



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

"Enhancing Public Trust in Government"

Audit Report

2025-A-0002

City of Pahokee Accounts Payable Expenditures and Cash Disbursements

April 15, 2025



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AUDIT REPORT 2025-A-0002

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CITY OF PAHOKEE ACCOUNTS PAYABLE EXPENDITURES AND CASH DISBURSEMENTS

SUMMARY

WHAT WE DID

We conducted an audit of the City of Pahokee's (City) accounts payable expenditures and cash disbursements process. We initiated this audit in response to a management request. We performed this audit as part of the Office Inspector General Palm Beach County (OIG) 2021¹ Annual Audit Plan.

Our audit focused on accounts payable expenditure and cash disbursement activities from October 1, 2017 to June 27, 2022 and credit card transactions from October 4, 2017 to January 10, 2023.

accounts payable expenditure and cash disbursement process. However, we observed a lack of knowledge of the responsibilities and requirements established in City ordinances and policies at all levels of personnel. This resulted in recurring instances of noncompliance and insufficient monitoring and oversight of purchasing and travel activities. Additionally, the City lacked sufficient documentation for many of the expenditure transactions we tested; as a result, we could not determine whether those expenditures were for a valid public purpose or in compliance with written requirements.

WHAT WE FOUND

We found the City had written guidance in place which established controls over the

We found evidence that suggests fraud² and abuse³ by a former City Manager (see

¹ We experienced significant delays throughout the audit due to turnover in the City Manager and Finance Director positions. Refer to the Background section for additional information regarding delays.

² Section 112.061(10), Florida Statutes, states that "any person who willfully makes and subscribes any such claim which he or she does not believe to be true and correct as to every material matter, or who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under the provisions of this section of a claim which is fraudulent or is false as to any material matter, whether or not such falsity or fraud is with the knowledge or consent of the person authorized or required to present such claim, is guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083. Whoever shall receive an allowance or reimbursement by means of a false claim shall be civilly liable in the amount of the overpayment for the reimbursement of the public fund from which the claim was paid."

³ According to 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, "Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice given the facts and circumstances."

Finding #5) and some instances of waste⁴ (see Findings #2, #3, #4, and #5) due to mismanagement and a lack of sufficient oversight and accountability over taxpayer dollars. We provided a copy of this report to the State Attorney's Office² and to the Palm Beach County Commission on Ethics.

We found multiple categories of wide-spread systemic noncompliance with City policy and lack of documentation for City expenditures.

The issues identified in this audit and in past financial statement audits and OIG reports show a pattern of mismanagement and lack of accountability that has continued for at least ten years.

Our audit identified a total of **\$1,927,729.55** in questioned costs⁵ for noncompliance with written requirements, a lack of sufficient documentation, and unnecessary costs. Where there is a lack of sufficient documentation for expenditures, an audit cannot assure that the city received the goods and services that it paid for.

We also found a total of **\$18,156.96** in identified costs⁶ for overpayments to contractors and travelers, sales tax paid to vendors, and payment of a former City Manager's personal travel expenses. We found **\$854.06** in avoidable costs⁷ for sales taxes paid to vendors.

Our recommendations on pages 60-63 of this report will assist the City in increasing transparency and accountability over its use of taxpayer dollars.

Given the frequent turnover of the City Manager and Finance Director positions and the City's limited personnel, we suggest that the City consider obtaining outside assistance to update and implement the policies and processes outlined in the audit recommendations starting on page 60.

The City did not always comply with its Ordinance, Purchasing Policy, and Credit Card Policy requirements for recording, approving, and receiving purchases.

We found 417 transactions that lacked a required purchase order, and that 37 purchase orders were not issued properly in compliance with City Ordinance. This resulted in **\$661,956.43** in questioned costs for noncompliance with the City's Ordinance.

⁴ According to 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, "Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose."

⁵ Questioned costs can include costs or financial obligations incurred pursuant to: a potential 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. As such, not all questioned costs are indicative of potential fraud or waste.

⁶ Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

⁷ 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.

We found a total of 63 transactions, totaling **\$27,902.20**⁸ in questioned costs that were marked as “emergency;” yet did not meet the definition of an emergency situation and were not ratified by the City Commission, as required by the City’s Ordinance and Purchasing Policy. We found thirteen (13) transactions, totaling **\$5,958.39** in questioned costs, for repairs and supplies that were considered an emergency in accordance with the City’s Ordinance and Purchasing Policy. However, these transactions were never ratified by the City Commission, as required by City Ordinance.

We found 78 transactions, totaling **\$378,545.61** in questioned costs that lacked the appropriate level of approval.

Of the 363 accounts payable transactions that we tested, all 363 lacked a required receiving report. This resulted in questioned costs totaling **\$497,181.49**⁹ for noncompliance with the Purchasing Policy.

We found 134 transactions, totaling **\$9,473.74**⁹ in questioned costs that were missing the department’s signature of approval on the invoice, as required by the Purchasing Policy.

We found 212 transactions, totaling **\$12,824.23**^{9,10} in questioned costs, that lacked sufficient supporting documentation (i.e. an invoice or receipt, or an invoice or receipt detailing the items

purchased) to determine the goods or services the City purchased.

The City did not always comply with requirements related to contracts/agreements

We found that the former City Manager, Chandler Williamson, exceeded his authority when he signed two (2) agreements exceeding \$10,000 on behalf of the City. The City Charter identifies the Mayor-Commissioner as the designated authority for executing contracts in the excess of \$10,000. The two contracts lacked the required Commission approval and signature. The related expenditures were included in the questioned costs for a lack of City Commission approval in Finding #1.

We found that 36 expenditure transactions for professional services,¹¹ totaling \$109,560.32, lacked a contract approved by the City Commission, as required by the Purchasing Ordinance. This resulted in questioned costs of **\$99,375.37**.⁹

The City paid four (4) MDO Engineering, Inc. invoices, totaling \$49,525.00, that were billed as lump sum amounts contrary to the agreement, which stipulated that the City would be billed on an hourly basis according to the rate sheet. Therefore, we were unable to verify the hours worked by the consultant's employees or that subcontractors were billed in compliance with the contract terms. This resulted in questioned costs of **\$49,525.00**.

⁸ This amount includes 13 debit card transactions totaling \$4,368.74 in questioned costs and 15 credit card transactions totaling \$873.10 in questioned costs.

⁹ To avoid duplication, questioned costs resulting from noncompliant expenditures or expenditures lacking required and/or sufficient documentation (i.e. exceptions) are only counted once for each transaction tested in the audit and exclude any identified costs associated with the transaction in other findings, if applicable.

¹⁰ This amount includes 52 debit card transactions totaling \$4,923.30 in questioned costs and 122 credit card transactions totaling \$5,571.68 in questioned costs.

¹¹ We considered services provided by engineers, architects, accountants, and attorneys, and any services the City coded to the “professional services” object code 310 to be professional services.

The City paid twenty (20) AE Engineering Inc. invoices for two projects, totaling \$116,882.50 but did not obtain Commission approval for these transactions, as required by the agreement between AE Engineering, Inc. and the City. This resulted in questioned costs of **\$116,882.50**. Additionally, the City paid AE Engineering, Inc. for seven (7) invoices, totaling \$58,812.50 that lacked sufficient supporting documentation for services rendered and for payments the Contractor made to subcontractors engaged on the project, as required by the agreement. This resulted in questioned costs of **\$12,400.00**.⁹

The City overpaid A Star for I, Inc. by a total of \$1,150.00 for web design and maintenance. These payments resulted in identified costs of **\$1,150.00**.

The City overpaid PPM Consultants a total of \$13,187.48. The City's agreement with PPM Consultants disallowed the City from compensating PPM Consultants from funds other than those received from the Environmental Protection Agency (EPA) Brownfields grant. This resulted in identified costs of **\$13,187.48**.¹²

The City did not always follow Florida Statutes and purchasing guidance related to its sales tax exemption and prompt payment of vendors

We found the City incorrectly paid Florida sales tax on 142 purchases. We considered the sales tax paid to vendors as an identified cost of **\$1,261.52**. Additionally, we found the City reimbursed employees for 16 expenditures that included sales tax. We considered the

sales tax paid on those purchases to be a questioned cost of **\$362.68**. We considered **\$854.06**¹³ of the total sales tax paid to vendors and reimbursed to employees to be avoidable costs.

We found 37 instances totaling **\$193,047.72** where the City did not pay vendors in a timely manner, in compliance with sections 218.73-74, Florida Statutes. We estimated that interest totaling \$6,873.30 could have been charged to the City by the vendors based on the Florida Statutes. Additionally, we could not determine if the vendor was paid in a timely manner in 183 instances because the City did not date stamp the invoice as received.

The City did not always comply with its Travel Policy requirements

The City did not always advance travelers per diem for meals and reimburse travelers for mileage correctly based on the City's Travel Policy requirements. We found 11 instances where travelers were overpaid a total of **\$96.33**, which is considered an identified cost and 38 instances where travelers were underpaid a total of **\$1,120.00**, which is considered a questioned cost. In 30 instances, the City lacked sufficient documentation to support that fuel purchased using a City credit card was for a City vehicle, resulting **\$1,080.02** in questioned costs. Due to a lack of sufficient documentation, we could not determine whether the City paid the correct per diem amounts for two (2) trips where the travelers were advanced meal per diem totaling **\$156.00**, which is considered a questioned cost.

¹² The City paid PPM Consultants a total of \$255,615.73, and the grant was only funded in the amount of \$242,428.25. The overpayment to PPM is the difference between the amount paid and the amount funded.

¹³ A total of \$770.14 of the sales tax paid directly to vendors was made through the City's debit card, which the City discontinued using in May 2021. Therefore, this amount was excluded from avoidable costs.

We found that the City reimbursed travelers for expenditures that lacked a Travel Request form in 41 instances and lacked a Travel Log in 80 instances resulting in questioned costs of **\$8,764.12 and \$36,948.27**, respectively for noncompliance with the Travel Policy.

The City Manager and Commission members made inappropriate credit card charges which violated City policies

In October 2019, former City Manager, Chandler Williamson, used a city-issued credit card to purchase a flight, lodging, and a rental car in Columbia, SC totaling **\$1,720.96** purportedly to attend the 2019 Annual Southern Municipal Conference. However, this conference was actually held in New Orleans, LA, not in Columbia, SC. Mr. Williamson has a documented history of using his City credit card to pay for transportation and lodging expenses associated with his attendance at the homecoming weekend of his alma mater, Benedict College, in Columbia, S.C. in 2016, 2017, and 2018.¹⁴ The trip in October 2019 to Columbia, S.C. coincided with the homecoming weekend for his alma mater. Additionally, Mr. Williamson did not provide the City with any documentation showing this trip related to City business. Thus, we considered the 2019 weekend travel expenses, totaling **\$1,720.96**, to be identified costs because they were not related to City business purposes.

We found Mr. Williamson paid for a Sirius XM radio subscription on his City credit card from December 2019 through July 2020 totaling \$218.15 and from August 2020 through March 2021 totaling \$241.98 on his city-issued debit card. Although OIG Investigative Report 2019-0005 concluded

that only Mr. Williamson's City vehicle benefitted from the subscription, and that his use of the City's credit card in 2016, 2017, and 2018 was an improper use of the City credit card, Mr. Williamson did not discontinue the XM subscription. Therefore, we considered the Sirius XM subscription costs paid on Mr. Williamson's City credit and debit cards from December 2019 to March 2021, totaling **\$460.13** to be questioned costs because they were an unnecessary cost to the City.

We found that four (4) City Commissioners used their City credit card to purchase meals while at conferences after also receiving a payment from the City for meal per diem in advance of the travel. The City's Travel Policy states that meal costs are reimbursed to travelers at the approved per diem rate only; therefore, the meals purchased using the City credit card while traveling were in violation of the Travel Policy. We considered the total amount of meals purchased via credit card of **\$740.67** to be identified costs.

We found six (6) instances of a Commissioner or the former City Manager purchasing upgraded flights using the City credit card, in violation of the Travel Policy. Since the upgrade fees were incorporated into the overall base fare of the tickets, we could not determine the amount attributable to the upgrade. Therefore, the total amount paid for the flights of **\$4,203.40** was considered a questioned cost.

We found one (1) instance where the former City Manager purchased an upgraded rental car. The premium upgrade fee of \$664.00 plus an 11% fee and 7% sales tax, totaling \$783.52, was an

¹⁴ https://pbc.gov/oig/docs/reports/06-24-20-Pahokee-City_Credit_Card_Investigative_Report-2019-0005.pdf

unnecessary cost to the City. This cost was already considered a questioned cost for the lack of a purchase order and including sales tax in Findings #1 and #3.

The City did not always maintain accurate records of capital assets and IT equipment

The City provided the OIG with a vehicle listing in April 2024. A 2004 GMC 3500 truck was listed on the City's vehicle listing. The City advised the OIG that it had disposed of the truck at some time prior to our audit; however, the Finance Department could not locate documentation of the disposal. The City paid for repairs to the truck totaling \$2,995.00¹⁵ between January 2018-March 2020. Since the City could not provide the OIG with information showing when it disposed of the truck, we were unable to determine if the truck was City property at the time of the repairs.

The City could not locate a laptop costing \$1,390.99 and a cell phone costing \$1,399.57 issued to former City Manager Greg Thompson, nor could the City provide documentation showing that these items were disposed. We could not locate the laptop on the City's IT equipment listing, and the City does not maintain a listing of City owned cell phones. The cost of the laptop and cell phone is considered a questioned cost, of **\$2,609.96**⁹ due to the lack of disposal documentation.

Additionally, we could not locate on the City's IT equipment listing two laptops purchased by the former City Manager, Chandler Williamson, for unidentified City Commissioners, totaling \$1,279.98. The cost of the laptops was considered a questioned cost in Finding #1.

The City lacked adequate controls over the vendor master file and sufficient written guidance for generic vendor codes and processing payments to employees and officials

We identified 1,719 active vendor records on the City's vendor master file with no activity since September 2017 or prior.

The City lacked sufficient written guidance for using the generic vendor account and for processing payments to employees and officials. As a result, the generic vendor account was used frequently and in some cases when an individual vendor account was already established, which decreases the transparency of City expenditures. Additionally, taxable payments were made to employees and officials through accounts payable, rather than payroll, increasing the risk that payroll related taxes were not properly calculated, withheld, and remitted.

The City lacked sufficient written guidance for IT processes

We found that the City had processes with controls to ensure the integrity of information in the computer systems; however, there were no written policies and procedures for any of the IT processes, such as granting and terminating user access, the use of unique IDs and passwords, and limiting administrative and/or privileged access to the system.

WHAT WE RECOMMEND

Our report contains eight (8) findings and 19 recommendations. Implementation of the recommendations will (1) assist the City in strengthening internal controls, (2) save taxpayer dollars in future avoidable

¹⁵ The truck repairs totaling \$2,995.00 performed by James H. Jones, were considered a questioned cost in Finding 1 for lack of Commission approval.

costs, and (3) improve compliance with the City's written requirements.

The City concurred and accepted our recommendations. We have included the City's management response as Attachment 1.

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, we provided former City Manager, Chandler

Williamson; Vice Mayor Clara Murvin; former City Commissioner, Benny Everett III; former City Commissioner, Felisia Hill; and Mayor Keith Babb with the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. We did not receive any responses.

BACKGROUND



City of
PAHOKEE
FLORIDA

The City was incorporated in 1923. The Charter of the City was enacted by the Laws of Florida in the year of incorporation. Subsequently, the City Commission adopted Ordinance No.

88-1 on January 12, 1988, enacting the Amended Charter of the City, which was ratified by the vote of the electors at an election on February 9, 1988. The City is located on the shore of Lake Okeechobee with a total of 5.4 square miles. The City's population in 2020 was estimated to be 5,847.¹⁶

The City operates under the commission-manager form of government. The City Commission consists of a Mayor-commissioner and four (4) members elected by the City's electors and serving three (3) overlapping terms. The vice-mayor is appointed from the sitting commissioners at the first regular meeting after elections each year. The Mayor who is the head of the City for ceremonial purposes, presides over the meetings of the City Commission and has the right to vote on all matters coming before the commission.

All powers of the City are vested in the city commission except those powers specifically given to the City Manager and City Clerk, as designated Charter Officers. The City Manager is the chief administrative officer of the City. Day to day affairs of the City are under the authority of the City Manager, who is appointed by and serves at the pleasure of the Commission.

The OIG FY 2021 Annual Audit Plan had multiple entities selected for accounts payable and cash disbursement audits. The OIG selected the City based on a management request.

History of High Risk Issues

The City has had a history of operational and financial issues disclosed by the City's financial statement auditors and by the OIG. The City's financial statement auditors reported material weaknesses in the City's purchasing process since fiscal year 2016 and in credit card activity since fiscal year 2014. The OIG reported that former City Manager, Chandler Williamson, inappropriately awarded bonuses to City employees in 2019¹⁷ and violations of the City's policies and directives in 2020.¹⁸

Audit Delays

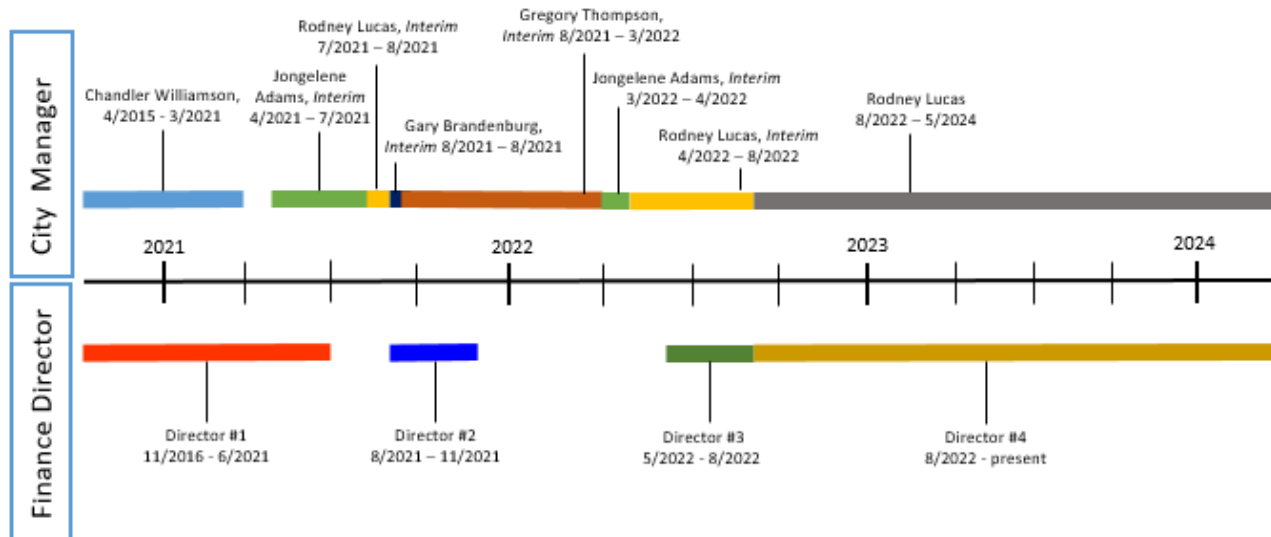
On July 21, 2021, we conducted the entrance meeting and started our field work for this audit. On August 9, 2021, the City Mayor declared the first State of Emergency restricting operations to essential City functions only based upon "an imminent threat to public peace or order." On August 17, 2021, the City Mayor declared

¹⁶ Florida Legislature, Office of Economic and Demographic Research, dated January 29, 2021 http://edr.state.fl.us/Content/population-demographics/data/2020_pop_estimates-Revised-v2.pdf

¹⁷ https://pbc.gov/oig/docs/reports/05-06-19-Pahokee_Holiday_Schedule_and_Bonus_Pay-2018-0004.pdf

¹⁸ https://pbc.gov/oig/docs/reports/06-24-20-Pahokee-City_Credit_Card_Investigative_Report-2019-0005.pdf

a second State of Emergency. On October 13, 2021, at the request of the City's management, we suspended the audit until January 3, 2022. Additionally, high turnover in City Manager and Finance positions caused delays in obtaining documentation throughout the audit.



