled \$6.0 million.

²³ The definition of "average final compensation" in Section 54-251, City of Deerfield Beach, Code of Ordinances, indicates that a maximum of 350 hours of annual leave and 520 hours of sick leave shall be included in the calculation of average final compensation.

place prior to July 1, 2011. We therefore also recommend that the City Commission amend City ordinances to comply with State law.

PROCUREMENT AND EXPENDITURES

Included in City Commission stewardship and fiduciary responsibilities associated with managing public resources is the responsibility to ensure that City controls provide for the effective and efficient use of resources in accordance with applicable laws, contracts, grant agreements, and City ordinances, policies, and procedures. To promote responsible spending and improved accountability, it is important that the City consistently utilize an effective and efficient process for procurement and that City records demonstrate that public funds are properly utilized in fulfilling the legally established responsibilities of the City.

Finding 6: Procurement of Goods and Services

The Legislature has recognized in State law²⁴ that fair and open competition is a basic tenet of public procurement, and that competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Additionally, in its *Global Best Practices* the NIGP: Institute for Public Procurement²⁵ recommends:

- A procurement policy that builds public confidence in public procurement and ensures fair and equitable treatment of everyone who deals with the procurement system.
- Use of clearly defined criteria for procurement decisions.
- A clear understanding by evaluation committee members of how criteria and scoring should be applied.
- Use of a consistent approach when scoring against pre-announced criteria.
- Transparency of the selection criteria and evaluation process.

City ordinances²⁶ require the issuance of competitive solicitations for purchases exceeding \$30,000 and also require that an evaluation committee consisting of a minimum of three members be appointed by the City Manager or designee to evaluate responses based on the evaluation criteria stated in the competitive solicitation document.

During the period October 2018 through January 2020, the City paid \$133.1 million to 559 vendors for goods and services. We selected 30 expenditures totaling \$2.6 million for goods and services subject to competitive procurement and examined supporting documentation to determine whether the goods and services were procured in accordance with applicable State law, City ordinances, and City policies and procedures. The 30 selected expenditures related to purchase orders totaling \$15.8 million, and 20 of the selected expenditures were for services obtained using purchase orders totaling \$15.2 million. Our audit procedures disclosed:

²⁴ Section 287.001, Florida Statutes.

²⁵ NIGP: Institute for Public Procurement is a membership-based, nonprofit organization composed of members representing Federal, state, and provincial and local government levels throughout the United States and Canada and provides support to professionals in public sector procurement profession.

²⁶ Sections 38-126 and 38-127, City of Deerfield Beach Code of Ordinances.

- Two procurements (financial auditing services and emergency debris removal)²⁷ for which an evaluation committee member assigned a score of 0 points for an evaluation criterion, even though the minimum score allowed per the solicitation instructions was 1 point.
- Three instances in which evaluation committee member scores varied significantly. Each evaluation committee member prepared a worksheet showing the member’s assigned scores based on evaluation criteria established in the competitive solicitation document. Our review of the committee member evaluation worksheets and the resulting scores disclosed significant discrepancies and variances in the scores assigned by the committee members. Specifically:
 - A five-person evaluation committee evaluated responses from 12 respondents for architectural and engineering services. The scores for the evaluation criterion “history and past performance of the firm” ranged from 3 to 8 points, scores for “location and proximity to the City” ranged from 5 to 10 points, and scores for “ability to meet the City’s small, disadvantaged business enterprise (SBDE) participation” ranged from 3 to 10 points.
 - A three-person evaluation committee evaluated responses from 6 respondents for financial auditing services. One responding firm received scores of 0 points, 10 points, and 10 points from the evaluators for the evaluation criterion “familiarity with the Certificate of Achievement in Financial Reporting program.”
 - A three-person evaluation committee evaluated proposals from 5 respondents for landscaping services. As shown in Table 3, for the “price” criterion, the respondent proposing the lowest price did not always receive the highest score.

Table 3
Evaluation Committee Member Scores
For Landscaping Services Proposals

Respondent	Price Criterion	Scores Assigned by		
		Committee Member 1	Committee Member 2	Committee Member 3
1	\$ 689,507	10	6	9
2	754,632	9	7	8
3	781,919	8	7	7
4	968,785	4	5	6
5	1,047,110	4	6	5

Source: City records.

The policies and procedures document reviewed and signed by the evaluation committee members instructed the committee members to evaluate responses using the evaluation criteria established in the competitive solicitation document. However, the evaluation criteria was not described in detail, and evaluation committee members were not provided written instructions explaining how the criteria and scoring should be applied.

Detailed descriptions of evaluation criteria and written instructions explaining how the criteria and scoring should be applied would provide additional assurance that committee members use a consistent approach to identify the most favorable proposal. Without documented explanations for the significant variances in the criteria scores, there is less transparency in the competitive selection process.

²⁷ The contract amount for the financial auditing services was \$645,968. Debris removal costs were per unit (for example, per abandoned vehicle) or volumetric amounts (for example, per cubic yard of vegetative debris) based upon the type of debris, and the estimated total cost was \$8.3 million to \$9.1 million.

Recommendation: When procuring services that require competitive selection, the City should enhance its procedures to require detailed descriptions of evaluation criteria, written instructions for applying the criteria and scoring the proposals, and written explanations when evaluator scores vary significantly for a specific criterion or an evaluator scores a criterion outside the established range of scores.

Finding 7: Youth Sports Program

In June 2009, the City approved a resolution²⁸ to establish guidelines for the donation of City funds to charitable and public purpose organizations. In a June 2016 resolution,²⁹ the City Commission approved a grant agreement with a non-profit organization to provide youth sports tackle football and cheerleading. Pursuant to the agreement, the City paid the organization \$45,000 for the 2015-16 fiscal year and had the option to extend the agreement for four additional 1-year terms through the 2019-20 fiscal year. The City extended the agreement for the 2016-17, 2017-18, and 2018-19 fiscal years and awarded and paid \$45,000, \$55,000, and \$55,000, respectively.³⁰ The grant agreement set forth several grant conditions for the organization, including requirements that the organization provide the City:

- Documentation demonstrating the organization’s non-profit status.
- Tax returns for the 3 most recent tax years and for any year in which funds were received.
- Schedules of practices, games, meetings and events no later than 1 month before the start of the football season.
- Within 15 days of the end of each quarter, an accounting of revenues received from the City and expenditures made from those funds, including copies of invoices, certified under oath by the organization’s president.

Although we requested, City personnel did not provide the following documents required by the grant agreement:

- Documentation of the organization’s non-profit status.
- The organization’s 2013, 2014, and 2017 tax returns.
- A list of practices and meetings for the 2016, 2017, and 2018 seasons and a list of games for the 2017 season.
- Quarterly accountings of revenues and expenditures, including copies of invoices certified by the organization’s president, made by the organization for the 2015-16, 2016-17, and 2017-18 fiscal years.

In September 2021, City personnel indicated that they were unable to locate the documentation because City personnel responsible for receiving those documents were no longer employed by the City and they were unsure whether the documents were not provided by the organization or were provided and subsequently misplaced by City personnel. Absent the required documentation, City records do not demonstrate that the organization used the grant funds in accordance with the terms and conditions of the grant agreement and City Commission expectations.

