

CITY OF DEERFIELD BEACH

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Mayor, Commission Members, and City Manager

During the period October 2022 through February 2024, the following individuals served as City of Deerfield Beach Mayor, Vice Mayor, City Commissioner, or City Manager:

William Ganz Jr., Mayor
Bernard Parness, Vice Mayor from 3-28-23
Michael Hudak, Vice Mayor through 3-27-23
Todd Drosky, Commissioner
Benjamin Preston, Commissioner
David Santucci, City Manager

The team leader was Samantha M. Palaigos, CPA, and the audit was supervised by Clare Waters, CPA.

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

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CITY OF DEERFIELD BEACH

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SUMMARY

In our operational audit report No. 2023-019 of the City of Deerfield Beach (City), we noted 15 findings related to various functions and activities. This operational audit focused on the progress that the City had made, or was in the process of making, in addressing the findings and recommendations in report No. 2023-019.

Our audit disclosed that the City had:

- Corrected 10 findings (Findings 1, 2, 3, 4, 6, 7, 9, 10, 13, and 14).
- Partially corrected 5 finding (Findings 5, 8, 11, 12, and 15).

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 87,878.² 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

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

Previously Reported

City employee salary and benefits amounts charged to the Deerfield Beach Community Redevelopment Agency (CRA) were not based on documented employee time and effort records.

¹ Chapter 27503, Laws of Florida.

² *Florida Population Estimates for Counties and Municipalities, April 2023*, Florida Office of Economic and Demographic Research.

We recommended that, to ensure the CRA is charged for the actual costs of City services provided to the CRA, the City develop a reasonable and systematic cost allocation methodology that supports the salary and benefits costs of exempt employee services charged to the CRA and charge the CRA for non-exempt City employee salaries and benefits costs based on the documented time and effort expended on CRA-related activities.

Result of Follow-Up Procedures

The City corrected this finding. Our discussions with City personnel and examination of City records disclosed that two City employees worked on CRA activities during the 2022-23 fiscal year, and the City charged salaries and benefits costs of \$112,295 to the CRA. The City maintained time sheets that adequately documented the two employees' time and effort spent performing CRA activities.

Finding 2: New Hires

Previously Reported

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

We recommended that the City ensure each interview question is scored by each committee member, interview scores are correctly entered on the summary interview matrix, and the total scores are mathematically correct.

Result of Follow-Up Procedures

The City corrected this finding. Our examination of scoring documents related to 30 of 218 new hires during the period of October 2022 through February 2024 disclosed that each interview question was scored by each screening committee member, the interview scores were correctly entered on the summary interview matrix, and the total scores were mathematically correct.

Finding 3: Terminal Leave Payouts

Previously Reported

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

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

Result of Follow-Up Procedures

The City corrected this finding. In April 2022, to help the City recruit the most qualified applicants and retain high-performing employees, the City Commission approved changes to the *Employee Personnel Rules and Regulations* to allow the City Manager to utilize offer letters, employment agreements, or other formal documentation to provide additional fringe benefits to non-bargaining unit employees. Our discussions with City personnel and examination of City payroll records disclosed that the City made \$334,593 in terminal leave payouts to 68 former employees during the period October 2022 through

February 2024. Our examination of terminal leave payouts totaling \$289,641 to 23 of the 68 former employees disclosed that the payouts were calculated in accordance with the City's *Employee Personnel Rules and Regulations*.

Finding 4: Overtime Payment Monitoring

Previously Reported

Errors were reported 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 than hiring additional staff.

We recommended that the City enhance its overtime monitoring procedures to ensure that employee meal periods are properly excluded and that employee timecards accurately reflect overtime earned. In addition, we recommended that the City 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.

Result of Follow-Up Procedures

The City corrected this finding. During the period October 1, 2022, through February 29, 2024, the City paid a total of \$2.2 million for overtime worked. Approximately 93 percent of the overtime payments were to employees in the Parks and Recreation, Environmental Services, and Sustainable Management Departments. Our examination of 20 overtime payments totaling \$45,242 to employees from those three departments disclosed that the overtime payments were supported by timecards and appropriately excluded unpaid meal periods.