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 are 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 period October 1, 2017 through June 27, 2022 and credit card activities from October 11, 2017 to January 11, 2023.

The audit methodology included but was not limited to:

- Completion of data reliability and integrity assessment of related computer system;
- 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;
- Performing 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 system the City used related to the accounts payable expenditures and cash disbursements process. We found internal control weaknesses for the computer-processed data contained in the City's financial system;¹⁹ however, the data was sufficiently reliable for the 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 Ordinance, Purchasing Policy, and Credit Card Policy requirements for recording, approving, and receiving purchases.

The City's Code of Ordinances, Sec. 2-271. – Fiscal year, states,

The fiscal year of the city is hereby fixed and established as the period of time from and including October first to and including the thirtieth day of September, each and every year.

The City's Code of Ordinances, Sec. 2-272. - Purchase orders, states,

...

(2) *Establishment of a purchase order system.*

- a. **All purchases made by the city shall have a purchase order number issued by the procurement officer**, excluding minor purchases made from petty cash and those purchases declared exempt by this section. [Emphasis added]

...

(3) *Purchase limitations.* **No purchase exceeding ten thousand dollars (\$10,000) shall be made without the approval of the city commission.** [Emphasis added]

(4) *Competitive bids and exemptions.*

...

- b. **Purchase orders** an involving obligation of the city **for a sum in excess of ten thousand dollars (\$10,000) shall be signed by the city clerk**, [Emphasis added] ...

...

¹⁹ See Finding #8.

(6) *Exempt purchases.*

- a. Exempt purchases not requiring the use of a purchase order or the express approval of the city commission, but which are included in the budget resolution are utilities, departmental salaries, salary increases, bonuses, insurance, intergovernmental transfers and court ordered payments.
- b. Any time in any budget year the city commission may make emergency purchases to meet a pressing need for the protection of the public health, safety, or welfare, other than for regular or recurring requirements, upon signature of the city clerk, and approval of a majority of the city commission in session.
- c. **Emergency purchases not exceeding fifteen thousand dollars (\$15,000.00) may be made by the city manager or the procurement officer to meet a pressing need for the protection of the public health, safety, or welfare of the community. The city commission shall ratify every emergency purchase as soon as it is reasonably possible.** [Emphasis added]

The City's Purchasing Policy (no effective date documented²⁰) states,

Purchasing Policies:

...

The current primary method of purchasing a product or services for the City is through a purchase order. A purchase order is intended to provide some assurance proper procedures and approvals have been obtained prior to placing the order for the product or service. In general, purchases are made through a purchase requisition, which is then processed into a purchase order. Certain items do not require a purchase order and are listed under the section "Exceptions to the use of Purchase Orders".²¹ [Emphasis added]

General Procurement & Purchasing Procedures:

The following procedures are approved:

1. For purchases of up to seven hundred fifty dollars and no cents (\$750.00), competitive pricing is not required; however, obtaining three (3) quotations is required. **Department Directors may make micro purchases up to \$750.00 for any one order. The City Manager or his/her designee may make small purchases up to \$10,000.00 for any one order. Please note that the amount above refers to the total purchase price, including any shipping or other costs incidental to the purchase.** [Emphasis added]

...

²⁰ A former Finance Director informed our office that the Purchasing Policy was in effect from at least November 2016.

²¹ The Purchasing Policy does not have a section named "Exceptions to the use of the Purchase Orders". Code of Ordinances, section 2-272(6)(a) entitled "Exempt purchases" lists exempt purchases not requiring the use of purchase orders or the express approval of the commission.

3. For all purchases in the amount of ten thousand (\$10,000) dollars or more, sealed bids are required and the Request for Proposal (RFP) or Invitation for Bid (IFB) process, or any other solicitation method as determined by the City Commission, must be followed. **The City Commission must approve all expenditures above ten thousand (\$10,000) dollars.** [Emphasis added]

...

17. **Credit Card use shall be restricted to travel and authorized spending by the City Manager.** Typical travel expenditures include hotels, flight reservations, car rentals, and meals. In addition the City Manager has the authority to approve additional credit card use for special events, activities, programs, and day to day operations pertaining to city business. [Emphasis added]

...

Emergency Purchases:

An emergency situation is defined as a circumstance in which the City Manager determines one or more of the following criteria apply:

1. Critical City operations may be severely affected in an adverse manner.
2. Creates a threat to public health, welfare or safety.
3. A delay in the procurement of goods or services is against the public interest.

In such cases the City Manager, or designee, may waive normal purchasing procedures to facilitate the immediate purchase of supplies or contractual services for emergency protective measures or emergency repairs to equipment or facilities damaged during the incident. **Purchases not to exceed \$15,000 may be made by the City Manager with ratification by City Commission as soon as reasonably possible.** [Emphasis added]

An executive order issued by the Governor of the State of Florida for an incident is considered by definition to meet the criteria for emergency purchases.

The FEMA-declared incident period of a named tropical storm or hurricane is considered by definition to meet the criteria for emergency purchases.

Receiving:

...

3. If goods or services are acceptable **a receiving report shall be accomplished immediately.** [Emphasis added]

Unacceptable Practices:

The following practices are unacceptable:

...

1. **Purchase of a product or service prior to obtaining an approved purchase order.** [Emphasis added]

...

4. Use of the direct payment method when a purchase order is required.

...

Purchase Order Approval Sequence:

It is important to note that **orders for goods or services cannot be placed until the Director of Finance, or designee has approved a purchase order.** The purchase order approval sequence outlines the steps in the process and the internal controls of segregation of duties, which requires that no one individual has approval authority over all the activities of ordering, receiving, storing, issuing materials, approve invoices and payments. Separate positions should be designated at the department level to control these activities.... [Emphasis added]

Invoice Attest:

...

The department's signature of approval on an invoice signifies that:

...

8. Invoices must be properly stamped & signed. This is proof that invoice has been properly attested.

...

The City's Credit Card Policy (effective date September 28, 2011) states,

BACKGROUND:

...

...The cards may only be used to charge ALLOWABLE²² purchases that otherwise would be reimbursed had the user charged the purchase on their own credit card or paid cash for the item(s).

PROCEDURES:

...

...Credit cards are not to be used to circumvent normal planning and the City procurement process directives...

...

²² The credit card policy does not include a listing of allowable purchases.

Personal use of the credit card is strictly prohibited, pursuant to policy and State sales tax law. **All personnel will read and be familiar with all aspects of this policy and will confirm, in writing, an acknowledgement of such information.** The acknowledgement will provide for financial responsibility for any proven misuse of the credit card. [Emphasis added]

...

RECONCILIATION:

The credit card holder **will submit receipts** and a tally sheet **within two (2) days after use. The credit card invoices shall be presented to the City Commission each month as an Information Item on the normal agenda. In the event of a lost or missing receipt, the user must complete a written affidavit explaining the absence of the documentation and confirming that the expenses were legitimately incurred in the conduct of municipal business.** [Emphasis added]

We performed data analytics on the total population of accounts payable expenditures, 16,428 transactions totaling \$22,874,285.25, to identify high risk transactions for detailed testing. We analyzed accounts payable expenditure transaction characteristics such as the vendor name, purchase date, amount, and description to identify expenditures that were potentially unauthorized, duplicates, split to circumvent purchasing limit, or exceeded purchasing limits, and expenditures that were abnormal, recurring, not paid promptly, and paid to employees or using a generic vendor account. We selected and tested a sample of 1,088 transactions totaling \$2,732,783.87 We reviewed the source and supporting documentation to determine if expenditures and related cash disbursements were accurate, in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment.

To select a sample of credit card expenditures for detailed testing, we reviewed the purchases on the City's monthly credit card statements for the period October 2017 through January 2023, which were posted to the general ledger via journal voucher. We selected a sample of 445 transactions totaling \$119,302.68 from merchants that sell food, electronics, and travel services, as well as for Amazon.com purchases. We reviewed the source and supporting documentation for each transaction to determine if the expenditures were recorded accurately, in compliance with requirements, adequately supported, properly approved, supported by a documented public purpose and appropriate travel forms, if applicable, and if they excluded Florida sales tax. We also cross-referenced travel advances paid via accounts payable to credit card purchases to determine if travelers that received per diem for meals also charged meals to a City credit card.

We selected all debit card expenditures for the period October 2017 through May 2021,²³ which were posted to the general ledger via journal voucher for detailed testing. We reviewed the source and supporting documentation for 256 debit card transactions, totaling \$40,063.27, to determine if each expenditure was recorded accurately, in

²³ The City ceased use of its debit card following the departure of former City Manager, Chandler Williamson.

compliance with requirements, adequately supported, properly approved, supported by a documented public purpose, and excluded Florida sales tax.

We selected a sample of 13 bank withdrawals, debit memos, and bank transfers, totaling \$2,677,357.14 that appeared unusually large²⁴ or transferred funds to an unknown bank account.²⁵ We reviewed the source and supporting documentation for each transaction to determine if it was recorded accurately, adequately supported, properly approved, and supported by a documented business purpose. We verified that the bank transfers to an unknown account were to a bank account that the City closed subsequent to the date of the transactions and that the City’s bank did not report to us.

The below table provides a summary overview of the sample transactions selected for detailed testing:

Summary of Tested Transactions		
Transaction Type	Count	Amount
Accounts Payable Expenditures	1,088	\$2,732,783.87
Credit Card Transactions	445	\$119,302.68
Debit Card & Bank Transactions	269	\$2,717,420.41
TOTAL	1,802	\$5,569,506.97

Our testing disclosed the following instances of noncompliance with the City’s written guidance or a lack of sufficient documentation.

Purchase Orders

The City did not always properly issue purchase orders, as required by the Code of Ordinances, section 2-272.

We found 417 (23%) transactions lacked a required purchase order, and that 37 (2%) purchase orders were not issued properly in compliance with the Ordinance.

Purchase Orders Not Properly Issued ²⁶		
Exception Type	Exception Count	Questioned Cost ⁹
Purchase lacked a purchase order.	417	\$178,128.15
Purchase order lacked City Clerk’s signature.	23	\$462,080.41
Purchase order issued to wrong vendor.	5	\$1,631.18

²⁴ Transactions greater than \$10,000.

²⁵ Bank accounts that were not identified by the City’s bank as a City bank account during our audit period.

²⁶ This table includes 149 debit card transactions, totaling \$31,790.05 in questioned costs, and 161 credit card transactions, totaling \$45,453.03 in questioned costs.

Purchase order lacked proper approval.	5	\$2,432.93
Purchase amount exceeded purchase order amount.	4	\$17,683.76
Total	459	\$661,956.43

The City's purchases exceeding \$10,000.00 which lacked the Clerk's signature on the purchase order could indicate the transaction bypassed the bidding process and/or lack of City Commission approval.

Emergency Purchases

We found a total of 63 (3%) transactions, totaling **\$27,902.20⁸** in questioned costs that were marked as "emergency;" however, these transactions did not meet the definition of an emergency situation as defined in the City's Purchasing Policy and were not ratified by the Commission, as required by the City's Ordinance and Purchasing Policy. (See Exhibit 3). Examples of purchases marked as an "emergency" which did not meet the definition of an emergency in compliance with the Ordinance and Purchasing Policy included \$1,500.00 for rides and a bounce house on Cinco de Mayo and \$11,900.00 for July 4th fireworks. These purchases were for entertainment on annual holidays and do not meet a pressing need for the protection of the public health, safety, or welfare of the community.

We found thirteen (13) transactions, totaling **\$5,958.39⁹** in questioned costs, for repairs, supplies, and computer equipment that were considered an emergency in accordance with the City's Ordinance and Purchasing Policy. However, these transactions were never ratified by the City Commission, as required by the Ordinance.

The City's Purchasing Policy is inconsistent with the emergency purchase requirements in the City Purchasing Ordinance which could have led to confusion. The Purchasing Policy defines "emergency situation" to include "Critical City operations may be severely affected in an adverse manner." This criterion may be considered less restrictive than the requirements in the City's Ordinance. Nevertheless, fireworks and rides and bounce houses do not appear to be "critical city operations," justifying their purchase as an emergency under either standard.

Additionally, the Purchasing Policy does not include the Ordinance requirement that the City Commission shall ratify every emergency purchase as soon as it is reasonably possible. Instead, the Purchasing Policy states that "purchases not to exceed \$15,000 may be made by the City Manager with ratification by City Commission as soon as reasonably possible."

Based on the frequent use of "emergency" for purchases that did not meet the Ordinance and Purchasing Policy definitions, it appears City staff were using the term "emergency" to indicate purchases needed expedited processing. However, the City's purchasing guidance does not include a process for expediting purchases or their payment.

As a result, the City’s use of the term “emergency” on purchase orders, check requests, and credit card purchases did not always comply with the Ordinance’s definition of an emergency. Additionally, the City did not present the purchases to the City Commission for ratification and allowed the purchases to bypass the internal controls established in the purchasing and payment process by the Ordinance and Purchasing Policy. This increases the risk for errors, fraud, waste, and abuse.

Approvals

The City did not always properly approve transactions. The Purchasing Ordinance and Purchasing Policy establish the required approval levels based on the total purchase price, including any shipping or other costs incidental to the purchase.

We found 78 (4%) transactions that lacked the proper level of approval.

Lack of Proper Approval²⁷		
Exception	Exception Count	Questioned Cost⁹
Lack of Commission approval	16	\$362,122.81
Lack of City Manager approval	38 ²⁸	\$697.54
Lack of Finance Director approval	24	\$15,725.26
Total	78	\$378,545.61

The lack of Commission approval could indicate that the transaction circumvented the competitive bid process required by the Ordinance and Purchasing Policy for purchases over \$10,000 (excluding exempt purchases).

Of the 38 transactions that lacked City Manager approval, 34 were credit card purchases for non-travel related expenditures. Examples included supplies for annual events, equipment, youth programs field trips and food for retreats, training sessions, and youth programs. This is a violation of the credit card policy.

The City’s Purchasing and Credit Card Policies are not consistent with respect to the requirement for the City Manager’s approval. The Purchasing Policy states,

“Credit Card use shall be restricted to travel and authorized spending by the City Manager...In addition, the City Manager has the authority to approve additional credit card used for special events, activities, programs, and day to day operations pertaining to city business.”

²⁷ Due to the high turnover of the Finance Director and City Manager positions, we excluded any transactions lacking approvals during times when those positions were vacant.

²⁸ Exceptions for lack of City Manager approval consisted solely of credit card transactions.

However, the Credit Card Policy mentions but does not define “allowable purchases” nor include a requirement or procedures for obtaining the City Manager’s approval for non-travel related expenditures, which could lead to confusion.

Typically, Finance staff prepared a document listing of the purchases on the monthly credit card statement which included a section for the City Manager and Finance Director to sign, indicating their approval. However, in the cases where credit card transactions did not have proper approval, this document was not included with the credit card journal voucher or this document was missing the Finance Director and/or City Manager’s signature.

Receiving Reports

The City did not complete a receiving report to document the receipt of goods and services, as required by the Purchasing Policy.

Of the 363 (20%) accounts payable transactions that we tested, all 363 lacked a receiving report. This resulted in questioned costs totaling **\$497,181.49⁹** for noncompliance with the Purchasing Policy.

Finance personnel informed us that the City’s process is for the Department Head or person that received the items purchased to sign the invoice or check request to confirm the items received, and that a receiving report was not required. Therefore, the City’s process does not align with its Purchasing Policy requirements.

When the receipt of goods or services is not verified for accuracy with the corresponding invoice and purchase order, the City may pay for good or services it did not order or that were not received, incomplete, or damaged.

Invoice Attest

The City’s Purchasing Policy required that each invoice be signed to signify verification that the invoice was valid and accurate.

We found 134 (7%) transactions, totaling **\$9,473.74⁹** in questioned costs, were missing the department’s signature of approval on the invoice.

Insufficient Supporting Documentation

We found 212 transactions (12%), totaling **\$12,824.23^{9,10}** in questioned costs, that lacked sufficient supporting documentation (i.e. an invoice or receipt) to determine the goods or services the City purchased. Therefore, we could not verify the purchases were for official City business nor determine whether the purchases were in compliance with City policies.

We found that 74% of purchases with no receipt or invoice were credit card purchases. These credit card purchases accounted for 55% of the credit card purchases we tested. The cardholders consisted of the City Commission, the City Manager, the City Clerk, the Finance Director, and department heads.

Finance personnel informed us that they send an email to cardholders when a receipt is not provided to support a credit card purchase. We observed documentation showing that Finance personnel requested an invoice or receipt for approximately half of the credit card purchases we tested that lacked an invoice or receipt to support the purchase.

On June 24, 2020, OIG Investigation 2019-0005 recommended that the City ensure all employees with assigned City credit cards are trained on all aspects of the Credit Card and Travel policies and confirm, in writing, an acknowledgment of that information, as required by the Credit Card Policy. The City Manager at the time concurred with our recommendation; however, the Finance staff informed us that no such acknowledgment was ever signed by the cardholders, pursuant to the City's Credit Card Policy or the OIG's recommendation.

Retaining receipts and invoices that document goods and services purchased by the City are a basic and essential part of accounting for taxpayer dollars. When elected officials and senior personnel in the City continually fail to meet this basic standard of accountability, it shows an unacceptable disregard of and a willful lack of knowledge of their responsibilities and City policy. This leads to an environment where a lack of accountability and noncompliance with City Policy is the norm, and exposes the City to an increased risk of fraud, waste, and abuse.

Frequent turnover in the City Manager and Finance Director positions likely contributed to reduced review and oversight of the purchasing process, leading to a general lack of awareness and understanding of the Ordinance, Purchasing Policy, and Credit Card Policy among employees and contractors. For example, the Finance staff could not locate a copy of the Credit Card Policy; therefore, we obtained the Credit Card Policy from the OIG Investigation Division for use in our audit.

The City's financial statement auditors have reported noncompliance with purchasing procedures related to purchase orders, purchase approvals, and emergency purchases as a material weakness in the annual financial statement audits since 2016 (Finding 2016-01).

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (2): The City did not always comply with requirements related to contracts/agreements.

The City's Charter, Sec. 2.04. - Mayor-commissioner and vice-mayor, states,

- (a) Duties. **The mayor-commissioner** shall preside at meetings of the commission and **shall be recognized as the head of the city government for** service of process, ceremonial matters, and **execution of contracts**, deeds, and other documents. The mayor-commissioner may be referred to as the "mayor." The mayor shall have no administrative duties. The mayor has the right to vote on all matters coming before the commission. [Emphasis added]

The City's Code of Ordinances, Sec. 2-272 - Purchase orders, states,

The power to make purchases or contract for the furnishing of goods or services for and on behalf of the city is hereby authorized as follows:

...