²⁸ Resolution No. 2009-163, City of Deerfield Beach.

²⁹ Resolution No. 2016-108, City of Deerfield Beach.

³⁰ In May 2019, the organization canceled the agreement with the City.

Recommendation: To demonstrate that grant moneys are expended in accordance with the grant agreement and City Commission expectations, the City should ensure that grantees comply with significant grant requirements and maintain documentation to support such compliance.

Finding 8: Procurement Card Purchases

City policies³¹ provide for procurement cards (P-cards) to provide the most efficient and effective method of payments for small dollar purchases, eliminating or reducing the need for purchase orders and facilitating the quick payment of vendors. Because P-cards are vulnerable to fraud and misuse, it is essential that City policies and procedures provide effective controls over the safeguard, accountability, and use of P-cards.

As of January 2020, the City had 89 active P-cards, and during the period October 2018 through January 2020, 107 cardholders made 5,678 P-card transactions totaling \$1.4 million. Our examination of City records for 30 P-card transactions totaling \$68,675 disclosed that 12 of the 30 P-card transactions did not comply with City P-card policies or did not serve a documented public purpose. Specifically:

- 1 cardholder made 2 food purchases in amounts of \$218 and \$20 while on travel status. City P-card policies provided that P-cards were not to be used for travel-related meals; rather, travel-related meals were to be processed through a Travel Approval Form. In response to our inquiry, City personnel indicated that the cardholder was provided daily meal reimbursements while on travel status, the food should not have been charged to the P-card, and that the cardholder separated from City employment in April 2019.
- 2 P-card transactions, \$148 for a sympathy basket and \$1,800 for the purchase of food consumed away from City premises, were contrary to City policy. The P-card policy provided that, regardless of the dollar amount, certain items may not be purchased with the P-card, including any items for personal or non-City use or otherwise not serving a public purpose, food or beverages to be consumed away from City premises, and gifts and donations. In response to our inquiry, City personnel acknowledged that the purchase of the sympathy basket should not have been made and that, subsequent to our inquiry in July 2020, the cardholder was counseled on the issue and refunded the purchase amount to the City. Additionally, City personnel acknowledged that the food purchase should not have been made with the P-card because it violated City policy.
- 6 transactions totaling \$5,810 for food purchased for various events, including a team-building lunch, a retirement lunch, a catered lunch, an employee appreciation lunch, a Thanksgiving luncheon, and an employee appreciation barbeque that were not supported by documentation establishing an authorized public purpose. The Florida Attorney General has opined on numerous occasions³² that documentation of an expenditure in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present when the voucher is presented for payment of funds. The Attorney General has also opined that, unless such documentation is present, the request for payment should be denied.

In response to our inquiry as to how these expenditures served a public purpose, City personnel indicated that the expenditures were approved pursuant to funding provided in the 2018-19 and 2019-20 fiscal year budgets and that “employee morale and retention efforts, per diem/meals and travel expenses for government education, training and leadership purposes, conferences to increase relevant governmental knowledge, collaboration with other government officials and participation in legislative agendas/decisions, and support of community events can be found to

³¹ City of Deerfield Beach Procurement Card Policy, December 1, 2019.

³² Florida Attorney General Opinion Nos. 68-12, 75-07, 79-14, and 94-89.

serve a public purpose.” City personnel also indicated that the City’s P-card policy in effect at the time did not prohibit the purchase of off-premises food and beverages. Notwithstanding City personnel explanations, it is not clear that these transactions served a documented authorized public purpose when incurred and paid.

- 6 of the 30 P-card transactions we reviewed (5 food purchases and 1 hotel stay) included sales tax totaling \$267, contrary to City policies that require P-cardholders to inform merchants that the purchase is tax exempt and, if sales tax is erroneously added to a purchase, to contact the merchant to obtain a credit. Subsequent to our inquiry in July 2020, the City obtained sales tax refunds from the vendors and cardholders of \$241 and the \$26, respectively.

City policies require individuals approved by department or division directors to be responsible for reviewing P-card transactions for compliance with City procurement policies, and all the P-card transactions we tested included reviewer signatures. However, when P-card charges are not properly reviewed for compliance with City policies and to ensure that the charges serve a documented authorized public purpose, there is an increased risk that unallowable charges, fraud, or misuse may occur and not be timely detected and resolved.

Recommendation: The City should ensure that cardholders and reviewers are aware of the restrictions on purchases included in the City’s P-card policy, all P-card transactions are reviewed for compliance with the policy, and that supporting documentation clearly demonstrates the authorized public purpose served by each P-card transaction.

Finding 9: Travel

Effective policies and procedures for the administration of travel advances, travel reimbursements, and other travel-related expenses promote compliance with travel guidelines and requirements and, among other things, require supervisory approval, documented justification for travel, travel by the most economical means possible, and maintenance of documentation supporting the travel expenses incurred. City ordinances³³ provide that the City will pay reasonable travel expenses of City Commission members, officers, employees, board members, and committee members incurred in connection with City travel and establish procedures for travel authorization and advancement of funds as well as procedures for filing Travel Approval Forms.

During the period October 1, 2018, through January 31, 2020, the City expended \$352,550 on travel and training costs. City ordinances³⁴ provided traveler meal subsistence rates of \$5 for breakfast, \$7 for lunch, and \$12 for dinner. However, the City’s travel policy³⁵ provided for meal subsistence reimbursements based on the U.S. General Services Administration (GSA) Guidelines with rates significantly higher than those provided by City ordinances.³⁶ Our examination of 30 travel expenses totaling \$40,070 disclosed that 12 travel expenses included meal reimbursements and that the City reimbursed the travelers based on GSA meal subsistence rates per the travel policy instead of the rates in City ordinances. As a result, the reimbursements exceeded the City ordinance amounts by \$3,595. In

³³ Section 2-222 to 2-224, City of Deerfield Beach, Code of Ordinances.

³⁴ Section 2-224, City of Deerfield Beach, Code of Ordinances.

³⁵ City of Deerfield Beach, *Accounting Policies and Procedures Manual*, May 2018.

³⁶ For example, the GSA 2020 fiscal year meal subsistence amounts were \$16, \$17, and \$28 for breakfast, lunch, and dinner, respectively, for Ft. Lauderdale, a municipality proximate to the City.

response to our inquiries in April 2021, City personnel indicated that, due to significant staff turnover, they did not know why the travel policy meal subsistence rates exceeded the amounts established in City ordinances. Subsequently, in June 2021, the City updated its ordinances³⁷ to indicate that travel expense reimbursement rates will be established by City travel policies.

In addition, we noted that, although City travel policies stated that reimbursements would be based on departure and return times over the entire 24-hour day and prorated accordingly, the City's Travel Approval Form did not require the traveler to note departure and return times. Consequently, the City reimbursed travelers for meals using full-day increments, regardless of departure and return times.

Travel policies that align with City ordinances provide assurance that travel expenses will be authorized and reimbursed consistent with City Commission intent. When meals are reimbursed using full-day increments rather than considering actual departure and return times, there is an increased risk that improper payments may be made.