In February 2023, the City implemented the *Overtime Comptime Earned Justification Form* that department directors prepare each pay period listing employees who worked more than 20 hours of overtime and justification for the overtime hours. The forms are used to prepare quarterly overtime reports by department which are submitted to the Chief Financial Officer (CFO) for review and analysis. As part of our review of 20 overtime payments, we examined the forms prepared. Those forms indicated that overtime was required due to staff shortages or special events.

City personnel indicated that overtime caused by staff shortages is usually due to staff vacancies rather than the need for additional positions, and City records documented efforts to fill staff vacancies. In addition, City personnel performed a cost-benefit analysis to determine if additional positions were needed.

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

Previously Reported

City policies and procedures for monitoring the City of Deerfield Beach Municipal Firefighters' Pension Plan (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.

We recommended that the City work with the Plan's Board of Trustees (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, we recommended that the City establish policies and procedures to verify and document that average final compensation amounts are calculated in compliance with City ordinances.

Result of Follow-Up Procedures

The City partially corrected this finding. In March 2021, the Board approved a reduction in the assumed rate of return on investments. The rate was reduced from 7.5 percent to 7.25 percent. However, the actuary who calculated the Plan liability for the 2021-22, 2022-23, and 2023-24 fiscal years indicated that the Plan's 7.25 percent assumed rate of return was still too high and conflicted with the actuary's judgement in applying actuarial standards. According to City personnel, the City agrees that the Board should implement the actuary's recommendation to reduce the rate, but the Board is responsible for administering the Plan and Board actions and decisions are independent of the City. The City's involvement is limited to appointing two members of the five-member Board. Our review of Pension Board minutes of meetings held during the period March 2021 through April 2024 indicated that the Pension Board members are aware that the rate is too high; however, the members want to reduce the rate gradually over time so the City's contributions will likewise increase gradually over time.

The average final compensation calculations for retiring Plan members are based on biweekly pay period census data that the actuary receives from the Broward County Sheriff's Office (BSO).³ Our examination of City records and discussions with City personnel disclosed that the City continued to rely on the average final compensation calculations prepared by the Plan's actuary and the financial audit performed by the Plan's auditors. The City does not obtain, review, or recalculate the average final compensation calculations performed by the actuary to ensure that pension calculations are accurate. However, since January 2023, City personnel have received biweekly pay period census data from the BSO and have reviewed the data for reasonableness.

Our review of the biweekly pay period census data for the period of January 2023 through February 2024, indicated that, although the data includes the employee's name, pay date, contribution total, and total pay, it excludes the number of hours worked by the employee. Consequently, the data is not detailed enough to determine if overtime hours were limited to 300 hours in accordance with City ordinances.⁴ City personnel indicated that they verbally confirmed with the BSO that the BSO has controls in place to apply the annual 300-hour overtime limit.

In addition, City personnel indicated that accumulated leave hours are only included in the calculation of average final compensation when an employee has not been paid for the hours as allowed by City ordinances. Although the City's review of the biweekly pay period census data for reasonableness could identify large payments resulting from the payment of accumulated annual and sick leave, since the City does not review the actuary's calculations, the City cannot determine if the retiree's average final

³ The City transferred its fire rescue services to the 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.

⁴ The definition of "salary" in Section 54-251, City of Deerfield Beach, Code of Ordinances, indicates that overtime in excess of 300 hours are excluded from a firefighter's salary for purposes of determining benefits.

compensation included hours exceeding the maximum hours established by City ordinances⁵ or improperly included payments to the Plan member for annual and sick leave hours.

City personnel indicated that it is the Plan's responsibility to ensure that the pension calculations are correct, not the City's responsibility. Notwithstanding, insofar as the City is responsible for funding the Plan, absent verification that retiree average final compensation is accurately calculated, the City has limited assurance that retiree benefits do not exceed amounts intended by City ordinances.

Recommendation: We continue to recommend that the City continue to work with the Plan Board to establish a more realistic rate of return for the Plan. In addition, due to the significant financial obligations of the Plan, we continue to recommend that the City establish policies and procedures to verify and document that average final compensation amounts are calculated in compliance with City ordinances.

