



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

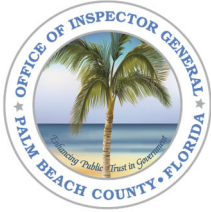


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“Enhancing Public Trust in Government”

Audit Report
2022-A-0003
City of Delray Beach
Accounts Payable
Expenditures and Cash
Disbursements
March 21, 2022

Insight – Oversight – Foresight



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AUDIT REPORT 2022-A-0003

DATE ISSUED: MARCH 21, 2022



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CITY OF DELRAY BEACH ACCOUNTS PAYABLE EXPENDITURES AND CASH DISBURSEMENTS

SUMMARY

WHAT WE DID

We conducted an audit of the City of Delray Beach's (City) accounts payable expenditures and cash disbursements process. This audit was performed as part of the Office of Inspector General Palm Beach County (OIG) 2019 Annual Audit Plan.

Our audit focused on the accounts payable expenditure and cash disbursement activities from October 1, 2015 to August 27, 2019.

WHAT WE FOUND

We found the City had generally adequate controls over the accounts payable expenditures and cash disbursements processes.

We found weaknesses with respect to required approvals for accounts payable expenditures and petty cash reimbursements, purchasing card authorizations limits, and compliance with

statutory and policy requirements for the use of Law Enforcement Trust Fund monies.

Our audit identified **\$271,410.77** in questioned costs¹ for expenditures that were not properly approved and lacked sufficient or proper documentation.

Non-Compliance with Purchasing Policy Approval Requirements

Of the 143 accounts payable expenditure transactions we tested, we found eight (8) transactions totaling **\$1,026.89** for petty cash reimbursements that exceeded the limit of \$50.00 and were not approved by the Finance Administrator or designee, as required by the City's 2017 Purchasing Policies and Procedures Manual.

We also found that the City Manager or City Commission, where applicable, did not properly approve the purchase of food products for resale at the Delray Beach Golf Club from two vendors totaling

¹ 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 costs 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. As such, and as in this case, not all questioned costs are indicative of potential fraud or waste.

\$237,274.52² as required by the City's Purchasing Manual and subsequent Purchasing Policies and Procedures Manual.

These purchases were not approved in compliance with the City's written purchasing requirements and are considered questioned costs.

Non-Compliance with Purchasing Card Policy Requirements

Of the 60 purchasing card transactions tested, we found:

- One (1) transaction in the amount of **\$22,790.30** for the purchase of 149 security system video cameras by the then-Finance Director exceeded the purchasing card dollar limitation and lacked proper approval, in violation of the Purchasing Card Policy and Purchasing Policy, respectively.
- One (1) transaction in the amount of **\$1,045.26** for a hotel expense lacked proper approval in violation of the Purchasing Card Policy.
- Two (2) transactions totaling **\$2,773.80** lacked any documentation to support the purchases in violation of the Purchasing Card Policy.

These amounts are considered questioned costs because they did not comply with the City's Purchasing Policy and/or Purchasing Card Policy requirements.

Non-Compliance with Requirements for Use of Law Enforcement Trust Fund Monies

The City made three (3) donations, totaling \$6,500.00, from its Law Enforcement Trust Fund to a nonprofit agency, Delray Beach Sports Exhibitors. The expenditures of the Law Enforcement Trust Fund monies were not approved by the Commission, and the City did not obtain an application from Delray Beach Sports Exhibitors certifying the use of the funds complied with Florida statutes. Additionally, the City could not locate a Charitable and Benevolent Contribution Request application from the agency, as required by its Charitable and Benevolent Contributions and Special Event Funding Policy. Therefore, we consider the **\$6,500.00** paid to Delray Beach Sports Exhibitors a questioned cost.

WHAT WE RECOMMEND

Our report contains three (3) findings and nine (9) recommendations. Implementation of the recommendations will assist the City in strengthening internal controls and help ensure compliance with the City's written requirements.

The City concurred and accepted the recommendations.

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

² Amounts varied by fiscal year, see Finding 1.

BACKGROUND



The City was incorporated in 1911. The current Charter of the City was adopted on January 8, 2002. The City is located in the southeastern part of the state in Palm Beach County on the Atlantic shoreline. The City's 2021 population was approximately 66,948.

The City operates under the Commissioner-Manager form of government. The City Commission is comprised of five (5) commissioners, one of whom is the Mayor, who are elected at large for staggered three-year terms. The Mayor is head of the City government for all ceremonial purposes. The City Commission is vested with all legislative powers of the City. The City Manager is appointed by the City Commission and is responsible for the administration of all City affairs.

