

CITY OF DELRAY BEACH

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Mayor, Commission Members, and City Manager

During the period October 2024 through March 2025, Thomas F. Carney, Jr., served as the City of Delray Beach Mayor; Rob Long, served as Vice Mayor from March 27, 2025, and Julie Casale served as Vice Mayor prior to that date; Angela Burns and Tom Market served as City Commissioners; and Terrence Moore was the City Manager.

The Auditor General conducts audit of government 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.

The team leader was Janet N. Case, CPA, and the audit was supervised by Gina M. Bailey, 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 DELRAY BEACH

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SUMMARY

In our operational audit report No. 2024-070 of the City of Delray Beach (City), we noted five findings related to various functions and activities. This operational audit focused on the progress that the City had made in addressing the findings and recommendations in report No. 2024-070.

Our audit disclosed that the City had:

- Corrected 1 finding (Finding 5).
- Partially corrected 3 findings (Findings 1, 2 and 4).
- No occasion to correct 1 finding (Finding 3).

BACKGROUND

In 1911, an area in Palm Beach County west of the Intracoastal Waterway was incorporated as the Town of Delray. In 1923, the area east of the Intracoastal Waterway was incorporated as the Town of Delray Beach. On May 11, 1927, the Town of Delray and the Town of Delray Beach united to form the City of Delray Beach.¹ The City has an estimated population of 68,096.² 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. In addition to services provided to City residents, the City provides fire protection, emergency medical, and limited water services to the Town of Highland Beach (Town), which has a population of 4,287³ and one fire station.

The 15-year interlocal service agreement (ISA) between the City and the Town provided for comprehensive fire and emergency medical services for the period October 2002 through September 2017. In July 2016, the City and Town extended the ISA through September 30, 2026. In April 2021, the Town provided the City with its 36-month written notice of termination, as provided for in the ISA, to commence on May 1, 2021. As a result, the ISA terminated on April 30, 2024.

¹ Chapter 12675, Laws of Florida.

² *Florida Population Estimates for Counties and Municipalities, April 2024*, Florida Office of Economic and Demographic Research.

³ *Florida Population Estimates for Counties and Municipalities, April 2024*, Florida Office of Economic and Demographic Research.

FINDINGS AND RECOMMENDATIONS

Finding 1: Interlocal Agreement (ISA) True-up Process

Previously Reported

The City of Delray Beach's (City's) true-up did not adequately represent the actual expenditures incurred as anticipated in the interlocal service agreement (ISA) with the Town of Highland Beach (Town), resulting in underreporting of actual expenditures totaling \$2.2 million for the 2016-17 through 2020-21 fiscal years.

We recommended that, to ensure compliance with the ISA true-up provisions that allow the City to recover the actual expenditures of providing fire and emergency medical services to the Town, the City should:

- Consistently use the pension actuarial report information as the basis to allocate pension contributions attributable to firefighters staffing the Town fire station.
- Invoice the Town for actual Fire Rescue Department overhead expenditures rather than budgeted overhead expenditures as part of the true-up process.
- Assess the 5 percent administrative fee based upon actual expenditures subject to the annual true-up process.

Result of Follow-Up Procedures

The City partially corrected this finding. Our discussions with City personnel and examination of City records disclosed that the City hired a consultant in November 2024 to recalculate true-up amounts for the period October 1, 2016, through September 30, 2022. In March 2025, the consultant completed the recalculation. Although the consultant included the City's pension actuarial reports in the recalculation, contrary to our recommendation in Finding 2 and terms of the ISA, the consultant:

- Performed the calculation using employee compensation from the accounting system, which did not reflect the actual time and effort of City firefighters who worked at the Town fire station, as further discussed in Finding 2.
- Performed the overhead calculation using budgeted overhead amounts rather than actual amounts.

As a result, the recalculated 5 percent administrative fee was also inaccurate.

In addition, as of March 2025 the City had not completed the true-up recalculations for the period October 2022 through April 2024, the ISA termination date, and has not billed the Town for this period. According to Finance Department personnel, the true-up calculations were not prepared because they were directed by superiors no longer employed by the City to not spend any more time on billing recalculations, as the ISA had been terminated by both parties on April 30, 2024.