- (3) Purchase limitations. No purchase exceeding ten thousand dollars (\$10,000.00) shall be made without the approval of the city commission.

...

- (5) *Professional services*. Contractors or agreements for the furnishing of professional services to the city, such as engineers, architects, accountants, attorneys, and other professional fees, shall be excluded from this section but **shall be by contract approved and authorized, executed by the city commission** from time to time in the manner required by law. [Emphasis added]

The City's Purchasing Policy (no effective date²⁰), states,

Signatures on Contracts:

Contracts for on-going and/or routine purchases of goods or services may be signed and executed by the relevant Department Director. All other contracts must be signed and executed by the City Manager. The City Manager will also sign and execute contracts approved by the City Commission, unless the Mayor was specifically specified as the executor or signer.

Contract Execution

We found that the former City Manager, Chandler Williamson, signed two (2) agreements in excess of \$10,000 on behalf of the City, in violation of the City Charter that identifies the Mayor-Commissioner as the designated authority for executing contracts. The contracts consisted of a fireworks display agreement in the amount of \$14,000 and a financial consulting services agreement for pre-audit assistance that totaled \$39,600 in fiscal year 2022. These contracts were in the excess of \$10,000 and lacked Commission approval. The related expenditures were included in the questioned costs for a lack of City Commission approval in Finding 1.

Additionally, the City could not locate an executed version of the independent contractor agreement for Accounts Payable Clerk services that totaled \$16,590.00 in expenditures during FY 2022. These expenditures were included in the questioned costs for a lack of City Commission approval in Finding 1.

The City's Purchasing Policy may conflict with the City's Charter by allowing Department Directors and the City Manager to sign and execute contracts. The City Charter notes that the mayor is the executor of contracts for the City.

Contracts and agreements not signed by the appropriate level of authority may not be legally enforceable by the City, can lead to the signor being personally liable, and puts the City at risk for fraud, waste, and abuse due to the lack of oversight and adherence to internal controls.

Contract Approval - Professional Services

We found that 36 expenditure transactions for professional services,²⁹ totaling \$109,560.32, lacked a contract approved by the City Commission, as required by the Purchasing Ordinance (see Exhibit 8). This resulted in questioned cost of **\$99,375.37**.⁹

It appears that City staff were not aware of the Ordinance requirement that all professional services have a contract approved and executed by the City Commission. A lack of awareness and understanding of the purchase approval requirements in the City's Ordinance exposes the City to an increased risk for fraud, waste, and abuse.

Agreement with MDO Engineering, Inc.

The Professional General Engineering and Consulting Services agreement between MDO Engineering, Inc. and the City of Pahokee, effective July 28, 2020, states,

ARTICLE 4 – PAYMENTS TO CONSULTANT

Upon the satisfactory completion of services specified in the "Scope of Work", the CITY shall pay CONSULTANT on an **hourly basis** in accordance with the rate sheet set forth on Exhibit "B" hereto. Completion of tasks is contingent upon acceptance by the CITY's manager and assigned Project Manager. CONSULTANT shall meet with the CITY when so requested, and shall provide progress reports for each scope of services/task work order issued. Payments to Consultant hereunder shall be in an amount **not to exceed \$84,275.00**, as set forth on Exhibit "A" hereto unless amended in accordance with the terms set forth in Article 28 hereof. [Emphasis added]

The City paid four (4) MDO Engineering, Inc. invoices, totaling \$49,525.00, that were billed as lump sum amounts contrary to the agreement which, according to the rate sheet stipulated that payments should be made on an hourly basis. These invoices lacked

²⁹ We considered services provided by engineers, architects, accountants, and attorneys, and any services the City coded to the "professional services" object code 310 to be professional services.

documentation showing the hours worked and corresponding rates to verify the hours worked by the consultant's employees or subcontractors were billed in compliance with the contract terms. This resulted in questioned costs of **\$49,525.00**.

Agreement with AE Engineering, Inc.

On December 12, 2017, the City entered into an agreement with AE Engineering, Inc. to handle miscellaneous construction engineering, inspection, and planning services, which states,

SECTION A - GENERAL TERMS AND CONDITIONS

...

Article A2 General Conditions

...

A2.01 General Conditions

... Any Work Order for a project which the total professional services for that project exceed \$10,000 shall be approved by the City Commission at a regularly scheduled meeting.

...

A2.04 Compensation

...

Section A2.04-2 Payments

...Consultant must submit all requests for payment using the City's standard Consultant Invoice form, and **must include sufficient supporting documentation and contain sufficient detail, to allow a proper audit of expenditures**, should City require one to be performed... [Emphasis added]

SECTION C - COMPENSATION AND PAYMENTS

...

Article C3 Payments to the Consultant

...

Section C3.02 Billing – Hourly Rate

Invoices submitted by Consultant must be sufficiently detailed and accompanied by supporting documentation to allow for proper audit of expenditures. When Services are authorized on an Hourly Rate basis, the Consultant must submit for approval by the City Manager, a duly certified invoice, giving names, classification, salary rate per hour, hours worked and total charge for all personnel directly engage on a Project, phase or task. Reimbursable Services Cost should then be added to the sum for the total charge for the personnel. **The Consultant must attach to the invoice all supporting data for payments made to and incurred by Sub consultants engaged on the Project...** [Emphasis added]

Of the 37 AE Engineering, Inc. invoices, totaling \$482,511.00 that the City paid for various projects, the City did not obtain Commission approval for two (2) projects billed to the City on twenty (20) invoices, totaling \$116,882.50. The agreement requires the City Commission to approve all work orders for projects where total professional services exceed \$10,000 at a regularly scheduled meeting. This resulted in questioned costs of **\$116,882.50**.

AE Engineering, Inc. Projects Lacking Commission Approval		
Project Title	Exception Count	Questioned Costs
Glades Citizens Villa Storm Water Improvement Project	9	\$58,385.00
Water Treatment Plant Demo Project	11	\$58,497.50
TOTAL	20	\$116,882.50

Additionally, the City paid AE Engineering, Inc. for seven (7) invoices, totaling \$58,812.50 that lacked sufficient supporting documentation for services rendered and for payments the Contractor made to subcontractors engaged on the project, as required by the agreement. This resulted in questioned costs of **\$12,400.00**.

Agreement with A Star for I, Inc.

On July 10, 2019, the City executed an agreement with A Star for I, Inc. to provide website maintenance, technical support, and hosting services for <http://pahokeebrownfields.org>,³⁰ which states,

...

Payment

a. Payment Schedule

Client agrees to pay A Star for I a total of \$550 each month in exchange for the above services. The first payment of \$1,250 is due upon execution of this Agreement. Subsequent payments will be due every month thereafter. All payments are due upon receipt.

The City overpaid A Star for I, Inc. by \$1,150.00 for web design and maintenance.

- The first invoice, dated August 7, 2019, included an initial payment of \$2,000.00 and two monthly payments of \$500.00 for August 2019 and September 2019, resulting in a net overpayment of \$650.00.³¹
- The second invoice, dated September 18, 2019, was for \$500.00 for one month of web hosting/maintenance. This amount is considered an overpayment because the City had already prepaid the September 2019 fee in the first invoice, dated August 7, 2019.

³⁰ This website is no longer operational.

³¹ Payments of \$3,000.00 (\$2,000 + \$500 + \$500) less contractual amounts due of \$1,250.00 (initial) and \$1,100.00 for two months of service (\$550.00 + \$550.00) = overpayment of \$650.00.

The overpayments above resulted in identified costs of **\$1,150.00**.

Agreement with PPM Consultants, Inc.

On October 25, 2018, the U.S. Environmental Protection Agency (EPA) awarded the City a Brownfields Assessment Grant of up to \$300,000.00 to inventory, characterize, assess, and conduct cleanup planning and community involvement related activities for Brownfield³² sites in the City.

The City subsequently signed an agreement with PPM Consultants, Inc. to manage the City's Brownfields Assessment Grant activities as needed, including grant management, property identification and inventory, site characterization and assessment activities, community involvement assistance, cleanup and development planning, grant writing assistance, cleanup and remediation activities, and other Brownfield related duties. The agreement, effective December 11, 2018, states,

Section V. Compensation.

The parties agree to compensation which shall be established in each work order issued by the City. All work will be paid by the City from proceeds of Grant #D71218, dated October 25, 2018. **PPM shall not be entitled to compensation from any other source of funds. If PPM's work is rejected for reimbursement from the Grant funds, PPM shall not be entitled to compensation for such work.** [Emphasis added]

We found the City overpaid PPM Consultants, Inc. a total of \$13,187.48. The City's agreement with PPM Consultants, Inc. disallowed the City from compensating PPM Consultants, Inc. from funds other than those received from the EPA grant. The City paid PPM Consultants, Inc. a total of \$255,615.73; however, the grant was funded in the amount of \$242,428.25. This resulted in identified costs of **\$13,187.48** which is the difference between the amount paid to the contractor and the amount funded by the grant.

The City did not adequately review contractor invoices to ensure they were in compliance with the contract's payment terms or effective dates. Without proper review of contractor's invoices, the City might overpay contractors for work that is not billed at the contractual rates or amounts, covered by the contract/agreement, or within the agreement's scope of work. Invoices lacking sufficient supporting documentation are at an increased risk for fraud, waste, and abuse. Additionally, the City's failure to monitor contractual terms when processing contractor invoices can result in legal disputes and harm relationships with contractors.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

³² A Brownfield is a property where expansion, redevelopment or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. <https://www.epa.gov/brownfields/about>

Finding (3): The City did not always follow Florida Statutes and purchasing guidance related to its sales tax exemption and prompt payment of vendors.

Section 212.08, F.S., states,

The sale at retail, the rental, the use, the consumption, the distribution, and the storage to be used or consumed in this state of the following are hereby specifically exempt from the tax imposed by this chapter.

...

(6) EXEMPTIONS; POLITICAL SUBDIVISIONS.

(a) **There are also exempt from tax imposed by this chapter sales made to the United States Government, a state, or any county, municipality, or political subdivision of a state when payment is made directly to the dealer by the governmental entity.** This exemption shall not inure to any transaction otherwise taxable under this chapter **when payment is made by a government employee by any means, including, but not limited to, cash, check, or credit card when that employee is subsequently reimbursed by the governmental entity....** [Emphasis added]

Section 218.73, F.S. states the time at which payment is due for a purchase other than construction services by a local governmental entity must be calculated from:

- (1) The date on which a proper invoice is received by the chief disbursement officer of the local governmental entity after approval by the governing body, if required; or
- (2) If a proper invoice is not received by the local governmental entity, the date:
 - (a) On which delivery of personal property is accepted by the local governmental entity;
 - (b) On which services are completed;
 - (c) On which the rental period begins; or
 - (d) On which the local governmental entity and vendor agree in a contract that provides dates relative to payment periods;

whichever date is latest.

Section 218.735, F.S., states,

- (1) The due date for payment for the purchase of construction services by a local governmental entity is determined as follows:
 - (a) If an agent must approve the payment request or invoice before the payment request or invoice is submitted to the local governmental entity, payment is due 25 days after the date on which the payment request or invoices is stamped as received as provided in s. 218.74(1). The contractor may send the local government an overdue notice. If the payment request or invoice is not rejected within 4 business days after delivery of the overdue notice, the payment request or invoice shall be

deemed accepted, except for any portion of the payment request or invoice that is fraudulent or misleading.

- (b) If an agent need not approve the payment request or invoice submitted by the contractor, payment is due 20 business days after the date on which the payment request or invoice is stamped as received as provided in s. 218.74(1).

Section 218.74, F.S., states,

- (1) Each local governmental entity shall establish procedures whereby each payment request or invoice received by the local governmental entity is marked as received on the date on which it is delivered to an agent or employee of the local governmental entity or of a facility or office of the local governmental entity.
- (2) The payment due date for a local governmental entity for the purchase of goods or services other than construction services is 45 days after the date specified in s. 218.73. The payment due date for the purchase of construction services is specified in s. 218.735.

...

- (4) All payments, other than payments for construction services, due from a local governmental entity and not made within the time specified by this section bear interest from 30 days after the due date at the rate of 1 percent per month on the unpaid balance. The vendor must invoice the local governmental entity for any interest accrued in order to receive the interest payment. Any overdue period of less than 1 month is considered as 1 month in computing interest. Unpaid interest is compounded monthly. For the purposes of this section, the term "1 month" means a period beginning on any day of one month and ending on the same day of the following month.

The City's Purchasing Policy (no effective date documented²⁰), states,

Unacceptable Practices:

The following practices are unacceptable:

...

6. Payment of sales taxes for the purpose of avoiding the paperwork required to establish the City's exemption.

...

City employees engaging in the above unacceptable practices may be subject to disciplinary action, up to and including termination.

...

Invoice Attest:

...

The department’s signature of approval on an invoice signifies that:

...

- 8. Invoices must be properly stamped & signed. This is proof that invoice has been properly attested.

The City’s Credit Card Policy (effective date September 28, 2011), states,

PROCEDURES:

...

The card should be used with the tax-exempt form³³ so that sales tax is not charged for City-related purchases. Any sales tax charged on the credit card will be charged back to the employee.

Sales Tax Paid

We found the City incorrectly paid Florida sales tax on purchases it made that were exempt from sales tax. Additionally, we found the City reimbursed employees for expenditures that included sales tax.

Sales Tax Paid Directly to Vendors				
Exception	Identified Costs		Avoidable Costs	
	Count	Amount	Count	Amount
Sales tax paid by check.	2	\$16.67	2	\$16.67
Sales tax paid by debit card.	103	\$770.14 ³⁴	0	\$0.00 ³⁵
Sales tax paid by credit card.	37	\$474.71	37	\$474.71
Total	142	\$1,261.52	39	\$491.38

³³ To be eligible for the exemption, political subdivisions must obtain a sales tax Consumer’s Certificate of Exemption (Form DR-14) from the Florida Department of Revenue.

³⁴ One hundred three (103) transactions totaling \$770.14 of sales tax paid by debit card were made on the former City Manager, Chandler Williamson’s, debit card.

³⁵ The City discontinued using the debit card in May 2021. Therefore, no avoidable costs were noted.

Sales Tax Paid on Employee Reimbursements				
Exception	Questioned Costs		Avoidable Costs	
	Count	Amount	Count	Amount
Sales tax paid on employee reimbursements.	16	\$362.68	16	\$362.68
Total	16	\$362.68	16	\$362.68

The City may be able to recover the Florida sales tax amounts paid directly to vendors; therefore, those amounts are considered identified costs. See Exhibit 9 for sales taxes paid by City departments.

Since the Florida sales tax exemption does not apply when a government employee makes the payment to the vendor and is subsequently reimbursed by the governmental entity, the tax amounts reimbursed to employees were unnecessary costs to the City, and therefore, considered questioned costs. See Exhibit 10 for sales tax paid on employee reimbursements by City department. The City does not have a policy or procedure establishing criteria or guidelines for employee reimbursement of City purchases.

The City can avoid paying Florida sales tax in the future by following the Florida Statute and City policies; therefore, the questioned and identified costs noted above are considered avoidable costs.

In our June 6, 2012 audit of the City's Fuel Card & Credit Card Programs 2012-A-0003,³⁶, we recommended that the City re-issue tax exemption forms to all credit cardholders, and the City responded that it would provide a tax exemption form each time a purchase order was approved or a credit card was signed out. Finance Department personnel informed us that they do issue tax exemption forms to credit card holders when a credit card is signed out. It appears some cardholders are not aware of or are unwilling to comply with their responsibilities under the Purchasing and Credit Card Policies. In particular, former City Managers did not always fulfil their duty to execute and uphold policies of the City, as most of the sales tax paid, 115 transactions totaling \$962.04, was incurred on purchases made by former City Managers, see Exhibit 9.

The payment of Florida sales tax on purchases is an unnecessary cost to the City which can be avoided by ensuring all individuals making purchases for the City are aware of and understand their responsibilities under the Purchasing and Credit Card policies.

Untimely Payments to Vendors:

We found the City did not always pay vendors in a timely manner, in compliance with sections 218.73-74, F.S. See Exhibit 11 for details by Department.

Construction payments were processed up to 907 days after receiving the invoice, whereas non-construction payments were processed up to 87 days after receiving the

³⁶ https://pbc.gov/oig/docs/reports/Pahokee_fuel_and_credit_card_report_Audit_Final.pdf

invoice. We did not find any instances of vendors charging interest for late payments made by the City. However, making untimely payments can damage the City’s relationship with its vendors and can result in interest charges from vendors.

Since the City often did not date stamp invoices upon receipt, we could not determine if invoices were paid promptly in compliance with section 218.74, F.S.

Exception	Exception Count	Transaction Total	Potential Interest
Construction payments paid later than 25 days after invoice stamped as received.	22	\$183,403.60	\$6,869.78
Non-construction payments paid later than 45 days.	15	\$9,644.12	\$3.52
Timely payment could not be determined. (Invoice was not date stamped)	190	\$0.00	\$0.00
Total	227	\$193,047.72	\$6,873.30

The City informed us that invoices are date stamped upon receipt. The City’s Purchasing Policy states that “8. Invoices must be properly stamped & signed. This is proof that invoice has been properly attested.” However, the City’s Purchasing Policy wording is not clear if “stamped” refers to a date stamp or another stamp used to provide additional accounting information such as the general ledger coding or purchase order.

The payment of sales tax and untimely payment of vendors have been reported as issues under “Finding 2014 – 04 – Noncompliance or other matters that are required to be reported under Government Auditing Standards” by the City’s financial statement auditors every year since 2014.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (4): The City did not always comply with its Travel Policy requirements.

Section 112.061, Florida Statutes, Per diem and travel expenses of public officers, employees, and authorized persons; statewide travel management system, states,

(2) DEFINITIONS. – For the purpose of this section, the following words shall have the meanings indicated:

...

(i) Travel day – a period of 24 hours consisting of four quarters of 6 hours each.

...

(k) Class A travel – Continuous travel of 24 hours or more away from official headquarters.

(l) Class B travel – Continuous travel of less than 24 hours which involves overnight absences from official headquarters.

(m) Class C travel – Travel for short or day trips where the traveler is not away from his or her official headquarters overnight.

...

(4) Official headquarters.--The official headquarters of an officer or employee assigned to an office shall be the city or town in which the office is located....

...

(5) COMPUTATION OF TRAVEL TIME FOR REIMBURSEMENT. – For purposes of reimbursement and methods of calculating fractional days of travel, the following principles are prescribed:

(a) The travel day for Class A and Class B travel shall be a calendar day (midnight to midnight)... For Class A and Class B travel, the traveler shall be reimbursed one-fourth of the authorized rate of per diem for each quarter, or fraction thereof, of the travel day included within the travel period...

...