The OIG 2019 Annual Audit Plan had multiple entities selected for accounts payable expenditures and cash disbursements audits. Based on red flags identified during the OIG's Delray Beach Out of School Program Investigation, the OIG selected the City for an accounts payable expenditures and cash disbursements audit. The audit was initiated based on the increased risk for duplicate payment of invoices by the City.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Internal controls were adequate related to the accounts payable expenditures and cash disbursements;
- Control procedures were adequate to ensure expenditures and cash disbursements were in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment; and
- Purchases and invoices were properly documented and approved to avoid possible fraud, waste, and abuse.

The scope of the audit included, but was not limited to, accounts payable expenditure and cash disbursement activities from October 1, 2015 to August 27, 2019.

The audit methodology included but was not limited to:

- Completion of data reliability and integrity assessment of related computer systems;
- Review of policies, procedures, and related requirements;
- Completion of process walk-throughs;
- Review of internal controls related to the accounts payable expenditures and cash disbursements;
- Interview of appropriate personnel;
- Review of records, reports, contracts, and agreements;
- Data analysis of the population of transactions; and
- Detailed testing of selected transactions.

As part of the audit, we completed a data reliability and integrity assessment for the computer systems used by the City for accounts payable expenditure and cash disbursement activities. We determined that the computer-processed data contained in the City's computer systems were sufficiently reliable for purposes of the audit.

This audit was conducted 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.

FINDINGS AND RECOMMENDATIONS

Finding (1): The City did not always comply with its Purchasing Policy approval requirements.

City's Purchasing Ordinance

The City's Code of Ordinances section 36.02. - COMMISSION APPROVAL REQUIRED, states,

Acquisitions greater than sixty-five thousand dollars (\$65,000.00) shall be awarded by competitive sealed bid, or such other method as permitted by Florida law, and such threshold shall automatically be adjusted to be consistent with the category three (3) purchasing threshold set forth at F.S. § 287.01[sic],³ as may be amended from time to time. Acquisitions in an amount less than or equal to sixty-five thousand dollars (\$65,000.00) may be approved [sic] the City Manager, or designee. **Acquisitions greater than sixty-five thousand dollars (\$65,000.00) shall be approved by the City Commission.** City Commission approval is not required for payment of invoices for professional services, the acquisition or retention of which previously received City Commission approval. [Emphasis added]
(Ord. No. 21-17, § 1(Exh. A), passed 6/6/17)



City's Purchasing Policies and Procedures

The City's Purchasing Manual, updated September 1, 2015, states,

SECTION 1 GENERAL PURCHASING INFORMATION AND ORGANIZATION

...

SECTION 1.04 – PURCHASE APPROVAL REQUIRED

³ Section 287.017, Florida Statutes, provides purchasing category threshold amounts for the procurement of personal property and services for public entities.

If any official or employee of the City authorizes or incurs an obligation against the City without first securing the proper approvals, such official or employee shall be individually liable for the amount of such obligation. The approval needed is based on the amount of the purchase.

- Under \$10,000 – Department Director
- \$10,000 to under \$25,000 – Department Director, Purchasing, City Manager
- Above \$25,000 – Department Director, Purchasing, City Manager, City Commission

...

SECTION 2 STANDARD PURCHASING POLICIES AND PROCEDURES

...

SECTION 2.05 – EXCEPTIONS TO COMPETITIVE SELECTION

...

RESALE

The acquisition of food, beverages and merchandise purchased for resale may be purchased without competitive selection or City Commission approval.

The City's Purchasing Policies and Procedures Manual, effective June 6, 2017, states,

PURCHASING ORGANIZATION AND AUTHORITY

...

Exceptions

...

- B. Certain purchases made by the City are specifically exempt from the competitive processes outlined in this Manual. The current list of purchases exempt from the competitive process is shown below:
- i. Legal Services and all services directly related to the provision of same.
 - ii. Items Purchased for Re-Sale

...

Purchasing authorization and approval levels, as defined herein, apply to purchases set forth in Paragraph B. Payment of invoices for purchases set forth in paragraph B. above are also eligible for direct payment after the invoice has been approved for payment by the City Manager, appropriate Department Head, or designee. When appropriate, the City may encourage and actively promote local, minority and small business enterprises to bid on City purchases... [Emphasis added]

PURCHASING AUTHORIZATION LEVELS

...

PURCHASES GREATER THAN OR EQUAL TO \$10,000 BUT LESS THAN \$65,000

City Manager, or written designee, approval is required...

PURCHASES GREATER THAN OR EQUAL TO \$65,000

...

All contracts to be awarded pursuant to Requests for Proposals or formal bids shall be approved by the City Manager or the City Commission, as applicable...

