



John A. Carey  
Inspector General

OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY



Inspector General  
Accredited

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*“Enhancing Public Trust in Government”*

**Audit Report**

**2019-A-0004**

**Town of Jupiter Inlet Colony  
Revenue**

**February 19, 2019**



OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY



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AUDIT REPORT  
2019-A-0004

DATE ISSUED: FEBRUARY 19, 2019

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TOWN OF JUPITER INLET COLONY – REVENUE

SUMMARY

WHAT WE DID

We conducted a revenue audit of the Town of Jupiter Inlet Colony (Town). This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2018 Annual Audit Plan.

Our audit focused on revenue and related cash receipt activities that occurred during Fiscal Year (FY) 2016 through FY 2018 (October 1, 2015 – September 30, 2018).

WHAT WE FOUND

We found control weaknesses for the Town's revenue and permitting processes. In most instances, the Town's employees carried out their work using established processes; however, those processes are not documented in writing to ensure consistency in conduct, standards, and expectations. Our audit identified **\$181,729.09** in questioned costs<sup>1</sup> and **\$41,478** in avoidable costs.<sup>2</sup>

**Investment Revenue**

The Town maintained funds in checking accounts in a qualified public depository in accordance with Florida Statutes.

We found the Town did not invest excess funds in high yield accounts that would have optimized investment returns while prioritizing safety of the principal and liquidity. Our recommendation to optimize Town investments may result in approximately **\$39,744** in avoidable costs.

**Fuel Tax Credit or Refund**

The Town did not obtain a license or permit through the State of Florida to obtain fuel tax credits or refunds.

We found that the Town experienced a financial loss of approximately \$1,471 in fuel tax refunds or credits from October 1, 2015 through May 10, 2018. If the Town files fuel tax refunds, the Town would save approximately **\$1,734** in avoidable costs.

<sup>1</sup> Questioned costs are costs or financial obligations that are questioned by the OIG because of: an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>2</sup> Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report. The maximum period for calculating Avoidable Costs shall typically be three years from the issuance of the OIG report, except in instances where it involves a contract with a specified contract period.

### **Revenue**

The Town lacked sufficient controls, review, and oversight for the bank reconciliation and cash receipt reconciliation. The Town lacked adequate written policies and procedures for reconciliations, management overrides, processing credit/debit cards, accepting donations, permit cancellations, and permit refunds.

The Town did not follow the uniform accounting practices and procedures promulgated by the Florida Department of Financial Services (Department). As a result, the Town misclassified a total of **\$64,800.34** in revenue as expenses or payables in FY 2016 (\$681.83) and FY 2017 (\$64,118.51), which caused the financial statement revenues to be understated. The misstatement of revenue violated section 218.33, Florida Statutes. The misclassified revenue for FY 2016 and FY 2017 is considered a questioned cost.

### **Safeguarding Cash**

The Town had no process in place to track which employees had access to cash and checks. Checks were not endorsed upon receipt. The Town had no process to change access/codes upon employee separation. The lack of processes increases the risk of unauthorized access and fraud or theft.

Additionally, many deposits were completed eight (8) or more days after receipt, with deposits ranging from eight (8) to 28 days in 88 of 161 sampled deposits (55%). By depositing funds more frequently, the Town may reduce the risk of theft and increase interest revenue.

### **Reconciliation**

The Town did not reconcile cash receipts to the permitting computer system and

financial computer system records. This resulted in **\$114,411.65** of unreconciled differences which are considered a questioned cost.

The Town had written policies and procedures regarding bank reconciliations. However, these policies and procedures were not consistently followed.

### **Unpaid Permit Fees**

In our review of the August 21, 2018 Permit Aging Report, we noted that monies were due from February 25, 2013 to August 6, 2016 for six (6) of 21 permit fees (29%) totaling **\$592.04**, which makes the fees unlikely to be collected based on account aging. This is considered a questioned cost based on the inaccurate totals included in the financial statements.

Additionally, the Town did not have a process or policy to provide guidance for collection and write-off of unpaid permit fees.

### **Adjustment Entries**

General Ledger adjustment entries for journal entry reversals and voided transactions lacked proper review and oversight.

There were four (4) voided transactions that showed deposits in the general ledger and bank records with no subsequent refund to the customer. This resulted in **\$1,925.06** in questioned costs because this amount may be owed to the Town's customers.

### **Inconsistent Written Guidance**

We noted inconsistencies within the Town's written guidance for permit fees. Written guidance should be consistent throughout each related document. Inconsistencies may lead to decreased

efficiencies within the process and increase the risk of error.

### **Lack of IT Policies and Procedures**

This audit included review of data reliability and integrity of computer systems related to revenue and permits. We found that the Town does not have written Information Technology (IT) policies for any of the IT processes. Lack of written guidance increases the risk of inconsistent operations and unauthorized or inappropriate access to the Town's computer systems.

### **WHAT WE RECOMMEND**

Our report contains eleven (11) findings and thirty-five (35) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls, 2) save approximately **\$41,478** in future avoidable costs, and 3) help ensure compliance with regulatory requirements.

The Town is taking corrective actions to implement the recommendations.

We have included the Town's management response as Attachment 1.

## BACKGROUND



The Town was incorporated on June 20, 1959 and the Town's charter was approved by the Laws of Florida 59-1634. Jupiter Inlet Colony has a community park and a private Beach Club located on the Jupiter Inlet.

The Town operates under the Commission/Mayor form of government. The Members of the Commission are elected for Town Commission Groups 1, 2, 3, 4, and 5, and the person elected from Group 1 is designated the Mayor. The Commission by resolution appoints one of its Members as Vice-Mayor. The Town's major operations include general government, public safety, streets, sanitation, environmental, public works, civil defense, prospective inspections, and general and administrative services. The 2017 population was approximately 411 residents.

The OIG 2018 Annual Audit Plan had multiple entities selected for revenue audits. The OIG selected the Town for audit since it has not been previously audited by the OIG.

The Town Commission approved budgets were \$1,966,323, \$2,119,423, and \$2,174,561, respectively for FY 2016, FY 2017, and FY 2018.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Revenue controls were adequate for the receipt of revenue and/or cash intake/receipt activities;
- Revenues were recorded appropriately and accurately in compliance with financial requirements;
- Cash receipts were accurately and timely recorded; and
- The Town made efficient use of the revenue through investments.