Recommendation: The City should amend the Travel Approval Form to include traveler departure and return times and ensure that meal subsistence payments are made based on when travelers are actually in travel status.

MOTOR VEHICLES

To appropriately safeguard and manage the use of City vehicles, effective controls, including established procedures requiring records of vehicle assignment and use, and appropriate monitoring and evaluation of such use, are essential. As of January 2020, the City motor vehicle fleet was composed of 242 owned or leased vehicles for use by City employees while conducting official business. According to City policies,³⁸ each department head is responsible for monitoring employee compliance with City regulations applicable to motor vehicles. City draft policies,³⁹ provide that either the department or division supervisor is responsible for monitoring employee compliance with City regulations applicable to motor vehicles.

Finding 10: Take-Home Vehicle Assignment

City policies⁴⁰ establish certain requirements governing the assignment and use of City take-home vehicles. The policies provide that the City Manager or the applicable department director has the authority to assign, deny, suspend, or remove employees from the take-home vehicle program. The take-home vehicle agreement is to be signed by the employee and the applicable department head to document that the employee agreed to abide by the take-home vehicle policies and procedures.⁴¹

To determine whether City records evidenced appropriate assignment and approval for take-home vehicles, in May 2020 we requested the take-home vehicle agreements for each of the ten City

³⁷ Section 2.222, City of Deerfield Beach Code of Ordinances.

³⁸ City of Deerfield Beach, *Take-Home Vehicle Policy*.

³⁹ Section 1.F, City of Deerfield Beach, *Draft Vehicle Management Policy*.

⁴⁰ City of Deerfield Beach, *Take-Home Vehicle Policy*.

⁴¹ For example, the policies and procedures require vehicles to be locked when unattended and prohibit weapons from being carried in City vehicles.

employees assigned a take-home vehicle⁴² during the period October 2018 through January 2020. A completed and approved agreement was not available for five of the ten employees and, although we requested, City personnel did not explain why the agreements were not available. Subsequent to our inquiry, the five employees signed agreements, which were dated May 2020 through January 2021.

Absent properly completed and approved take-home vehicle agreements evidencing that employees assigned a take-home vehicle acknowledge their responsibility to comply with City motor vehicle policies, there is an increased risk that City vehicles will be used for unauthorized purposes or not properly maintained and safeguarded.

Recommendation: All take-home vehicle assignments should be supported by a properly completed *Take-Home Vehicle Agreement* signed by the employee and the applicable department director as required by City policies and procedures.

Finding 11: Vehicle Taxable Fringe Benefits

Pursuant to United States Treasury Regulations,⁴³ an employee's gross income includes the fair market value of any fringe benefit not specifically excluded from gross income by another provision of the Internal Revenue Code (IRC). The IRC⁴⁴ provides that the personal use of an employer-provided vehicle is a fringe benefit that must be included in the employee's gross income as compensation for services, unless otherwise excluded. City policies and procedures⁴⁵ establish guidelines for documenting personal use of assigned take-home vehicles to comply with IRC reporting requirements. The policies provide that employees taxed for personal use of City vehicles using the lease value rule⁴⁶ must keep a vehicle log. For each trip, the vehicle log is to specify the date, beginning and ending odometer readings, beginning and ending locations, business or personal purpose of the trip, and total mileage. Employees taxed based on the commuting value rule⁴⁷ must keep call out logs to document all emergency responses after their normal working hours.

During the period October 1, 2018, through January 31, 2020, eight employees assigned take-home vehicles were subject to taxation for personal use of the vehicles. To determine whether taxable fringe benefits were properly calculated and reported to the Internal Revenue Service (IRS) in accordance with IRC provisions and City policies and procedures, we requested for examination documentation supporting the amounts of taxable fringe benefits reported as taxable income for the eight employees for the 2019 calendar year. Our examination of available documentation disclosed that:

- The City was not able to provide documentation supporting the personal use valuations for seven of the eight employees for which taxable vehicle fringe benefits were reported to the IRS for the

⁴² The ten employees were in the following positions: Interim Assistant City Manager and Director of Environmental Services, Assistant Director of Utilities Maintenance, two Utilities Supervisors, Sanitation Manager, Director of Sustainable Management, Assistant Director of Sustainable Management, Assistant Director of Engineering and Operations, Electrical/Electronics Superintendent, and Superintendent of Parks.

⁴³ Title 26, Section 1.61-21(a), Code of Federal Regulations.

⁴⁴ 26 United States Code, Section 132(a)(3), Certain Fringe Benefits.

⁴⁵ City of Deerfield Beach, Take-Home Vehicle Policy.

⁴⁶ Lease value method assesses the taxable value of personal use of a vehicle by multiplying the annual lease value for the vehicle by the percentage of personal miles out of total miles driven by the employee.

⁴⁷ Commuting rule method assesses the taxable value of personal use for commuting use by multiplying each one-way commute (from home to work and work to home) by \$1.50.

2019 calendar year. For four employees, the City reported taxable fringe benefits totaling \$10,558 using the lease value rule; however, although we requested, City personnel were unable to locate vehicle logs or any other records supporting the amounts reported. For the other three employees, taxable fringe benefits totaling \$1,412 were reported using the commuting value rule and City personnel were unable to locate call out logs or other documentation supporting the amounts reported. In response to our inquiries, City personnel indicated that the valuation of personal use was calculated by a former employee, and records evidencing the personal use and taxable fringe benefits calculations could not be located.

- For one employee, no personal use was reported as income for the 2019 calendar year even though the employee was assigned a vehicle from January 2019 through May 2019. In response to our inquiry, City personnel indicated that personal use was not valued for this employee because take-home vehicle privileges ended in May 2019. Notwithstanding this response, the value of any personal use should have been calculated for the 5 months the employee was assigned the vehicle and reported in the employee's gross income. Because vehicle use records were not maintained for this employee, it was not possible on audit to estimate the value of personal use that should have been included in the employee's gross income.

Absent records documenting the personal use of City-owned vehicles and calculations of the associated taxable fringe benefits, the City cannot demonstrate the accuracy of the valuations for such personal use or the amounts included in employees' gross income and reported to the IRS.

Recommendation: The City should ensure that the value of personal use of City-owned vehicles is accurately calculated based on records of City-owned vehicle assignments and use, appropriately included in employees' gross income, and reported to the IRS.

ADMINISTRATION AND MANAGEMENT

Effective administration and management policies and procedures are essential to establish sufficient internal controls to ensure City officials and employees administer their assigned responsibilities in accordance with applicable statutory⁴⁸ and ordinance requirements. Such policies and procedures should be designed to promote and monitor compliance with these requirements and demonstrate accountability for public resource use.

Finding 12: Solid Waste Fund Working Capital and Financial Condition

Enterprise funds are established to report any activity for which a fee is charged to external users for goods and services. The City established three enterprise funds:

- Water and Sewer Fund to account for the provision of water and sewer services to City residents.
- Solid Waste Fund to account for solid waste services to City residents.
- Stormwater Utility Fund to account for the operations and maintenance of the City's stormwater system, such as storm drains, pipes, catch basin, and other stormwater-related infrastructure.