PETTY CASH

Petty cash accounts may be established, with the approval of the Finance Administrator, to expedite miscellaneous small purchases. Petty cash can be used by all departments for facilitating the transaction of City business, but **shall not normally be authorized for purchases in excess of \$50. Petty cash reimbursements greater than \$50 must be approved by the Finance Administrator or designee.** [Emphasis added]

City's Petty Cash Policy

The City's Petty Cash Policy, effective June 30, 2015, states,

BF-9.0 Purpose:

The purpose of a petty cash fund is to allow for the reimbursement of minor business related expenses, **not in excess of one hundred dollars (\$100.00)**, where it is impractical to be billed or to have a check issued beforehand... [Emphasis Added]

BF-9.2 Definitions:

...

Petty Cash Reimbursable Expense: Necessary and reasonable small business transactions, **not to exceed \$100**, including emergency purchases of office supplies, local carfare, parking and tolls. In the Special Investigation Fund, there may be instances where the \$100 limit is exceeded to aid in undercover operations, but in no instance, will the amount exceed \$1,000. [Emphasis added]

We selected a sample of 143 expenditure transactions based on vendor names and/or invoice descriptions that were potentially noncompliant with City requirements and/or standard purchasing and payment practices. We reviewed the source and supporting

documentation of each transaction to determine if the expenditure was in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment.

We found eight (8) transactions tested totaling \$1,026.89 were for petty cash reimbursements that exceeded the City's 2017 Purchasing Policies and Procedures Manual's limit of \$50.00 and were not approved by the Finance Administrator or designee.

It appears the City did not update its 2015 Petty Cash Policy reimbursement limit of \$100 when it changed the reimbursement limit in its Purchasing Policies and Procedures Manual to \$50 in 2017. As a result, staff may not have been aware of the most current reimbursement limit.

There were four (4) transactions from vendors used to purchase food products for resale at the Delray Beach Golf Club. We found the City did not properly approve the following expenditures for food products for resale from each vendor:

Improperly Approved Expenditures			
FY	Vendor	Lack of Approval	Total Amount
2016	Cheney Bros, Inc. d/b/a Cheney Brothers, Inc.	City Manager	\$59,294.63
2017	Sysco Southeast Florida, LLC f/k/a Sysco Food Services of Southeast, FL, LLC	City Manager	\$27,302.27
2017	Cheney Bros, Inc. d/b/a Cheney Brothers Inc.	City Commission	\$124,150.53
2019 (partial ⁴)	Sysco Southeast Florida, LLC f/k/a Sysco Food Services of SE FL	City Manager	\$26,527.09
Grand Total			\$237,274.52

Food products for resale were purchased weekly throughout the year and aggregated to large total purchase amounts. The City properly approved the purchases from each vendor in FY 2018 and the purchase from Sysco Southeast Florida, LLC f/k/a Sysco Food Services of Southeast, FL, LLC in FY 2016. Therefore, it appears the City did not have a process in place to ensure that food products for resale at the Delray Beach Golf Club were properly approved.

Additionally, there may have been confusion regarding the purchasing authorization level required for the purchase of food products for resale. The City's 2017 Purchasing Policies and Procedures Manual's purchasing authorization requirement for purchases greater than or equal to \$65,000 omits acquisitions that are exempt from competitive procurement and require City Commission approval pursuant to the City's Purchasing Ordinance.

⁴ The scope of the audit ended on August 27, 2019.

The purchase of food products for resale and the petty cash reimbursements in excess of \$50.00 were not properly approved in compliance with the City's Purchasing Ordinance and Purchasing Manuals and are considered questioned costs totaling **\$238,301.41**.

Corrective Action

The City updated the Purchasing Policies and Procedures Manual in November 2021 and removed all guidance and requirements regarding petty cash, so there is no longer a conflict between petty cash reimbursement limit requirements in the City's policies.

Recommendations:

- (1) The City implement a review and oversight process to ensure that the City Commission or City Manager approves anticipated food for resale purchases for the Delray Beach Golf Club, as required by the Purchasing Ordinance.**
- (2) The City consider updating the Purchasing Policies and Procedures Manual's purchasing authorization levels to clarify that all acquisitions greater than or equal to \$65,000, including acquisitions exempt from competitive procurement, shall be approved by the City Commission.**
- (3) The City update the Petty Cash Policy reimbursement limit to be consistent with the Purchasing Policies and Procedures Manual.**
- (4) The City ensure staff responsible for Petty Cash accounts are aware of the most current reimbursement limit.**

Management Response:

- (1) The City concurs with the finding and recommendation. As noted in the report finding, the City will ensure that food for resale purchases comply with the Purchasing Ordinance and Purchasing Policies Manual (PPM) purchasing authorization and approval levels. Payment of invoices for food for resale will follow the process in place as such to be properly approved by the appropriate Department Head or designee.**

Corrective Action expected implementation (1): April 2022

- (2) The City concurs with the recommendation. The City will update the PPM to clarify the purchasing authorization levels for acquisitions exempt from competitive procurement. Additionally, the revised PPM will specify that that all acquisitions greater than or equal to \$65,000 must be approved by the City Commission.**

Corrective Action expected implementation (2): August 2022

- (3) The City concurs with recommendation. As noted in the report finding, all petty cash guidance and requirements have been removed from the City's**

PPM dated November 2021. Therefore, there is no longer a conflict between petty cash reimbursement limit requirements in the City's policies.

