



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2024-A-0005

Royal Palm Beach - Accounts Payable Expenditures and Cash Disbursements

September 20, 2024

Insight – Oversight – Foresight



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AUDIT REPORT 2024-A-0005

DATE ISSUED: September 20, 2024



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ROYAL PALM BEACH - ACCOUNTS PAYABLE EXPENDITURES AND CASH DISBURSEMENTS

SUMMARY

WHAT WE DID

We conducted an audit of the Village of Royal Palm Beach (Village) accounts payable expenditures and cash disbursements process. This audit was performed as part of the Office of Inspector General Palm Beach County (OIG) 2023 Annual Audit Plan.

Our audit focused on the accounts payable expenditure and cash disbursement activities from October 1, 2020 to September 14, 2023.

WHAT WE FOUND

We found the Village had generally adequate controls over the accounts payable expenditures and cash disbursements processes. However, we found the Village did not always comply with its Purchasing Guidelines when employees artificially split purchases to circumvent dollar thresholds for approving purchases. Additionally, the Village had weaknesses with respect to distributing and safeguarding gift cards, business

meeting reimbursements, and managing the vendor master file.

Our audit identified **\$18,892.47** in questioned costs¹ for expenditures that did not comply with the Village's Purchasing Guidelines for splitting purchases to avoid approval dollar thresholds or for insufficient processes and documentation relating to gift cards and meeting reimbursements.

The Village did not always comply with its Purchasing Guidelines dollar thresholds by splitting purchases

We found that six (6) of the 41 (15%) transactions tested, or two (2) purchases, totaling \$11,519.96 did not comply with the Village's Purchasing Guidelines requirement that purchases shall not be artificially divided to circumvent the approval requirements.

We also found that five (5) of the 41 (12%) transactions tested, or two (2) purchases, totaling \$5,236.85 did not comply with the Village's Purchasing Guidelines requirement that purchases of goods or

¹ 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.

services that cost \$2,000 or more be entered into the purchasing system using a requisition/purchase order.

The total amount of **\$16,756.81** is considered question costs for noncompliance with the Purchasing Guidelines.

The Village lacked sufficient documentation and written guidance for distributing and safeguarding gift cards and lacked sufficient documentation for business meeting reimbursements

We found 27 holiday gift cards, totaling \$2,025.00, that lacked sufficient documentation for their distribution and safekeeping. Additionally, the Village did not provide us with any written guidance for the custody and distribution of gift cards, which are at a high risk for theft as a cash equivalent.

We noted two (2) of the 54 sample accounts payable expenditures, totaling \$110.66, to reimburse an employee for meals at a restaurant lacked itemized receipts. The receipts provided to support the expenditures included only the total purchase amount; therefore, we could not verify the items purchased.

The 27 holiday gift cards, totaling **\$2,025.00**, and the business meeting reimbursements, totaling **\$110.66**, are considered questioned costs for a lack of sufficient documentation and/or lack of written guidance.

The Village lacked adequate controls over the vendor master file

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

WHAT WE RECOMMEND

Our report contains three (3) findings and six (6) recommendations. Implementation of the recommendations will assist the Village in strengthening internal controls and help ensure compliance with the Village's written requirements.

The Village concurred with our findings and recommendations.

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

BACKGROUND



The Village of Royal Palm Beach (Village) was incorporated in 1959. The Village enacted its current Charter Ordinance No. 468, adopted February 3, 1994. The Village is located in the central part of Palm Beach County, 10 miles west of the Atlantic Ocean. As of April 1, 2022, the Village's estimated population was 39,345.

The Village operates under the Council-Manager form of government. The Village Council is comprised of four members and the Mayor. The Council members and the Mayor serve two-year staggered terms and are elected at large. The Village Council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring the Village Manager, Treasurer, Clerk, Engineer, and Attorney. The Mayor is the chief executive officer of the Village and shall attend to the proper and effective enforcement of the laws and ordinances of the Village, under the overall supervision of the Village Council, and with the aid of the Village Manager. The Village Manager is responsible for ensuring that all laws, provisions of the Charter and acts of the Village Council, subject to the Village Manager's authority are faithfully executed and appointing Village employees.

During the audit period October 1, 2020 to September 14, 2023, the Village processed 27,134 accounts payable transactions² and 10,421 checks issued totaling \$84,139,339.42.