PROCUREMENT AND EXPENDITURES

Finding 6: Procurement of Goods and Services

Previously Reported

Controls over the City's procurement of services needed enhancement.

We recommended that, when procuring services that require competitive selection, the City 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.

Result of Follow-Up Procedures

The City corrected this finding. During the period October 2022 through February 2024, the City awarded 12 competitive solicitations totaling \$11.4 million pursuant to evaluation committee recommendations. Our review of the competitive solicitation documents for 4 competitive solicitations totaling \$4.6 million occurring during that period disclosed that evaluation criteria were sufficiently detailed, scores were reasonable, and all scores were within the applicable scoring ranges. In addition, in February 2024, the City implemented new procurement procedures, including training for each evaluation committee member and instructions for evaluating and scoring the proposals, along with new standardized scoring documents that include written instructions for applying the criteria and scoring the proposals.

Finding 7: Youth Sports Program

Previously Reported

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

⁵ The definition of "average final compensation" in Section 54-251, City of Deerfield Beach, Code of Ordinances, indicates that up to a maximum of 350 hours of annual leave and 520 hours of sick leave shall be included in the calculation of average final compensation if the firefighter chooses not to receive actual payment for the accumulated leave hours.

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

Result of Follow-Up Procedures

The City corrected this finding. On April 25, 2023, the City Commission adopted resolutions⁶ that approved grant agreements with two non-profit organizations to provide youth sports programs for the 2023 season with the City's option to renew the agreements for two additional 1-year terms. The agreements awarded \$46,451 to an organization providing youth football and cheerleading programs and \$18,000 to an organization providing youth baseball programs. Our review of City records disclosed that the grantees submitted the required documentation to demonstrate compliance with significant grant requirements.

Finding 8: Procurement Card Purchases

Previously Reported

The City should enhance its review of procurement card (P-card) purchases to ensure that those purchases comply with City policy and serve a valid public purpose.

We recommended that the City 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.

Result of Follow-Up Procedures

The City partially corrected this finding. In April 2023, the City revised its P-card policies and procedures⁷ to strengthen and clarify P-card policies, by addressing prohibited uses, travel-related purchases, and additional P-card trainings.

During the period October 2022 through February 2024, 85 P-cards were used for 6,304 transactions totaling \$1.7 million. To determine whether P-cards transactions were reviewed and approved for compliance with City policy, adequately supported by documentation evidencing the authorized public purpose, and otherwise made in accordance with established City policies and procedures, including the exclusion of sales tax, we requested for examination City records supporting 30 selected P-card transactions totaling \$25,175. Our examination disclosed that sales tax was excluded from the P-card transactions as appropriate. However, we also noted 11 transactions with one or more deficiencies. Specifically, we noted:

- 5 transactions totaling \$2,380 without evidence of review and approval by appropriate supervisory personnel.
- 9 transactions totaling \$3,312 without a documented public purpose. The purchases included a sleeper sofa, a doghouse, stickers, and food purchases for various events and meetings.

⁶ City of Deerfield Beach Resolution Nos. 2023-068 and 2023-069.

⁷ City of Deerfield Beach Procurement Card Policy and Procedures.

- 4 food purchases totaling \$1,165 without approved *P-Card Authorization for City Functions* forms (authorization forms). Of the 4 purchases, 2 purchases totaling \$786 also lacked documentation that the food was consumed on City premises as required by City policy.
- 2 transactions totaling \$941 for the purchase of 1,000 stickers and food for a staff appreciation lunch without sales receipts or invoices.
- 1 transaction for \$96 fraudulently charged to a P-card. Although City personnel reported the theft to law enforcement, City records did not evidence that the City contacted the P-card issuer to obtain an account credit.

Although we requested in August and October 2024, the City did not provide explanations or additional documentation for these P-card transactions. When P-card charges are not properly reviewed for compliance with City policies and to verify that 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. In addition, if fraudulent charges are not promptly reported to the P-card issuer, the City may be liable for those charges.