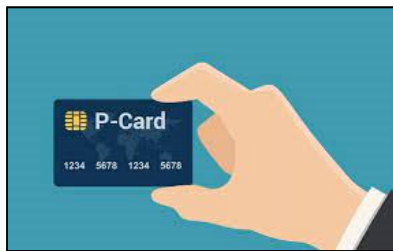
- (4) The City concurs with the recommendation. The City will redistribute the Petty Cash policy to all Petty cash custodians to ensure that they comply with the policy for all reimbursements and payments made from the petty cash fund. Additionally, the City will update the Petty Cash Payment Approval Form as an additional control to require prior approval of the Finance Director for all petty cash disbursements greater than \$100.

Corrective Action expected implementation (4): May 2022

Finding (2): The City did not always comply with its Purchasing Card Policy requirements.

City's Purchasing Card Policy

The City's Purchasing Card Policy, updated August 1, 2015, states,



A. Policy

The City of Delray Beach Purchasing Card (P-card) simplifies purchase and payment for items and services costing \$1,000 or less...

B. Purpose

The purpose of this program is to accomplish the following:

- To purchase goods and services directly from vendors when each transaction does not exceed \$1,000...

C. Procedure

1. Purchasing Card Program Description:

The purchasing card program simplifies the procurement and disbursement process. Procurement responsibility is delegated to the Department/Division enabling an authorized cardholder to place an order directly with the vendor. When a purchase authorization is requested the purchasing card provider validates the transactions against pre-set limits approved by the cardholder's Department Director. **All transactions are approved or declined (electronically) based on the purchasing card authorization criteria established.** The authorization criteria may be adjusted periodically as needed and may include, but is not limited to, the following:

- **Single purchase limit as set by the Department Director not to exceed \$1,000.**
- Monthly spending limit
- Number of transactions allowed per day
- Number of transactions allowed per month
- Approved Merchant Category Codes

- **Ability to authorize purchases up to \$10,000. (Limited to Chief Financial Officer, Chief Purchasing Officer and City Manager)** [Emphasis added]

...

4. Allowable Purchases:

The purchasing card is to be used for City authorized purchases only. This includes any goods or services necessary for the day to day operations of the City of Delray Beach. **The purchasing card is not to be used for any personal transactions.**

...

B. Dollar Limitations

1. The Department Head approving the assignment of a purchasing card will set two limits for each cardholder, a single purchase limit and a 30-day limit. **The maximum limit shall be \$1,000 for a single purchase** and an appropriate amount as determined by the Department Director during the 30 day billing cycle. Requests for spending limit changes must be initiated and authorized by the Department Head. [Emphasis added]
2. One purchase may be made of multiple items, but the invoice cannot exceed \$1,000 or the cardholder's limit if less than \$1,000. Any requests for changes in category of items to be purchased must be initiated and authorized by the Department Head.

C. Purchases of \$10,000 or less may be made by the Chief Financial Officer, Chief Purchasing Officer or City Manager. These transactions must comply with the City of Delray Beach Purchasing Policy. [Emphasis added]

...

7. Procedures for Making and Paying for Purchases:

A. Documentation of Over the Counter Purchases

1. The receipt must provide an itemization listing the items purchased and indicate the cost of each item with a total amount charged to the purchasing card. When the receipt does not provide a clear description of the purchase, additional information must be required to describe the purchased items.
2. The charge slip will be retained either by the cardholder or by the Purchasing Coordinator until matched and included with a monthly statement.

...

B. Other Orders

1. The cardholder must confirm that the vendor agrees to charge the purchasing card when shipment is made.

2. Invoices must provide an itemization of the purchase including all items purchased and any shipping and handling charges. The receipt must be printed out so that the information prints in its entirety.
 3. A packing slip with no invoice information is insufficient documentation of the purchase.
- ...

C. Missing Documentation

Missing documentation for a purchase is **not acceptable**. There **must** be some type of itemized documentation that supports the charge. Continued incidents of missing documentation will result in the suspension or cancellation of the employee's purchasing card.

City's Purchasing Policy

The City's Purchasing Manual, updated September 1, 2015, states,

SECTION 1 GENERAL PURCHASING INFORMATION AND ORGANIZATION

...