(6) RATES OF PER DIEM AND SUBSISTENCE ALLOWANCE. --For purposes of reimbursement rates and methods of calculation, per diem and subsistence allowances are provided as follows:

(a) All travelers shall be allowed for subsistence when traveling to a convention or conference or when traveling within or outside the state in order to conduct bona fide state business, which convention, conference, or business serves a direct and lawful public purpose with relation to the public agency served by the person attending such meeting or conducting such business, either of the following for each day of such travel at the option of the traveler:

1. Eighty dollars per diem; or
2. If actual expenses exceed \$80, the amounts permitted in paragraph (b) for subsistence, plus actual expenses for lodging at a single-occupancy rate to be substantiated by paid bills therefor.

When lodging or meals are provided at a state institution, the traveler shall be reimbursed only for the actual expenses of such lodging or meals, not to exceed the maximum provided for in this subsection.

(b) All travelers shall be allowed the following amounts for subsistence while on Class C travel on official business as provided in paragraph (5)(b):

1. Breakfast. \$6
2. Lunch. \$11
3. Dinner. \$19

(c) No one, whether traveling out of state or in state, shall be reimbursed for any meal or lodging included in a convention or conference registration fee paid by the state....

(7) TRANSPORTATION.—

...

(d)1. The use of privately owned vehicles for official travel in lieu of publicly owned vehicles or common carriers may be authorized by the agency head or his or her designee. Whenever travel is by privately owned vehicle:

- a. A traveler shall be entitled to a mileage allowance at a rate of 44.5 cents per mile³⁷; or
- b. A traveler shall be entitled to the common carrier fare for such travel if determined by the agency head to be more economical.

The City's 2016 Personnel Rules & Regulations³⁸ states,

POSITIONS COVERED BY THESE RULES AND REGULATIONS

These personnel rules and regulations shall apply to the following positions:

1. The City Manager and Clerk, with the exception of the Grievance and Termination provisions; and
2. All fulltime and part-time employees, as provided in this manual.

...

MILEAGE REIMBURSEMENT

Any employee utilizing his/her private vehicle for City business as approved by the respective Department/Division Head or the City Manager, in case of Department/Division Heads shall be entitled to reimbursement **in accordance with Florida Statutes**. [Emphasis added]

...

EMPLOYEE DEVELOPMENT AND WELFARE ACTIVITIES

...

Payment of Training Expenses

Expenses for recruit, in-service, and specialized training including tuition, fees, supplies, and books may be reimbursed by the City, as budgetary constraints allow. Employees should consult with the Department/Division head prior to

³⁷ Pursuant to section 112.061(14)(a), *counties, constitutional officers, school districts, special districts, and metropolitan planning organizations* may establish rates that vary from the per diem rate provided in paragraph (6)(a), the subsistence rates provided in paragraph (6)(b), or the mileage rate provided in paragraph (7)(d) if those rates are not less than the statutorily established rates that are in effect for the 2005-2006 fiscal year.

³⁸ No effective date was shown on the Personnel Rules & Regulations document provided to our office. The document's file name was 2016 – COP Handbook.

registering for training to insure that proper funding is available. **Documented travel, lodging, and other related costs will be reimbursed in accordance with Florida statutes and City policy.** [Emphasis added]

The City's Personnel Rules & Regulations effective June 11, 2022 state,

POSITIONS COVERED BY THESE RULES AND REGULATIONS

These personnel rules and regulations shall apply to the following positions:

1. The City Manager and Clerk, with the exception of the Grievance and Termination provisions; and
2. All fulltime and part-time employees, as provided in this manual.

...

MILEAGE REIMBURSEMENT

Any employee utilizing his/her private vehicle for City business as approved by the respective Department/Division Head or the City Manager, in case of Department/Division Heads shall be entitled to reimbursement **in accordance with Florida Statutes.** [Emphasis added]

...

EMPLOYEE DEVELOPMENT, TRAINING AND TRAVEL REIMBURSEMENT

...

8. Travel, Reimbursement and Payment of Training Expenses

- a) The City desires to establish standard travel reimbursement rates, procedures, and limitations, with certain justifiable exceptions and exemptions, applicable to all employees **in accordance with §112.061, Florida Statutes (sic).**
- b) There shall be no allowance made for meals when the travel vicinity is confined to Palm Beach County.
- c) Expenses for recruit, in-service, and specialized training including tuition, fees, supplies, and books may be reimbursed by the City, as budgetary constraints allow. Employees should consult with the Department/Division head prior to registering for training to ensure that proper funding is available. **Documented travel, lodging, and other related costs will be reimbursed in accordance with Florida statutes and City policy.** [Emphasis added]

The City's Travel Policy (effective June 2013), states,

DEFINITIONS:

...

6. Traveler: A City official, employee or authorized representative on official City business.

...

TRAVEL PROCEDURES:

1. The employee should properly plan in advance for his/her trip since last minute arrangements and changes are costly. **The employee must complete the Travel Request form.** The Travel Request must be completed for each trip (local vicinities, within the state, out of state) an employee makes. This form is designed to show the estimated cost of the trip. [Emphasis added]
2. **All necessary backup (e.g. registration forms, training brochures, conference schedule, or other documentation) must be attached to the Travel Request form.** [Emphasis added]
3. The Travel Request form, along with the Request for Payment form and backup documentation, is sent to the Finance Department for review and approval. The employee will then have their Department Director/Department Head review and approve the travel request. The City Manager must approve travel requests for Department Director/Heads. Please provide a copy of seminar registration and schedule if appropriate...
4. The Travel Request must be approved prior to paying any registration fees or making any hotel, airline, or car rental reservations.

...

6. **Upon completion of the trip, a Travel Log is completed.** The Travel Log identifies all the expenses the employee incurred on the trip. **Original receipts must be attached to the Travel Log.** Submit travel Log to Finance Department within 10 days of completion of travel. [Emphasis added]
7. The Travel Log is reviewed by Finance for accuracy, completeness, and compliance with travel policies. The Travel Log is then compared to the Travel Request to determine if a refund is due to the City or employee...

TRANSPORTATION:

1. Travel by air is authorized at the economy or coach rate. All air travel must be by a usually traveled route. In case an employee travels by an indirect route for his/her own convenience, any extra costs shall be the employee's responsibility.
2. If a City vehicle is provided, keep all receipts for fuel, oil, or repairs while on the road.
3. If travel is by personal vehicle, the **current mileage rate** for business miles driven using a personal vehicle by usually traveled route **is 50.5 cents per mile...**

5. Parking fees, tolls, and taxi fares are eligible expenses. Obtain receipts for submittal with the travel log.

LODGING:

1. Rates should be researched to identify the most reasonable cost and booked through each hotel.
2. ...If the City credit card is used for payment, make sure that you have a copy of the sales tax exemption certificate to avoid a sales tax charge. Present certificate upon check-in.
3. The hotel receipt should list the daily charges to the room, not just the total amount of the bill.

MEALS:

1. The City will reimburse employees for approved overnight travel up to the per diem rates established by the Florida Statute 112.061.
2. Meal reimbursement will be as follows:
 - Breakfast is covered up to \$6.00 when travel begins before 6 a.m. and extends beyond 8 a.m.
 - Lunch is covered up to \$11.00 when travel begins before Noon and extends overnight.
 - Dinner is covered up to \$19.00 when travel begins before 6 p.m. and extends overnight.
3. Travel advances will be made based on the meal allowance rates but upon return. Alcoholic beverages are not reimbursable. Room Service charges will not be reimbursed unless due to time of arrival from travel, restaurant service is otherwise unavailable.
4. Meals that are already covered by a registration fee or provided by another organization are not eligible for separate reimbursement. Reimbursement for breakfast will be permitted even if a continental breakfast is included in Hotel expense.

...

REIMBURSABLE TRAVEL EXPENSES:

...

Section B- Travel Outside of Palm Beach County Not Requiring Overnight Stay

...

3. Mileage: If a City vehicle is not available and an employee has to drive their private vehicle, the traveler will be reimbursed for mileage.

...

Section C- One Day Travel Within Palm Beach County

...

3. Mileage: If a City vehicle is not available and an employee has to drive their private vehicle, the traveler will be reimbursed for mileage.

For the travel related expenditures that were selected for testing (see Finding 1 for the sample selection methodology), we reviewed Travel Request and Travel Log forms when provided, and supporting documentation for the conference or event (e.g. agendas, advertisements, registrations), lodging, transportation, meals, mileage, or other incidentals to ensure the travel was properly recorded and adequately supported. If the City paid the traveler an advance for meal per diem or a reimbursement for mileage, we recalculated the amount paid based on the Travel Policy rates, the start/end times and dates of travel, and distance traveled. We also compared the dates of travel with the City’s credit card statements to determine if the City paid for the traveler’s meal expenses via credit card.

As we were testing, we found some instances in which Commissioners and City Managers received an advance or reimbursement for meal per diem and also charged meals to the City’s credit card while traveling. Therefore, we selected a sample of all per diem advances paid to Commissioners and City Managers to determine if the City’s credit card was also used for meals while traveling. This resulted in an additional 39 meal per diem expenditures paid via accounts payable.

We tested a total of 257 expenditures in the following categories.

Travel Categories Tested		
Travel Category	Count	Amount
Lodging	54	\$38,043.11
Airfare	22	\$8,873.60
Meals/Meal Per Diem	90	\$7,462.70
Fuel	45	\$1,737.27
Registration Fee	9	\$2,046.27
Mileage Reimbursement	8	\$699.21
Taxi	13	\$379.44
Car Rental	3	\$879.85
Baggage Fee	4	\$180.00
Travel Insurance	2	\$174.35
Parking Fee	3	\$132.94
Booking Fee	2	\$20.71
Total	257	\$60,659.53

Incorrect Meal Per Diems and Mileage Reimbursements

The City did not always advance travelers per diem for meals and reimburse travelers for mileage for the correct amount based on the Travel Policy’s requirements.

- Of the 90 meal per diem advances, totaling \$7,462.70, the City did not properly exclude meals provided at the conference/event when calculating the meal per diem amount in 41 instances (46%). This resulted in the City overpaying travelers by \$29.00 on three (3) of the trips and underpaying travelers by \$1,120.00 on 38 of the trips.
- Of the 90 meal per diem advances, totaling \$7,462.70, the City advanced two (2) travelers' meal per diem (2%) when the Travel Request form was submitted without the conference/event agenda. As a result, we could not determine whether meals were provided at the conference, and therefore, whether the City paid the correct per diem amounts. The total meal per diem amount of \$156.00 was considered a questioned cost for noncompliance with the Travel Policy.
- The City used the incorrect mileage rate when calculating the mileage amount for seven (7) of the eight (8) trips with mileage tested (88%), which resulted in overpayments to travelers totaling \$62.05. The mileage rates provided in the City's Personnel Rules & Regulations and Travel Policy are inconsistent which could lead to confusion. The Personnel Rules & Regulations directs employees to the mileage rate in the Florida Statutes (\$0.445 per mile), and the Travel Policy sets the rate at \$0.505 per mile.
- The City reimbursed one traveler \$53.76 for fuel expenses incurred while using their personal vehicle for City purposes. The City's Travel Policy allows fuel reimbursement only if a City vehicle is used; therefore, the traveler should have requested mileage reimbursement through the Travel Request and Travel Log forms. As a result, the City overpaid the traveler by \$5.28, which is the difference between the calculated mileage and the reimbursed amount.
- The City paid \$1,080.02 for 30 fuel purchases for personal vehicles on its credit card. The Travel Policy allows fuel expenses only if a City vehicle is used; however, the purchase documentation for these 30 transactions did not note whether a City vehicle was used. The travelers did not complete a travel request form or travel log. Due to a lack of sufficient documentation, we could not determine if the fuel purchases were allowed.

Incorrect Per Diem				
Exception	Identified Count	Identified Cost	Questioned Count	Questioned Cost ⁹
Underpayment of Meal Per Diem	0	\$0.00	38	\$1,120.00
Overpayment of Meal Per Diem	3	\$29.00	0	\$00.00
Lack of Sufficient Documentation (No Conference Schedule Provided)	0	\$0.00	2	\$156.00
Overpayment of Mileage (7	\$62.05	0	\$0.00

Disallowed Fuel Reimbursement	1	\$5.28	0	\$0.00
Lack of Sufficient Documentation for Fuel Expenses	0	\$0.00	30	\$1,080.02
Total	11	\$96.33	70	\$2,356.02

See Exhibit 12 for identified and questioned costs by Traveler.

Travelers and City personnel processing and approving travel reimbursements do not appear to be adequately trained on the City’s Travel Policy. Additionally, the Travel Request forms we reviewed lacked documentation showing that the Finance Director had reviewed the form for compliance with the Policy, such as a review note or approval signature. The Travel Request Form and Travel Log lack a signature line for the Finance Director to document review. A lack of review by the Finance Director could have led to the incorrect calculation of meal per diems and meal per diems paid without a conference or event agenda.

The Travel Policy's Meals section may have caused confusion to readers by referencing the per diem rates set by the Florida Statutes, which includes a prorated \$80 per diem for Class A and Class B travel. However, the Travel Policy limited the meal per diem to \$36 per day.

When comparing the 2016 Personnel Rules & Regulations, 2022 Personnel Rules & Regulations, and the Travel Policy, we found that the Personnel Rules & Regulations and Travel Policy contained conflicting information, which may have led to the incorrect mileage per diems. The Travel Policy sets the mileage reimbursement rate at \$0.505 per mile; however, the Personnel Rules & Regulations references the Florida Statutes, which establishes a different mileage rate.

Lack of Travel Request Forms and Travel Logs

We found that the City reimbursed travelers for expenditures that lacked a Travel Request form and/or a Travel Log required by the Travel Policy.

Lack of Required Travel Forms			
Exception	Exception Count	Questioned Cost Count	Questioned Cost⁹
Lack of Travel Request form (Pre-Travel)	67	41	\$8,764.12
Lack of Travel Log (Post-Travel)	176	80	\$36,948.27
Total	243	121	\$45,712.39

See Exhibit 13 for questioned costs by traveler.

The absence of Travel Request forms and final Travel Logs indicates that many travel expenditures lacked sufficient review and oversight to ensure that travel expenditures complied with policy, were sufficiently supported, and did not include disallowed or prohibited purchases, such as personal expenses or expenses for unauthorized travelers.

The Travel Policy does not provide a procedure for review and oversight of City Manager and Commissioner travel activities. On June 24, 2020, the OIG Investigative Report 2019-0005 recommended that “The City Commission require the City Manager to submit Travel Request forms for approval by the Mayor or a City Commissioner.” The City Manager, at the time, responded that, “The current form used by City of Pahokee has a final signature and discretion of the City Manager for travel for all staff including mayor and commission. The City Manager will submit a travel form for record keeping purposes to Mayor before travel and in addition on return attach receipts for verification of same travel for reconciliation due to fact cost cannot be accurately concluded beforehand beyond hotel and flight.” We confirmed that the Travel Request form and Travel Log in use during our audit period shows that the City Manager has final approval, indicating that the City Manager would be responsible for approving his own travel.

A lack of sufficient review and oversight increases the risk for noncompliance with policy and also exposes the City to an increased risk for fraud, waste, and abuse. For example, the City incurred former City Manager Chandler Williamson’s personal travel expenses to Columbia, SC from West Palm Beach, as well as Commissioners’ airfare upgrades (see Finding 5).

Overall, travelers and City personnel processing and approving travel reimbursements do not appear to be adequately trained on the City’s Travel Policy. A lack of awareness and understanding of the Travel Policy requirements increases the risk of errors, noncompliance with policy, and payment of disallowed or prohibited purchases.

Although the Travel Policy defines “Traveler” as “a City official, employee or authorized representative”, the policy uses the term “employee” instead of “traveler” throughout, which may create confusion regarding whether specific provisions within the policy apply to the City Commission and the City Manager when traveling on City business. Additionally, the policy does not clearly outline a review and approval process for travel request forms relating to travel by the City Manager and City Commissioners. When a policy’s language is not clear and consistent with respect to whom it applies or who is responsible, it leaves the policy open to interpretation and decreases accountability, which increases the risk for noncompliance and unnecessary costs to the City.

On January 29, 2024, the City Commission approved Resolution 2024-03 amending the Travel Policy Section titled Meals to read: The City will reimburse employees for approved overnight travel up to the meal per diem rates established by the U.S. General Services Administration and Adjusted Annually for the current FY for the State of Florida using the Standard Rate (as applies to all locations without a specified rate). As a result, the City’s Personnel Rules & Regulations related to travel reimbursements, which sets travel reimbursement rates in accordance with section 112.061, Florida Statutes, conflicts with the amended Travel Policy.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (5): The City Manager and Commission members made inappropriate credit card charges which violated City policies.

Section 112.061, Florida Statutes (F.S.), Per diem and travel expenses of public officers, employees, and authorized persons; statewide travel management system, states,

(1) LEGISLATIVE INTENT. – To prevent inequities, conflicts, inconsistencies, and lapses in the numerous laws regulating or attempting to regulate travel expenses of public officers, employees, and authorized persons in the state, it is the intent of the Legislature:

(a) To establish standard travel reimbursement rates, procedures, and limitations, with certain justifiable exceptions and exemptions, applicable to all **public officers, employees, and authorized persons** whose travel is authorized and paid by a public agency. [Emphasis added]

...

2. The provisions of any special or local law, present or future, shall prevail over any conflicting provisions of this section, but only to the extent of the conflict.

(2) DEFINITIONS. – For the purposes of this section, the following words shall have the meanings indicated:

(a) Agency or public agency – Any office, department, agency, division, subdivision, political subdivision, board, bureau, commission, authority, district, public body, body politic, county, city, town, village, municipality, or any other separate unit of government created pursuant to law.

...

(c) Officer or public officer – an individual who in the performance of his or her official duties is vested by law with sovereign powers of government and who is either elected by the people, or commissioned by the Governor and has jurisdiction extending throughout the state, or any person lawfully serving instead of either of the foregoing two classes of individuals as initial designee or successor.

(d) Employee or public employee – an individual, whether commissioned or not, other than an officer or authorized person as defined herein, who is filling a regular or full-time authorized position and is responsible to an agency head.

...

(7) TRANSPORTATION. –

- (a) All travel must be by a usually traveled route. In case a person travels by an indirect route for his or her own convenience, any extra costs shall be borne by the traveler; and reimbursement for expenses shall be based only on such charges as would have been incurred by a usually traveled route. The agency head or his or her designee shall designate the most economical method of travel for each trip, keeping in mind the following conditions:
1. The nature of the business.
 2. The most efficient and economical means of travel (considering time of the traveler, impact on the productivity of the traveler, cost of transportation, and per diem or subsistence required). When it is more efficient and economical to either the traveler or the agency head, jet service offered by any airline, whether on state contract or not, may be used when the cost is within an approved threshold determined by the agency head or his or her designee.

...

- (c) **...In the event transportation other than the most economical class as approved by the agency head is provided by a common carrier on a flight check or credit card, the charges in excess of the most economical class shall be refunded by the traveler to the agency** charged with the transportation provided in this manner. [Emphasis added]

Section 218.33(3), F.S., states,

Each local government entity shall establish and maintain internal controls designed to:

- (a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
- (b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- (c) Support economical and efficient operations.
- (d) Ensure reliability of financial records and reports.
- (e) Safeguard assets.

State of Florida Attorney General Opinion³⁹ (AGO) 98-81 states,

It is a basic tenet that the expenditure of public funds must be primarily for a public purpose. Thus, the expenditure of municipal funds must meet a municipal purpose, rather than a private purpose.