The initial scope of the audit included, but was not limited to, revenue and related cash receipt activities that occurred during the period of October 1, 2015 through September 30, 2018.

The audit methodology included, but was not limited to:

- Review of revenue/cash receipt policies and procedures;
- Review of banking and accounting records;
- Review of potential investment written guidance;
- Interview of appropriate personnel; and
- Detailed testing and reconciliation of selected revenue and cash receipt transactions.

As part of the audit, we completed a data reliability and integrity assessment for the financial computer systems used by the Town for revenue and cash intake activities. We

determined that the computer-processed data contained in the QuickBooks financial computer system and Asyst permitting computer system had exceptions<sup>3</sup> (noted in applicable findings), but the data was sufficiently reliable when traced back to the original source documentation for the purposes of the audit. We determined that the computer-processed data contained in the FastFund<sup>4</sup> financial computer system was sufficiently reliable for purposes of the audit.

We conducted this audit 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.

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<sup>3</sup> For purposes of this audit report, we are defining the term “exception” is a computer system entry or transaction that does not follow the applicable written guidance (e.g. irregularities, deviation, anomaly).

<sup>4</sup> The Town changed from the QuickBooks financial computer system to the FastFund financial computer system in FY 2018.

## FINDINGS AND RECOMMENDATIONS

**Finding (1): The Town did not invest in higher yield accounts that may lessen the taxpayers' burden.**

The Town has Accounting Policies and Procedures that state the Town has elected not to have an investment policy; therefore, it is required to follow section 218.415(17), Florida Statutes, which states units of local government may invest surplus public funds in their control or possession in any of four enumerated investment tools.

During October 2015 through April 2018, the Town maintained an average cash balance of \$866,096<sup>5</sup> in its low yield interest-bearing operating checking account. The interest rate yield on the operating account ranged from 0.1% to 0.5%, which resulted in \$4,936 of interest revenue for the Town during that period.

We completed an analysis of available investment options that meet the Town's accepted risk levels and liquidity needs. We concluded that if the Town moved its funds to a higher yield business money market account at a qualified public depository, the Town could have increased its interest rate yield to 1.75%.

We took the actual operating account monthly ending balances and determined that had the Town invested in a higher-yield money market account with a 1.75% interest rate yield from October 2015 through April 2018, the Town could have earned interest of approximately \$39,155. The Town lost potential interest revenue of approximately \$34,219<sup>6</sup> by not investing excess funds in a higher yield interest-bearing account.

If the Town implements the OIG recommendation to invest excess funds in a higher yield interest-bearing account, over the next three (3) years, the Town could earn additional interest revenue of approximately **\$39,744**.<sup>7</sup> This is considered an avoidable cost because it is an anticipated increase in interest revenue for the Town.

**Recommendation:**

- (1) The Town consider investing excess funds in a higher yield interest bearing account at a qualified public depository or utilizing one of the other investment options available under section 218.415(17), Florida Statutes.**

<sup>5</sup> This amount is the average of the operating account's ending balances (excess funds each month) from October 2015 through April 2018. The account's excess funds are in a qualified public depository, which is in compliance with Florida Statutes.

<sup>6</sup> Estimated potential interest for October 2015 through April 2018 of \$39,155 less the actual interest of \$4,936 equals \$34,219 of lost potential interest revenue.

<sup>7</sup> Lost potential interest revenue \$34,219 / 31 months = \$1,104 Potential interest revenue per month or \$13,248 per year. \$13,248 x 3 years = approximately \$39,744 additional interest revenue.



**Management Response:**

**We have negotiated with our current financial institution for a higher rate of return on excess funds.**

**Finding (2): The Town did not take advantage of the fuel tax credit for municipalities that use motor fuel in vehicles operated by them.**

The Florida Department of Revenue is responsible for administering fuel taxes for the state of Florida. Florida law provides refunds to qualified entities that have purchased and used tax-paid diesel and motor fuel for an exempt purpose. Additionally, municipalities licensed as a local government user may take a credit on diesel fuel tax returns under certain circumstances.

Sections 206.41(4), Florida Statutes, states,

(a) Nothing in this part shall be construed to change the legal incidence of the tax and the right to a refund by a qualifying ultimate consumer. The legal incidence of the tax shall be on the ultimate consumer; however, the tax shall be pre-collected for administrative convenience prior to the sale to the ultimate consumer.

...

(d) The portion of the tax imposed by paragraph (1)(g) which results from the collection of such taxes paid by a municipality or county on motor fuel or diesel fuel for use in a motor vehicle operated by it **shall be returned to the governing body** of such municipality or county for the construction, reconstruction, and maintenance of roads and streets within the municipality or county. A municipality or county, when **licensed as a local government user**, shall be entitled to take **a credit** on the monthly diesel fuel tax return not to exceed the tax imposed under paragraphs (1)(b) and (g) on those gallons which would otherwise be eligible for **refund**. [Emphasis added]

To apply for a refund permit, the municipality must submit a completed Application for Fuel Tax Refund Permit to the Department. The Town did not apply for a refund permit or a license as a local government user. As a result, the Town paid taxes on fuel purchases. We estimated the amount of tax paid by the Town for the prior 3 years:



Estimated Tax Paid				
Fiscal Year	Annual Fuel Purchases	Fuel Purchases in Gallons	Fuel Tax Credit Rate	Estimated Lost Refund/Credit <sup>8</sup>
FY 2016	\$ 7,401.32	3,671.442	0.143	\$ 525
FY 2017	\$ 8,926.42	3,920.620	varies	\$ 564
FY 2018 <sup>9</sup>	\$ 6,553.34	2,622.843	varies	\$ 382
<b>Totals</b>	<b>\$ 22,881.08</b>	<b>10,214.905</b>		<b>\$ 1,471</b>

During October 1, 2015 through May 10, 2018, the Town paid \$22,881.08 for 10,214.905 gallons of fuel, which resulted in approximately \$1,471 of paid fuel taxes for the Town during that period. The Town lost revenue of \$1,471 by not completing the Application for Fuel Tax Refund and submitting returns to receive a refund of taxes paid on the motor fuel used by the Town.

The Town did not apply for a fuel license or permit to receive a credit or a refund for taxes paid on fuel purchases used in motor vehicles used by the Town; therefore, the Town did not receive credit for taxes paid on fuel purchases shown above.