GFOA best practices recommend that governments develop a target amount of working capital⁴⁹ to maintain in each enterprise fund and include the target amounts in a formal policy or plan. To arrive at the target amount, the GFOA recommends that local governments start with a baseline of 90 days' worth

⁴⁸ For example, Chapter 166, Florida Statutes, *Municipal Home Rule Powers Act*.

⁴⁹ The GFOA defines working capital as current assets less current liabilities.

of working capital and then adjust the target based on the particular characteristics of the enterprise fund in question (using 45 days as the minimum acceptable level). In its best practice advisory, the GFOA presents various enterprise fund characteristics that should be considered.⁵⁰

The City had not adopted a minimum working capital balance for its enterprise funds, either in policy or ordinance. In response to our inquiry, City personnel indicated that staff are in the process of updating financial policies, including those related to fund balance and working capital. Without such policies, the City lacks assurance that adequate levels of working capital will be maintained in its enterprise funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees.

Our examination of City records also disclosed that the City's Solid Waste Fund did not maintain 45 days of working capital in the 2019-20 fiscal year. Specifically, on September 30, 2020,⁵¹ the Solid Waste Fund had working capital of \$396,000, or approximately \$2.3 million less than the \$2.7 million required for 45 days of fund expenses. Additionally, the Solid Waste Fund reported a deficit unrestricted net position of \$13.3 million, \$11.5 million, and \$8.5 million in the 2017-18, 2018-19, and 2019-20 fiscal years, respectively.

In response to our inquiry regarding the Solid Waste Fund's deficit unrestricted net position, City personnel indicated that, due to the COVID-19 pandemic, a contract with a consultant for a rate study was deferred, but the study has been budgeted for and is expected to be completed in the 2021-22 fiscal year. The study will include a review of certain aspects of the Solid Waste Fund, including the adequacy of existing rates, the design of rates that are cost-based, the development of a 5-year financial forecast to assist in rate-setting strategies, evaluation of the financial position of the Solid Waste Department, assistance with the communication of the results of the rate study with the public and solid waste system stakeholders, a comparison of solid waste rates and fees with other jurisdictions, and reports and briefing documents for City executive management and the Commission.

The ongoing deficit in the Solid Waste Fund may diminish the City's ability to provide solid waste services on a continuing basis at the level and quality required by City residents.

Recommendation: The City should adopt a policy establishing a minimum working capital target for its enterprise funds. Additionally, the City should continue efforts to obtain a rate study for the Solid Waste Fund and adjust rates as necessary to resolve the Fund's deficit unrestricted net position.

Finding 13: Budgetary Controls

Pursuant to State law⁵² and City Charter,⁵³ the City Commission must adopt a budget each fiscal year. At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit. The City Commission-adopted budget must regulate the City's expenditures and it is unlawful to expend or contract for expenditures in

⁵⁰ GFOA Best Practice: *Working Capital Targets for Enterprise Funds*, February 2011.

⁵¹ City's 2019-20 fiscal year audited financial statements.

⁵² Section 166.241(2), Florida Statutes.

⁵³ Section 5.04, City of Deerfield Beach City Charter.

any fiscal year except pursuant to the adopted budget. The City Commission may, at any time within 60 days of the end of the fiscal year, amend the budget for that fiscal year.⁵⁴

City ordinances⁵⁵ establish the City’s level of budgetary control (i.e., the level at which expenditures may not legally exceed budget amounts) at the department level within each fund. The City Commission⁵⁶ is authorized to transfer budget appropriations between departments within the same fund or to increase or decrease budget appropriations in any department, division, or fund.

As shown in Table 4, for the 2018-19 fiscal year, the City’s audited financial statements reported expenditures in eight funds for which the City Commission did not adopt budgeted revenues or expenditures.

Table 4
Funds Excluded from Adopted City Budget
2018-19 Fiscal Year

Fund Name	Expenditures
General Construction Fund	\$2,325,786
State Housing Initiative Partnership Fund	350,229
Miscellaneous Grants Fund	1,029,676
General Trust Fund	125,691
Beautification and Landscape Trust Fund	193,724
Crime Prevention Trust Fund	16,363
Law Enforcement Trust Fund	152,619
General Obligation Debt Service Fund	6,226,468

Source: 2018-19 fiscal year audited financial statements.

City personnel explained that the City’s practice was to not budget revenues and expenditures for funds for which the City has little control over funding amounts. Notwithstanding this explanation, all City funds must be budgeted as State law⁵⁷ provides that a municipal government may not expend or contract for expenditures in any fiscal year except as pursuant to an adopted budget.

Additionally, in the 2018-19 fiscal year, the City’s audited financial statements disclosed that the City expenditures exceeded the adopted budget in the General Fund for six departments. Specifically:

- Planning and Development Services expenditures exceeded the budget by \$1,754,411.
- Fire Rescue expenditures exceeded the budget by \$621,967.
- Human Resources expenditures exceeded the budget by \$370,079.
- Central Services expenditures exceeded the budget by \$41,481.
- City Attorney expenditures exceeded the budget by \$26,328.
- City Commission expenditures exceeded the budget by \$12,199.

⁵⁴ Section 166.241(5), Florida Statutes.

⁵⁵ Section 38-91, City of Deerfield Beach Code of Ordinances.

⁵⁶ Section 5.05, City of Deerfield Beach City Charter.

⁵⁷ Section 166.241(2), Florida Statutes.

According to City personnel, the excess expenditures were caused by increased costs related to the processing of applications for building permits, pension contributions, legal services, and telecommunications services. The City's Chief Financial Officer (CFO), who began employment in March 2020, did not know why the individual employed as CFO during the 2018-19 fiscal year did not amend the budget to prevent the excess expenditures.

Absent proper budget monitoring and timely budget amendments to address changing financial circumstances, there is an increased risk that expenditures may not be effectively monitored to ensure compliance within the legal level of budgetary control and that expenditures may exceed available resources.

Recommendation: The City should enhance budgetary controls to ensure that budgets are prepared for all City funds and expenditures are limited to approved budgeted amounts as required by State law.

Finding 14: Quarterly Investment Reports

As of January 2020, the City had seven investment accounts with investments totaling approximately \$127.7 million. Pursuant to State law⁵⁸ the City Commission adopted⁵⁹ an investment policy⁶⁰ on March 18, 2018. The policy specified the nature and types of investments authorized, investment liquidity and maturity requirements, objectives, performance measurements, portfolio composition, risk and diversification, authorized investment institutions and dealers, prudence and ethical standards, and other internal policies. Included among the other internal policies is a requirement that the CFO provide the City Manager with a quarterly investment report that includes:

- A listing of individual securities held at the end of the reporting period.
- Percentage of available funds represented by each investment type.
- Coupon, discount, or earnings rates for applicable investments.
- Average life or duration and final maturity of all investments.
- Investment par value and market value.

However, the City was unable to provide documentation evidencing that the former CFO provided the quarterly investment reports to the City Manager for the period October 2018 through January 2020. In response to our inquiries in August 2020, the CFO, who started employment in March 2020, indicated that City staff performed an exhaustive search but were unable to locate the quarterly investment reports and were also unable to confirm whether the former CFO provided the required reports to the City Manager during that period. According to City personnel, subsequent to March 2020 the CFO began providing quarterly investment reports to the City Manager.