AGO 79-14 states, “Any expenditure of public funds must be for a primarily public purpose, with only incidental or secondary benefit to private interests.”

³⁹ AGO opinions are advisory. Section 166.021(1), F.S. states “As provided in s. 2(b), Art. VIII of the State Constitution, municipalities shall have the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services, and may exercise any power for municipal purposes, except when expressly prohibited by law.”

The City's Charter states,

Section 3.04. – City manager; powers and duties.

...

...He shall see that all laws, Charter provisions, ordinances, resolutions, and other acts of the commission subject to enforcement by him are faithfully executed...

The City Personnel Rules & Regulations (labeled 2016, no effective date), states,

Role of City Manager

Under the City's Charter, the City manager is responsible to carry out the Commission's policies and the day-to-day operations of the City.... The City Manager makes policy recommendations to the Commission, which the Commission may adopt, modify or reject. The City Manager is bound by whatever action the City Commission takes.

...

Mileage Reimbursement

Any employee utilizing his/her private vehicle for City business as approved by the respective Department/Division Head or the City manager, in case of Department/Division Heads shall be entitled to reimbursement in accordance with Florida Statutes.

The City Personnel Rules & Regulations (effective June 11, 2022), states,

Role of City Manager

Under the City's Charter, the City manager is responsible to carry out the Commission's policies and the day-to-day operations for all departments of the City.... The City Manager makes policy recommendations to the Commission, which the Commission may adopt, modify or reject. The City Manager is bound by whatever action the City Commission takes.

...

Mileage Reimbursement

Any employee utilizing his/her private vehicle for City business as approved by the respective Department/Division Head or the City manager, in case of Department/Division Heads shall be entitled to reimbursement in accordance with Florida Statutes.

The City's Travel Policy, effective June 11, 2013, states,

PURPOSE:

The purpose of this policy is to provide guidance to the employees of the City of Pahokee who are authorized to incur travel costs at the City's expense.... By providing this uniform standard, reimbursement for travel will be fair to the employees and will promote proper use of the public funds.

...

TRAVEL PROCEDURES:

1. The employee should properly plan in advance for his/her trip since last minute arrangements and changes are costly. **The employee must complete the Travel Request form.** The Travel Request must be completed for each trip (local vicinities, within the state, out of state) an employee makes. This form is designed to show the estimated cost of the trip. [Emphasis added]
2. **All necessary back up** (registration forms, training brochures, conference schedule, or other documentation) **must be attached** to the Travel request form. [Emphasis added]

...

TRANSPORATION:

1. Travel by air is authorized at the economy or coach rate. All air travel must be by a usually traveled route. In case an employee travels by an indirect route for his/her own convenience, any extra costs shall be the employee's responsibility.

...

MEALS:

1. The City will reimburse employees for approved overnight travel up to the per diem rates established by the Florida Statute 112.061.
2. Meal reimbursement will be as follows:
 - Breakfast is covered up to \$6.00 when travel begins before 6 a.m. and extends beyond 8 a.m.
 - Lunch is covered up to \$11.00 when travel begins before noon and extends overnight.
 - Dinner is covered up to \$19.00 when travel begins before 6 p.m. and extends overnight.

...

REIMBURSABLE TRAVEL EXPENSES:

Section A- Travel Outside of Palm Beach County Requiring Overnight Stay

1. Meals and lodging: All travelers are allowed meals and lodging while away from the official headquarters for business, certification or training travel. Meal reimbursements will follow the guidelines listed on page 4.⁴⁰

...

Section D- Miscellaneous Provisions:

1. Under no circumstances with any non-business related expenses be reimbursed by the City.
2. Personal/Incremental Costs: If an employee traveling on official City business who wishes to alter travel plans for personal reason will only be reimbursed for those expenses are clearly business related. Employees must ensure that they identify any incremental cost and **do not include** them in the calculation of their travel expenses.

The City's Credit Card Policy (effective date September 28, 2011), states,

Credit Card Policy

...

SUBJECT: Credit Card Usage in the Performance of City Business

PURPOSE: To establish criteria for use of bank credit cards and retail credit cards issued on behalf of the City of Pahokee in the course of performing City business.

BACKGROUND:

The City of Pahokee recognizes that the Mayor, Commissioners, appointed officials, and certain department heads are required to make expenditures of funds in the course of performing their functions in the municipal government. The State of Florida has contracted with PNC to administer credit cards that are used for TAX EXAMPT PURCHASES ONLY. **The cards may only be used to charge ALLOWABLE purchases that otherwise would be reimbursed had the use charged the purchase on their own credit card.** [Emphasis added]

PROCEDURES:

Bank Credit Cards for selected department heads and Commissioners for overnight travel will be kept permanently in the vault in the Finance Department. They will be available for check out not more than twenty-four (24) hours prior to their anticipated use. Any individual to whom a card is issued is responsible for the card and its proper use...

...

The credit card is to be used for approved, official city business only, by the person to whom the card is issued. Identification will be required to use the card. Personnel are only authorized to make purchases for their own department. Credit cards are not to be use to circumvent normal planning and the City procurement process directives...

⁴⁰ Page 4 of the guidelines includes the Meal section shown above.

...

Personal use of the credit card is strictly prohibited, pursuant to policy and State sales tax law. All personnel will read and be familiar with all aspects of this policy and will confirm, in writing, an acknowledgement of such information. The acknowledgement will provide for financial responsibility for any proven misuse of the credit card. [Emphasis added]

RECONCILIATION:

The credit card holder **will submit receipts** and a tally sheet **within two (2) days after use**. **The credit card invoices shall be presented to the City Commission each month as an Information Item on the normal agenda**. **In the event of a lost or missing receipt, the user must complete a written affidavit explaining the absence of the documentation and confirming that the expenses were legitimately incurred in the conduct of municipal business**. [Emphasis added]

CANCELLATION OF CARDS:

The Finance Director may immediately cancel or order the surrender of any card which appears to be misused or abused, and will bring the matter to the attention of the City Commission. The City Manager will take the appropriate disciplinary action up to, and including termination, for misuse of credit cards by employees. **In the event such misuse is by an elected official, the City Clerk is hereby required to notify all members of the City Commission in writing, who may then take any action authorized by the Florida Commission on Ethics**. [Emphasis added]

APPLICABILITY:

This policy shall apply to the Mayor, City Commissioners, all appointed personnel and all city employees.

The City's Purchasing Policy, no effective date,²⁰ states,

General Procurement & Purchasing Procedures:

...

17. Credit Card use shall be restricted to travel and authorized spending by the City Manager. **Typical travel expenditures include** hotels, flight reservations, car rentals, and **meals**. In addition, the City manager has the authority to approve additional credit card use for special events, activities, programs, and day to day operations **pertaining to city business**. [Emphasis added]

Former City Manager's Weekend Travel Expenses for Trip to Columbia, SC

In October 2019, Former City Manager, Chandler Williamson, used a city-issued credit card to purchase a round-trip Delta flight from West Palm Beach to Columbia, SC, totaling \$676.00, lodging expenses in Columbia, SC totaling \$682.23, and a rental car in Columbia, SC totaling \$362.73. The flight departed on Thursday, October 10, 2019, with

a return on Sunday, October 13, 2019. Mr. Williamson provided receipts for the expenditures, but did not submit a Travel Request Form or a Travel Log.

The Finance Director, at the time, made a note on the credit card reconciliation stating "Travel info not attached per CM [City Manager]. Will not provide." However, the airline receipt included a handwritten note referencing the "Annual Southern Municipal Conference / Forum." Since a copy of the 2019 Annual Southern Municipal Conference agenda was not included in the City's supporting documentation for the credit card purchases, our office obtained a copy of the Southern Municipal Conference event program which showed that the conference took place Wednesday, October 9, 2019 through Friday, October 11, 2019 and was held in New Orleans, LA, not in Columbia, SC. In addition, we obtained a copy of Mr. Williamson's alma mater homecoming schedule for the school year 2019, which showed that Saturday, October 12, 2019 was the homecoming game. Mr. Williamson did not provide the City with any documentation showing that he engaged in any City-related activities during this trip to Columbia, SC; thus, we consider the travel expenses, totaling **\$1,720.96**, to be identified costs.

Mr. Williamson has a documented history of using his City credit card to pay for transportation and lodging expenses associated with his attendance at the homecoming weekend of his alma mater, Benedict College, in Columbia, S.C.⁴¹ Investigative Report 2019-0005 found that Mr. Williams used his City credit card to pay for homecoming weekend travel expenses in 2015, 2016, 2017, and 2018, which totaled \$4,505.44.⁴² We did not identify any debit card or credit card purchases for the 2020 homecoming event), which was the last homecoming weekend event prior to Mr. Williamson's separation from the City in March 2021.

In this case, it appears Mr. Williamson attempted to conceal that the travel was personal in nature by stating that the purpose was to attend the 2019 Annual Southern Municipal Conference; however, this conference was held in New Orleans, Louisiana, not in Columbia, SC. Mr. Williamson's actions suggest fraud,² waste,⁴ and abuse³ relating to taxpayer dollars.

Former City Manager's Sirius XM subscription

We found Mr. Williamson paid for a Sirius XM radio subscription on his City credit card from December 2019 through July 2020 totaling \$218.15 and from August 2020 through March 2021 totaling \$241.98 on his city-issued debit card.

OIG Investigative Report 2019-0005 found that Mr. Williamson purchased a Sirius XM subscription for his assigned City vehicle using his City credit card in 2016, 2017, and

⁴¹ https://pbc.gov/oig/docs/reports/06-24-20-Pahokee-City_Credit_Card_Investigative_Report-2019-0005.pdf

⁴² The OIG referred the finding from Investigative Report 2019-0005 to the Florida Commission on Ethics (Commission). On October 26, 2022, the Commission rendered Final Order and Public Report No. 22-043 which found that Chandler Williamson violated section 112.313(6), F.S., by using a City-issued credit card for his own private benefit or for the benefit of others in violation of the City's credit card policies and directives, the City's travel policy, and the City's rules and regulations, and state law. The Office of the Governor accepted the findings, conclusions, and recommendations of the Commission and issued Executive Order number 2023E-15 which imposed a civil penalty in the amount of \$4,500 on Chandler Williamson. <https://www.flgov.com/eog/sites/default/files/executive-orders/2024/2023E-15.pdf>

2018, totaling \$620.56. Mr. Williamson explained to OIG investigators that the subscription was also used on City fleet buses, the indoor/outdoor speaker at the marina pool, conference room, break room, and campground. Additional interviews of Pahokee personnel by OIG investigators disclosed that Sirius XM Radio was not used at the Marina and that the subscription was for Mr. Williamson's assigned City vehicle. Investigators concluded that only Mr. Williamson's City vehicle benefitted from the subscription. Although OIG Investigative Report 2019-0005 concluded that only Mr. Williamson's City vehicle benefitted from the subscription and that his use of the City's credit card in 2016, 2017, and 2018 was an improper use of the City credit card, Mr. Williamson did not discontinue the XM subscription.

We found the Sirius XM subscription continued to be paid by the City credit card until July 25, 2020, one month after the OIG Investigation report issuance. On September 28, 2020, Mr. Williamson began charging the Sirius XM subscription directly to the City debit card, and this subscription continued until the separation of Mr. Williamson from the City in April 2021.⁴³ We consider the Sirius XM subscription costs paid incurred on Mr. Williamson's City credit and debit cards from 12/25/2019 to 3/26/2021, totaling **\$460.13** to be questioned costs because they were an unnecessary cost to the City.

Mr. Williamson changed the payment method for his Sirius XM subscription from the City credit card to the City debit card following the issuance of the OIG Investigative Report 2019-0005, which appears as an attempt to conceal the expense. Mr. Williamson's continuation of the Sirius XM subscription via the City's debit card is another example of the waste and abuse³ of taxpayer dollars.

There is a lack of review and oversight over the City Manager's credit card and debit card purchases and travel activities. The City's credit card purchases were not presented to the City Commission for review each month, as required by the Credit Card Policy. Additionally, OIG Investigative Report 2019-0005, dated June 24, 2020, recommended that "The City follow its policy requiring that credit card invoices be presented to the City Commission each month as an Information Item during the regular agenda." We reviewed the consent agenda items from the issuance of the Investigation Report, dated June 24, 2020, to December 31, 2020, and asked current personnel if they were aware of credit card purchases being presented to the City Commission. The auditor found no consent agenda items labeled as credit card purchases, and the existing personnel did not provide any response. See Finding 1.

The City also lacked a policy governing the use of the City's debit card and any related review and oversight of purchases made using the debit card,⁴³ and the Travel Policy did not provide a procedure for review and oversight of the City Manager's travel activities.

Although, the Credit Card Policy states that "The Finance Director may immediately cancel or order the surrender of any card which appears to be misused or abused, and will bring the matter to the attention of the City Commission," the Finance Director cannot

⁴³ The City ceased use of its debit card in May 2021 following the departure of former City Manager, Chandler Williamson.

provide adequate independent oversight and review of the City Manager's credit card purchases.

Travel Meal Expenses

We found that four (4) City Commissioners used their City credit card to purchase meals while at conferences after also receiving a payment from the City for meal per diem in advance of the travel. The City's Travel Policy states that meal costs are to be reimbursed to travelers at the approved per diem rate only; therefore, the meals purchased using the City credit card were in violation of the Travel Policy. Since the Travel policy permits per diem and the travelers were already granted per diem, we consider the total amount of meals purchased via credit card of **\$740.67** to be identified costs.

Meals Purchased on City Credit Card After Receiving Per Diem			
Cardholder	Commissioner Term	Exception Count	Identified Cost
Clara Murvin, Vice Mayor (effective March 2018)	March 2016 to present	12	\$327.89
Benny Everett III, Commissioner	March 2018 to March 2021	3	\$220.76
Felisia Hill, Commissioner	March 2018 to March 2021	4	\$147.35
Keith Babb, Mayor (effective March 2016)	March 1991 to present	1	\$44.67
	TOTAL	20	\$740.67

On May 14, 2020, Mr. Williamson informed the then-Finance Director via email that on several occasions and during travel he authorized Commissioners and the Mayor to use City credit cards for meals when the cost was more than the per diem amount, and that he has "no problem signing off on receipts that can't be covered by the current travel policy." Mr. Williamson's email statements show a willful disregard for City policy and another example of waste and abuse,³ which leads to a culture where noncompliance with established requirements becomes commonplace and an integral part of the workplace culture.



Unnecessary Upgrades

We found six (6) instances of a Commissioner or the City Manager purchasing upgraded flights using the City credit card, in violation of the Travel Policy. Since the upgrade fees were incorporated into the overall base fare of the tickets, we could not determine the amount attributable to the upgrade. Therefore, the total amount of each ticket was considered a questioned cost.

- Vice Mayor Clara Murvin purchased upgraded airline seating, Delta Comfort Plus, on four (4) separate occasions between August 2018 and February 2020. The ticket amounts totaled to **\$2,637.00**.

- Mayor Keith Babb purchased upgraded airline seating, Delta Comfort Plus, on one (1) occasion in February 2020. The ticket amount totaled to **\$633.40**.
- Former City Manager, Chandler Williamson, purchased upgraded airline seating, Delta Comfort Plus, on one (1) occasion in October 2019. The ticket amount totaled to **\$933.00**.

Mr. Williamson's airfare receipt excluded an itinerary showing that the type of seating purchased was Comfort Plus. The receipt did include the fare class code W indicating that the upgraded class Comfort Plus was purchased; however, a reviewer would need to look up or be familiar with seating class codes to identify this upgrade when an itinerary is excluded from the travel or credit card purchase supporting documentation.

We found one (1) instance where the former City Manager, Chandler Williamson, purchased an upgraded rental car. Mr. Williamson's, assigned City vehicle, a 2018 Ford Explorer, was involved in an accident on July 19, 2019 and was taken to Al Packer West Palm Beach for repairs. On July 19, 2019, Mr. Williamson used his City credit card to rent a Standard SUV Passenger Dodge Journey at \$32.50 a day. However, on July 21, 2019, he returned the Standard SUV and rented a GMC Yukon XL which was characterized as "Premium SUV-8 Pass" under Vehicle Group and "Cool Cars" under Vehicle Charged. The vehicle was returned on Thursday, July 25, 2019 with charges totaling \$1,043.76. Mr. Williamson did not provide an explanation or business purpose for renting a premium vehicle. A comment on the credit card reconciliation stated "Car rental after accident". Additionally, it is unknown whether another City vehicle was available to use while Mr. Williamson's assigned vehicle was being repaired.

The City's Travel Policy is silent regarding vehicle rentals; however, the premium upgrade fee of \$664.00 plus an 11% fee and 7% sales tax, totaling \$783.52 was an unnecessary cost to the City. This cost is already considered a questioned cost for the lack of a purchase order and including sales tax in Findings 1 and 3. Without a policy governing the use of rental vehicles, travelers may make inconsistent or costly decisions, leading to unnecessary costs and increased liability risks to the City.

There is a lack of review and oversight over the City Commissioners' credit card purchases and travel activities. Although, the Credit Card Policy states that "In the event such misuse is by an elected official, the City Clerk is hereby required to notify all members of the City Commission in writing, who may then take any action authorized by the Florida Commission on Ethics," there is no process whereby the City Clerk reviews the credit card purchases of the City Commission. Additionally, the Travel Policy does not provide a procedure for review and oversight of Commissioner travel activities.

The lack of adequate review and oversight of the former City Manager's credit card and debit card purchases and travel activities led to the opportunity to misuse public funds.

A lack of sufficient review and oversight over the City Manager and City Commissioner's credit card and debit card purchases and travel activities increases the risk for

noncompliance with policy, unsupported purchases, and disallowed or prohibited purchases, such as personal expenses.

The former City Manager and City Commission's violations of the City's Credit Card and Travel policies can undermine trust in leadership and lead to a perception of dishonesty or lack of accountability. This may lead employees to believe that they can also disregard these rules without facing any consequences and to the erosion of the public's trust in the City.

Although the Travel Policy includes city officials in its definition of a "Traveler", the direction provided throughout the policy uses the term "employee". This inconsistency may create confusion on whether the policy applies to the City Commission and the City Manager when traveling on City business.

The City's Purchasing Policy states that the City's credit card shall be used for travel expenditures including meals, which conflicts with the Travel Policy that states the City will reimburse employees for approved overnight travel up to the per diem rates established by the Florida Statute 112.061.

When a policy's language is not clear and consistent with respect to whom it applies or who is responsible, it leaves the policy open to interpretation and decreases accountability, which increases the risk for noncompliance and unnecessary costs to the City.

A lack of public purpose for certain transactions has been reported as an issue under "**Finding 2014 – 04 – Noncompliance or other matters that are required to be reported under Government Auditing Standards**" by the City's financial statement auditors since 2014.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (6): The City did not always maintain accurate records of capital assets and IT equipment.

Section 218.33, F.S., states,

- (2) Each local governmental entity shall follow uniform accounting practices and procedures as promulgated by rule of the department to assure the use of proper accounting and fiscal management by such units. Such rules shall include a uniform classification of accounts.

- (3) Each local governmental entity shall establish and maintain internal controls designed to:
 - (a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
 - (b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
 - (c) Support economical and efficient operations.
 - (d) Ensure reliability of financial records and reports.
 - (e) Safeguard assets.