The Town would save an average of \$578 per year.<sup>10</sup> If the Town implements the OIG recommendation to obtain a license or permit from the State of Florida and file for fuel tax refunds, the Town could earn additional revenue of **\$1,734**.<sup>11</sup>

### Recommendations:

- (2) **The Town complete the application for either a fuel license or permit to be eligible to receive a refund or credit for fuel purchased by the Town for use in motor vehicles used by the Town.**
- (3) **The Town submit returns to obtain the fuel credit or refund either monthly or quarterly.**
- (4) **The Town designate and train an employee for completing the returns.**

### Management Response:

**The Town is in the process of determining the feasibility of this finding with respect to the cost benefit.**

<sup>8</sup> Fuel Purchases in Gallons multiplied by fuel tax credit rate equals the estimated refund credit.

<sup>9</sup> FY 2018 includes October 2017 through May 2018 and is not the full fiscal year.

<sup>10</sup> This calculation is based on the total months reviewed (October 2015 through May 2018) = 32 months. The average fuel purchases in gallons per month was 319 (10,214.905 total fuel purchased in gallons / 32 months). Average monthly fuel purchases of 319 gallons multiplied by 12 months equals the average annual fuel purchases of 3,831 gallons per year. The average annual fuel purchases of 3,831 gallons multiplied by the 2019 effective fuel tax credit rate of 0.151 equals \$578 per year.

<sup>11</sup> Estimated annual refund/credit of \$578 per year multiplied by three (3) years.

**Finding (3): Revenue was not posted to the appropriate account.**

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Section 218.33(2), Florida Statutes, states

Each local governmental entity shall follow uniform accounting practices and procedures as promulgated by rule of the department [of Financial Services] to assure the use of proper accounting and fiscal management by such units. Such rule shall include a uniform classification of accounts.

Pursuant to section 218.33, the Department promulgated rule 69I-51.0012, Florida Administrative Code, which indicates that the uniform classification of accounts, as organized under the Department's Uniform Accounting System (UAS) Manual<sup>12</sup>, 2014 Edition, provides guidance to reporting entities regarding reporting their assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures. The UAS Manual mandates that reporting units use the UAS Chart of Accounts as the standard for recording and reporting to the State of Florida.

According to the UAS Manual, which is in accordance with generally accepted accounting principles, revenues of a local government should be classified by fund and source to provide the information necessary to (1) prepare and control the budget, (2) record the collection of revenues, (3) prepare financial statements and schedules, and (4) prepare financial statistics. The manual defines each revenue account code, and the local government is responsible for recording and reporting each revenue item in the revenue account titles as prescribed therein.

The Town has not updated its chart of accounts to be consistent with the UAS Manual, and the Town's accounting policies and procedures are silent on the use of the chart of accounts codes and titles for reporting purposes. Therefore, the Town's accounting policies and procedures did not provide sufficient guidance for selecting the correct account in accordance with the UAS Chart of Accounts.

In FY 2016 and FY 2017, the Town used QuickBooks as the Town's financial computer system. In comparing the QuickBooks revenue account codes and descriptions to the UAS Chart of Accounts, we determined that the Town used 13 of 28 (46%) revenue account codes that did not match the UAS Manual revenue account titles.

In FY 2018, the Town changed financial computer systems and began using FastFund. In comparing the FastFund revenue account codes and descriptions to the UAS Chart of Accounts, we determined that the Town used 13 of 27 (48%) revenue account codes that did not match the UAS Manual revenue account numbers and titles. The inconsistencies were as follows:

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<sup>12</sup> The Uniform Accounting System Manual was developed by the State of Florida Department of Financial Services and was last updated for the 2014 Edition.

Inconsistent Chart of Accounts			
FastFund Revenue Accounts ( <b>what is</b> )		UAS Revenue Accounts ( <b>should be</b> )	
Account Number	Account Title	Account Number	Account Title
311005	General Fund-Taxes-NRP Non Ad Valorem	325000	Special Assessments – Capital Improvement
322005	General Fund-Permits, Fees, & Special Assessments-County Rev Sharing Business Tax	335120	State Revenue Sharing Proceeds – County Revenue Sharing Program
322006	General Fund-Permits, Fees, & Special Assessments-SWA Revenue Sharing	335340	State Revenue Sharing – Garbage / Solid Waste
315050	General Fund-Taxes-Communications Services Tax	315000	Communications Service Tax (Chapter 202)
322003	General Fund-Permits, Fees, & Special Assessments-Licenses (Registrations) - JIC	316000	Local Business Tax
322004	General Fund-Permits, Fees, & Special Assessments-County Impact Fee Retainage	324000	Impact Fees – Residential – Other
366001	General Fund-Miscellaneous Revenues-Miscellaneous Reimbursements	366000	Contributions and Donations from Private Sources
335190	General Fund-Intergovernmental Revenue-Disc. Infrastructure Sales Tax	312600	Discretionary Sales Surtaxes
351900	General Fund-Judgments, Fines, & Forfeits-Other Charges	354000	Fines – Local Ordinance Violations
366000	General Fund-Miscellaneous Revenues-Donations - POA	389900	Proprietary – Other Non-Operating Sources

As a result, the FastFund Chart of Accounts for revenue account codes and descriptions did not align with the UAS Chart of Account revenue account codes and descriptions as required by Florida Statutes.

We also compared the Town's FY 2018 budget accounts to the accounts in the current financial system (FastFund) and noted the following budget accounts were not set up in FastFund.

Budget Account Codes	
Account Number	Account Title
1329015	Refunds <sup>13</sup>
1331200	Grant Revenue
1393100	Copper Wire Reclamation

Additionally, a sample of general ledger revenue account entries were selected to review for use of the proper account numbers.

<sup>13</sup> The Uniform Accounting System Chart of Accounts does not provide a corresponding account code.

Total Transactions Tested	
FY 2016	50
FY 2017	61
FY 2018	20
<b>Total Transactions</b>	<b>131</b>

The Town did not use the appropriate general ledger revenue account for 130 of 131 (99%) sampled transactions. As a result, revenues totaling \$1,481,819.38 were misclassified on the general ledger.

Chart of Accounts Misclassified Revenues		
Fiscal Year	Total Amount	Exceptions
FY 2016	\$ 1,889.83	50
FY 2017	\$ 1,474,652.51	61
FY 2018	\$ 5,277.04	19
<b>Total Misclassified Revenue</b>	<b>\$ 1,481,819.38</b>	<b>130</b>

The 130 misclassified revenue transactions included 121 (93%) transactions that were posted to the incorrect revenue account and two (2) (2%) transactions that were posted to an expense account. The general ledger did not have an impact fee revenue account code to properly account for 7 of the 130 (5%) misclassified revenue transactions which were posted to a payables account.