The OIG FY 2023 Annual Audit Plan had multiple entities selected for Accounts Payable Expenditures and Cash Disbursements audits. We selected the Village of Royal Palm Beach for audit based on minimal prior OIG audit coverage.³

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether:

- Internal controls were adequate for the accounts payable expenditures and cash disbursements;
- Expenditures and cash disbursements were in compliance with requirements; and
- Purchases and invoices were properly documented and approved to avoid possible fraud, waste, and abuse.

The scope of the audit included, but not be limited to, accounts payable and cash disbursement activities from October 1, 2020 to September 14, 2023.

² The accounts payable transactions included 3,806 credit card transactions using the Village's American Express and Home Depot Credit Services credit card accounts, totaling \$777,782.51.

³ In 2016, we reviewed Village controls over vehicle fueling operations. We did not identify any significant risks; therefore, we did not engage the Village for audit. However, we made two (2) suggestions to the Village to strengthen internal controls over vehicle fueling operations. https://pbcgov.com/oig/docs/reports/03222016-RoyalPalmBch-Fleet_Fuel_Review.pdf

The audit methodology included but is not limited to:

- Performing data reliability and integrity assessments of related computer systems;
- Reviewing policies, procedures, and related requirements;
- Performing process walk-throughs and conducting a review of internal controls related to the management of the agreement and associated car rental revenues and fees paid;
- Interviewing appropriate personnel;
- Reviewing records, reports, contracts, and agreements; and
- Performing detailed testing of selected transactions.

As part of the audit, we completed a data reliability assessment for the computer systems used by the Village related to the accounts payable expenditures and cash disbursements process. We determined that the computer-processed data contained in the Village's financial system 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 Village did not always comply with its Purchasing Guidelines relating to dollar thresholds for approving purchases when employees artificially split purchases.

The Village's Purchasing Guidelines state,

**PART II – CODE OF ORDINANCES
Chapter 10 – FINANCE AND TAXATION
ARTICLE VI. PURCHASING GUIDELINES**

...

Sec. 10-94. Delegation of Purchasing authority.

All village purchases must have proper **prior to authorization and approval**. Department directors or their designee(s) are required to approve all purchasing related documents **prior to submitting same to finance for processing**.

The approval levels are as follows (total purchase):

- (a) \$0.00 – \$3,499.00: Department director.
- (b) \$3,500.00 – \$9,999.00: Department director, accounting manager.

- (c) \$10,000.00 – \$19,999.00: Department director, accounting manager, finance director.
- (d) \$20,000.00 – \$50,000.00: Department director, accounting manager, finance director, village manager or designee.
- (e) Over \$50,000.00: Department director, accounting manager, finance director, village manager or designee, village council.

Purchase amounts shall not be artificially divided to circumvent the approval requirements. Willful violation of these rules will result in termination of purchasing authority for the individual and/or department and may further result in disciplinary action against the individual committing the violation. [Emphasis added]

...

Sec. 10-96. Processing of contract for the provision of commodities or services.

- (a) Field purchase orders. All purchases of goods or services with a total cost less than two thousand dollars (\$2,000.00) shall be entered into the purchasing system using field purchase orders.
- (b) Requisitions/purchase orders. All purchases of goods or services that cost two thousand dollars (\$2,000.00) or more shall be entered into the purchasing system using a requisition/purchase order.
- (c) [Exceptions.] The exceptions to the issuance of a purchase order are:
 - (1) Those goods or services which are exempt from the competitive procurement requirements as listed in section 10-98(b) and (d);
 - (2) Inventoried items (i.e. postage, gas);
 - (3) Insurance expenditures; and
 - (4) Maintenance services provided under the terms of an existing maintenance contract.

We performed data analysis on the total population of accounts payable transactions to identify high risk transactions for detailed testing. The data analysis procedures analyzed accounts payable transaction characteristics such as vendor name, purchase date, amount, and description to identify purchases that were potentially unauthorized, duplicates, split to circumvent purchasing limit, or exceeded purchasing limits. We selected 41 accounts payable expenditure transactions, which were identified as potential split purchases because the transactions were for the same vendor and on or close to the same invoice date. We reviewed the source and supporting documentation of each transaction to determine if purchases were split into separate transactions to circumvent the approval requirements in the Village's Purchasing Guidelines.

We found 6 of the 41 (15%) transactions tested were for two (2) purchases, totaling \$11,519.96, which did not comply with the Village's Purchasing Guidelines requirement that purchases shall not be artificially divided to circumvent approval requirements.