Quarterly investment reports provided by the CFO to the City Manager provide assurance that the City Manager is appropriately informed about City investments and that moneys are invested in accordance with City investment policies.

⁵⁸ Section 215.415, Florida Statutes.

⁵⁹ City of Deerfield Beach Resolution No. 2018/045.

⁶⁰ City of Deerfield, *Accounting Policies and Procedures Manual*, May 2018.

Recommendation: The CFO should comply with the City investment policy and provide to the City Manager quarterly investment reports with all required information.

Finding 15: Tangible Personal Property

The City is responsible for establishing effective controls to adequately safeguard and account for City tangible personal property (TPP).⁶¹ Appropriate TPP controls include the maintenance of accurate property records, the conduct of periodic inventories of TPP items, and the reconciliation of inventory results to property records. Such controls help ensure that TPP is available for intended purposes and is not inappropriately removed from the City's premises.

According to the City's 2019-20 fiscal year comprehensive annual financial report, the City's TPP totaled \$12.1 million (net of depreciation) as of September 30, 2020. Our examination of City records and discussion with City personnel disclosed that:

- City policies⁶² defined capital assets as those with an estimated life of over 1 year and a cost, or donated value of \$3,000 or more. During the period October 2018 through January 2020, the City recorded in City accounting records capitalizable expenditures totaling \$1.4 million. To determine whether the City properly recorded purchased capital assets in the property records, we selected for examination 11 transactions totaling \$888,317 that, based on the accounting records description and cost, included TPP items that met the City's capitalization criteria. We noted that TPP items (small equipment, tools, and hardware) purchased by 3 expenditures totaling \$14,053 were not recorded in the property records although the items met the capitalization criteria. According to City personnel, the 3 expenditures were incorrectly coded to non-capital accounts in the City's accounting records; consequently, the items were not recorded in the City's property records. In April 2021, City personnel instructed departments to budget items with a value of \$3,000 or more to capital outlay line items to help the Budget Division and CFO ensure that the items are properly recorded.
- City policies do not provide for periodic inventories of TPP or reconciliations of inventory results to City property records by someone other than the custodian and, although we requested in September 2021, City personnel were unable to provide us with documentation to support the most recent physical inventory of TPP items. City personnel indicated that it was the responsibility of each department head to maintain accountability for capital assets belonging to their department and to maintain records of any physical inventories. City personnel also indicated that the Assistant City Manager would obtain inventory records from the departments; however, as of the conclusion of our audit fieldwork in May 2022, such records had not been provided for our examination.
- The City does not have a policy describing the minimum information that should be captured for each TPP item in the City's property records or procedures to ensure that each City-owned TPP item is tagged or otherwise labeled as City property. Although we requested, City personnel were unable to provide a listing of TPP items that identified the property identification number, physical location, or custodian.
- City policies⁶³ provide that, when an asset is disposed of, department heads must file documentation with the Financial Services Department showing the asset information and any proceeds received from the disposal. To help comply with City policies, City personnel developed a Property Action Form (PAF), which included descriptive information regarding the property item

⁶¹ As reported on the City's 2019-20 audited financial statements, TPP consists of equipment.

⁶² City of Deerfield Beach, *Accounting Policies and Procedures Manual*, May 2018.

⁶³ City of Deerfield Beach, *Accounting Policies and Procedures Manual*, May 2018.

disposed of, disposal method, and signature authorization by the applicable department head and City Manager. According to City records, during the period October 2018 through January 2020, the City disposed of 40 items with original acquisition costs totaling \$2.5 million. We selected for examination records for 23 of those items to determine whether the disposals were recorded on a properly approved PAF in accordance with City policies and procedures. We found that 9 items with acquisition costs totaling \$1.1 million were reported on PAFs in October 2018, but the PAFs were not signed by the City Manager employed by the City at that time. In response to our inquiries, City personnel indicated that they were unable to determine why the disposals were not properly approved.

Absent effective TPP controls, including sufficient policies and procedures, the City has limited assurance that property records are accurate and complete and that City TPP items are adequately safeguarded.

We also noted that the City lacked policies and procedures to define, monitor, or identify sensitive and attractive items⁶⁴ below the \$3,000 capitalization threshold. To ensure legal compliance, protect the public safety and avoid potential liability, and compensate for heightened risk of theft, GFOA Best Practices⁶⁵ provide that entities should ensure that adequate controls are in place for items that require special attention. Although in response to our inquiry in March 2021, City personnel were unable to provide to us a listing of sensitive and attractive items, City personnel indicated that each department head was responsible for maintaining accountability over both capitalized and noncapitalized property items. Notwithstanding, absent established effective controls over sensitive and attractive items, there is an increased risk of loss, theft, and abuse.

Recommendation: City management should ensure that City personnel comply with established policies for recording TPP purchases in City accounting records and disposing of TPP items. In addition, the City should enhance TPP policies and procedures to better ensure that City property is properly accounted for and effectively safeguarded. Such policies and procedures should ensure that:

- **Periodic physical inventories of TPP items are conducted, and the results promptly reconciled to City property records, by someone other than the property custodian. Any differences noted during the reconciliation should be thoroughly investigated and resolved.**
- **Sufficiently detailed property records are maintained.**
- **TPP items are tagged or marked as City property.**
- **Noncapitalized sensitive and attractive items are identified and, for those items, records are maintained and periodic physical inventories are conducted with the results promptly reconciled to the applicable records.**

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(3)(a), Florida Statutes, the Legislative Auditing Committee, at its

⁶⁴ Sensitive and attractive items are items that, by the nature of their portability, adaptability for personal use, or storage capabilities, are more susceptible to loss, theft, or abuse.

⁶⁵ GFOA Best Practices: *Control Over Items That Are Not Capitalized*, October 2017.

December 12, 2019, meeting, directed us to conduct this operational audit of the City of Deerfield Beach (City).