Consequently, the Town incorrectly recorded revenue transactions as expenses or payables totaling approximately \$64,800.34 in FY 2016 and FY 2017.<sup>14</sup>

Revenue Recorded as Expense in Error			
Date	Description of Misclassified Expense/Payable (i.e. revenue)	Questioned Cost	Proper Revenue Account Title
11/5/2015	Impact Fee Payable	\$ 54.00	Impact Fees - Residential
11/5/2015	Impact Fee Payable	\$ 3.49	Impact Fees – Residential
6/10/2016	Impact Fee Payable	\$ 268.00	Impact Fees – Residential
8/18/2016	Impact Fee Payable	\$ 268.09	Impact Fees – Residential
9/28/2016	Impact Fee Payable	\$ 88.25	Impact Fees – Residential
<b>FY 2016 Sub-Total</b>		<b>\$ 681.83</b>	
4/6/2017	Professional Services – Other	\$ 13,664.41	Special Assessments – Capital Improvements
4/6/2017	Professional Services – Other	\$ 50,000.00	Special Assessments – Capital Improvements
5/4/2017	Impact Fee Payable	\$ 268.09	Impact Fees – Residential
9/29/2017	Impact Fee Payable	\$ 186.01	Impact Fees – Residential
<b>FY 2017 Sub-Total</b>		<b>\$64,118.51</b>	
<b>Total Questioned Costs</b>		<b>\$64,800.34</b>	

<sup>14</sup> There were no exceptions for FY 2018.

This misstatement of revenue did not meet the requirements of section 218.33, Florida Statutes. The misclassified revenues for FY 2016 and FY 2017 totaling **\$64,800.34** (\$64,118.51 (FY 2017) + \$681.83 (FY 2016)) are questioned costs.

#### **Recommendations:**

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- (5) The Town update its chart of accounts to be in compliance with the statutory requirements.**
- (6) The Town develop and implement policies and procedures to provide guidance for chart of account selections.**
- (7) The Town record/post revenue transactions in the proper revenue account based on the Uniform Accounting System Chart of Accounts.**
- (8) The Town implement a review process and comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.**

#### **Management Response Summary:**

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**We are in the process of reviewing the chart of accounts to ensure the appropriate general ledger accounts are being utilized in the Town's accounting system. The Town believes that all revenues were properly classified in FY17 as per the annual audit performed by the Town's independent CPA Firm.**

#### **Finding (4): The Town did not reconcile the cash receipts, permit computer system records, or the financial system records.**

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Management makes certain assertions regarding the financial statements it prepares. The financial statement assertions attested to by the municipality include assertions of existence, completeness, rights and obligations, accuracy and valuation, and presentation and disclosure. In general, these assertions are management's affirmation that the figures presented in the financial statements are a truthful presentation of its financial position and activities in accordance with the applicable standards for recognition and measurement for such figures. The financial statements assertion of completeness indicates that the financial statements are thorough and include every item that should be included in the statement for a given accounting period.

Management may design a variety of transaction control activities for operational purposes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.<sup>15</sup>

To prevent fraud related to cash receipts, management should maintain a receipt log which is reviewed and reconciled to the bank deposit. The reconciliation should be

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<sup>15</sup> The best practice is provided in The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

completed by a person involved in neither the creation of receipts nor recording of the receipts.<sup>16</sup>

The Town completed cash receipts manually, used the Asyst computer system to record permit fees, and used QuickBooks and FastFund as the financial computer systems (General Ledger). During data reliability and integrity assessment, we performed a reconciliation between the Asyst permitting computer system and the financial computer systems and found differences between information recorded in each computer system. We performed further testing to reconcile the information between the cash receipts log book, permitting computer system, and the financial computer systems. These records did not reconcile and we noted the exceptions below. Town staff confirmed that no reconciliation had occurred for the computer systems and that the manual log book for cash receipts was not reconciled to the computer systems.

Type of Exception	Questioned Cost	Exceptions
Recorded in the General Ledger with no cash receipt in log book	\$ 1,845.93	12
Cash receipt in log book was not recorded in the General Ledger	\$ 2,022.21	7
General Ledger transaction was not recorded in Asyst	\$ 29,809.83	45
General Ledger refund was not recorded in Asyst	\$ 1,454.34	4
The amount recorded in Asyst was higher than the General Ledger	\$ 1.01	6
The amount recorded in Asyst was lower than the General Ledger	\$ 16,665.97	5
Asyst transaction was not recorded in the General Ledger or the cash receipt log book	\$ 62,612.36	8
<b>Total Questioned Costs</b>	<b>\$ 114,411.65</b>	<b>87</b>

By not reconciling cash receipts to the permitting computer system or the financial computer system, the Town has an increased risk that money that should have been deposited into the Town's bank accounts was diverted to non-Town bank accounts without detection. Additionally, the Town's financial statements may be inaccurate based on the exceptions between the cash receipts, permitting computer system, and financial computer system.

### Recommendations:

- (9) The Town perform and document reconciliations between the cash receipt book, permit computer system, and financial computer system by an independent individual.**

<sup>16</sup> The best practice is provided by the Association of Government Accountants (AGA).

- (10) The Town develop and implement policies and procedures for the reconciliation process between the cash receipts, permit computer system, and financial computer system.
- (11) The Town develop and implement written guidance for permit fee receipting, recording, and refunding.
- (12) The Town provide staff training for reconciliations and permit fee processing.