SECTION 1.04 – PURCHASE APPROVAL REQUIRED

If any official or employee of the City authorizes or incurs an obligation against the City **without first securing the proper approvals**, such official or employee shall be individually liable for the amount of such obligation. The approval needed is based on the amount of the purchase. [Emphasis added]

- Under \$10,000 – Department Director
 - \$10,000 to under \$25,000 – Department Director, Purchasing, City Manager
 - Above \$25,000 – Department Director, Purchasing, City Manager, City Commission
- ...

SECTION 2 STANDARD PURCHASING POLICIES AND PROCEDURES

...

SECTION 2.03 - PURCHASES BETWEEN \$ 2,500 AND UNDER \$25,000

The objective is to obtain the necessary item at the lowest possible cost. Purchasing will obtain at least three competitive written quotations without formal advertisement. The following steps are needed:

1. Department enters a requisition into the system indicating the type of goods or services needed.
2. Purchasing then contacts vendors to obtain quotes. The Department should provide email address for any vendors they would like to be contacted for quotes.

3. Purchasing will enter the quotations into the system, then along with the department determine the vendor which is reasonable in price and responsive to the specifications.
 4. The Department Director approves the requisition.
 - 5. Purchasing will obtain City Manager approval for items over \$10,000.**
 6. After Purchasing approves the requisition, purchasing will prepare the purchase order.
 7. Purchasing will email or mail the vendor a copy of the purchase order.
- [Emphasis added]

We performed data analytics on the population of purchasing card transactions to identify purchases that exceeded the City's Purchasing Card Policy authorization limits. We identified 60 purchasing card transactions over policy limits and reviewed the source and supporting documentation of each transaction to determine if the purchase was in compliance with the City's Purchasing Card Policy approval requirements.

We found the following instances of non-compliance with the City's Purchasing card requirements.

- One (1) of the 60 transactions in the amount of \$22,790.30 for the purchase of 149 security system video cameras by the then-Finance Director exceeded the Purchasing Card Policy dollar limit and lacked a purchase requisition and proper approval by the Purchasing Department and City Manager prior to the purchase in violation of the Purchasing Card Policy and Purchasing Policy, respectively.
- One (1) of the 60 transactions in the amount of \$1,045.26 for a hotel expense lacked proper approval in violation of the Purchasing Card Policy.
- Two (2) of the 60 transactions totaling \$2,773.80⁵ lacked any documentation to support the purchase in violation of the Purchasing Card Policy.

The City did not provide documentation to show that the then-Finance Director obtained proper approvals from the Purchasing Department and City Manager prior to the purchase, as required by the Purchasing Policy. The City confirmed no purchase requisition was issued for the purchase. The transaction was processed by the purchasing card provider, so it appears the purchasing card provider's pre-set single purchase limit for the cardholder exceeded the dollar limitation established in the Purchasing Card Policy for the Chief Financial Officer. The City could not locate any documents authorizing the increase to cardholder's purchase limit. The purchase was approved after-the-fact when the cardholder's purchasing card statement was reviewed and approved by the then-Interim City Manager after the statement period had closed.

The remaining instances of non-compliance appear to have been isolated incidents in FY 2017. It appears the City has resolved the issues causing non-compliance.

The purchasing card purchases totaling **\$26,609.36** are considered questioned costs because they did not comply with the City's Purchasing Policy and/or Purchasing Card Policy requirements.

⁵ \$1,692.65 Hotel Expense + \$1,081.15 Credit Card Processing Fee = \$2,773.80.

Recommendations:

- (5) The City implement the Purchasing Card Policy dollar limitations with the purchasing card provider and ensure that increases are documented and, if temporary, promptly reversed after the pre-approved purchases in excess of the dollar limitations are completed.
- (6) The City implement a review and oversight process to ensure cardholders obtain purchase requisitions, orders, and required approvals for purchasing card purchases, as required by the Purchasing Card and Purchasing Manual policies.

Management Response:

- (5) The City concurs with the recommendation. The City will update the P-Card Policy dollar limitations with the Purchasing card provider. The P-Card Administrator will review the dollar limits for all Cardholders quarterly to confirm they are within the established requirements per the P-Card policy.

Furthermore, the Administrator will document all approved purchasing card increase requests and adjustments based upon exception and/or business needs and will reverse temporary increases to the pre-approved purchases more than the dollar limitations.

Corrective Action expected implementation (4): May 2022

- (6) The City concurs with the recommendation. The City will ensure that Cardholders comply with the PPM and P-Card policies by obtaining the required approvals prior to making purchasing card purchases. The City will create a process to address P-Card purchases due to exceptions and business needs when purchase requisitions and orders are not feasible. Furthermore, the City will distribute a refresher training document annually to reinforce knowledge of the P-Card program policy and responsibilities.

Corrective Action expected implementation (4): August 2022

Finding (3): The City did not comply with Florida Statutes and City requirements for the expenditure of Law Enforcement Trust Fund monies.