We conducted this operational audit from April 2020 through May 2022 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, administrative rules, 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, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- 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 significant to our audit objectives, instances of noncompliance with applicable governing laws, rules, or contracts, 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; identifying and evaluating internal controls significant to our audit objectives; 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's 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 2018 through January 2020, and selected City actions 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 management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws; grants; contracts; City ordinances, policies, and procedures; and other guidelines; and interviewed City personnel to gain an understanding of applicable processes and administrative activities.
- Examined minutes of City Commission meetings held during the audit period, and the minutes of selected meetings held prior and subsequent to the audit period, to determine the propriety and sufficiency of actions taken related to the programs, activities, and functions included in the scope of this audit.
- Determined whether the City had established anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Evaluated the adequacy of City policies and procedures related to identifying potential conflicts of interest. For selected City officials, reviewed Department of State, Division of Corporations, records; statements of financial interests; and City records to identify any potential relationships that represented a conflict of interest with City vendors.
- Examined City records and inquired of City personnel to determine whether the City complied with City Ordinance Section 3.09, which requires that the Commission and its members deal with City officers and employees who are subject to the direction and supervision of the City Manager solely through the City Manager and that neither the Commission or its members can give orders to an officer or employee in public or private.
- Determined whether the City adopted its 2018-19 fiscal year budget in compliance with Section 166.241, Florida Statutes, and City Ordinances Sections 5.04 and 5.05 and whether the City limited 2018-19 fiscal year expenditures to amounts in the adopted budget.
- Determined whether monthly budget-to-actual comparison reports for budgeted funds were timely prepared and timely presented to the City Commission during the audit period in accordance with City Ordinance Section 38.92.
- Determined whether the City followed Government Finance Officers Association (GFOA) best practices for establishing minimum fund balances for the General Fund.
- Determined whether the City followed GFOA best practices for establishing working capital minimums for City enterprise funds.
- Determined whether the City followed GFOA best practices and advisories for pension sustainability and funding defined benefit pension plans for its Municipal Firefighters Pension Plan (Plan).
- Determined whether City records demonstrated that Plan benefits were calculated according to Section 175.032(5), Florida Statutes, and City Ordinance 54-251.
- Reviewed City compliance with Section 218.415, Florida Statutes, the City investment policy, and GFOA best practices for investment policies.
- Examined City tangible personal property (TPP) policies and procedures and City property records and interviewed City personnel to determine whether the City had established adequate controls relating to the acquisition, disposal, accountability, and safeguard of assets, including sensitive and attractive assets with purchase prices below the City TPP capitalization threshold.
- Verified that the financial information provided in City debt issuance documents for debt totaling \$36.2 million issued in March 2018 was in agreement with the audited financial statements.

- From the accumulated annual and sick leave payments totaling \$529,271 and made to 92 employees who separated from City employment during the audit period, selected payments totaling \$459,354 made to 23 employees and examined supporting City records to determine whether the payments complied with applicable City policies and procedures.
- Examined the three employment agreements for the 2 City Managers employed during the audit period to determine whether the severance pay provisions in the agreements exceeded the limits established by Section 215.425(4), Florida Statutes.
- Reviewed the City salary schedules for the 2018-19 and 2019-20 fiscal years to determine whether the position pay grades appeared reasonable. Additionally, compared the salaries of the 5 most highly compensated City employees to the salaries of employees in similar positions in 11 comparable South Florida cities to determine whether City salary amounts were reasonably comparable.
- Inquired of City personnel regarding the methodology for allocating City salary and benefit costs to the Deerfield Beach Community Redevelopment Agency (CRA) during the audit period and evaluated whether the allocation methodology was reasonable and reflected the actual cost of services provided by 3 City personnel to the CRA.
- To determine whether employees were hired in accordance with City policies and procedures, examined records related to 30 of the 227 employees hired during the audit period to verify that the employees hired met the minimum requirements for the position, were the highest-rated candidate, completed a background screening (if appropriate), and that the records included a properly completed employment application and a properly approved personnel action form.
- Evaluated the effectiveness of City policies and procedures to ensure that only eligible individuals participated in the City's group health insurance plan.
- Examined City records policies, procedures, and supporting documentation evidencing the calculation and approval of, and necessity for, overtime payments.
- Evaluated the adequacy of City corrective actions to address the payroll separation of duties finding reported in the City's 2018-19 fiscal year financial statements audit report.
- From a population of payments totaling \$33 million to City employees during the audit period, selected payments totaling \$44,978 made to 15 employees and examined City records to determine whether the employees were paid according to the City's salary schedules.
- Examined City records and inquired with City personnel to determine if any bonuses were paid to City employees.
- Examined payments to elected City Commission members serving during the audit period and payments to City Managers employed during the audit period to determine whether any prohibited compensation was paid.
- Evaluated the reasonableness of City procedures for assignment and use of City-issued procurement cards (P-cards). We also determined whether City personnel periodically reviewed and evaluated P-card use and cardholder purchasing limits.
- From the 5,678 P-card expenditures totaling \$1.4 million during the audit period, examined City records supporting 30 P-card expenditures totaling \$68,675 to determine whether expenditures were made in accordance with City policies and procedures and served a documented valid public purpose.
- Examined City records to determine whether the City promptly canceled P-cards for the 14 cardholders who separated from City employment during the audit period.
- Examined City records for the 10 take-home vehicles assigned to City employees during the audit period to determine whether the vehicles were assigned in accordance with City policies.

Additionally, we examined City records to determine whether the personal use of take-home vehicles was properly calculated and reported as employee as taxable income to the Internal Revenue Service.

- From the 1,154 travel expenditures totaling \$352,550 incurred during the audit period, examined City records supporting 30 travel expenditures totaling \$40,070 to determine whether such expenditures were reasonable, correctly recorded, adequately documented, incurred for a valid public purpose, properly authorized and approved, and made in compliance with applicable laws, City ordinances, and City policies and procedures.
- From the 2,358 journal entries, totaling \$843.7 million recorded during the audit period, examined City records supporting 30 journal entries totaling \$182.9 million to determine whether the journal entries were adequately documented, properly approved, correctly recorded in the City's accounting records.
- From the 559 vendors subject to competitive section requirements and paid \$133.1 million during the audit period, examined City records supporting payments of \$2.6 million to 30 vendors to determine whether the goods and services were competitively selected in accordance with applicable State law, City ordinances, and City policies and procedures.
- Determined whether the City performed a cost-benefit analysis to evidence that the purchase and operation a City compressed natural gas fuel station costing \$9.3 million was more cost effective than purchasing compressed natural gas directly from vendors as needed.
- Examined City records associated with grant awards, totaling \$200,000 for the 2015-16 through 2018-19 fiscal years, to an organization operating a youth sports league on behalf of the City to determine whether the grants were awarded pursuant to City ordinances, resolutions, policies, and procedures. Additionally, examined City records and inquired of City personnel to determine whether the City adequately monitored the grantee organization and ensured that the organization complied with significant grant requirements.
- Communicated on an interim basis with applicable individuals 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 RESPONSE¹

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September 12, 2022

Sherill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450


Re: City of Deerfield Beach Operational Audit

Dear Ms. Norman,

We are in receipt of you August 12th, 2022 preliminary and tentative audit findings and recommendations, generated in response to the operational audit of the City of Deerfield Beach conducted by your office. The City thanks you and your staff for conducting this operational audit pursuant to the City's request and the approval of the Legislative Auditing Committee, and for providing recommendations to further enhance the City's internal operational policies and controls.

Pursuant to Section 11.45(4)(d), Florida Statutes, Attachment A serves as the City of Deerfield Beach's written statement of explanation concerning the findings and provides the corrective actions that have been (or will be) taken by the City.

Sincerely,



Dave Santucci, City Manager

Cc: Mayor & Members of the City Commission
Anthony Soroka, City Attorney
Horace McHugh, Assistant City Manager

More Than Just a Pretty Beach

Honorable Mayor
Bill Ganz

District 1 Commissioner
Michael Hudak

District 2 Commissioner
Ben Preston

District 3 Commissioner
Bernie Parness

District 4 Commissioner
Todd Drosky

¹ Documentation referred to as Exhibits A through F in management's response was not reproduced in this report but constitutes public records of the City.