#### **Management Response Summary:**

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**We do not concur with the majority of the exceptions noted in this finding. The items noted are other revenues besides permit fees. The Town will make additional efforts to codify existing policies and procedures.**

#### **Finding (5): The Town did not perform bank account reconciliations or research and resolve identified variances, as required by the Town's Accounting Policies and Procedures Manual.**

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The Town's Accounting Policies and Procedures Manual provided deposit and bank account reconciliation procedures. The deposit and bank account reconciliation procedures included:

- Preparing a deposit summary report of checks deposited with deposit slip attached. The deposit ticket (receipt) from the bank is filed with the deposit slip and deposits are posted in the financial system.
- Obtaining the bank statement, which includes a list and images of cancelled checks issued by the Town;
- Completing a comparison/reconciliation of the checks from the bank statement to the prior month's bank reconciliation report list of outstanding checks (obtained from the financial system) evidenced by a check mark indicating completion;
- Preparing a new list of outstanding checks to record on the current month's bank reconciliation report with any variances being researched and resolved through a journal entry, as needed;
- Completing a comparison/reconciliation of the deposits listed in the current month's bank reconciliation report and the Deposits in Transit from the prior month's bank reconciliation report to the bank statement's listing of deposits. Outstanding deposits are recorded as Deposits in Transit in the current month's bank reconciliation report. Variances are researched and resolved through a journal entry, as needed;
- Researching and recording in the financial system, if applicable, other areas of activity reflected in the bank statement (e.g. bank service charges, checks returned for insufficient funds, and wire transfers) and the investment bank account statements (e.g. changes in investment amounts, interest earned, fees, gains, and losses); and
- The bank reconciliation report is reviewed for completeness and accuracy by the Town Administrator.



The Town's actual operations were not consistent with the required bank account reconciliation procedures as follows:

- Bank reconciliation reports did not have a sign off to evidence that a reconciliation had been completed in five (5) of eight (8) sampled bank reconciliations (63%).
- Cancelled checks were not obtained for four (4) of eight (8) sampled bank reconciliations (50%);
- The bank reconciliation report was not maintained with one (1) of eight (8) sampled bank reconciliations (13%);
- There was no check mark to evidence proper completion of the bank reconciliation in two (2) of eight (8) sample bank reconciliations (25%); and
- A new listing of outstanding checks was not prepared and maintained with the bank reconciliation in one (1) of eight (8) sampled bank reconciliations (13%).

For the 20 deposits completed in the eight (8) month sample we found:

- Validated deposit slips were not provided for six (6) of 20 (30%) of the sampled bank deposits totaling \$78,937.84; and
- Deposit summary reports were not provided for seven (7) of the 20 sampled bank deposits (35%).

The Town did not update its written accounting policies and procedures after it replaced the QuickBooks system in FY 2018 with the FastFund system. Although the Town altered its actual process as a result of the change in accounting systems, such alterations were not included in the written policies and procedures. Accordingly, the Town did not properly comply with the written deposit and bank reconciliation procedures.

By not performing bank reconciliations consistently, timely, and accurately, there is an increased risk of fraud or theft and that errors would go unnoticed.

### **Recommendations:**

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- (13) The Town's accounting policies and procedures be updated to reflect actual operations.**
- (14) The preparer and reviewer should sign and date reconciliation reports when reconciliations are completed to evidence completion.**
- (15) The Town complete periodic reviews of policies and procedures to ensure the accuracy and updates for operational changes.**
- (16) The Town comply with the deposit and bank account reconciliation procedures.**
- (17) The Town provide training to staff for the revised written guidance for the bank reconciliation process.**

### **Management Response:**

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**The Town will make additional efforts to codify existing policies and procedures.**

**Finding (6): The Town lacked of written guidance for the revenue and permit processes.**

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Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks. Management should implement control activities through policies.<sup>17</sup>

The Town had an Accounting Policies and Procedures manual to provide guidance for operations. We noted areas with a lack of written guidance during our review of the policies and procedures. The Town had processes but no written guidance regarding:

- General ledger account codes and descriptions (see Finding 2);
- Reconciliations for cash receipts, permitting computer system records, and financial system records (see Finding 3);
- Adjustments and other management overrides in the financial system, such as, credits, refunds, voids, and reversals of cash receipts;
- Processing of credit/debit card transactions;
- Recording and accepting donations; and
- Processing of permit cancellations or permit refunds.

Additionally, the Town implemented a new financial computer system in FY 2018 and the policies and procedures were not updated to reflect changes or current operations.

The Town lacked sufficient written guidance necessary to reduce the risks associated with revenue and permitting activities. Compliance with the limited written policies and procedures the Town had would have helped to avoid inconsistencies and errors. Lack of policies and procedures may lead to higher risk of improper transactions; non-compliance with process requirements; and fraud, waste, and abuse.

**Recommendations:**

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**(18) The Town update its accounting policies and procedures to clearly define and document financial procedures that ensure all aspects of the revenue and cash receipting process have proper reconciliation and review.**

**(19) The Town provide training to staff for the revised financial procedures for the revenue and permitting processes.**

**Management Response:**

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**The Town will make additional efforts to codify existing policies and procedures.**

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<sup>17</sup> This best practice is provided in The Government Accountability Office (GAO) Standards for Internal control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

### Finding (7): The Town could enhance controls for safeguarding cash.

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Management is responsible for establishing physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use.<sup>17</sup>

During meetings and fieldwork, we observed controls over the cash and revenue processes. We found generally adequate controls for the safeguarding of cash; however, some areas for improvement were noted:

- Checks were not endorsed immediately upon receipt “for deposit only to the Town” to prevent diversion and unauthorized cashing, but were endorsed at the time the deposit was prepared approximately one (1) week after receipt of the checks;
- Deposits were secured; however, deposits were not required to be completed within a specific time period;
- There were no processes/controls in place to monitor access to the lockbox containing cash and checks awaiting deposit;
- There were no policies or procedures for changing access/ codes to the lockbox upon an employee’s separation from the Town.

We reviewed eight (8) months of deposit records for a total of 161 deposit transactions. This review showed that 88 of 161 transactions (55%) were deposited eight (8) or more days after receipt. The deposits ranged from eight (8) to 28 days after receipt of the cash and checks.

The Accounting Policies and Procedures did not require 1) checks to be endorsed immediately upon receipt, 2) deposits to be completed within a certain time period, 3) tracking access to cash and checks awaiting deposit, and 4) changing access/codes of separated employees. When checks are not endorsed upon receipt it exposes the Town to the risk of checks being diverted or deposited in different bank accounts or misappropriated. Cash and checks held for long periods of time have an increased risk of theft. Additionally, if the Town deposits funds upon receipt, the deposited funds would earn interest. The Town is losing interest revenue by delaying the deposit of checks.

Not having a process for monitoring and logging access to cash and checks leaves the Town vulnerable to theft, and in the event theft occurs, it may be difficult to identify who accessed the secured location. If access codes are not immediately changed, the Town’s assets are vulnerable to unauthorized access or theft.

#### Recommendations:

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**(20) The Town’s staff should endorse checks “for deposit only to the Town” immediately upon receipt.**

**(21) The Town consider revising its policy to require that deposits are completed more frequently to minimize the risk of theft.**

(22) The Town develop and implement policies and procedures for changing access/codes upon an employee's separation of employment.