The City's Purchasing Policy (no effective date provided), states,

General Procurement & Purchasing Procedures:

The following procedures are approved:

...

9. The City Manager and Director of Finance must approval all Capital purchases. Capital purchases are equipment units or items of a non-consumable nature with a value of one thousand (\$1,000) dollars or more and an expected service life of one (1) year or more. Equipment or services with a value of less than one thousand (\$1,000) dollars that are part of a larger capital project must be charged to the appropriate capital account but do not require the individual approval(s) above...
10. The purchase of all computer equipment/software and related supplies and services shall have the approval of the City Manager and the IT Director⁴⁴ before a purchase order/contract is issued including expenditures for telephone service and equipment, pagers, cell phones, fax machines, copiers, printers, digital cameras, computer training courses and manuals, storage media, database products, software/hardware maintenance agreements and software support, software upgrades, internet access, electronic subscriptions and any other type of data or voice service.

Equipment and Vehicles

We reviewed all expenditures for vendors paid in excess of \$10,000.00 each year to ensure the City Commission approved purchases over \$10,000.00, as required by the Purchasing Ordinance. During this review, we found that the City paid one vendor, James H. Jones, a total of \$16,268.00, \$31,385.00, \$25,945.00, and \$18,590.00 for fiscal years 2018, 2019, 2020, and 2021, respectively, for equipment and vehicle repairs, without Commission approval. We reviewed the vendor's invoices and found that the vendor did not break out the amounts charged for labor and parts in the invoices. When we requested a copy of the contract, the City provided our office with a W9 form completed by the vendor and did not provide the contract. Therefore, we selected a sample of ten (10) invoiced equipment and vehicle vendor repairs to verify the items were property of the City.

⁴⁴ The City does not employ or contract with an IT Director and outsources the IT functions.

A 2004 GMC 3500 truck was not available to observe during our site visit. The Public Works Director noted that the City sold this asset years ago. The Finance Department was not able to locate documentation of the sale, and the truck was still listed on the vehicle listing that the City provided us in April 2024 with a reported value of \$7,000.00. Since the City could not provide documentation for the sale of the truck, we could not determine if the truck was City property from January 2018 – March 2020 when the City incurred repairs totaling \$2,995.00. Since our site visit was in April 2024, it is possible that the truck was disposed of prior to the January 23, 2024 implementation of the City's Ordinance regarding the disposal of City-owned surplus property. The truck repairs totaling \$2,995.00,⁹ were considered a questioned cost in Finding 1 for lack of Commission approval.

The City did not maintain an up-to-date vehicle listing. The Public Works Director mentioned that the truck was sold years ago; however, the vehicle was still on the vehicle listing provided to our office in April 2024. Because the City could not locate documentation of the disposal of a City vehicle, it is unknown whether the City intended to dispose of the vehicle or whether the City or an unauthorized party received proceeds or a benefit from its disposal.

Computer Equipment

While testing accounts payable transactions, we found two separate reimbursements to former City Manager, Greg Thompson, for the purchases of a laptop in the amount of \$1,390.99⁴⁵ and a cell phone in the amount of \$1,399.57.⁴⁶ We asked the City to locate the equipment because these purchases 1) exceeded the \$1,000.00 threshold for a capital purchase according to the Purchasing Policy, 2) were coded to the incorrect general ledger object code 367, Other Charges, rather than 600, Capital Outlay,; 3) lacked the required Finance Director approval, and 4) were portable equipment that should have remained the property of the City upon the City Manager's separation in March 2022.

The City could not locate the laptop costing \$1,390.99 and cell phone costing \$1,399.57, and did not provide documentation showing that these items were disposed. The City provided our office with an IT equipment listing to assist us in identifying the laptop, and informed us that it does not maintain a listing of City owned cell phones. The receipt provided by the former City Manager to support the reimbursement for the laptop did not include any identifying information. As a result, we could not locate the computer on the IT equipment listing. The IT equipment cost, excluding sales tax, totaled **\$2,609.96**,⁹ and is considered a questioned cost due to the lack of disposal documentation.

Contributing factors to the missing laptop and cell phone include that the City did not properly classify the items as capital assets in its accounting system, and that the Finance Director was not aware that the items were purchased. The Interim Finance Director informed us that staff were not able to locate files for equipment that were not purchased through the accounts payable process.

⁴⁵ Includes Florida sales tax of \$91.00.

⁴⁶ Includes Florida sales tax of \$89.60.

While testing debit card transactions, we noted a purchase by the former City Manager, Chandler Williamson, of two laptops for unnamed City Commissioners, totaling \$1,279.98. The purchase lacked a purchase order and was labeled "COVID-19;" however, it was never subsequently ratified as an emergency purchase by the City Commission, as required by the City's Code of Ordinances, Sec. 2-271.

We could not locate the laptops purchased for City Commissioners on the City's IT equipment listing provided to us. The cost of the laptops was considered a questioned cost in Finding 1.

The City was unable to locate IT equipment that could have contained access to City systems and data that are critical, sensitive, and/or confidential. Without proper recording, tracking, safeguarding, and physical disposal of IT equipment, the City may be exposed to IT security threats that could result in operational disruptions, financial losses, reputational damage, and legal and compliance issues.

When we initially requested the City's capital asset policy, the interim City Manager referred the auditor to the Summary of Significant Accounting Policies in the Notes to the Financial Statements, which states "...Capital assets are defined by the government as assets with an initial cost of more than \$5,000..." This suggests that the Finance Director was not aware of the provision in the Purchasing Policy, which is more stringent than the Notes to the Financial Statements and defines a capital purchase as "equipment units or items of a non-consumable nature with a value of one thousand (\$1,000) dollars or more and an expected service life of one (1) year or more."

The City lacks a written capital asset policy establishing guidelines to ensure that accurate records are maintained for City assets owned, purchased, replaced, sold, and/or traded-in. Prior to January 23, 2024, the City did not have a policy for the disposal of City-owned surplus property.^{47,48} As a result, any property disposed of prior to the Policy may not have been recorded accurately, consistently, or at all. In August 2024, the City informed us that it was in the process of drafting a Fixed Asset Policy and provided us with a copy of the draft policy.

Additionally, there is no written process for collecting City property from the City Manager, City Clerk, or elected officials because the City's Personnel Rules & Regulations' termination provisions exclude these positions from the written process.

Without clear guidelines regarding how capital assets and IT equipment should be purchased and recorded, there may be inconsistency in how assets are capitalized versus

⁴⁷ Effective July 1, 2023, a municipality is primarily responsible for the supervision and control of its property, which includes responsibility for the safekeeping and proper use of the property in accordance with Chapter 274, F.S. This chapter defines "property" as all tangible personal property, owned by a governmental unit, of a nonconsumable nature and requires that the authority for the disposal of property be recorded in the minutes of the governmental unit.

⁴⁸ OIG Investigative Report 2022-0012, dated September 29, 2023, recommended that the City develop written policies and procedures for declaration of City-owned assets as surplus and for subsequent disposition of such property. https://pbc.gov/oig/docs/reports/09-29-23-City_of_Pahokee_Sale_of_Surplus_Property-2022-0012.pdf

expensed, leading to financial statements that are not comparable or reliable. It can also result in inefficient and inaccurate tracking and management of assets and IT equipment, which can make it harder for the City to budget and manage maintenance, replacements, physical security, and IT security for these items. All of these factors increase the risk of loss or theft.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (7): The City lacked adequate controls over the vendor master file and sufficient written guidance for generic vendor codes and processing payments to employees and officials.

Section 218.33(3), F.S., states,

Each local government entity shall establish and maintain internal controls designed to:

- a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
- b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- c) Support economical and efficient operations.
- d) Ensure reliability of financial records and reports.
- e) Safeguard assets.

Basic computer system controls include:

- Master files are monitored for integrity; and
- Performance of information system functions is independently verified.⁴⁹

The City's Credit Card Policy (effective date September 28, 2011), states,

Credit Card Policy

...

SUBJECT: Credit Card Usage in the Performance of City Business

...

⁴⁹ This best practice is provided by the Association of Government Accountants, Internal Controls - Information Systems & Technology:
<https://www.agacgfm.org/Resources/intergov/InternalControls/ResourcesByBusinessProcess/InformationSystems.aspx>

BACKGROUND:

The City of Pahokee recognizes that the Mayor, Commissioners, appointed officials, and certain department heads are required to make expenditures of funds in the course of performing their functions in the municipal government.... The cards may only be used to charge ALLOWABLE purchases that otherwise would be reimbursed had the use charged the purchase on their own credit card or paid cash for the items.

We performed a process walkthrough of the accounts payable expenditures and cash disbursements process, which included activities related to the vendor master file, and evaluated the controls and weaknesses over the process.

We also performed data analyses on the vendor master file to identify potential risks, such as:

- Gaps in the vendor account number sequence.
- Potential inactive vendor accounts.
- Generic vendor accounts (i.e. one vendor account used for multiple payees).
- Vendors paid that were not in the vendor master list.
- Accounts payable expenditures associated with an employee or official's name, address, or tax identification number.

During our walk through, Finance personnel informed us that the Senior Accountant is the sole person responsible for creating and updating vendor records in the master file.

Inactive Vendor Records

We compared the active vendors in the vendor master file to the vendor detail report for the audit period, which lists the accounts payable transactions by vendor, to identify vendors that the City had not used since September 2017.

There were 1,719 active vendor records with no activity since September 2017. We provided the list of inactive vendor records to the City. The City stated that they are in the process of deactivating inactive vendors in the system as a result of our review and plan to perform periodic reviews of inactive vendors in the future.

The City did not review newly created vendor records for relevance, accuracy, and completeness, nor did it periodically review the vendor master file for inactive vendors. Additionally, the City had no process for updating and maintaining the vendor master file to ensure vendor master records are relevant, accurate, and complete.

Vendor records without any payment activity for an extended period increase the risk of erroneous and unauthorized payments. Deactivating (not deleting) these vendor records will ensure the records are maintained in the system but not be available for use unless an authorized person reactivates the records for use.

Vendor Records for Employees and Officials

To identify accounts payable expenditures associated with employees or officials on the vendor master file, we compared the employee master file to the vendor master file and matched tax identification numbers, names, and addresses. We identified payments to 46 current and former employees and officials issued through accounts payable.

- We identified 253 accounts payable expenditure transactions, totaling \$38,478.45, associated with the 46 employees and officials. We reviewed the invoice descriptions for each transaction, and the supporting documentation for certain transactions, to determine whether a potential conflict of interest existed. None were found.
- The transactions included travel and per diem advances and reimbursements; reimbursements for City purchases; holiday bonuses;⁵⁰ election worker wages; awards; tuition; refund of health insurance premiums; payment for services provided prior to employment; and deposit refunds. The City processed these transactions using generic vendor account 999999 and unique vendor accounts set up for employees and officials. We analyzed these transactions further as explained below.

Generic Vendor Account 999999

We identified 343 accounts payable transactions, totaling \$74,005.22, processed utilizing the generic vendor account 999999. These transactions were payments or refunds that the City issued to 213 customers, citizens, vendors, and employees. The payments included customer refunds for the marina campground, permits, and cemetery deposits; awards to citizens; election worker wages; reimbursements to non-employees for City purchases; holiday bonuses to employees;⁵⁰ reimbursements to employees for City purchases; and vendor payments.

- Customer refunds (211 transactions, totaling \$52,445.96), awards to citizens (20 transactions, totaling \$4,790.00), election worker wages⁵¹ (4 transactions, totaling \$1,010.00), and non-employee reimbursements for City purchases (8 transactions, totaling \$555.35), were generally one-time payments and/or minimal in amount or frequency, whereby the use of a generic vendor code was an efficient method for processing, with low risk for tax and expenditure transparency implications.
- Vendor payments (7 transactions, totaling \$2,645.12) were sometimes one-time payments (4 transactions, totaling \$831.12); however, three (3) transactions, totaling \$1,814.00, were purchases from three (3) vendors that the City subsequently issued payments to using a unique vendor account setup for each of the vendors. The use of the generic vendor code for paying vendors decreases the transparency of City expenditures, which increases the risk for overpayments, noncompliance with City purchasing requirements, fraud, waste and abuse.

⁵⁰ OIG Investigative Report 2018-0004 determined that these holiday bonuses were not in compliance with section 215.425(3), F.S. https://pbc.gov/oig/docs/reports/05-06-19-Pahokee_Holiday_Schedule_and_Bonus_Pay-2018-0004.pdf No further work was performed related to holiday bonuses.

⁵¹ Each election worker was paid less than \$1,800.00 for the calendar year in 2021; therefore, those wages were excluded from taxes under the Federal Insurance Contributions Act (FICA) and Modification 439 of Section 218 of the Social Security Act.

- Reimbursements to employees for City purchases⁵² (62 transactions, totaling \$9,608.79) were analyzed further as explained below.

Additional Analysis

We combined and analyzed all of the payments issued to City employees or officials through accounts payable, which consisted of 315 transactions, totaling \$48,087.24, to determine if the method of payment used by the City was appropriate.

The City issued payments to 49 employees or officials using the generic vendor account 999999 (179 transactions, totaling \$21,601.68).

- Eight (8) of the 49 employees or officials issued payments using generic vendor account 999999 (14 transactions totaling \$1,240.44) already had an individual vendor account setup in the financial system.
- Nine (9) of the 49 employees or officials were issued payments five (5) or more times using generic vendor account 999999.

Account 999999 – Employees & Officials			
Type	Count	Amount	%
Reimbursements for City Purchases	76	\$12,127.46	56%
Holiday Bonuses ⁵⁰	58	\$5,600.00	26%
Travel & Per Diem	36	\$3,170.08	15%
Misc. Taxable Items (Employee of the Month awards)	3	\$300.00	1%
Misc. Non-Taxable Items (Election staffing and refunds)	6	\$404.14	1%
Total	179	\$21,601.68	100%

The City issued payments to 18 employees or officials using a unique vendor account assigned to each employee (136 transactions, totaling \$26,485.56).

Unique Accounts - Employees & Officials			
Type	Count	Amount	%
Travel & Per Diem	87	\$12,719.01	48%
Misc. Non-Taxable Items (Election staffing and refunds)	9	\$6,578.50	25%
Reimbursements for City Purchases	27	\$3,538.05	13%
Misc. Taxable Items (Employee of the Month and Year awards and tuition)	3	\$2,600.00	10%
Holiday Bonuses ⁵⁰	10	\$1,050.00	4%
Total	136	\$26,485.56	100%

⁵² These reimbursements were in addition to the payments to employees and officials identified in the employee/vendor master file data analysis above. The City left out or included the employee or official's middle initial or spelled the employee or official's name differently in the employee master file than in the accounts payable transaction using vendor code 999999.

The City did not have any written guidance for processing payments using vendor code 999999, nor did it have written guidance for processing payments to employees and officials for non-taxable items such as reimbursements and refunds, or taxable items such as bonuses, awards, and tuition. The City set up an individual vendor account for some employees and officials and used the generic vendor account for others. Sometimes the generic vendor account was used when an individual employee account was already established. Since there was no written guidance for use of the generic vendor account or for issuing payments to employees and officials, the process was inconsistent.

The use of the generic vendor code decreases transparency for City expenditures, which increases the risk for overpayments, noncompliance with City purchasing requirements, fraud, waste, and abuse.

The City also used the accounts payable process, rather than the payroll process, to issue payments to employees for holiday bonuses (68 transactions, totaling \$6,650.00) and awards and tuition (6 transactions, totaling \$2,900.00), which are taxable and should be included in the employees' taxable income. **The City did not respond to our inquiry whether these amounts were included in each respective employee's income in the payroll system. As a result, the City may not have properly calculated and remitted its payroll related taxes, nor properly calculated, withheld, and remitted employees and officials' federal income, FICA, and Medicare taxes.**

Additionally, City personnel made purchases for the City using their own funds and were subsequently reimbursed by the City for 103 transactions totaling \$15,665.51. Employees making purchases with their own funds on behalf of the City are not entitled to the City's tax exempt status. See Finding 3. It may be more advantageous for the City to make these purchases using the City's credit card.

The City lacked written guidance establishing the City's preferred method for making small purchases (e.g. credit card, employee reimbursement, or accounts payable process). Individually processing employee reimbursements through accounts payable may use more City resources than batch processing transactions and issuing one payment per month via the City's credit card.

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Finding (8): The City lacked sufficient written guidance for IT processes.

Section 218.33(3), F.S., states,

Each local government entity shall establish and maintain internal controls designed to:

- a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
- b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- c) Support economical and efficient operations.
- d) Ensure reliability of financial records and reports.
- e) Safeguard assets.

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.⁴⁹

This audit included an assessment of the data integrity and reliability of the City's financial computer system that is used to record accounts payable expenditures and cash disbursements. As part of this assessment, we evaluated the adequacy of general controls surrounding the computer system.

We found that the City had processes with controls to ensure the integrity of information in its computer systems; however, there were no written policies and procedures for any of the IT processes, such as granting and terminating user access, the use of unique IDs and passwords, or limiting administrative and/or privileged access to the system. **We requested the City's written guidance for IT processes on several occasions without a response.**

The City contracts with an independent contractor that handles IT operations which include support services, on-site support, service desk, network monitoring and repair and maintenance of all hardware and wiring. Since the processes are in place and the City outsources its IT functions, the City had not developed written policies and procedures for their IT operations.

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

Recommendations:

See pages 60 - 63.

Management Response:

See page 63, 82 - 86.

Conclusion

We found wide-spread, systemic noncompliance with the City's written guidance and lack of documentation for City expenditures. Given the frequent turnover of the City Manager and Finance Director positions and the City's limited personnel, we suggest that the City consider obtaining outside assistance to help update and implement the policies and processes outlined in the audit recommendations provided below.