Attachment A

Response & Recommendations to the 8-12-22 State of Florida Auditor General's Preliminary & Tentative Audit Findings

Payroll and Personnel Administration

Finding #1: City Salary and Benefits Costs Charged to the Deerfield Beach Community Redevelopment Agency

Audit Recommendation: To ensure that the CRA is charged for the actual costs of City services provided to the CRA, the City should:

- Develop a reasonable and systematic cost allocation methodology that supports the salary and benefits costs of exempt employee services charged to the CRA.
- Charge the CRA for non-exempt City employee salaries and benefits costs based on the documented time and effort expended on CRA-related activities.

Management agrees and is addressing this recommendation. The CRA/Economic Development Director and Assistant City Clerk document time spent on CRA work and submit time sheets to the CRA on a monthly basis. The CRA budgets for a portion of each of these position's time. Beginning with FY 2022 closeout, the actual costs for CRA work by these positions will be reconciled based on the actual time spent by these positions on CRA activities.

Additionally, a cost allocation study is included in the FY 2023 Budget Recommendation that will include an assessment of CRA activities performed by City Staff and the methodology used for allocating the actual costs for administrative fees paid by the CRA to the City. The City anticipates implementing recommendations from the study in the FY 2024 budget. Until the study and implementation are completed, the existing cost allocation methodology will be utilized.

Finding #2: New Hires

Audit Recommendation: The City should ensure that each interview question is scored by each committee member, interview scores are correctly entered onto the summary interview matrix, and the total scores are mathematically correct.

Management agrees and has acted to address this recommendation. Human Resources (HR) developed standard operating procedures for personnel action forms and new hire documentation in July 2020, which were further revised in August 2022 (the "New Hire SOP"). The New Hire SOP provides for an enhanced new hire process and greater oversight and verification by HR. The New Hire SOP includes an established workflow and responsibility for routing, reviewing, and approving new hire documents, including, but not limited to, the review and verification of candidate scoring and rankings

documentation. This verification process occurs prior to the offer of employment. The New Hire SOP is attached as Exhibit A.

Finding #3: Termination Leave Payout

Audit Recommendation: The City should ensure that employment offer letter terms are consistent with, and terminal leave payouts are calculated in accordance with, the City's Employee Personnel Rules & Regulations. Any difference should be approved by the City Commission.

Management agrees and has acted to address this recommendation. The Employee Personnel Rules and Regulations policies were updated, and approved by the City Commission, to allow reasonable and customary fringe benefits for offers of employment for non-union positions as approved by the City Manager. Additionally, procedures have been updated to provide verification of employee compensation and benefits consistent with the Handbook, attached as Exhibit A.

Finding #4: Overtime Payment Monitoring

Audit Recommendation: The City should enhance its overtime monitoring procedures to ensure that employee meal periods are properly excluded and that employee timecards accurately reflect overtime earned. Additionally, the City should periodically perform and document a cost-benefit analysis to determine whether it is in the City's best interests to pay overtime or hire additional employees.

Management agrees and is addressing this recommendation. The City is developing a new procedure to enhance the City's monitoring of overtime and hours worked. This procedure will continue the current practice of requiring review of overtime at the department level before submitting to payroll. Additionally, overtime hours above 20 hours in any payroll period (or 80 hours within any month) will generate a notification to payroll staff, who will require written clarification by the Department Director.

Repeated instances exceeding this threshold will be referred to the CFO, for further discussions with the Human Resources/Risk Director in conjunction with the Department Director to discuss justification and alternatives. These alternatives may include continuation of overtime, use of seasonal staff, assignment of overtime to other staff, or addition of staff through the budget process.

Finding #5: Deerfield Municipal Firefighters' Pension Plan

Audit Recommendation: The City should work with the Plan Board to establish a more realistic rate of return for the Plan and consider that rate when establishing and funding future Plan contributions. In addition, the City should establish policies and procedures to verify and document that average final compensation amounts are calculated in compliance with City ordinances.

Pursuant to the applicable provisions in state law (Chapter 175, Fla. Stat.), and Chapter 54, Article V of the City Code, the Board of Trustees of the municipal firefighters' pension trust fund (the "Board") is solely responsible for administering the trust fund. The City's role in the Plan is limited. Pursuant to Section 175.061, Fla. Stat., and the City Code, only two members of the five-member Board are appointed by the City Commission and serve at their pleasure. The Board must also include two active firefighter appointees elected by a majority of the active firefighters who are members of the Plan, and the fifth member is chosen by a majority of the other four members. No additional City appointees may be appointed to the Board. The City has reviewed the last three years of actuarial reports (2019, 2020, and 2021), which included a recommendation by the Actuary to reduce the rate of return used for the Plan. The City agrees the plan Board should further reduce the rate and adopt the Actuary's recommendation, but the City does not have the authority to do so. It is the City's understanding that the rate adjustment must be made by the Board.

The Plan Actuary confirmed that he receives salary information directly from BSO. Salary information includes total compensation and plan contributions for each employee. BSO and the Plan Actuary indicated to the City that BSO stops including overtime once the employee reaches the 300-hour cap each year. The Actuary further indicated that in addition to the annual salary + 300 hours OT used for the average final compensation ("AFC") calculation, the value of the additional accruals (i.e., 250 hours sick and 350 hours annual leave) may be added to be included in the AFC consistent with the applicable City Code regulations. Members are not paid out these additional accruals; they are merely used in the AFC calculation.

The City has requested the source data from BSO to confirm the salary data used to calculate the AFC are accurate. The City will also forward this recommendation to the Board's auditor to make them aware of the Auditor General's recommendation. Lastly, with the creation of the City's Office of Public Safety, the Public Safety Director will meet annually with the Actuary to address any plan concerns.

Procurement and Expenditures

Finding #6: Procurement of Goods and Services

Audit Recommendation: When procuring services that require competitive selection, the City should enhance its procedures to require detailed descriptions of evaluation criteria, written instructions for applying the criteria and scoring the proposals, and written explanations when evaluator scores vary significantly for a specific criterion or an evaluator scores a criterion outside the established range of scores.

Management agrees with this recommendation and is enhancing its competitive procurement evaluation templates to require further definition and guidance on evaluation criteria and scoring to elevate the objectivity of the evaluation of competitively solicited proposals.

Finding #7: Youth Sports Program

Audit Recommendation: To demonstrate that grant moneys are expended in accordance with the grant agreement and City Commission expenditures, the City should ensure that grantees comply with significant grant requirements and maintain documentation to support such compliance.

Management agrees and has acted to address this recommendation. An updated Sports Policy was developed by the Parks Department to help ensure that grantees comply with requirements of grants. The Policy was adopted by the City Commission on January 14, 2020. A process was developed to obtain the required documents (insurance, non-profit status, etc.) before the start of services or programs. Recipients are required to sign a facility use and grant agreement, confirming the terms of the award and conditions for use of grant funds. In addition, payment is not released without the City's receipt of the required documentation, verification of compliance and authorization. Moreover, pre-approval from the Parks Department is required prior to the commitment of funding, which is only provided on either a reimbursement basis or by direct purchase by the City. A copy of the approved sports policy and complementing draft standard operating procedures are attached as Exhibit B.