Recommendation: We continue to recommend that the City ensure that all P-card transactions are reviewed for compliance with the City’s P-card policy and supporting documentation clearly demonstrates the authorized public purpose served by each P-card transaction. In addition, we recommend that, whenever fraudulent P-card transactions occur, the City contact the P-card issuer to obtain an account credit.

Finding 9: Travel

Previously Reported

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.

We recommended that the City 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.

Result of Follow-Up Procedures

The City corrected this finding. In June 2021, the City Commission amended City ordinances⁸ and adopted a resolution⁹ that approved updated City travel policies and procedures to ensure the consistency of the ordinances with the policies and procedures. Additionally, the *Travel Approval Form* was revised to include the traveler departure and return times. During the period October 2022 through February 2024, the City incurred 951 travel and training expenditures totaling \$309,830. Our examination of 30 travel expenses, incurred during the period October 2022 through February 2024 and with meal reimbursements totaling \$16,297, disclosed that the traveler departure and return times were documented on the *Travel Approval Form*, and meal reimbursements were based on the times the traveler was in travel status. Additionally, the meals were reimbursed at rates in accordance with City ordinances and travel policies.

⁸ Section 2-222, City of Deerfield Beach, Code of Ordinances.

⁹ City of Deerfield Beach Resolution No. 2021-093.

Finding 10: Take-Home Vehicle Assignment**Previously Reported**

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.

We recommended that all take-home vehicle assignments 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.

Result of Follow-Up Procedures

The City corrected this finding. In March 2023, the City revised its take-home vehicle policies and procedures¹⁰ to utilize the *Employee Acknowledgement of Receipt of Take Home City Vehicle Policy and Procedure* form to document the employee's acknowledgement of the City's take-home vehicle policies and procedures. The form is to be signed by the employee, the applicable department director, and the City Manager. Our examination of forms for the 11 take-home vehicles assigned to employees during the period of March 2023 through February 2024 disclosed that the employee, applicable department director, and City Manager signed the forms.

Finding 11: Vehicle Taxable Fringe Benefits**Previously Reported**

The City did not maintain records supporting the value of personal use of City vehicles reported as taxable income to the Internal Revenue Service (IRS).

We recommended that the City 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.

Result of Follow-Up Procedures

The City partially corrected this finding. According to City records, during the 2023 calendar year, eight employees assigned take-home vehicles were subject to taxation for personal use of City-owned vehicles. To determine whether taxable fringe benefits for the eight employees were supported by City records and properly calculated, we examined payroll records, the fringe benefit calculations supporting the payroll amounts, and mileage logs. Our examination disclosed that taxable fringe benefits related to the personal use of City-owned vehicles for the period November 2022 through August 2023 were included in the employees' gross income reported to the IRS. However, calculations of the value of the personal use were not always accurate. For example:

¹⁰ City of Deerfield Beach, *Take Home City Vehicle Policy and Procedure*.

- The miles used in the calculations of taxable fringe benefits for three employees did not agree with the mileage logs. The differences ranged from 1,282 too few miles to an excess of 7,457 miles. The differences in the employees' gross income ranged from an understatement of \$418 to an overstatement of \$211.
- The ratio used to calculate vehicle lease values for reporting purposes was incorrect for the period November 2022 to February 2023.¹¹ The incorrect ratios caused the amounts included in gross income for six employees to be overstated by amounts ranging from \$140 to \$2,296.
- Although we requested, we did not receive records documenting that the value of personal use of the City-owned vehicles during the period of September through December 2023 was included in the employees' gross income as of October 2024.

Although we requested in September and October 2024, City personnel did not provide explanations for the differences noted above. Absent records documenting the personal use of City-owned vehicles and calculations of the associated taxable fringe benefits with procedures to verify the accuracy of such calculations, the City cannot ensure the accuracy of the amounts included in employees' gross income and reported to the IRS.

Recommendation: We continue to recommend that the City 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 the employees' gross income, and reported to the IRS.

ADMINISTRATION AND MANAGEMENT

Finding 12: Solid Waste Fund Working Capital and Financial Condition

Previously Reported

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.