RECOMMENDATIONS

- (1) The City follow its Purchasing Ordinance requirements related to purchase orders, purchases exceeding \$10,000, and emergency purchases.**
- (2) The City follow its Purchasing Policy requirements related to approvals, invoice documentation, and receiving reports.**
- (3) The City follow its Credit Card Policy requirements related to receipts, City Commission oversight, and disciplinary procedures for misuse.**
- (4) The City update the Purchasing Policy, as follows:**
 - (a) To establish the process for expediting purchases and/or vendor payments.**
 - (b) To align with the Purchasing Ordinance related to emergency purchases.**
 - (c) To align with the Charter's contract/agreement execution requirements.**
 - (d) To align with Section 218.74(1), F.S. related to marking the date of receipt on payment requests and invoices.**
 - (e) To establish the acceptable payment method(s) when purchasing capital assets and IT equipment.**
 - (f) To align with the final implemented Capital Asset Policy related to capitalization thresholds and useful life.**
 - (g) To establish the acceptable payment method(s) for making small purchases.**
 - (h) To establish specific criteria for processing purchases using vendor code 999999 or any other generic vendor code.**
- (5) The City update the Credit Card Policy, as follows:**
 - (a) To establish a review and oversight process for the City Commissioners' and City Manager's credit card purchases.**
 - (b) To reflect the acceptable (e.g. check issued directly to vendor via accounts payable process) and unacceptable (e.g. credit card or reimbursement) payment method(s) when purchasing capital assets and IT equipment.**

- (6) The City update the Travel Policy and related forms, where applicable, as follows:
- (a) To align with Section 112.061(7)(d), F.S. related to the current mileage allowance rate.
 - (b) Replace the term “employee(s)” with “traveler(s)” to encompass all authorized individuals who may incur travel-related expenses for the benefit of the City.
 - (c) To require that the City Manager submit Travel Request forms for approval by the Mayor or a City Commissioner and update the Travel Policy to reflect the Mayor or a City Commissioner as the designated reviewer.
 - (d) To establish a review and oversight process for the City Commissioners’ travel and related expenditures.
 - (e) To establish requirements for the use of rental vehicles including, but not limited to:
 - i. Type of vehicle (economy, standard, etc.);
 - ii. Rental agency;
 - iii. Legal requirements (valid driver’s license, insurance);
 - iv. Insurance requirements; and
 - v. Prohibited add-ons or other charges.
 - (f) To include a signature line for the Finance Director to document review of the Travel Request and Travel Log forms.
- (7) The City update the Personnel Rules & Regulations to align with its Travel Policy related to travel meal per diem rates.
- (8) The City perform a physical inventory of all vehicles and in addition to the unit number, department, description and VIN fields currently in the vehicle listing, include at a minimum:
- (a) Acquisition Date;
 - (b) Purchase price or cost;
 - (c) Custodian of asset;
 - (d) Useful life;
 - (e) Depreciation Method;
 - (f) Accumulated Depreciation; and
 - (g) Condition.
- (9) The City implement a written capital asset policy establishing requirements related to:
- (a) Capitalization thresholds and useful life;
 - (b) Depreciation methods;
 - (c) Type of acquisition (purchase, donation);
 - (d) Asset valuation (initial costs, freight, etc.);
 - (e) Asset tagging procedures; and
 - (f) Custodian and inventory requirements.

- (10) The City implement a written process for recording, tracking, safeguarding, and disposing of its IT equipment.
- (11) The City implement a written process for collecting City property from the City Manager, City Clerk, and elected officials upon separation from the City.
- (12) The City deactivate inactive vendors.
- (13) The City implement a written process for updating and maintaining the vendor master file, including but not limited to:
- (a) Establishing requirements for adding and editing vendor records, including vendor code 999999 or any other generic vendor code.
 - (b) Ensuring newly created vendor records are reviewed for relevance, accuracy and completeness by the Finance Director or an individual with no responsibilities in the accounts payable process; and that there is an established routine review and purging of the vendor master file to identify and resolve inactive, incomplete, and unauthorized or erroneous vendor records.
- (14) The City implement a written process for issuing payments to employees and officials that:
- (a) Distinguishes between non-taxable items such as reimbursements and refunds and taxable items such as bonuses, awards, and tuition.
 - (b) Establishes specific criteria for processing payments using vendor code 999999 or any other generic vendor code;
- (15) The City ensure that all employees, contractors, and officials are aware of the requirements and their responsibilities, and confirm in writing an acknowledgment of that understanding with respect to the City Charter, the Purchasing Ordinance, and the updated and newly implemented City policies, including but not limited to the Purchasing Policy, Credit Card Policy, and Travel Policy.
- (16) The City ensure that current versions of the City's written guidance, including but not limited to the Purchasing Ordinance, Purchasing Policy, Credit Card Policy, and Travel Policy and related forms are accessible to all employees and officials in a centrally located depository, and that all employees and officials are made aware the location.
- (17) The City consider recouping identified costs, totaling \$18,156.96, including:
- (a) Overpayment of contracts to vendors, totaling \$14,337.48.
 - (b) Payment of former City Manager, Chandler Williamson's, Benedict College homecoming weekend travel expenses, totaling \$1,720.96.
 - (c) Sales taxes paid to vendors, totaling \$1,261.52.

(d) Overpayment of travel expenditures (i.e. incorrect meal per diem, incorrect mileage, disallowed fuel reimbursement, and disallowed meal purchases on the City credit card) to travelers, totaling \$837.00.

(18) The City consider paying the travel underpayments totaling \$1,120.00.

(19) The City 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 include a reasonable time for completion,
- (b) Authorize user access,
- (c) Limit system access requiring unique user IDs and passwords, and
- (d) Provide for user change management (new and terminated employees).

MANAGEMENT RESPONSE

The City concurred with all eight (8) findings and accepted the 19 recommendations. Attachment 1 contains the City's full management response.

SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS IDENTIFIED IN THE AUDIT

Questioned Costs

Finding	Description	Questioned Costs
1	Purchases that lacked a properly issued purchase order, as required by the Ordinance.	\$661,956.43
1	Purchases classified as "emergency" that did not comply with the definition or related requirements in the Ordinance and/or Purchasing Policy.	\$33,860.59
1	Purchases lacking proper approval, as required by the Ordinance and/or Purchasing Policy.	\$378,545.61
1	Purchases lacking a receiving report, as required by the Purchasing Policy.	\$497,181.49
1	Purchases lacking an invoice attest, as required by the Purchasing Policy.	\$9,473.74
1	Purchases lacking sufficient supporting documentation.	\$12,824.23
2	Lack of Commission approval for Professional Services contracts, as required by the Ordinance.	\$99,375.37

2	Lack of supporting documentation, as required by the agreement - MDO Engineering & AE Engineering.	\$61,925.00
2	Lack of Commission approval for AE Engineering projects, as required by the agreement.	\$116,882.50
3	Sales Tax Paid on Employee Reimbursements.	\$362.88
4	Lack of sufficient documentation to determine proper travel per diem.	\$156.00
4	Lack of sufficient documentation to fuel purchases on City credit card.	1,080.02
4	Lack of Travel Request Forms and Travel Logs, as required by the Travel Policy.	\$45,712.39
4	Incorrectly calculated travel meal per diem, resulting in underpayment to the traveler.	\$1,120.00
5	Payment of Former City Manager's Sirius XM subscription.	\$460.13
5	Travel airfare upgrades, in violation of the Travel Policy.	\$4,203.40
6	Lack of capital asset disposal documentation for former City Manager's cell phone and laptop.	\$2,609.96
	TOTAL QUESTIONED COSTS	\$1,927,729.55

Identified Costs

Finding	Description	Identified Costs
2	Payment to A Start for I, Inc. in excess of contractual amount.	\$1,150.00
2	Payment to PPM Consultants in excess of contractual amount.	\$13,187.48
3	Sales tax paid directly to vendors.	\$1,261.52
4	Incorrectly calculated travel meal per diem and mileage reimbursements, resulting in overpayment to the traveler.	\$91.05
4	Disallowed fuel reimbursement.	\$5.28
5	Payment of Former City Manager's Benedict College Homecoming Weekend Travel Expenses.	\$1,720.96
5	Payment of travel meals purchased via City credit card after issuing meal per diem payments, in violation of the Travel Policy.	\$740.67
	TOTAL IDENTIFIED COSTS	\$18,156.96

Avoidable Costs

Finding	Description	Avoidable Costs
3	Sales tax paid directly to vendors.	\$491.38
3	Sales Tax Paid on Employee Reimbursements.	\$362.68
	TOTAL AVOIDABLE COSTS	\$854.06

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the City of Pahokee's staff for their assistance and support in the completion of the audit.

This report is available on the OIG website at: pbc.gov/OIG. Please address inquiries regarding this report to the Director of Audit by email at inspector@pbc.gov or by telephone at (561) 233-2350.

EXHIBITS

Exhibit 1 –Expenditures Lacking a Purchase Order by Department

Exhibit 2 – Incorrectly Issued Purchase Orders by Department

Exhibit 3 – Purchases Incorrectly Processed as Emergency Purchases & Emergency Purchases Lacking Ratification by the City Commission by Department

Exhibit 4 – Purchases Lacking Proper Approval by Department

Exhibit 5 – Purchases Lacking a Receiving Report by Department

Exhibit 6 – Purchases Lacking an Attest Signature on the Invoice by Department

Exhibit 7 – Purchases Lacking Sufficient Supporting Documentation by Department

Exhibit 8 – Professional Services Lacking Commission Approved Contract by Type of Service

Exhibit 9 – Sales Tax Paid Directly to Vendors by Department

Exhibit 10 – Sales Tax Reimbursed to Employees by Department

Exhibit 11 – Untimely Payments to Vendors by Department

Exhibit 12 – Incorrect Travel Per Diem (meals and mileage) by Traveler

Exhibit 13 – Lack of Required Travel Forms by Traveler

ATTACHMENT

Attachment 1 – City of Pahokee’s Management Response

RESPONSE FROM FORMER CITY MANAGER CHANDLER WILLIAMSON

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, Mr. Williamson was provided the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. Mr. Williamson did not submit a response.

RESPONSE FROM VICE MAYOR CLARA MURVIN

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, Ms. Murvin was provided the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. Ms. Murvin did not submit a response.

RESPONSE FROM FORMER CITY COMMISSIONER BENNY EVERETT III

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, Mr. Everett was provided the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. Mr. Everett did not submit a response.

RESPONSE FROM FORMER CITY COMMISSIONER FELISIA HILL

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, Ms. Hill was provided the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. Ms. Hill did not submit a response.

RESPONSE FROM MAYOR KEITH BABB

Pursuant to Article XIII, Section 2-427 of the Palm Beach County Code, Mr. Babb was provided the opportunity to submit a written explanation or rebuttal to Finding #5 as stated in the Audit Report within twenty (20) calendar days. Mr. Babb did not submit a response.

EXHIBITS

Exhibit 1**Expenditures Lacking a Purchase Order by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Roads and Street	34	\$50,941.34	33	\$50,636.12
Marina & Campground	14	\$37,364.50	14	\$37,364.00
City Manager	88	\$26,234.91	77	\$18,899.46
Non Departmental	52	\$18,017.40	51	\$17,856.65
Community Development	49	\$16,739.25	49	\$16,700.94
City Commission	29	\$8,068.65	29	\$8,047.21
Recreation Department - City	55	\$8,889.45	54	\$7,340.36
Recreation Department - CSC	36	\$6,819.56	36	\$6,751.03
Local Discretionary Sales Surtax	1	\$4,850.00	1	\$4,850.00
Finance and General Accounting	20	\$3,271.85	20	\$3,266.81
City Clerk	16	\$2,303.99	16	\$2,277.75
Recreation Department - PBC	15	\$1,613.02	15	\$1,612.84
Cemetery	2	\$1,150.00	2	\$1,150.00
Protective Inspections	1	\$750.57	1	\$750.57
Parks Department	5	\$628.87	5	\$624.41
Total	417	\$187,643.36	403	\$178,128.15

Exhibit 2**Incorrectly Issued Purchase Orders by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Purchase Order Lacked City Clerk's Signature				
Roads and Street	3	\$354,376.40	3	\$354,376.40
Local Discretionary Sales Surtax	3	\$45,996.50	3	\$45,996.50
Marina & Campground	10	\$37,575.20	8	\$31,075.20
Community Development	5	\$24,097.71	5	\$24,097.71
Recreation Department - City	1	\$4,014.00	1	\$4,014.00
Capital Outlay improvements	1	\$2,520.60	1	\$2,520.60
Total	23	\$468,580.41	22	\$462,080.41
Purchase Order Issued To Wrong Vendor				
Community Development	2	\$1,053.68	2	\$1,053.68
Non departmental	2	\$564.45	2	\$564.45
Parks Department	1	\$13.05	1	\$13.05
Total	5	\$1,631.18	5	\$1,631.18
Purchase Order Lacked Proper Approval				
Community Development	5	\$2,432.93	5	\$2,432.93
Total	5	\$2,432.93	5	\$2,432.93
Purchase Amount Exceeded Purchase Order Amount				
Marina & Campground	3	\$16,082.00	3	\$16,082.00
Community Development	1	\$1,601.76	1	\$1,601.76
Total	4	\$17,683.76	4	\$17,683.76

Exhibit 3**Purchases Incorrectly Processed as Emergency Purchases by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Non departmental	7	\$20,054.13	7	\$15,551.40
Marina & Campground	6	\$7,904.69	6	\$3,439.15
City Commission	8	\$3,428.78	8	\$1,064.21
Recreation Department - PBC	6	\$2,784.86	6	\$1,915.00
Community Development	4	\$2,659.88	4	\$1,610.64
Recreation Department - City	17	\$2,524.79	17	\$1,400.04
City Manager	3	\$1,542.53	3	\$1,432.53
Roads and Street	3	\$975.16	3	\$91.00
Protective Inspections	3	\$738.63	3	\$738.63
City Clerk	5	\$522.60	5	\$434.60
Finance and General Accounting	1	\$225.00	1	\$225.00
TOTAL	63	\$43,361.05	63	\$27,902.20

Emergency Purchases Lacking Ratification by the City Commission by Department

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
City Commission	2	\$3,482.70	2	\$3,356.91
Non departmental	6	\$3,142.24	4	\$916.07
Recreation Dept - City	2	\$1,226.84	2	\$1,226.84
Marina & Campground	2	\$396.18	2	\$392.32
Recreation Dept - PBC	1	\$66.25	1	\$66.25
TOTAL	13	\$8,314.21	11	\$5,958.39

Exhibit 4**Purchases Lacking Proper Approval by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Non departmental	7	\$121,640.57	5	\$113,900.00
Roads and Street	9	\$114,669.81	4	\$92,188.00
Finance and General Accounting	6	\$56,930.04	3	\$56,223.06
Recreation Department – PBC	1	\$45,000.00	1	\$45,000.00
Community Development	22	\$31,280.56	7	\$24,601.38
Marina & Campground	2	\$24,302.14	1	\$23,104.14
City Commission	4	\$16,573.56	4	\$16,573.56
City Manager	7	\$9,338.84	1	\$4,000.00
Local Discretionary Sales Surtax	1	\$4,850.00	0	\$0.00
Recreation Department - City	2	\$3,000.00	1	\$1,500.00
Recreation Department - CSC	8	\$1,891.46	0	\$0.00
Parks Department	1	\$1,205.00	1	\$1,205.00
City Clerk	7	\$843.48	4	\$250.47
Protective Inspections	1	\$750.57	0	\$0.00
TOTAL	78	\$432,276.03	32	\$378,545.61

Exhibit 5**Purchases Lacking a Receiving Report by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Roads and Street	82	\$1,152,145.21	24	\$396,492.52
Marina & Campground	41	\$140,476.53	19	\$30,454.18
Community Development	52	\$55,349.68	22	\$9,085.27
Local Discretionary Sales Surtax	4	\$50,846.50	0	\$0.00
Finance and General Accounting	9	\$30,864.00	9	\$30,864.00
Non departmental	23	\$27,235.59	6	\$1,087.98
Recreation Department - City	82	\$22,578.57	46	\$11,964.23
City Commission	17	\$17,017.96	5	\$2,059.40
Legal Counsel	4	\$9,109.35	1	\$7,667.00
City Manager	5	\$6,864.51	1	\$47.96
Parks Department	12	\$5,713.70	4	\$2,826.15
Protective Inspections	5	\$5,037.89	2	\$309.14
IT/GATV Access	2	\$2,899.00	0	\$0.00
Comprehensive Planning	1	\$2,300.00	1	\$2,300.00
Capital Outlay improvements	1	\$2,520.60	0	\$0.00
Recreation Department - PBC	17	\$1,723.14	10	\$1,626.78
Cemetery	5	\$382.88	4	\$308.88
City Clerk	1	\$88.00	1	\$88.00
Total	363	\$1,533,153.11	155	\$497,181.49

Exhibit 6**Purchases Lacking an Attest Signature on the Invoice by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Roads and Street	38	\$720,195.19	0	\$0.00
Community Development	44	\$41,146.86	0	\$0.00
Marina & Campground	9	\$41,404.74	1	\$6,473.74
Non departmental	11	\$10,621.09	1	\$1,500.00
Legal Counsel	2	\$8,017.00	0	\$0.00
Local Discretionary Sales Surtax	2	\$8,850.00	0	\$0.00
Protective Inspections	4	\$7,250.57	1	\$1,500.00
Recreation Department - City	12	\$5,737.07	0	\$0.00
City Commission	6	\$5,196.51	0	\$0.00
Finance and General Accounting	1	\$4,760.00	0	\$0.00
IT/GATV Access	2	\$2,899.00	0	\$0.00
City Manager	1	\$1,390.99	0	\$0.00
Parks Department	2	\$213.94	0	\$0.00
Total	134	\$857,682.96	3	\$9,473.74

Exhibit 7**Purchases Lacking Sufficient Supporting Documentation by Department**

Department	Exceptions		Questioned Costs ⁹	
	Count	Total Amount	Count	Total Amount
Roads and Street	12	\$20,648.70	1	\$680.87
City Manager	86	\$16,867.25	44	\$9,386.14
Community Development	25	\$11,753.26	2	\$1,846.61
City Commission	41	\$8,163.94	2	\$301.40
Marina & Campground	3	\$6,910.98	0	\$0.00
Non departmental	6	\$4,712.62	2	\$2,047.62
Local Discretionary Sales Surtax	1	\$4,000.00	0	\$0.00
Recreation Dept - City	14	\$3,680.27	2	\$281.63
Recreation Dept - CSC	18	\$3,542.57	1	\$315.93
City Clerk	6	\$1,695.87	1	\$213.99
Finance and General Accounting	3	\$884.95	1	\$360.00
Protective Inspections	1	\$363.00	0	\$0.00
Total	215	\$82,860.41	56	\$15,434.19

Exhibit 8**Professional Services Lacking Commission Approved Contract by Type of Service**

Type of Service	Vendor	Service Month(s)	Count	Amount	Questioned Costs ⁹
Actuarial Service	Menard Consulting, Inc.	Oct 2017	1	\$1,500.00	\$1,500.00
Event Entertainment Services	Anthony Burgess Photography	Jan 2018 Jun 2021	2	\$542.25	\$542.25
	Brandano Displays, Inc.	Jan 2021	1	\$3,000.00	\$3,000.00
	Bryan Crawford, Sr.	Jan 2022	1	\$350.00	\$350.00
	Conqueror's Music, LLC	Jan 2019	1	\$2,500.00	\$2,500.00
Community Service	Friends of Foster Children	Jul 2017	1	\$6,520.50	\$6,520.50
Construction	CAP Government	Jan 2017	1	\$4,030.00	\$4,030.00
Construction, Engineering, Inspection	Momentum CEI, Inc.	Oct 2021	1	\$15,001.68	\$15,001.68
Consulting	Rouche Consulting and Maintenance, Inc.	May 2022	1	\$2,000.00	\$2,000.00
Engineering	Wantman Group, Inc.	Nov 2017	1	\$1,475.00	\$1,475.00
Event Rental	C4 Rents, Inc.	Jan 2019	1	\$585.00	\$585.00
Information Technology Services	IWORQ Systems, Inc.	May 2020 – Apr 2023	6	\$15,000.00	\$10,000.00
	PC Network Solutions of the Palm Beaches	Sep 2021	1	\$2,580.00	\$2,580.00
Legal Services	Ashleigh Simmons	Jun 2020 – Dec 2020	1	\$1,870.00	\$1,870.00
	Donia A Roberts, P.A.	Aug 2019	1	\$350.00	\$350.00
	Esquire Deposition Solutions, LLC	Aug 2021	1	\$319.00	\$319.00
	Legal Transcription on Call	Jul 2021	1	\$170.00	\$170.00
	Milestone Reporting Company	Sep 2021	1	\$772.35	\$0.00
	Olender Legal Solutions	Sep 2021	1	\$2,618.34	\$2,618.34
	On the Record Reporting & Research, Inc.	Sep 2021	1	\$544.50	\$544.50

	Signature Court Reprinting, Inc.	Aug 2021	1	\$412.60	\$0.00
	Torcivia, Donlon, Goddeau & Ansay, P.A.	Dec 2017	1	\$320.00	\$320.00
Lobbying Services	Resource Group, NA	Nov 2020	1	\$4,000.00	\$0.00
Medical Services	Grace Healthcare Solutions	Oct 2018	1	\$170.00	\$170.00
Printing Services	Studio Pros 360, LLC	Dec 2018	1	\$1,203.00	\$1,203.00
Production Services	Primestar Digital Network	Jul 2021	1	\$2,800.00	\$2,800.00
Public Service	Claudette Campbell	Apr 2022	1	\$14.00	\$14.00
	Irvin Lane	Apr 2022	1	\$422.10	\$422.10
	Kevin Dwayne Leggett	Apr 2022 – May 2022	1	\$490.00	\$490.00
Insurance Services	EDSA, Inc.	Sep 2017 – Oct 2017	1	\$38,000	\$38,000
	TOTAL		36	\$109,560.32	\$99,375.37

Exhibit 9**Sales Tax Paid Directly to Vendors by Department**

Exception	Department	Identified Costs		Avoidable Costs
		Count	Total Amount	Total Amount
Sales tax paid by check				
	City Commission	1	\$13.60	\$13.60
	Parks & Recreation	1	\$3.07	\$3.07
	Sub-total	2	\$16.67	\$16.67
Sales tax paid by debit card				
	City Manager	103	\$770.14 ⁵³	\$0.00
	Sub-total	103	\$770.14	\$0.00
Sales tax paid by credit card				
	City Manager	12	\$191.90 ⁵⁴	\$191.90
	City Commission	6	\$91.26 ⁵⁵	\$91.26
	CSC Exec	6	\$68.53	\$68.53
	Roads & Streets	1	\$50.54	\$50.54
	Economic Development	5	\$44.59	\$44.59
	City Clerk	5	\$21.97	\$21.97
	Finance	2	\$5.92	\$5.92
	Sub-total	37	\$474.71	\$474.71
	Grand Total	142	\$1,261.52	\$491.38

⁵³ 103 transactions totaling \$770.14 of sales tax paid by debit card were made on the former City Manager, Chandler Williamson's, debit card.