Section 932.7055, Florida Statutes, states,

(5)(a) If the seizing agency is a county or municipal agency, the remaining proceeds shall be deposited in a special law enforcement trust fund established by the board of county commissioners or the governing body of the municipality. Such proceeds and interest earned therefrom shall be used for school resource officer, crime prevention, safe neighborhood, drug abuse education and prevention programs, or for other law enforcement purposes...

(b) **These funds may be expended upon request** by the sheriff to the board of county commissioners or **by the chief of police to the governing body of the municipality**, accompanied by a written certification that the request complies with the provisions of this subsection, and only upon appropriation to the sheriff's office or police department by the board of county commissioners or the governing body of the municipality. [Emphasis added]

(c) **An agency or organization, other than the seizing agency, that wishes to receive such funds shall apply to the sheriff or chief of police for an appropriation and its application shall be accompanied by a written certification that the moneys will be used for an authorized purpose.** Such requests for expenditures shall include a statement describing anticipated recurring costs for the agency for subsequent fiscal years. An agency or organization that receives money pursuant to this subsection shall provide an accounting for such moneys and shall furnish the same reports as an agency of the county or municipality that receives public funds. Such funds may be expended in accordance with the following procedures: [Emphasis added]

1. Such funds may be used only for school resource officer, crime prevention, safe neighborhood, drug abuse education, or drug prevention programs or such other law enforcement purposes as the board of county commissioners or governing body of the municipality deems appropriate.

The City of Delray Beach Administrative Policies and Procedures Manual, Policy Number GA-23, Charitable and Benevolent Contributions and Special Event Funding, effective June 1, 2015, states,

GA-23.0 Purpose:

The purpose of this policy, as approved by the City Commission on September 30, 1986, is to provide formal procedures for reviewing requests for charitable and benevolent contributions and special event funding from City Funds.

GA-23.1 Procedures:

The presentation and consideration of requests for City funding by agencies will be based on the following guidelines:

1. **Agencies desiring funding from the City of Delray Beach are required to complete the City's "Application for Charitable and Benevolent Contribution Request"** (Exhibit A) or "Application for Special Event Funding" (Exhibit B) for review prior to any award. [Emphasis added]

...

4. Requesting agencies are required to submit their last tax return or audit report as part of the application.

5. Requesting agencies are required to demonstrate how they meet City Commission goals and objectives.
6. Funding applications will be reviewed by a Committee designated by the City Manager. The Committee's funding recommendations will be submitted to the City Commission as part of the annual budget process.
7. As a condition of being funded, the recipient organization shall submit Status Reports to the City Manager. Failure to submit these Status Reports may jeopardize approval of future requests for funding...

These guidelines are designed to be consistent with funding criteria which seek to ensure funding is provided for agencies that are involved in projects which serve Delray residents and that the City's contributions are relevant to the needs of Delray residents served.

We compared the vendor master file to the employee master file to identify any vendor records with an employee's name, street address, or phone number. We found one vendor with the same address as a City employee that received three (3) donations for which the City did not comply with applicable written requirements.

The City made three (3) donations, totaling \$6,500.00, from its Law Enforcement Trust Fund to a nonprofit agency, Delray Beach Sports Exhibitors, that a part-time City Parks and Recreation department employee founded. That employee also served as its Chief Executive Officer. The expenditure of the Law Enforcement Trust Fund monies was not approved by the Commission, and the City did not obtain an application from Delray Beach Sports Exhibitors certifying that the use of the funds complied with the statute. Additionally, the City could not locate a Charitable and Benevolent Contribution Request application from the Delray Beach Sports Exhibitors, as required by its Charitable and Benevolent Contributions and Special Event Funding Policy.

Based on the supporting documentation for the contributions, the employee requested the donations for Delray Beach Sports Exhibitors via a generic letter. The employee was noted as the agency's Founder on each of its donation request letters. Based on emails between the Police Department's Administrative Officer and the Chief of Police, the Chief selected the organization, and the employee was not involved in securing the funds other than the initial donation request letters. We find no indication that the employee used the employee's position with City to obtain approval for the funding. Additionally, the City Manager and Chief of Police approved each donation.

According to the City, the process at that time required only the Chief of Police and City Manager's approvals, so it appears that City personnel were not aware of the requirements for the expenditure of Law Enforcement Trust Fund monies in section 932.7055, Florida Statute, nor the City policy requirements for charitable contributions. In 2019, the City started working on a new policy for donations and donations were suspended.

Corrective Action

In 2021, the City developed a formal application in collaboration with the City's Legal Department and started putting Law Enforcement Trust Fund donation requests on the agenda for the Commission's approval.

We verified that the City initiated use of the formal application for 2021 donation requests and that those requests were approved by the City Commission.