We recommended that the City adopt a policy establishing a minimum working capital target for its enterprise funds. Additionally, we recommended that the City 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.

Result of Follow-Up Procedures

The City partially corrected this finding. In December 2022, the City Commission adopted a resolution¹² approving a 5-year rate schedule effective January 2023 based on a rate study completed in September 2022 for the Solid Waste Fund. Our examination of the City's 2022-23 fiscal year audited financial statements, the most recent audited financial statements available as of September 2024, disclosed that, as of September 30, 2023, the Solid Waste Fund reported an unrestricted net position of

¹¹ The amount included in gross income was calculated using the lease value method. The lease value method assesses the taxable value of personal use of a vehicle by the percentage of personal miles driven compared to the total miles driven by the employee.

¹² City of Deerfield Beach Resolution No. 2022-209.

\$841,000. In addition, the Solid Waste Fund had working capital of \$7 million as of September 30, 2023, more than the \$2.1 million required for 45 days of fund expenses.

However, our examination of City records and discussion with City personnel disclosed that the City had not adopted a minimum working capital balance policy. In July 2024, City personnel indicated that the City was working with its financial advisor to develop a formal fund balance and working capital policy. 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 ensure stable delivery of services and utility rates.

Recommendation: We continue to recommend that the City adopt a policy establishing a minimum working capital target for its enterprise funds.

Finding 13: Budgetary Controls

Previously Reported

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

We recommended that the City 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.¹³

Result of Follow-Up Procedures

The City corrected this finding. Our review of City records disclosed that, the City prepared and adopted budgets for all funds for the 2022-23 and 2023-24 fiscal years. In addition, the City adopted amendments to the 2022-23 fiscal year budget in May 2023 and November 2023 to prevent excess expenditures. Our examination of the City's 2022-23 fiscal year audited financial statements did not disclose any significant expenditures exceeding budgeted amounts at the department level within each fund (the City's legal level of budgetary control).

Finding 14: Quarterly Investment Reports

Previously Reported

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

We recommended that the CFO comply with the City investment policy and provide to the City Manager quarterly investment reports with all required information.

¹³ Section 166.241, Florida Statutes.

Result of Follow-Up Procedures

The City corrected this finding. Our review of City records disclosed that the CFO provided to the City Manager quarterly investment reports with all required information for each quarter during the period October 2022 through March 2024, in accordance with the City's investment policy.¹⁴

Finding 15: Tangible Personal Property

Previously Reported

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

We recommended that City management ensure that City personnel comply with established policies for recording tangible personal property (TPP) purchases in City accounting records and disposing of TPP items. In addition, we recommended that the City 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 items¹⁶ are identified and, for those items, records are maintained and periodic physical inventories are conducted with the results promptly reconciled to the applicable records.

Result of Follow-Up Procedures

The City partially corrected this finding. Our examination of City records and discussions with City personnel disclosed that the City did not amend its policies and procedures relating to TPP. During our discussions in May 2024, City personnel indicated that the City was implementing a new enterprise resource planning system, with a planned implementation date of January 2025, and they intend to update the TPP policies and procedures as part of the implementation.

To determine if the City performed a physical inventory of its TPP during the period of October 2022 through February 2024, we requested records evidencing the conduct of such inventories. The City provided records demonstrating that a physical inventory of City vehicles was performed in September 2023 and that the results were reconciled to the property records. However, no documentation of physical inventories of other TPP items were provided as of September 2024. Also, while City personnel provided listings of noncapitalized sensitive and attractive items identified and maintained by three departments: Information Technology, Parks and Recreation, and Ocean Rescue,

¹⁴ City of Deerfield Beach Resolution No. 2018-045.

¹⁵ City policies defined capital assets (tangible personal property) as items with an estimated life of over 1 year and a cost, or donated value of \$3,000 or more.

¹⁶ Sensitive and attractive items are items that, although costing less than the City's \$3,000 capitalization threshold, by the nature of their portability, adaptability for personal use, or storage capabilities, are more susceptible to loss, theft, or abuse.

and the listings included some notes regarding certain items no longer in use, there was no evidence of when a physical inventory was conducted.