Finding #8: Procurement Card Purchases.

Audit Recommendation: The City should ensure that cardholders and reviewers are aware of the restrictions on purchases included in the City's P-card policy, all P-card transactions are reviewed for compliance with the policy and that supporting documentation clearly demonstrates the authorized public purpose served by each P-card transaction.

Management agrees and has acted to address this recommendation. The City's P-Card standard operating procedure was updated on August 30, 2021, attached as Exhibit C, to strengthen and clarify compliance requirements. In particular, the sections addressing prohibited uses and travel related purchases were updated. Internal P-Card audit procedures were enhanced with the transfer of responsibility to Accounts Payable for increasing enforcement of P-Card violations, which are initially reported to the Department Director and HR department. Violations of the P-Card Policy may result in the suspension or revocation of the P-Card, as well as disciplinary procedures.

The City's Purchasing division is now utilizing a P-Card Training Video, which all new P-Card Holders must complete prior to receiving their P-Cards. The video is available to City employees on-demand on the City's internal network. Additionally, the Purchasing division now conducts refresher training for current P-Card Holders and Administrative Approvers.

Finding #9: Travel

Audit Recommendation: The City should amend the Travel Approval Form to include traveler departure and return times and ensure that meal subsistence payments are made based on when travelers are actually in travel status.

Management agrees and has acted to address this recommendation. The City's travel policy was updated and approved by the City Commission on June 15, 2021, and is attached as Exhibit D. To facilitate travel, there are now two separate forms required to be completed and submitted, which forms are attached as Exhibits E. The revised forms capture the time of departure and return and appropriate meal provisions within those timeframes consistent with the updated travel policy. Additionally, review, approval, and reconciliation procedures have been enhanced to provide greater oversight and ensure compliancy with the travel policy.

Finding #10: Take-home Vehicle Assignment

Audit Recommendation: All take-home vehicle assignments should be supported by a properly completed Take-Home Vehicle Agreement signed by the employee and the applicable departments director as required by City policies and procedures.

Management agrees with this recommendation. The City's Fleet Division is revising the current policy that governs the assignment and use of take-home vehicles to employees. The draft policy specifies the guidelines for use of these vehicles, the employees' responsibilities under the policy and the tax reporting requirements. The draft policy requires that a Take-home Vehicle Agreement requiring acknowledgement of, and compliance with, the policy be signed by vehicle assigned employees prior to possession of the vehicle. The draft policy requires executed agreements be kept in each employee's HR file. Compliance oversight will be the responsibility of the Fleet Manager. The authority for approving take-home assignments will be with the City Manager, with recommendations from the employee's department director and the Fleet Manager. The City's draft Take Home City Vehicle Policy is attached as Exhibit F. The City anticipates implementation of the updated policy within 60 days.

Finding #11: Vehicle Taxable Fringe Benefits

Audit Recommendations: The City should ensure that the value of personal use of City-owned vehicles is accurately calculated based on records of City-owned vehicle assignments and use, appropriately included in employers' gross income, and reported to the IRS.

Management agrees and has acted to address this recommendation. The City has reduced the number of take-home vehicles since the time this audit commenced and continues to do so through attrition and other means. The aforementioned Take Home City Vehicle Policy that is being updated requires staff assigned a take-home vehicle to complete and submit the necessary documentation to the Finance Department to comply

with the applicable IRS requirements. This submission requirement is a condition to the continued use of the take home vehicle, and failure to comply under the Policy may result in revocation of the vehicle privilege and the full applicable tax burden shall be the responsibility of the employee.

Administration and Management

Finding #12: Solid Waste Fund Working Capital and Financial Condition

Audit Recommendation: The City should adopt a policy establishing a minimum working capital target for its enterprise funds. Additionally, the City should continue efforts to obtain a rate study for the Solid Waste Fund and adjust rates as necessary to resolve the Fund's deficit unrestricted net position.

Management agrees with this recommendation and is taking action. The implementation of Governmental Accounting Standard Board (or GASB) Statement No. 75 reporting of other post-employment benefits ("OPEB") required a restatement of the net Fund position. Recognizing approximately \$8.7 million in related OPEB liability had a negative impact on the Solid Waste Fund Net Position. Prior to this required reporting standard, OPEB was only recognized on a pay-as-you-go basis.

The City recognized this impact as well as the working capital challenges and contracted with a consulting firm to perform a rate sufficiency study for the Solid Waste Fund. However, the pandemic delayed the study for approximately a year. The City re-engaged with the consultant firm in FY2022. The study will include a multi-year operating expense projection along with a Capital Improvement Program Funding Plan. The study is slated to be completed towards the end of FY2022. The study results will be presented to the City Commission for implementation of a multi-year funding plan and policies that will include reducing the net position deficit and improving the Fund's working capital.

Finding # 13 Budgetary Controls

Audit Recommendation: The City should enhance budgetary controls to ensure that budgets are prepared for all City funds and expenditures are limited to approved budgeted amounts as required by State law.

Management agrees and has acted to address this recommendation. Starting with the FY2022 Budget, all City Funds that are expected to incur expenditures and/or receive revenues are budgeted. The City also enacts budget amendments as needed throughout the fiscal year, and no later than 60 days after the fiscal year end in accordance with Section 166.241, Florida Statutes.

Finding # 14 Quarterly Investment Reports

Audit Recommendation: The CFO should comply with the City Investment policy and provide to the City Manager quarterly investment reports with all required information.

Management agrees and has acted to address this recommendation. The current CFO complies with the City's investment policy and provides the City Manager with the required quarterly investment reports on a consistent basis.

Finding #15. Fixed Asset Controls

Audit Recommendation: City management should ensure that City personnel comply with established policies for recording TPP purchases in City accounting records and disposing of TPP items. In addition, the City should enhance TPP policies and procedures to better ensure that City property is properly accounted for and effectively safeguarded. Such policies and procedures should ensure that:

- Periodic physical inventories of TPP items are conducted, and the results promptly reconciled to City property records, by someone other than the property custodian. Any differences noted during the reconciliation should be thoroughly investigated and resolved.
- Sufficiently detailed property records are maintained.
- TPP items are tagged or marked as City property.
- Noncapitalized sensitive and attractive items are identified and, for those items, records are maintained and periodic physical inventories are conducted with the results promptly reconciled to the applicable records.

Management agrees with this recommendation and is taking action. The City performs an annual inventory of the City's capital assets (City-owned property). Beginning in FY 2023, a physical verification will be done twice per year. This procedure will verify that the capital assets still exist and confirm the location and user information. All capital assets will be tagged with a City of Deerfield Beach label and an asset number.

Listings of non-capital purchases of other Tangible Personal Items such as Computers are maintained by the Information Technology Department, and small tools and equipment are maintained by the respective user department. The City will include verification of these listings as part of its twice-annual physical asset inventory and verification.

Current City policy requires the City Manager to sign off on the disposition of capital assets prior to the initiation of disposition. To improve compliance, the current City Manager will not sign any title or transfer documentation without the submission of the property action form. Furthermore, the Finance department will require the sign off sheet to be submitted by the applicable department when auction proceeds are received.