One (1) of the two (2) purchases was a rental for a Village event that was held over the course of a weekend. The purchase totaled \$3,520.00 and was split into two transactions with separate field purchase orders based on the day and approved by the department director only. Purchases of \$3,500 to \$9,999 must be approved by the department director and accounting manager. The Village informed us that the department did not understand that the purchase was determined by the entire event not by the day.

One (1) of two (2) purchases was for driving range golf balls, which totaled \$7,996.96, and was split into four (4) transactions of \$1,999.99 made over the course of 45 days, each with separate field purchase orders each approved by the department director only. The total purchase should have been approved by the department director and accounting manager. The Village informed us that the department did not understand that the purchase was determined by the amount needed for the entire year. They stated they were purchasing what was needed at that time and complying with the purchasing policy for that purchase only.

These two (2) purchases also exceeded the \$2,000.00 limit for using a field purchase order and required a requisition and purchase order to be in compliance with the Purchasing Guidelines.

A split purchase is the intentional breaking down (splitting) of a known requirement to stay within purchase limits to avoid (get around) established procurement requirements.

We also found an additional two (2) purchase that did not comply with the Village's Purchasing Guidelines requirement that purchases of goods or services that cost \$2,000 or more be entered into the purchasing system using a requisition/purchase order. These two (2) purchases were split into five (5) (12%) transactions, totaling \$5,236.85,

One (1) of the two (2) purchases was a rental for a Village event that held was over the course of a weekend and totaled \$3,005.25. The purchase was split into three (3) transactions with separate field purchase orders based on the day. The Village informed us that the department did not understand that the purchase was determined by the entire event not by the day.

One (1) of two (2) purchases was for bike rodeo trail signs, which totaled \$2,231.60, and was split into two (2) transactions of \$1,115.80 each with separate field purchase orders. The Village informed us that the department purchased 30 signs and then realized that was not enough and purchased 30 more.

These purchases are considered questioned costs totaling **\$16,756.81** for noncompliance with the Purchasing Guidelines. The Village is exposed to an increased risk for fraud,

waste, and abuse if the Village's spending does not comply with its Purchasing Guidelines.

The Village stated that this issue has been corrected with training and further review by the Finance Department. The Village further stated that the Finance Department has implemented more reviews to catch split transactions and to ensure that Purchasing Guidelines are followed.

Recommendations:

- (1) The Village enhance the purchasing review and oversight process to identify purchases of the same kind and from the same vendor and ensure they are processed and approved in compliance with its Purchasing Guidelines requirement for purchasing authorization and processing.**
- (2) The Village ensure departments and purchase approvers are advised that splitting purchases is a violation of the Purchasing Guidelines, and that the Purchasing Guidelines require that the purchase of goods and services with a *total cost* of \$2,000.00 more be entered into the purchasing system using a requisition/purchase order.**

Management Response:

The Village concurs with the finding and the recommendations. The Village has already strengthened the purchasing review process within the Finance Department by having the Finance Technician review all invoices for compliance to the Purchasing Guidelines. Additionally, the Village will conduct training with all employees who purchase or approves purchases by the end of October 2024.

Finding (2): The Village lacked sufficient documentation and written guidance for gift cards and lacked sufficient documentation for business meeting reimbursements.

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 Opinion⁴ (AGO) 98-81 states,

It is a basic premise that municipal funds may be used only for a municipal 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.

We performed data analysis on the total population of accounts payable transactions to identify high risk transactions for detailed testing. The data analysis procedures analyzed accounts payable transaction characteristics such as vendor name, purchase date, amount, and description to identify purchases that were potentially unauthorized, duplicates, split to circumvent the purchasing limit, or exceeded the purchasing limit. We selected a sample of 54 accounts payable expenditure transactions and 14 purchasing card expenditures and reviewed source and supporting documentation to determine whether the expenditures were accurate, adequately supported, and met applicable written requirements.

Gift Cards

Three (3) of the sample accounts payable expenditures, totaling \$22,188.75, that we tested were for \$75 Publix holiday gift cards provided to Village employees and volunteers in fiscal years 2021 and 2023. Village employees and volunteers documented their receipt of a gift card by signing a log with the recipients printed name; yet the gift card numbers and date of distribution were not documented on the log. The Village provided the logs documenting the distribution of 155 of 170 gift cards purchased for fiscal year 2021 and 148 of the 160 gift cards purchased for fiscal year 2023. After we inquired about the distribution or custody of the remaining 27 gift cards. The Village informed us that five (5) of the fiscal year 2023 gift cards were mailed to the members of a Village committee, so no signatures were obtained. The remaining 22 gift cards were locked in the Village Manager's Executive Administrative Assistant's desk.