The City did not comply with section 932.7055, Florida Statutes, and City's Charitable and Benevolent Contributions and Special Event Funding Policy. Therefore, the City's expenditures totaling **\$6,500** paid to Delray Beach Sports Exhibitors is considered a questioned cost.

Recommendations:

- (7) The City comply with section 932.7055, Florida Statutes, and follow the City's Charitable and Benevolent Contributions and Special Event Funding Policy when donating City Law Enforcement Trust Fund monies until the new policy for donations is implemented.**
- (8) The City ensure that personnel are aware of the statutory and policy requirements for making donations with City Law Enforcement Trust Fund monies.**
- (9) The City require agencies requesting charitable contributions to disclose any business or employment relationships with the City, and research agency disclosures and corporate information prior to approving the agency's application for payment to prevent potential conflicts of interest.**

Management Response:

- (7) The City concurs with the finding and recommendation. As noted in the draft report, in 2021, after a period when donations were suspended, the City developed a formal application with the collaboration with the City's Legal Department and started putting Law Enforcement Trust Fund donation requests on the agenda for the City Commission's approval, in accordance with the Section 932.7055, Florida Statutes. The City will review the Administrative Policy and Procedure GA-23, Charitable and Benevolent Contributions and Special Event Funding, with City's Legal Department, to ensure current Law Enforcement Trust Fund donation application and application contained in GA-23 are not in conflict or constitute a duplication of efforts. If needed, policy GA-23 will be revised to include information regarding the process and application when requesting donations from the Law Enforcement Trust Fund.**

Corrective Action expected implementation (7): October 2022

- (8) The City concurs with the recommendation. The City will provide training to its staff to ensure personnel are aware of the statutory and policy requirements for making donations with City Law Enforcement Trust Fund monies.**

Corrective Action expected implementation (8): June 2022.

- (9) While City's vendor application already has disclosure requirement for vendors to disclose any business or employment relationships with the City, the City's Police Department will develop and include an additional page in the formal application requiring organizations requesting donations from the Law Enforcement Trust Fund to disclose any business or employment relationship with the City. The Police Department will review disclosures and research corporate information of the requesting organization utilizing State of Florida Division of Corporation website and will compare registered agent and officer/director details against a list of City employees.**

Corrective Action expected implementation (9): July 2022

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

Questioned Costs

Finding	Description	Questioned Costs
1	Non-compliance with Purchasing Policy approval requirements	\$238,301.41
2	Non-compliance with Purchasing Card Policy requirements	\$26,609.36
3	Non-compliance with Florida Statute and City requirements for the expenditure of Law Enforcement Trust Fund monies	\$6,500.00
	TOTAL QUESTIONED COSTS	\$271,410.77

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the City of Delray Beach'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 the Director of Audit by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT

Attachment 1 – City of Delray Beach's Management Response

ATTACHMENT 1



CITY OF DELRAY BEACH

OFFICE OF THE CITY MANAGER

100 N.W. 1ST AVENUE • DELRAY BEACH • FLORIDA 33444 • (561) 243-7015



VIA e-mail: HBojan@pbcgov.org

March 15, 2022

Hillary Bojan, CPA, CJA, CFE. CIGA Director of Audit
Palm Beach County
Office of the Inspector General
Post Office Box. 16568
West Palm Beach, FL 33416

Subject: OIG# 2022-A-0003 City of Delray Beach Accounts Payable Expenditures and Cash Disbursements

Dear Director Bojan:

The City of Delray Beach (City) has reviewed the Office of Inspector General's draft audit report regarding the City's Accounts Payable Expenditures and Cash Disbursements.

Please see below the City's responses to the findings and recommendations.

Finding (1): The City did not always comply with its Purchasing Policy approval requirements

Recommendation (1): The City implement a review and oversight process to ensure that the City Commission or City Manager approves anticipated food for resale purchases for the Delray Beach Golf Club, as required by the Purchasing Ordinance.

Management Response (1):

The City concurs with the finding and recommendation. As noted in the report finding, the City will ensure that food for resale purchases comply with the Purchasing Ordinance and Purchasing Policies Manual (PPM) purchasing authorization and approval levels. Payment of invoices for food for resale will follow the process in place as such to be properly approved by the appropriate Department Head or designee.

Corrective Action expected implementation (1): April 2022

Recommendation (2): The City consider updating the Purchasing Policies and Procedures Manual's (PPM) purchasing authorization levels to clarify that all acquisitions greater than or equal to \$65,000, including acquisitions exempt from competitive procurement, shall be approved by the City Commission.

Management Response (2):

The City concurs with the recommendation. The City will update the PPM to clarify the purchasing authorization levels for acquisitions exempt from competitive procurement. Additionally, the revised PPM will specify that that all acquisitions greater than or equal to \$65,000 must be approved by the City Commission.