In April 2025, the City and the Town agreed to engage in mediation to determine whether an agreement can be reached regarding amounts owed to the City by the Town without the need and expense of litigation. As of June 2025, the mediation process had not yet occurred.

Recommendation: To ensure the most accurate information is available for the mediation process, the City should take appropriate actions to determine the actual expenditures incurred by the City for fire and emergency medical services provided to the Town and the appropriate

amount of administration fees due based on the actual expenditures. Any decision to forego these measures should be documented and reported to the City Commission.

Finding 2: Employee Compensation

Previously Reported

Firefighter salary and benefits amounts recorded in the City's accounting records and billed to the Town did not agree with employee timekeeping records.

We recommended that the City enhance procedures to periodically reconcile payroll records to Telestaff⁴ rosters to ensure that the accounting records and true-up reports properly reflect the actual salary and benefits expenditures incurred for City employees who actually worked at the Town fire station. We also recommended that the City recalculate the employee compensation portions of the true-ups for the 2015-16 and subsequent fiscal years based upon the Telestaff rosters to ensure that amounts billed to the Town accurately reflect City firefighter time and effort at the Town fire station.

Result of Follow-Up Procedures

The City partially corrected this finding. Beginning with the pay period beginning July 29, 2023, through the ISA termination date pay period, the City processed Town fire station payroll totaling \$2 million based on actual time reported in Telestaff. As part of our follow-up procedures, we examined records for 2 pay periods supporting hours worked related to 25 payroll disbursements totaling approximately \$86,000 made to 21 employees and found that the hours related to the amount charged to the Town's account agreed with the actual time worked at the Town's fire station.

However, our discussions with City personnel indicated the Town fire station's payroll was not reconciled to the Telestaff rosters for the 2015-16 fiscal year through July 28, 2023. Rather, the consultant contracted to recalculate actual expenses for this period utilized payroll expenses recorded in the accounting system that were not adjusted for actual time worked at the Town's fire station as reflected in the Telestaff records. According to Finance Department personnel, since the ISA was terminated, the City did not proceed with reconciling the previous payroll records to the actual time worked at the Town fire station due to the intensive manual analysis and processing time and effort required for the recommended reconciliation. Further, City personnel indicated that the costs of performing these reconciliations and developing reports far outweighed the benefit of calculating this data. Notwithstanding the ISA termination, insofar as the Town is disputing the amounts owed to the City and intends to work toward a settlement of this dispute through mediation, it would be prudent for the City to calculate the actual employee compensation cost of firefighters who worked at the Town's fire station based upon Telestaff records for the entire ISA period.

As indicated in Finding 1, as of June 2025 the City had not calculated or billed the Town for the actual amount attributable to the Town fire station, citing the upcoming mediation process.

Recommendation: To ensure the most accurate information is available for the mediation process, we recommend that the City reconcile payroll records to the Telestaff rosters for the

⁴ The Fire Department utilized the Telestaff timekeeping system to document the actual time and location worked by each firefighter.

2015-16 fiscal year through July 28, 2023, to ensure that amounts billed the Town are accurate, or document the conclusion that doing so would not be cost effective.

Finding 3: Other Expenditures

Previously Reported

City purchasing policies and procedures did not ensure that goods and services ordered, received, and distributed to the Town’s fire station were accurately billed to the Town.

We recommended that the City establish policies and procedures to ensure that goods and services purchased and distributed to the Town fire station are separately tracked and accurately reflected in City accounting records.

Result of Follow-Up Procedures

The City had no occasion to correct this finding. Because the City and Town terminated the ISA in April 2024, City personnel indicated there was no need to establish any policies and procedures regarding accurate billing of services ordered, received, and distributed to the Town’s fire station. Our review of City records and discussions with City personnel indicated that the City did not provide any fire and emergency rescue services to the Town during the audit period October 2024 through March 2025.