The 27 fiscal year 2021 and 2023 holiday gift cards lacked sufficient documentation for their distribution and safekeeping, e.g. a log of the gift card numbers, the recipient, and the reason for distribution. Additionally, the Village did not provide us with any written guidance for the custody and distribution of gift cards, which are at a high risk for theft as a cash equivalent. The Village informed us the remaining gift cards have been moved from the Village Manager's Executive Administrative Assistant's desk to the Finance Department safe, and that a log will be created to record the extra gift cards and how they are used along with a signature for receipt.

⁴ 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."

Business Meeting Reimbursements

Two (2) of the sample accounts payable expenditures, totaling \$110.66, were to reimburse an employee for meals at a restaurant. The meetings were described as “Pinto/Tuttle lunch meeting” and “Business Lunch”. The documentation provided to support these expenditures included the individuals that attended the lunch meetings; however, the receipts were not itemized and included only the total purchase amount. Therefore, we could not verify the items purchased. We requested the reason for the meetings and why they were not held at the Village Hall during non-meal times. For the “Pinto/Tuttle lunch meeting,” the Village informed us that it is the Mayor’s preference to have lunch meetings, and this meeting was with a developer so the Village paid. The “Business Lunch” meeting was to welcome a newly hired department director, which is a Village practice and an expense that is included in the budget.

The Village’s Purchasing Guidelines did not provide guidance or requirements specific to expenditures related to business meeting reimbursements. The Village referred us to the Human Resources Policy & Procedure Manual, Chapter 4: Length of Service Awards, which did not include guidance related to business meeting reimbursement expenditures.

The Village lacked sufficient written guidance establishing the required documentation to support business meeting reimbursements, such as itemized receipts, attendees, and documented public purpose.

The 27 holiday gift cards, totaling **\$2,025.00**, and the lunch meeting expenditures, totaling **\$110.66**, are considered questioned costs for a lack of sufficient documentation. A lack of sufficient documentation for expenditures decreases transparency and increases the risk for fraud, waste, and abuse.

Additionally, a lack of sufficient written guidance for the custody and distribution of gift cards increases the risk of understating employee income, loss, or theft.

Recommendations:

- (3) The Village maintain sufficient documentation, including but not limited to gift card logs documenting the gift card numbers and values, recipients, reasons for distribution for all gift cards purchased, and independent review or reconciliation of the documentation and any remaining gift cards; and itemized receipts, attendees, and documented public purpose for all business meeting reimbursements.**
- (4) The Village implement written guidance for the custody and distribution of gift cards provided to employees, volunteers, or others that ensures sufficient accountability for and safeguarding of gift cards, including but not limited to maintaining a gift card log that documents the gift card number and value, recipient, reason for distribution for all gift cards purchased, and independent review or reconciliation of the documentation and any remaining gift cards.**

Management Response:

The Village concurs with the finding and recommendations. The Village has created a gift card log containing the gift card numbers, values, type of gift card, date, purpose and recipient's name and signature. The Village will conduct an annual audit of the gift cards and documentation. The Village has already implemented the requirement of itemized receipts, list of attendees, and documented public purpose for all business meeting reimbursements. This will also be included in the upcoming training. Additionally, the Village will develop and implement written guidance for gift cards and train staff by the end of December 2024.

Finding (3): The Village lacks adequate controls over the vendor master file.

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.⁵

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 duplicate and inactive vendors.

During our walk-through, Village personnel informed us that there is no periodic review of the vendor master file for inactive vendors or incorrect vendor information. In addition, we were informed that the Finance Technician creates and updates vendor records in the master file; however, after the vendor record is created in the master file, there is no further review.

Our data analyses found the following:

- There were 2,804 active vendor records that were not issued any payments during our two-year audit period and were potentially inactive records.

⁵ This best practice is provided by the Association of Government Accountants, Internal Controls - Information Systems & Technology: <https://www.agacgfm.org/Tools-Resources/intergov/Internal-Controls/Tools-by-Business-Process/Information-Systems-Technology.aspx>

- There were 462 active vendor records that had the same Tax ID number and/or vendor name and were potentially duplicate records; and
- There were 42 active vendor records that lacked a Tax ID number and were potentially incomplete records.⁶

Of the 2,804 potentially inactive vendor records, the Village confirmed:

- 2,360 will be deactivated; and,
- 444 had payments issued in the last five years and should remain active.

Of the 462 potentially duplicate vendor records, the Village confirmed:

- 117 had no payment activity in the past five years and will be deactivated; and,
- 15 were duplicate vendor records that will be deactivated.