Corrective Action expected implementation (2): August 2022

Recommendation (3): The City update the Petty Cash Policy reimbursement limit to be consistent with the Purchasing Policies and Procedures Manual.

Management Response (3):

The City concurs with recommendation. As noted in the report finding, all petty cash guidance and requirements have been removed from the City's PPM dated November 2021. Therefore, there is no longer a conflict between petty cash reimbursement limit requirements in the City's policies.

Recommendation (4): The City ensure staff responsible for Petty Cash accounts are aware of the most current reimbursement limit.

Management Response (4):

The City concurs with the recommendation. The City will redistribute the Petty Cash policy to all Petty cash custodians to ensure that they comply with the policy for all reimbursements and payments made from the petty cash fund. Additionally, the City will update the Petty Cash Payment Approval Form as an additional control to require prior approval of the Finance Director for all petty cash disbursements greater than \$100.

Corrective Action expected implementation (4): May 2022

Finding (2): The City did not always comply with its Purchasing Card Policy requirements.

Recommendation (5): The City implement the Purchasing Card (P-Card) Policy dollar limitations with the purchasing card provider and ensure that increases are documented and, if temporary, promptly reversed after the pre-approved purchases in excess of the dollar limitations are completed.

Management Response (5):

The City concurs with the recommendation. The City will update the P-Card Policy dollar limitations with the Purchasing card provider. The P-Card Administrator will review the dollar limits for all Cardholders quarterly to confirm they are within the established requirements per the P-Card policy.

Furthermore, the Administrator will document all approved purchasing card increase requests and adjustments based upon exception and/or business needs and will

reverse temporary increases to the pre-approved purchases more than the dollar limitations.

Corrective Action expected implementation (4): May 2022

Recommendation (6): The City implement a review and oversight process to ensure cardholders obtain purchase requisitions, orders, and required approvals for purchasing card purchases, as required by the Purchasing Card and Purchasing Manual Policies.

Management Response (6):

The City concurs with the recommendation. The City will ensure that Cardholders comply with the PPM and P-Card policies by obtaining the required approvals prior to making purchasing card purchases. The City will create a process to address P-Card purchases due to exceptions and business needs when purchase requisitions and orders are not feasible. Furthermore, the City will distribute a refresher training document annually to reinforce knowledge of the P-Card program policy and responsibilities.

Corrective Action expected implementation (4): August 2022

Finding (3): The City did not comply with Florida Statutes and City requirements for the expenditure of Law Enforcement Trust Fund (LEFT) monies.

Recommendation (7): The City comply with section 932.7055, Florida Statutes, and follow the City's Charitable and Benevolent Contributions and Special Event Funding Policy when donating City LETF monies until the new policy for donations is implemented.

Management Response (7):

The City concurs with the finding and recommendation. As noted in the draft report, in 2021, after a period when donations were suspended, the City developed a formal application with the collaboration with the City's Legal Department and started putting Law Enforcement Trust Fund donation requests on the agenda for the City Commission's approval, in accordance with the Section 932.7055, Florida Statutes. The City will review the Administrative Policy and Procedure GA-23, Charitable and Benevolent Contributions and Special Event Funding, with City's Legal Department, to ensure current Law Enforcement Trust Fund donation application and application contained in GA-23 are not in conflict or constitute a duplication of efforts. If needed, policy GA-23 will be revised to include information regarding the process and application when requesting donations from the Law Enforcement Trust Fund.

Corrective Action expected implementation (7): October 2022

Recommendation (8): The City ensure that personnel are aware of the statutory and policy requirements for making donations with City LETF monies.

Management Response (8): The City concurs with the recommendation. The City will provide training to its staff to ensure personnel are aware of the statutory and policy requirements for making donations with City Law Enforcement Trust Fund monies.

Corrective Action expected implementation (8): June 2022.

Recommendation (9): The City require agencies requesting charitable contributions to disclose any business or employment relationships with the City; and research agency disclosures and corporate information prior to approving the agency's application for payment to prevent potential conflicts of interest.

Management Response (9): While City's vendor application already has disclosure requirement for vendors to disclose any business or employment relationships with the City, the City's Police Department will develop and include an additional page in the formal application requiring organizations requesting donations from the Law Enforcement Trust Fund to disclose any business or employment relationship with the City. The Police Department will review disclosures and research corporate information of the requesting organization utilizing State of Florida Division of Corporation website and will compare registered agent and officer/director details against a list of City employees.

Corrective Action expected implementation (9): July 2022

As always, we appreciate the opportunity to strengthen procedures and controls. Should you have any additional questions, please call me at (561) 243-7015.

Sincerely,

A handwritten signature in blue ink, appearing to read "Terrence R. Moore".

Terrence R. Moore, ICMA-CM
City Manager