According to the City's 2022-23 fiscal year audited financial statements, the City's TPP totaled \$13.5 million (net of depreciation) as of September 30, 2023. To determine if property records were sufficiently detailed, we obtained and reviewed the City's TPP subsidiary records for the 2022-23 fiscal year. The record for each item included a description of the item, acquisition date, and cost but did not include a property identification number, physical location, or custodian. The property records also indicated that the City disposed of ten vehicles with acquisition costs totaling \$361,000 during the 2022-23 fiscal year and our examination of City records disclosed that the disposals were supported by an approved *Property Action Form*.

Absent effective TPP controls, including sufficient policies and procedures and periodic inventories of TPP, the City has limited assurance that property records are accurate and complete and that TPP items are adequately safeguarded. In addition, absent established effective controls over sensitive and attractive items, there is an increased risk of loss, theft, and abuse.

Recommendation: We continue to recommend that the City 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 all 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.**
- **All 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

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the City of Deerfield Beach (City) and issued our report No. 2023-019 in September 2022. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of that report, appropriate follow-up procedures to determine the City's progress in addressing the findings and recommendations contained within report No. 2023-019.

We conducted this follow-up audit from March 2024 through September 2024 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.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls, instances of noncompliance with

applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The overall objective of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

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

Our audit included transactions, as well as events and conditions, occurring during the period October 2022 through February 2024 and selected City actions taken prior and subsequent thereto. Our audit included the examination of pertinent City records and transactions, inquiry of City personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

In conducting our audit, we:

- Reviewed applicable laws, rules, City policies and procedures, and other guidelines, and interviewed City personnel to obtain an understanding of the City's processes and requirements and to evaluate whether the City had established effective policies and procedures for selected City functions.
- Inquired of City personnel regarding the methodology for allocating City salary and benefit costs to the Deerfield Beach Community Redevelopment Agency (CRA) during the 2022-23 fiscal year and evaluated whether the allocation was reasonable and reflected the actual cost of services provided by two City personnel to the CRA.
- Examined City records related to 30 of the 218 employees hired during the audit period to verify that each interview question was scored by each member of the screening committee, each committee member's scores were correctly transcribed into the summary matrix, and the total scores in the summary matrix were mathematically correct.
- From the accumulated annual and sick leave payments totaling \$334,593 made to 68 employees who separated from City employment during the audit period, selected payments totaling \$289,641 made to 23 employees and examined supporting City records to determine whether the payments complied with applicable City policies and procedures.
- Examined City records, policies, and procedures, and supporting documentation evidencing the calculation and approval of, and necessity for, overtime payments. Also, examined City records and inquired of City personnel to determine whether the City performed a cost-benefit analysis to document whether it is in the City's best interest to pay overtime or hire additional employees.

- Reviewed the City’s Municipal Firefighters’ Pension Plan Board meeting minutes and Plan actuarial valuation reports for the 2021-22, 2022-23, and 2023-24 fiscal years to determine if the net assumed rate of investment return was reduced to a more realistic rate of return. Additionally, determined whether City records demonstrated that Plan benefits were calculated in accordance with Section 175.032(5), Florida Statutes, and Section 54-251, City of Deerfield Beach Code of Ordinances.
- Examined City records for 4 of the 12 competitive solicitations totaling \$4.6 million and \$11.4 million respectively, evaluated by an evaluation committee and awarded during the audit period, to determine whether the evaluation criteria were sufficiently detailed, detailed instructions for scoring proposals were provided to evaluation committee members, scores were reasonable and within the scoring ranges, and significant variances in scores were explained.
- Examined City records associated with grant awards totaling \$64,451 to two organizations operating youth sports leagues for the period April 2023 through December 2023 to determine whether the grantees complied with significant grant requirements.
- From the 6,304 P-card expenditures totaling \$1.7 million during the audit period, examined City records supporting 30 P-card expenditures totaling \$25,175 to determine whether expenditures were made in accordance with City policies and procedures and served a documented valid public purpose.
- From the 951 travel and training expenditures totaling \$309,830 incurred during the audit period, examined City records supporting 30 travel expenditures totaling \$16,297 to determine whether such expenditures were properly documented and made in compliance with applicable laws, City ordinances, and City policies and procedures.
- Examined City records for the 11 take-home vehicles assigned to City employees during the period March 2023 through February 2024 to determine whether the assignment was supported by a take-home vehicle agreement signed 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 taxable income to the Internal Revenue Service.
- Determined whether the City followed Government Finance Officers Association best practices for establishing working capital minimums for City enterprise funds. Additionally, determined whether the City obtained a rate study for the Solid Waste Fund and adjusted rates as necessary to resolve the Fund’s deficit unrestricted net position.
- Determined whether the City adopted its budget for the 2022-23 and 2023-24 fiscal years in compliance with Section 166.241, Florida Statutes, and City ordinances.¹⁷ In addition, examined City records to verify that the City did not expend 2022-23 fiscal year moneys in excess of the 2022-23 fiscal year adopted budget as amended.
- Reviewed the quarterly investment reports for all quarters during the period of October 2022 through March 2024 to determine compliance with the City’s investment policy.
- 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. We also examined City records and inquired of City personnel to determine whether the City periodically conducted TPP inventories and reconciled the results to the property records.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