Of the 42 potentially incomplete vendor records, the Village confirmed:

- 33 had no past payment activity in the past five years or no expected future payment activity and will be deactivated;
- 5 will be updated to include the Tax ID number; and,
- 4 were petty cash accounts, employee reimbursement accounts, or government organizations for which a Tax ID is not necessary.

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

Vendor records without any payment activity for an extended period or that are incomplete or duplicative of established vendor records 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.

Recommendations:

- (5) The Village deactivate the vendors records it confirmed were duplicates, inactive, or had no expected future payment activity and update the vendor records it confirmed should have a Tax ID number.**
- (6) The Village implement a process to help ensure newly created vendor records are reviewed for relevance, accuracy, and completeness by the Finance Technician's supervisor or an individual with no responsibilities in the accounts payable process; and that there is an established routine**

⁶ Some of the vendor records noted in this section were included in more than one category. E.g. A vendor record may have been included in the count for potentially inactive records and also in the count for potentially duplicate records.

review and purging of the vendor master file to identify and resolve inactive, incomplete, and unauthorized or erroneous vendor records.

Management Response:

The Village concurs with the finding and recommendations. The Village will update the vendor records to deactivate duplicates/inactive vendors and update those vendors that were missing Tax ID numbers by the end of October 2024. Additionally, the Village will develop and implement a vendor management policy and procedures by the end of December 2024.

ADDITIONAL NON-FINDING ITEM

Additionally, we found the amount expended for retirement celebrations for three (3) employees varied significantly and were not based on established criteria, e.g., longevity, position, etc. The Village lacked sufficient written guidance establishing spending limits and guidelines for retirement celebrations. Written criteria relating to expenditures for employee retirement celebrations ensures accountability, transparency, and consistency relating to the funds expended.

Retirement Celebrations

Four (4) of the sample purchasing card expenditures, totaling \$822.19, and three (3) of the sample accounts payable expenditures, totaling \$229.14, that we tested were expenses for two employees' retirement celebrations and posted to the Promotional Activities account. Due to the disparity in amounts expended for each employee in our sample, we expanded our testing to identify all retirement party expenditures during our audit period, which are summarized in the Chart below.

Employee	Account Number	Fiscal Year	Amount
Employee 1	001-4100-541.48-90	2023	\$345.57
	407-3800-538.48-90	2023	<u>\$271.52</u>
			\$617.09
Employee 2	001-1100-511.48-90	2023	<u>\$234.63</u>
			\$234.63
Employee 3	001-4100-541.48-90	2023	\$909.06
	407-3800-538.48-90	2023	<u>\$714.27</u>
			\$1,623.33
		Total	\$2,475.05

Employee retirement celebration expenditures lacked consistency because they were not based on established criteria, e.g., *longevity, positions, etc.* Additionally, we found the

total amount expended in the Promotional Activities general ledger account (001-4100-541.48-90) of \$1,254.63 exceeded the budgeted amount of \$750.00.

A lack of sufficient written guidance for expenditures such as employee retirement celebrations increases the risk of inconsistent, inequitable, and/or concealed spending of public funds.

Suggestion:

We suggest that the Village implement written guidance for expenditures related to retirement celebrations that establishes fair and consistent spending limits and guidelines and required documentation that promotes transparency, including, but not limited to itemized receipts, attendees, and public purpose.

Management Response:

The retirement celebrations are budgeted expenses however some employees may not want the same type of celebration which would result in different expense amounts. The Village has already implemented the requirement of itemized receipts, list of attendees, and documented public purpose for these celebrations. This will also be included in the upcoming training.

SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS IDENTIFIED IN THE AUDIT

Questioned Costs

Finding	Description	Questioned Costs
1	Noncompliance with purchasing guidelines for splitting purchases	\$16,756.81
2	Lack of documentation over holiday gift cards and lunch meetings	\$2,135.66
	TOTAL QUESTIONED COSTS	\$18,892.47

ACKNOWLEDGEMENT

The Inspector General’s audit staff would like to extend our appreciation to the Village of Royal Palm Beach’s staff for their assistance and support in the completion of this audit.