Finding 4: Past Due Balance Collection Efforts

Previously Reported

For the Town’s nonpayment of billed services totaling \$517,654, the City did not timely perform collection efforts nor initiate the ISA-provided non-binding mediation process.

We recommended that the City enhance procedures to ensure and document that collection follow-up procedures are timely performed, disputes are promptly resolved, and all payments owed to the City are timely received. In addition, we recommended that the City initiate the non-binding mediation process in accordance with the ISA.

Result of Follow-Up Procedures

The City partially corrected this finding. As of April 2025, the Town had not paid the amounts owed to the City. However, in an effort to reach an agreement without litigation, in April 2025, the City and the Town agreed to engage in mediation to determine whether an agreement can be reached without the need and expense of litigation. As of June 2025, the mediation process had not yet occurred.

Recommendation: The City should continue mediation efforts to resolve the outstanding amounts owed to the City by the Town.

Finding 5: Key Management Turnover

Previously Reported

During the period October 2019 through December 2022, the City experienced significant turnover in certain key management positions, which may have contributed to the control deficiencies and instances of noncompliance.

We recommended that the City strive to provide stability in key management positions.

Result of Follow-Up Procedures

The City corrected this finding. To improve stability in key management positions, in March 2024, the City hired a consultant to conduct a compensation and classification study. The study was completed in June 2024, disclosed that City salaries were approximately 3 percent below comparable organizations,⁵ and recommended salary increases. As of June 2025, the City had increased the lower and upper salary range for the Chief Financial Officer (CFO) position and was considering the appropriateness of additional compensation increases.

In addition, our review of City records in April 2025 disclosed that changes in key City personnel were minimal. Specifically, the City Manager and the Assistant City Manager roles remained unchanged since the end of our prior audit in September 2023 and, although the CFO separated from employment in September 2024, the City hired a new CFO in December 2024; consequently, the position was not vacant for long.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the City of Delray Beach (City) and issued our report No. 2024-070 in November 2023. 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. 2024-070.

We conducted this follow-up audit from March 2025 through July 2025 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

⁵ The contracted firm specializing in compensation and human resources solutions sent out an external market survey to 51 comparable organizations located within Miami-Dade, Broward, and Palm Beach counties, of which 28 organizations responded.

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 2024 through March 2025 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.
- 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.
- Examined City records and inquired with City personnel to determine whether the City correctly calculated actual expenditures incurred when providing fire and emergency medical services to the Town including:
 - Use of actuarial information as basis for charging pension contributions to the Town, use of actual rather than City overhead expenditures, and calculation of resulting administrative fees.
 - Periodic reconciliation of payroll records to Telestaff rosters to determine whether the accounting records and true-up reports properly reflect the actual salary and benefits expenditures incurred for employees that actually worked at the Town fire station for the period October 2015 through April 2024.
 - Goods and services purchased and distributed to the Town fire station were separately tracked and accurately reflected in City accounting records.
- From the population of 20 pay periods from July 29, 2023, through May 3, 2024, totaling \$2 million, selected 2 pay periods and examined support for 25 payments totaling approximately \$86,000 made to 21 employees to determine whether hours related to payroll expenditures charged to the Town's account agreed with actual time worked at the Town's fire station.

- Inquired with City personnel and examined City records to determine whether the City and Town had initiated the non-binding mediation process included in the ISA to resolve the fire and emergency medical services billing dispute.
- Evaluated the sufficiency of City efforts to collection past due amounts from the Town.
- Examined City records related to key management positions during the audit period to determine whether the City had experienced stability in key management positions.
- Examined City records for the period October 2024 through May 2025 and inquired of City personnel to determine whether any construction or electrical projects with estimated or actual expenditures exceeding the thresholds specified in Section 255.20, Florida Statutes, were performed using City services, employees, and equipment.
- Inquired with City personnel to determine whether the City entered into any contracts utilizing the authority granted by a state of emergency declared or renewed on or after July 1, 2021.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive, flowing style.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



CITY OF DELRAY BEACH

Henry M. Dachowitz

Chief Financial Officer

Office: 561-243-6204

Mobile: 516-728-4991

100 N.W. 1ST AVENUE • DELRAY BEACH • FLORIDA 33444 • (561) 243-6204



August 26, 2025

Issued email to: flaudgen.Audrpt.lg@aud.state.fl.us

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

RE: Audit of the Interlocal Service Agreement with the Town of Highland Beach

Dear Ms. Norman:

Please find attached the City of Delray Beach's response to your preliminary and tentative audit findings in connection with the audit of the Interlocal Service Agreement between the City of Delray Beach and the Town of Highland Beach.