¹⁷ Sections 5.04 and 5.05, City of Deerfield Beach Code of Ordinances.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

City of Deerfield Beach
150 NE 2nd Avenue
Deerfield Beach, FL 33441

954.480.4200
www.dfb.city



December 23, 2024

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 your November 25, 2024 Preliminary and Tentative Audit Findings and recommendations, generated in response to your operational audit of the City of Deerfield Beach. The City thanks you and your staff for conducting this operational audit and follow-up 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,



Rodney Brimlow
Interim City Manager

Cc: Mayor & Members of the City Commission
Anthony Soroka, City Attorney
Horace McHugh, Deputy City Manager
Oleg Gorokhovskiy, Chief Financial Officer

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

Attachment A

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

Audit Recommendation: We continue to recommend that the City continue to work with the Plan Board to establish a more realistic rate of return for the Plan. In addition, due to the significant financial obligations of the Plan, we continue to recommend that the City establish policies and procedures to verify and document that average final compensation amounts are calculated in compliance with City ordinances.

City Response: The City concurs with the recommendation to continue working with the Municipal Firefighters' Pension Board to establish a more realistic rate of return for the Pension Plan. We also agree the City's policies and procedures for monitoring the City of Deerfield Beach Municipal Firefighters' Pension Plan (Plan) could be enhanced to verify average compensation amounts and the advocacy of an actuarially sound rate of return.

The following steps will be implemented:

1. The Finance Department will be established as the liaison between the City and the Pension Board.
2. The City will request that BSO provides the deductions for annual average compensation amounts for each qualifying member. If discrepancies are observed, they will be reported to the Pension Plan administrator.
3. Once the annual actuarial study is completed, the CFO will offer a recommendation to the Board of the rate of return to be adopted by the Board actuary for calculation of the Plan's liabilities.
4. The City will maintain its mandated position of appointing two (2) qualified members to the five (5) member Board (as dictated by State Statute).

Finding 8: Procurement Card Purchases

Audit Recommendation: We continue to recommend that the City ensure that all P-card transactions are reviewed for compliance with the City's P-card policy and supporting documentation clearly demonstrates the authorized public purpose served by each P-card transaction. In addition, we recommend that, whenever fraudulent P-card transactions occur, the City contact the P-card issuer to obtain an account credit.

City Response: The City concurs with the recommendation to enhance the review of the P-card transactions for compliance with the City's P-card policy and procedures regarding potential fraudulent transactions.

Below are specific responses to findings identified in the review:

- ❖ 5 transactions totaling \$2,380 without evidence of review and approval by appropriate supervisory personnel.