(23) The Town provide training to staff for the implemented or revised guidance for safeguarding cash and checks.

**Management Response:**

**The Town will make additional efforts to codify existing policies and procedures.**

**Finding (8): Adjustment entries lacked proper oversight.**

Management's authority to override controls without oversight or review provides the opportunity to commit fraud. Management is responsible to analyze and respond to identified risks so that they are effectively mitigated. Mitigation occurs through implementation of controls, such as, policies and procedures, reviews, and oversight.

We selected eight (8) reversal journal entries for review. All eight (8) transactions were able to be traced to the general ledger and had sufficient information for the transaction. However, all eight (8) reversal journal entries lacked documented review and approval.

We selected 11 voided transactions for review. We observed the following:

- Three (3) of seven (7) voided transactions (43%) where no license or permit was issued could not be traced from the receipt book to the general ledger;
- Seven (7) of 11 voided transactions (64%) lacked sufficient information to determine if voiding the transaction was appropriate; and
- Eleven (11) of 11 voided transactions (100%) did not have a documented review or approval.

Additionally, four (4) of the 11 voided transactions (36%) were traced to the general ledger and bank records. Although the general ledger showed that fees were paid, the ledger did not reflect a refund of monies associated with the voided transactions. No information was listed on the void receipt to show the reason for the void. No corresponding refund could be found in the deposit/bank records. The total amount of the four (4) receipts was **\$1,925.06**, which is considered a questioned cost because this amount may be owed to the Town's customers.

There were no policies and procedures to provide guidance for adjusting entries including voids and reversals. Journal entries for adjusting entries did not have a documented review or approval of management decisions to override, reverse, or void transactions.

Management override circumvents existing control activities and increases the risk of fraud. By not having a sufficient review and oversight process for reversals and voided transactions, the Town is exposed to risk of fraud or errors. Errors may go unnoticed which leads to inaccurate financial information.

**Recommendations:**

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- (24) The Town develop and implement policies and procedures for adjustment transactions including voids and reversals.**
- (25) The Town review the four (4) voided transactions and determine if a refund is owed to the Town's customers.**
- (26) The Town provide training to staff for adjustment transactions.**

**Management Response:**

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**The Town will make additional efforts to codify existing policies and procedures. We will review four (4) voided transactions and determine if a refund is owed to the Town's customers.**

**Finding (9): As of August 21, 2018, 29% of permit fees are unlikely to be collected based on account aging.**

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The financial statement assertion of accuracy and valuation is the statement that all figures presented in a financial statement are accurate and based on proper valuation of assets, liabilities, and equity balances.

An uncollectible account is when an entity is no longer confident that it will be able to collect what it is owed, and the circumstances that allowed the transaction to be recognized for revenue purposes no longer exist. Reasons for the Town to conclude that a permit fee is uncollectible include the applicant refuses to pay or is unable to pay, cancellation or delay of a project, etc. The Town has not properly overseen the collection of accounts receivable that may have caused the accounts receivable to become uncollectible. Additionally, the Town does not have a process or policy to provide guidance for collection and write-off of accounts receivable.

It is important for the Town to monitor accounts receivable to minimize uncollectible accounts and maintain accurate current balances for the financial statements.

We reviewed the Permit Aging List provided on August 21, 2018 that showed balances owed to the Town. We noted that the Permit Age List showed balances that were more than a year old and dated back to February 25, 2013. Based on the Town's historical trends for permitting fees, it is unlikely that past due permit fees exceeding one (1) year will be collected.

There were 21 permit fees on the Permit Aging List from February 25, 2013 through January 12, 2017. Six (6) of the 21 permit fees (29%) had outstanding balances that ranged from February 25, 2013 to August 4, 2016, which makes them unlikely to be collected. The total of these fees is **\$592.04** and is a questioned cost because they caused the financial statements to be inaccurate.

Financial statements may be overstated for unpaid permit fees that are no longer likely to be collected. As unpaid permit fees age, they become a higher risk that the fee is unlikely to be collected.

### Recommendations:

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- (27) The Town establish policies and procedures for the collection and write-off of unpaid permit fees.
- (28) The Town consider establishing an allowance for doubtful accounts.
- (29) The Town monitor unpaid permit fees and provide routine notice and follow-up for customer account balances that are aging.
- (30) The Town provide training to staff for collection and write-off of unpaid permit fees.

### Management Response Summary:

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The Town does not concur with the finding. All open permits in the future will be canceled after thirty (30) days.

### Finding (10): Written requirements for permits, surcharges, and licensing were inconsistent.

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The Town had multiple forms of written guidance related to the permits, surcharges, and licensing which include: section 205.053, Florida Statutes; section 468.631, Florida Statutes; and section 553.721, Florida Statutes; the Town's Code of Ordinances; and Town Resolutions 2016-7, 2016-8, and 2017-10. We noted the following inconsistencies within the guidance:

#### Surcharge Rates

- The Buildings and Building Regulations Ordinance, Municipal Code Section 4-1.1(c)(1) (Ordinance 134-88, § 2, 9-6-88; Ordinance 245-156-111, § 1, 9-27-10; Ordinance 06-2017, § 1, 9-11-17) requires a surcharge shall be assessed at the rate of one and one-half (1.5) percent of all permit fees to be allocated equally to fund the Florida Homeowners' Construction Recovery Fund and the Building Code Administrators and Inspectors Board. Section 468.631, Florida Statutes, Building Code Administrators and Inspectors fund requires that a surcharge to be assessed pursuant to sections 125.56(4) or 166.201 at the rate of 1.5 percent of all permit fees associated with enforcement of the Florida Building Code.
- The Buildings and Building Regulations Ordinance, Municipal Code Section 4-1.1 (Ordinance 134-88, § 2, 9-6-88; Ordinance 245-156-111, § 1, 9-27-10; Ordinance 06-2017, § 1, 9-11-17) required that a surcharge be assessed at the rate of **1.5** percent of all permit fees to be allocated to the State of Florida Department of Community Affairs to administer and carry out the purposes of the Florida Building



Code. Section 553.721, Florida Statutes, provides that in order for the Department of Business and Professional Regulation to administer and carry out the purposes of this part and related activities, there is created a surcharge assessed at the rate of **1 percent** of the permit fees associated with enforcement of the Florida Building Code as defined by the uniform account criteria and specifically the uniform account code for building permits adopted for local government financial reporting pursuant to s. 218.32.