As always, we appreciate the opportunity to strengthen our procedures and controls. Should you have any additional questions, please contact me at (561) 243-6204.

Sincerely,

A handwritten signature in blue ink that reads "Henry M. Dachowitz".

Henry M. Dachowitz, CPA, MBA
Chief Financial Officer

CC: Honorable Mayor and City Commissioners
Terrence R. Moore, ICMA-CM, City Manager
Lynn Gelin, Esq., City Attorney
Janet N. Case, CPA, Audit Coordinator
Gina Bailey, CPA, IT/Financial and Operational Auditing
Derek Noonan, Audit Coordinator



CITY OF DELRAY BEACH

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August 26, 2025

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Ms. Sherrill F. Norman, CPA

Auditor General

Claude Denson Pepper Building, Suite G74

111 West Madison Street

Tallahassee, Florida 32399-1450

RE: Audit of the Interlocal Service Agreement with the Town of Highland Beach

Dear Ms. Norman:

The City of Delray Beach (City) has conducted a review of the findings of the Office of the Auditor General in connection with the above-reference audit. Below are the city's responses to the findings and our corresponding action plan relative to your recommendations.

Herewith is the City's response to your five preliminary and tentative audit findings and recommendations issued on July 30, 2025, which may be included in your forthcoming operational audit report to the City of Delray Beach.

1. **Finding 1:** We requested that Citrin Cooperman update their previous analysis to determine more precisely the actual expenditures incurred by the City in providing these services to the Town of Highland Beach. Their conclusions are that their calculated amount of what was owed is \$4,093,883 more than the original billed amount, and that the value of February 29, 2025, is \$5,045,487.
2. **Finding 2:** We are working on implementing the UKG Time and Attendance software throughout the City. ALL departments of the city have gone live with the new UKG system EXCEPT FOR the Police and Fire/Ocean Rescue Departments due to the complexity of their contracts and the fact that they use the TeleStaff Scheduling software.

If we continue to utilize the TeleStaff software for more than staffing and scheduling purposes and it continues to have value in helping us account for data used in our General Ledger, then we

will ensure that TeleStaff and UKG are reconciled electronically on a regular basis so that the data are always in synch for financial reporting and analytical purposes.

3. **Finding 3:** N/A – no corrective action necessary.

4. **Finding 4:** Please see the Alempour letter dated April 8, 2025, from the Town of Highland Beach’s legal counsel (previously submitted).

While the Town of Highland Beach (Town) does not agree that mediation is required pursuant to the Agreement, both parties are amenable to participating in a non-binding arbitration process to resolve the ongoing dispute. The Town has indicated the need to conduct a full review of the related documents and has not contacted the City, to date, to schedule a meeting. As the city is not in a position to demand such a meeting of the parties, the matter remains at an impasse.

5. **Finding 5:** The City Manager, Terrence Moore, has just celebrated his fourth-year anniversary with City. He is the longest-serving City Manager in at least ten years.

The City’s CFO, Henry Dachowitz, will celebrate nine month’s tenure with the City on September 9, 2025.

As always, we appreciate the opportunity to strengthen our procedures and controls. Should you have any additional questions, please call me at (561) 243-6204.

Sincerely,



Henry M. Dachowitz, CPA, MBA
Chief Financial Officer

CC: Honorable Mayor and City Commissioners
Terrence R. Moore, ICMA-CM, City Manager
Lynn Gelin, Esq., City Attorney
Janet N. Case, CPA, Audit Coordinator
Gina Bailey, CPA, IT/Financial and Operational Auditing
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