⁵⁴ Five (5) transactions totaling \$105.49 of sales tax paid by credit card were made on the former City Manager, Rodney Lucas', credit card. Seven (7) transactions totaling \$86.41 of sales tax paid by credit card were made on the former City Manager, Chandler Williamson's, credit card.

⁵⁵ Three (3) transactions totaling \$82.36 of sales tax paid by credit card were made on the current Vice Mayor, Clara Murvin's, credit card. One (1) transaction of \$5.45 of sales tax paid by credit card was made on the current Mayor, Keith Babb's, credit card. One (1) transaction of \$2.32 of sales tax paid by credit card was made on the former Commissioner, Felisia Hill's, credit card. One (1) transaction of \$1.13 of sales tax paid by credit card was made on the former Commissioner, Benny Everett's, credit card.

Exhibit 10**Sales Tax Paid on Employee Reimbursements by Department**

Department	Questioned & Avoidable Costs	
	Count	Amount
City Manager	3	\$316.56 ⁵⁶
CSC Exec	8	\$34.04
Reimbursement to Non-employee	3	\$11.38
Parks & Recreation	2	\$0.70
Total	16	\$362.68

⁵⁶ Three (3) transactions totaling \$315.56 of sales tax was reimbursed to former City Manager, Greg Thompson.

Exhibit 11**Untimely Payments to Vendors by Department**

Exception	Department	Exceptions		Questioned Costs ⁹	
		Count	Amount	Count	Amount
Construction invoices paid later than 25 days					
	Roads and Streets	19	\$180,110.00	18	\$176,855.00
	Marina & Campground	3	\$6,548.60	3	\$6,548.60
	Sub-total	22	\$186,658.60	21	\$183,403.60
Non-construction invoices paid later than 45 days					
	Legal Counsel	1	\$772.35	1	\$772.35
	Protective Inspections	4	\$7,147.50	4	\$7,147.50
	Cemetery	4	\$702.25	4	\$702.25
	Parks Department	3	\$300.00	3	\$300.00
	Roads and Streets	1	\$41.27	1	\$41.27
	Recreation Department – City	1	\$268.15	1	\$268.15
	Non-Departmental	1	\$412.60	1	\$412.60
	Sub-total	15	\$9,644.12	15	\$9,644.12
Timely payment could not be determined (Invoice was not date stamped)					
	Roads and Street	41	\$0.00	0	\$0.00
	Community Development	41	\$0.00	0	\$0.00
	Recreation Dept. - City	32	\$0.00	0	\$0.00
	Non departmental	16	\$0.00	0	\$0.00
	Marina & Campground	15	\$0.00	0	\$0.00
	Recreation Dept. - PBC	12	\$0.00	0	\$0.00
	City Commission	9	\$0.00	0	\$0.00
	Parks Department	6	\$0.00	0	\$0.00
	Protective Inspections	6	\$0.00	0	\$0.00
	Cemetery	2	\$0.00	0	\$0.00
	City Manager	2	\$0.00	0	\$0.00
	Finance and General Accounting	2	\$0.00	0	\$0.00
	Legal Counsel	2	\$0.00	0	\$0.00
	City Clerk	1	\$0.00	0	\$0.00
	Comprehensive Planning	1	\$0.00	0	\$0.00
	IT/GATV Access	1	\$0.00	0	\$0.00
	Payroll & Human Resources	1	\$0.00	0	\$0.00
	Sub-total	190	\$0.00	0	\$0.00
	Total	227	\$196,302.72	36	\$193,047.72

Exhibit 12**Underpayment of Per Diem (meals and mileage)**

Department	Exception Count	Questioned Cost ⁹
City Commission	35	\$1,023.00
City Manager	1	\$51.00
City Clerk	1	\$35.00
Community and Economic Development	1	\$11.00
TOTAL IDENTIFIED COST	38	\$1,120.00

Overpayment of Meals Per Diem

Department	Exception Count	Identified Cost
Human Resources	1	\$19.00
Parks and Recreation	1	\$5.00
City Commission	1	\$5.00
TOTAL	3	\$29.00

Lack of Sufficient Documentation (No Conference Schedule Provided)

Department	Exception Count	Questioned Cost
City Manager	1	\$78.00
City Commission	1	\$78.00
TOTAL	2	\$156.00

Overpayment of Mileage

Department	Exception Count	Identified Cost
Community and Economic Development	6	\$50.25
Parks and Recreation	1	\$11.80
TOTAL	7	\$62.05

Disallowed Fuel Reimbursement

Department	Exception Count	Identified Cost
Cemetery	1	\$5.28
TOTAL	1	\$5.28

Lack of Sufficient Documentation for Fuel Expenses

Department	Exception Count	Questioned Cost
City Commission	17	\$603.65
Finance	13	\$476.37
TOTAL	30	\$1,080.02

Exhibit 13**Lack of Required Travel Forms**

Department	Questioned Cost Count	Questioned Cost⁹
Lack of Travel Request Form (Pre-Travel)		
City Manager	24	\$4,584.04
City Commission	8	\$2,829.33
City Clerk	2	\$787.11
Finance Department	2	\$306.07
Community and Economic Development	5	\$257.57
TOTAL	41	\$8,764.12
Lack of Travel Log (Post-travel)		
City Commission	66	\$32,800.19
Finance Department	3	\$1,387.88
City Clerk	3	\$1,009.00
Community and Economic Development	2	\$598.75
Parks and Recreation	1	\$375.00
Code Enforcement	1	\$363.00
City Manager	1	\$212.20
Public Works	2	\$152.25
Human Resources	1	\$50.00
TOTAL	80	\$36,948.27

ATTACHMENT 1 – CITY OF PAHOKEE'S MANAGEMENT RESPONSE



207 Begonia Drive
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CITY OF
PAHOKEE
FLORIDA

CITY COMMISSIONERS:
Mayor Keith W. Babb, Jr.
Vice Mayor Sanquetta Cowan-Williams
Commissioner Derrick Boldin
Commissioner Everett D. McPherson, Sr.
Commissioner James H. Scott

CHARTER OFFICERS:
Michael E. Jackson, City Manager
Nyrene Clarke, City Clerk
Burnadette Norris-Weeks, City Attorney

Date: April 11, 2025

To: Hillary Bojan, Director of Audit
Office of the Inspector General

From: Michael E. Jackson, City Manager *MEJ*
City of Pahokee

CC: John A. Carey, Inspector General
Office of the Inspector General

Subject: City of Pahokee Accounts Payable Expenditures and
Cash Disbursements Audit – Management Response

On March 19, 2025, the City of Pahokee received the draft audit report from the Office of Inspector General in both a "Summary" and detailed overall "Report," outlining eight (8) findings and nineteen (19) recommendations from an Audit of the City of Pahokee Accounts Payable Expenditures and Cash Disbursements.

Please find the attached document as the City of Pahokee Management Response as recommended by your office. I will await your office's final audit report upon completion of the same.

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FLORIDA

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Michael E. Jackson, City Manager
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City of Pahokee Accounts Payable Expense and Cash Disbursements Management Response

Finding (1): The City did not always comply with its Ordinance, Purchasing Policy, and Credit Card Policy requirements for recording, approving, and receiving purchases.

Management Response:

The City concurs with Findings (1) and will take the following actions to address recommendations (1) through (5) and (16).

(1) The City will seek guidance from legal counsel and/or municipal purchasing management experts to align Purchasing Ordinance requirements related to purchase orders, purchases exceeding \$10,000, and emergency purchases as well as developing a more comprehensive List of exempt Purchases to capture most budgeted and monthly recurring expenditures as it relates to needed Policy Revisions to ensure compliance with revised law. Additionally, City personnel will be retrained and made aware of the revised provisions of the Florida law for local Government as well as revised City Ordinance.

(2) The City Agrees to align its Revised Purchasing Policy requirements. Staff will be retrained to ensure compliance and obtain an appropriate level of approval as it relates to invoice and proper supporting documents to comply with the Policy.

(3) The City will assure that the updated credit card policy requirements related to itemized receipts, City commission oversight, and disciplinary procedures for misuse are implemented and impose disciplinary measures for misuse.

(4) The City in coordination with guidance from legal counsel and/or municipal purchasing management experts to align Purchasing Policy to the revised Ordinance to address and align the recommendation (4) (a) to (4) (h) to ensure compliance with law. Additionally, the City will provide the resources to facilitate employees training and staff will be encouraged to be aware of the Florida law for local government including Prompt Payment for Public Construction Contracts and Public Works Projects. The revised Purchasing Policy will be aligned with Sec.218.74, F.S. related to marking the date and or stamped received date on payment requests and invoices.

(5) The City agrees to update the Credit Card Policy once recommendation (4) above is being addressed and aligned with revised law, rules and compliance requirements. Establish and implement a review and oversight process for the City Commissioners' and City Manager's card purchases. In addition, the City will implement Policy to address proper method(s) via accounts payable and avoid unacceptable purchasing of capital assets and IT Equipment through credit cards.

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(16) The City will be organized to obtain, communicate, or dispose of information to ensure that current versions of the City's written guidance, including but not limited to the Purchasing Ordinance, Purchasing Policy, Credit Card Policy, and Travel Policy and related forms will be placed on the city's website and that all employees and officials are made aware.

Finding (2): The City did not always comply with requirements related to contracts/agreements.

Management Response:

The City concurs with Findings (2) and will take the following actions to address recommendations (15) and (17) (a).

(15) The City will seek guidance from legal counsel and/or municipal purchasing management experts to align the revised policies and procedures with revised law, rules and compliance requirements, including but not limited to the Purchasing Policy, Credit Card Policy, and Travel Policy. Additionally, City personnel will be retrained and made aware of the revised provisions of the Florida law for local Government and the revised City Ordinance as applicable and the revised City Policies. Appropriate level of approval will be obtained from City Commissions for contracts/agreements when applicable.

(17) (a) The City in coordination with legal counsel to seek the recouperation of identified costs including overpayment of contracts to vendors, totaling \$ 14,337.48.

Finding (3): The City did not always follow Florida Statutes and purchasing guidance related to its sale tax exemption and prompt payment to vendors.

Management Response:

The City concurs with Findings (3) and will take the following actions to address recommendations (4) (a) and (17)(c).

(4) (a) The City agrees to align the Purchasing Policy to ensure compliance with the process for expediting and /or vendor payment, including the Prompt Payment for Public Construction Contracts and Public Works Projects. The changes should provide for a more predictable, orderly and timely project close-out and final payment process for construction contractors on local government construction projects in Florida.

(17)(c) The City in coordination with legal counsel to seek recouping identified costs relating to Sales taxes paid to vendors totaling \$1,261.52. Additionally, City personnel will be retrained staff and card holders will be made aware of losing the privilege of the credit card usage for repeating misuse.

Finding (4): The City did not always comply with its Travel Policy requirements.

Management Response:

The City concurs with Findings (4) and will take the following actions to address recommendations (6), (7), (17) (b), (17) (c), (17) (d), and (18).

(6)(a) The City Agrees to align and revise the Travel Policy to address the recommendation as well as develop a device to track and summarize the final travel logs and implement procedures to comply with the revised Travel Policy requirements, as necessary. Card holders as well as Staff will be retrained to ensure compliance. The City to align the updated Travel Policy with Sec. 112.061(7)(d), F.S. related to the current mileage allowance rate. Currently, the City Resolution 2024-03 amending the Per Diem Travel Pursuant to U.S General Services Administration (GSA) Rates for transportation and meals for City Officials and employees--- and is aligned with Travel and Personnel Policies.

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(6)(b) The City Agrees to update the Travel Policy and Replace the term “employee(s)” with “traveler(s)” to encompass all authorized individuals who may incur travel-related expenses for the benefit of the City.

(6)(c) The City will require that the City Manager submit Travel Request forms for approval by the Mayor or a City Commissioner and update the Travel Policy to reflect the Mayor or a City Commissioner as the designated reviewer.

(6)(d) See City response Finding 1 recommendation (3).

(6)(e) The City agrees to the OIG recommendation to update Travel Policy as it relates to requirements for the use of rental vehicles.

(6)(f) The City agrees to the OIG recommendation to revise Travel Request and Travel Log forms to include a signature line for the Finance Director to strengthen the review process of Travel documents.

(7) The City agrees to the OIG recommendation to update the Personnel Rules & Regulations to align with its Travel Policy and Personnel Policy. Currently, the City Resolution 2024-03 and Resolution 2024-04 updated Travel and Personnel Policies, respectively to align with GSA.

(17)(b) The City in coordination with legal counsel to seek the recouperation of the identified costs in the amount of \$ 1,720.96 from the former City Manager, Chandler Williamson’s, relating to OIG investigation relating to Benedict College homecoming weekend travel expenses.

(17)(c) The City in coordination with legal counsel to seek the recouperation of the identified costs in the amount of \$ 1,261.52 related to Sales Taxes paid to vendors.

(17)(d) The City in coordination with the City administration and Commission to seek the recouperation of the identified costs in the amount of \$ 837.00 related to overpayment of travel expenditures.

(18) The City in coordination with the administration and Commission to consider paying the travel underpayments totaling \$1,120.00.

Finding (5): The Former City Manager and Commission members made inappropriate credit card charges which violated City policies.

Management Response:

The City concurs with Findings (5) and will take the following actions to address recommendations (3), (5)(a), and (5)(b).

(3) See the City’s response in Finding 1 recommendation (3)

(5)(a) See the City’s response in Finding 1 recommendation (5)

(5)(b) See the City’s response in Finding 1 recommendation (5)

Finding (6): The City did not always maintain accurate records of capital assets and IT equipment.

Management Response:

The City concurs with Findings (6) and will take the following actions to address recommendations (8), (9), (10) and (11).

(8) The City agrees to the OIG recommendation to ensure effective management of capital assets and IT Equipment. The City will implement a comprehensive system that includes accurate asset tracking, periodic physical examination, clear policies for acquisition, usage, and disposal. The City will conduct a complete physical inventory of all vehicles and in addition to the unit number, department, description and VIN fields currently in the vehicle listing, include at a minimum: Acquisition Date; Purchase price or cost; Custodian of asset; Useful life; Depreciation Method; Accumulated Depreciation; and Condition.

(9) The City will revisit capital asset policy and align it with newly established Capitalization thresholds as well as Depreciation methods; Type of acquisition (purchase, donation); Asset valuation (initial costs, freight, etc.); Asset

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tagging procedures; and Custodian and inventory requirements. The City will adopt sound disposal process, from approval to execution, for all types of disposals including damaged property and the use of a standardized Form to document the disposal and retain documents supporting the sale or disposal.

(10) The City agrees to update the list of all noncapital assets by type such as computer, notebook, monitors, smart phones, cameras since more susceptible to theft, easily converted to personal use. The City will develop and implement a written process for recording, tracking, safeguarding, and disposing of its IT equipment and establish safeguards based on risk analysis as well as monitor the effectiveness of adopted safeguards. By addressing the identified issue will significantly improve the management of noncapital assets that are more susceptible to theft.

(11) The City is committed to, and has already implemented, a written process for collecting City property from employees, including the City Manager, City Clerk, and elected officials upon separation. This is a current policy and is enforced through HR in coordination with Department Heads to ensure all City-issued equipment and materials are retrieved.

Finding (7): The City lacked adequate controls over the vendor master file and sufficient written guidance for generic vendor codes and processing payments to employees and officials.

Management Response:

The City concurs with Findings (7) and will take the following actions to address recommendations (12), (13), (14)(a), and (14)(b).

(12) To maintain adequate controls over vendor master files, the City will implement strict access controls, establish clear procedures for adding, modifying vendor data, and conduct periodic audits to ensure data accuracy and prevent fraud. The account Payable to begin the deactivation of inactive vendors from the City Accounting System.

(13) The City is in the process of updating procedures relating vendor set up creation and maintenance to comply with the requirements for adding and editing vendor records, including addressing vendor code 999999 or any other generic vendor code as well as Ensuring newly created vendor records are reviewed for relevance, accuracy and completeness. Routine review and purging of the vendor master file to identify and resolve inactive, incomplete, and unauthorized or erroneous vendor records.

(14)(a) Currently, all related payroll activities are captured within the Paychex System to clearly capture the employees' W-2 and reporting requirements. The City agrees with the OIG of the identified issue as it relates to the time frame audited.

(14)(b) The City is in the process of implementing a revised written process to address specific criteria for processing payments using vendor code 999999 or any other generic vendor code to avoid noncompliance.

Finding (8): The City lacked sufficient written guidance for IT processes.

Management Response:

The City concurs with Findings (8) and will take the following actions to address recommendations (19).

(19) The City will ensure that the renewal of the IT contract addresses clearly the following: Assign and remove user rights and include a reasonable time for completion, authorize user access, Limit system access requiring unique user IDs and passwords, and provide for user change management (new and terminated employees). The City will update the IT Policy and will be part of the IT contract renewal package.

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