- Resolution 2016-8 Section 1 (j) requires that all permit fees are subject to payment of the additional State Surcharge of 3% of the permit fee. There is no 3% charge in the Florida Statute for permits.

### **Business Tax Receipts**

The Local Business Tax Ordinance, Municipal Code Section 14A-5 (Ordinance 04-2012, § 1, 4-9-12) states that all business tax receipts shall be sold beginning August 1<sup>st</sup> of each year. Chapter 205.053(1), Florida Statutes, Business Tax receipts dates due and delinquent, penalties, states that all business tax receipts shall be sold by the appropriate tax collector beginning July 1<sup>st</sup>.

### **Real Estate and Contractor Sign Permits**

The Signs Ordinance, Municipal Code Section 15-3 (Ordinance 155-91-20, § 2, 5-6-91; Ordinance 183-98-48, § 2, 9-10-98) states that the permit fee for all real estate and contractor signs shall be established by resolution duly adopted by the town commission. There was no resolution to establish the permit fee schedule for real estate and contractor signs.

The written guidance was developed and approved at different times which may have contributed to the inconsistencies. Regular review of the written guidance adopted by the Town and the Florida legislature would have revealed inconsistencies that should be corrected or resolved.

Operations are more prone to error and/or user confusion when there are inconsistencies in the written guidance. Written guidance should be consistent to provide the same guidance throughout each related document. Inconsistencies potentially decrease the efficiency of the process and increase the risk of errors and non-compliance.

### **Recommendations:**

- (31) The Town update its written guidance to be in compliance with applicable Florida law and consistent throughout all written documents for permits, surcharges, and licensing.**
- (32) The Town should periodically review its written guidance to ensure consistency across all requirements.**
- (33) The Town provide staff training for the revised written guidance for permit, surcharges, and licensing processes.**



**Management Response:**

**The Town will make additional efforts to codify existing policies and procedures in accordance with State Guidelines to ensure consistency.**

**Finding (11): Lack of written guidance for IT processes.**

The audit included review of data reliability and integrity for the computer systems related to the revenue processes. We found that the Town did not have written guidance and processes to ensure the integrity and protection of the information in the computer systems. The Town Administrator confirmed that there are no IT written policies and procedures for the administrative section of the Town.

Basic computer system controls include written IT policies, procedures, and definitions that are clearly communicated; access to and use of the system, assets and records are reasonable and restricted to authorized individuals; and system users are granted only the access needed to perform their duties.

The Town had only a few administrative employees and has had no turnover. Additionally, the Town had an outside IT specialist who handled the initial setup of the systems with initial login, but he did not manage the passwords or user access. Since the Town has not had turnover, the Town had not developed written policies and procedures for its IT operations.

Lack of written policies and procedures increases the risk of inconsistent operations and unauthorized access to the system records.

**Recommendations:**

- (34) The Town develop and implement written IT policies and procedures to ensure consistency of operations that provide guidance, at a minimum, for how to:**
- a. Assign and remove user rights and a reasonable time for completion,**
  - b. Authorize user access,**
  - c. Limit system access requiring unique user IDs and passwords,**
  - d. Provide for user change management (new and separated employees), and**
  - e. Provide guidance to employees.**
  - f. The Town require each computer system user to have a unique user ID and password that are kept confidential, and obtain additional user licenses, as needed.**
- (35) The Town provide training to staff for the IT policies and procedures.**

**Management Response:**

At this time, each employee has their own unique password and sign on. The Town's contracted IT personnel is instructed to remove any user no longer with the Town, immediately upon separation. The Town will continue to make additional efforts to codify existing policies and procedures.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS  
IDENTIFIED IN THE AUDIT**

**Questioned Costs**

<b>Finding</b>	<b>Description</b>	<b>Questioned Costs</b>
<b>3</b>	Revenue posted to expense or payable accounts	<b>\$ 64,800.34</b>
<b>4</b>	Reconciliation – Cash Receipts to Permit and Financial Records	<b>\$ 114,411.65</b>
<b>8</b>	Credit may be owed to Town's customers	<b>\$ 1,925.06</b>
<b>9</b>	Permit Fees Exceeding One Year	<b>\$ 592.04</b>
	<b>TOTAL QUESTIONED COSTS</b>	<b>\$ 181,729.09</b>

**Avoidable Costs**

<b>Finding</b>	<b>Description</b>	<b>Avoidable Costs</b>
<b>1</b>	Investments	<b>\$ 39,744</b>
<b>2</b>	Fuel Tax Credit	<b>\$ 1,734</b>
	<b>TOTAL AVOIDABLE COSTS</b>	<b>\$ 41,478</b>

**ATTACHMENT**

Attachment 1 – Town of Jupiter Inlet Colony's Management Response, page 24 - 28

**ACKNOWLEDGEMENT**

The Inspector General's audit staff would like to extend our appreciation to the Town of Jupiter Inlet Colony's staff for their assistance and support in the completion of this audit.

*This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Director of Audit, by email at [inspector@pbcgov.org](mailto:inspector@pbcgov.org) or by telephone at (561) 233-2350.*

**ATTACHMENT 1 – TOWN OF JUPITER INLET COLONY'S MANAGEMENT  
RESPONSE****TOWN OF JUPITER INLET COLONY**  
A MUNICIPAL CORPORATION

February 14, 2019

John A. Carey, Inspector General  
Office of Inspector General  
Palm Beach County  
P.O. Box 16568  
West Palm Beach, FL 33416-6568

**RE:** Town Jupiter Inlet Colony, Florida – Revenue Audit – Draft Audit report Response

Dear Mr. Carey:

Please find the Town of Jupiter Inlet Colony's response to the Revenue Audit Draft Audit Report. The report included eleven (11) findings with thirty five (35) recommendations. The findings and recommendations are separately addressed below:

***Finding #1:***

The Town did not invest in higher yield accounts that may lessen the taxpayers' burden.

***Recommendation:***

1. The Town consider investing excess funds in a higher yield interest bearing account at a qualified public depository or utilizing one of the other investment options available under section 218.415(17), Florida Statutes.

***Response:***

**We have negotiated with our current financial institution for a higher rate of return on excess funds.**

***Finding #2:***

The Town did not take advantage of the fuel tax credit for municipalities that use motor fuel in vehicles operated by them.