Attachment A

- We subsequently reviewed these purchases and confirmed that these were all for valid activities that were within the guidelines of the policy. Multiple staff with administrative rights to obtain historical data for these transactions are no longer with the City. When their access was removed, it removed our ability to access the historical records to verify the information. The necessary forms were not completed and included with the reconciliation.
- ❖ 9 transactions totaling \$3,312 without a documented public purpose. The purchases included a sleeper sofa, a doghouse, stickers, and food purchases for various events and meetings.
- We subsequently reviewed these purchases and confirmed that these were all for valid activities that were within the guidelines of the policy. Food purchases were for activities that required the consumption on City premises; doghouse was for a prop to support one of our special events; what was referenced as a sleeper sofa is actually a couch that resides in an employees' breakroom. The necessary forms were not completed and included with the reconciliation.
- ❖ 4 food purchases totaling \$1,165 without approved P-Card Authorization for City Functions forms (authorization forms). Of the 4 purchases, 2 purchases totaling \$786 also lacked documentation that the food was consumed on City premises as required by City policy.
- We subsequently reviewed these purchases and confirmed that these were all for valid activities that were within the guidelines of the policy and for activities that required the consumption on City premises. The necessary forms were not completed and included with the reconciliation.
- ❖ 2 transactions totaling \$941 for the purchase of 1,000 stickers and food for a staff appreciation lunch without sales receipts or invoices.
- We subsequently reviewed these purchases and confirmed that these were all for valid activities that were within the guidelines of the policy. The necessary receipts and invoices were not completed and included with the reconciliation.

The following steps will be implemented to enhance the overall compliance and review process:

1. The policy is being updated to include a) documentation of the "public purpose" b) enforcing the completion of appropriate forms, prior to sign-off by directors; c) adding a process for obtaining an account credit from the P-card owner.
2. The Accounting Division will randomly review P-card transactions during the reconciliation process to ensure compliance with the policy.

Attachment A

3. The policy has been amended to include the "P-card Responsibility by Role" section to explicitly clarify the responsibilities associated with each user.
4. A formal training for P-card users regarding its policy and its requirements will be completed by the Purchasing department to users prior to issuance of a P-card, with acknowledgement of training required by the card holder.

Finding 11: Vehicle Taxable Fringe Benefits

Audit Recommendation: We continue to recommend that the City ensures 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 the employees' gross income, and reported to the IRS.

City Response: The City concurs with the recommendation to enhance the process of calculating the value of personal use of City vehicles by staff, as well as to improve its documentation retention procedure.

The following steps will be implemented:

1. Enhancements will be implemented to include the documentation of actual miles used in its mileage logs and verification of the ratio to calculate lease values.
2. The City will complete a formal training for vehicle taxable fringe benefits for a Finance area staff regarding these enhancements.

Finding 12: Solid Waste Fund Working Capital and Financial Condition

Audit Recommendation: We continue to recommend that the City adopt a policy establishing a minimum working capital target for its enterprise funds.

City Response: The City concurs with the recommendation to establish a minimum working capital target for its enterprise funds; to continue rate study for the Solid Waste Fund; and to adjust rates as necessary to resolve the Fund's unrestricted net position.

The following steps will be implemented:

1. The Finance Department will develop (for Commission's approval), a policy that incorporates the minimum desired levels for Fund Balance and Working Capital for the Solid Waste Fund. This will be drafted and presented for Commission's approval by the end of this fiscal year.
2. The City will monitor the revenues and expenditure estimates for the Solid Waste Fund; update its rate studies; and recommend rate adjustments to maintain the health of the Fund.

Finding 15: Tangible Personal Property

Audit Recommendation: We continue to recommend that the City 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 all 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.
- All 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.

City Response: The City concurs with the recommendation in enhancing its tangible personal property policies and procedures. These enhancements will include regular physical inventories to be completed at the direction of the Finance department as well as noncapitalized sensitive and attractive items being identified and promptly reconciled to the City's fixed asset records.

The City will be implementing an Asset Module within its new overall implementation of a new enterprise resource planning system. This offers a great tool to enhance our asset management (including: recording, barcoding, tracking, inventory, reconciliation and disposition) of physical assets. Our IT Department and Fleet Division takes primary responsibility for asset management of our technological assets and our fleet assets respectively. Once the system is implemented, the Finance Department will oversee of the City's Asset Management that is not technological or fleet related.