***Recommendations:***

2. The Town complete the application for either a fuel license or permit to be eligible to receive a refund or credit for fuel purchased by the Town for use in motor vehicles by the Town.
3. The Town submit returns to obtain the fuel credit or refund either monthly or quarterly.
4. The Town designate and train an employee for completing the returns.

***Response:***

**The Town is in the process of determining the feasibility of this finding with respect to the cost benefit.**

***Finding #3:***

Revenue was not posted to the appropriate account.

***Recommendations:***

5. The Town update its chart of accounts to be in compliance with the statutory requirements.
6. The Town develop and implement policies and procedures to provide guidance for chart of account selections.
7. The Town record/post revenue transactions in the proper revenue account based on the Uniform Accounting System Chart of Accounts.
8. The Town implement a review process and comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.

***Response:***

**We are in the process of reviewing the chart of accounts to ensure the appropriate general ledger accounts are being utilized in the Town's accounting system.**

**In reference to misclassified revenues in the finding of \$1,474,652.51 (FY17), it is hard to believe that after an audit for the year ended September 30, 2017 and submission of the AFR to the State that no other individual found this mistake. This total represents approximately 78% of our budget. The Town had some wrong general ledger account numbers, but the revenues were properly classified in the audit and AFR. The Town believes that all revenues were properly classified in FY17 as per the annual audit performed by the Town's independent CPA Firm.**

***Finding #4:***

The Town did not reconcile the cash receipts, permit computer system records, or the financial system records.

***Recommendations:***

9. The Town perform and document reconciliations between the cash receipt book, permit computer system, and financial computer system by an independent individual.
10. The Town develop and implement policies and procedures for the reconciliation process between the cash receipts, permit computer system, and financial computer system.
11. The Town develop and implement written guidance for permit fee receipting, recording, and refunding.
12. The Town provide staff training for reconciliations and permit fee processing.

***Response:***

**As explained in the meeting with the IG, only building permits are required to be recorded in the Ayst System. We do not concur with the majority of the exceptions noted in this finding. The items noted are other revenues besides permit fees.**

**The Town will make additional efforts to codify existing policies and procedures.**

***Finding #5:***

The Town did not perform bank account reconciliations or research and resolve identified variances, as required by the Town's Accounting Policies and Procedures Manual.

***Recommendations:***

13. The Town's accounting policies and procedures be updated to reflect actual operations.
14. The preparer and reviewer should sign and date reconciliation reports when reconciliations are completed to evidence completion.
15. The Town complete periodic reviews of policies and procedures to ensure the accuracy and updates for operational changes.
16. The Town comply with the deposit and bank account reconciliation procedures.
17. The Town provide training to staff for the revised written guidance for the bank reconciliation process.

**Response:**

**The Town will make additional efforts to codify existing policies and procedures.**

***Finding #6:***

*The Town lacked of written guidance for the revenue and permit processes.*

***Recommendations:***

18. The Town update its accounting policies and procedures to clearly define and document financial procedures that ensure all aspects of the revenue and cash receipting process have proper reconciliation and review.
19. The Town provide training to staff for the revised financial procedures for the revenue and permitting processes.

**Response:**

**The Town will make additional efforts to codify existing policies and procedures.**

***Finding #7:***

The Town could enhance controls for safeguarding cash.

***Recommendations:***

20. The Town's staff should endorse checks "for deposit only to the Town" immediately upon receipt.
21. The Town consider revising its policy to require that deposits are completed more frequently to minimize the risk of theft.
22. The Town develop and implement policies and procedures for changing access/codes upon an employee's separation of employment.
23. The Town provide training to staff for the implemented or revised guidance for safeguarding cash and checks.

**Response:**

**The Town will make additional efforts to codify existing policies and procedures.**

***Finding #8:***

Adjustment entries lacked proper oversight.

***Recommendations:***

24. The Town develop and implement policies and procedures for adjustment transactions including voids and reversals.
25. The Town review the four (4) voided transactions and determine if a refund is owed to the Town's customers.
26. The Town provide training to staff for adjustment transactions.

***Response:***

The Town will make additional efforts to codify existing policies and procedures.

We will review four (4) voided transactions and determine if a refund is owed to the Town's customers.

***Finding #9:***

As of August 21, 2018, 29% of permit fees are unlikely to be collected based on account aging.

***Recommendations:***

27. The Town establish policies and procedures for the collection and write-off of unpaid permit fees.
28. The Town consider establishing an allowance for doubtful accounts.
29. The Town monitor unpaid permit fees and provide routine notice and follow-up for customer account balances that are aging.
30. The Town provide training to staff for collection and write-off of unpaid permit fees.

***Response:***

The Town does not concur with this finding. The Town does not have any permit receivables or need any allowance for doubtful accounts for the permits. Permits are not issued to an individual until the permit is paid for by the individual. The exchange of revenue does not happen until the individual has paid for the permit.

All open permits in the future will be canceled after thirty (30) days.

***Finding #10:***

Written requirements for permits, surcharges, and licensing were inconsistent.

***Recommendations:***

31. The Town update its written guidance to be in compliance with applicable Florida law and inconsistent throughout all written documents for permits, surcharges, and licensing.
32. The Town should periodically review its written guidance to ensure consistency across all requirements.
33. The Town provide staff training for the revised written guidance for permit, surcharges, and licensing processes.



**Response:**

The Town will make additional efforts to codify existing policies and procedures in accordance with State Guidelines to ensure consistency.

**Finding #11:**

Lack of written guidance for IT processes.

**Recommendations:**

34. The Town develop and implement written IT policies and procedures to ensure consistency of operations that provide guidance, at a minimum, for how to:
  - a. Assign and remove user rights and a reasonable time for completion,
  - b. Authorize user access,
  - c. Limit system access requiring unique user IDs and Passwords,
  - d. Provide for user change management (new and separated employees), and
  - e. Provide guidance to employees. The Town require each computer system user to have a unique user ID and password that are kept confidential, and obtain additional user licenses, as needed.
35. The Town provide training to staff for the IT policies and procedures.

**Response:**

At this time, each employee has their own unique password and sign on. The Town's contracted IT personnel is instructed to remove any user no longer with the Town, immediately upon separation. The Town will continue to make additional efforts to codify existing policies.

On behalf of the Town's Commission, I want to thank you and your staff for the recommendations to improve the Town's operations.

Sincerely,



Kevin Lucas

Town Administrator

Town of Jupiter Inlet Colony