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

ATTACHMENT

Attachment 1 –Village of Royal Palm Beach’s Management Response

ATTACHMENT 1 – VILLAGE OF ROYAL PALM BEACH'S MANAGEMENT RESPONSE



Village of Royal Palm Beach, Florida

1050 Royal Palm Beach Boulevard Royal Palm Beach, Florida 33411
Telephone (561) 790-5103 Fax (561) 790-5174 E-mail: rlg@royalpalmbeachfl.gov

Raymond C. Liggins, P.E.
Village Manager

September 19, 2024

Hillary Bojan
Director of Audit
Palm Beach County Office of Inspector General
100 Australian Ave. – 4th Floor
West Palm Beach, FL 33406

RE: Draft Audit Report, Village of Royal Palm Beach – Audit of Accounts Payable Expenditures and Cash Disbursements

Dear Ms. Bojan:

The Village of Royal Palm Beach received the draft report of the Palm Beach County Office of Inspector General (OIG) dated September 4, 2024, regarding Accounts Payable Expenditures and Cash Disbursements.

The audit found that the Village had generally adequate controls over the accounts payable expenditures and cash disbursement process. However, the audit identified \$18,892.47 in questioned costs for expenditures during the audit period which is approximately .02% of the total accounts payable transactions during that period.

The Village concurs with the three (3) findings and six (6) recommendations of the audit, and we will take this opportunity to strengthen our procedures and processes. Please find below the Village's response to the findings and recommendations.

Finding (1): The Village did not always comply with its Purchasing Guidelines relating to dollar thresholds for approving the purchases when employees artificially split purchases.

- **Recommendation (1):** The Village enhance the purchasing review and oversight process to identify purchases of the same kind and from the same vendor and ensure they are processed and approved in compliance with its Purchasing Guidelines requirement for purchasing authorization and processing.

Management Response (1): The Village concurs with the finding and recommendation. The Village has already strengthened the purchasing review process within the Finance Department by having the Finance Technician review all invoices for compliance to the Purchasing Guidelines.

Fred Pinto
Mayor

Jeff Hmara
Vice Mayor

Selena Samios
Councilwoman

Jan Rodusky
Councilwoman

Richard Valuntas
Councilman

Raymond C. Liggins P. E.
Village Manager

- **Recommendation (2):** The Village ensure departments and purchase approvers are advised that splitting purchases is a violation of the Purchasing Guidelines, and that the Purchasing Guidelines require that purchases of goods and services with the total cost of \$2,000.00 or more be entered into the purchasing system using a requisition/purchased order.

Management Response (2): The Village concurs with the finding and recommendation. The Village will conduct a training with all employees who purchase or approves purchases by the end of October 2024.

Finding (2): The Village lacked sufficient documentation and written guidance for gift cards and lacked sufficient documentation for business meeting reimbursements.

- **Recommendation (3):** The Village maintain sufficient documentation, including but not limited to gift card logs documenting the gift card numbers and values, recipients, reasons for distributions for all gift cards purchased, and independent review or reconciliation of the documentation and any remaining gift cards; and itemized receipts, attendees, and documented public purpose for all business meeting reimbursements.

Management Response (3): The Village concurs with the finding and recommendation. The Village has created a gift card log containing the gift card numbers, values, type of gift card, date, purpose and recipient's name and signature. The Village will conduct an annual audit of the gift cards and documentation. The Village has already implemented the requirement of itemized receipts, list of attendees, and documented public purpose for all business meeting reimbursements. This will also be included in the upcoming training.

- **Recommendation (4):** The Village implement written guidance for the custody and distribution of gift cards provided to employees, volunteers, or others that ensures sufficient accountability for and safeguarding of gift cards, including but not limited to maintaining a gift card log that documents the gift card number and value, recipient, reason for distribution for all gift cards purchased, and independent review or reconciliation of the documentation and any remaining gift cards.

Management Response (4): The Village concurs with the finding and recommendation. The Village will develop and implement written guidance for gift cards and train staff by the end of December 2024.

Finding (3): The Village lacks adequate controls over the vendor master file.

- **Recommendation (5):** The Village deactivate the vendors records it confirmed were duplicates, inactive, or had no expected future payment activity and update the vendor records it confirmed should have a Tax ID number.

Management Response (5): The Village concurs with the finding and recommendation. The Village will update the vendor records to deactivate duplicates/inactive vendors and update those vendors that were missing Tax ID numbers by the end of October 2024.

- **Recommendation (6):** The Village implement a process to help ensure newly created vendor records are reviewed for relevance, accuracy, and completeness by the Finance Technician's supervisor 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.

Management Response: The Village concurs with the finding and recommendation. The Village will develop and implement a vendor management policy and procedures by the end of December 2024.

Non-Finding Item: Retirement Celebrations

- **Suggestion:** The Village implement written guidance for the expenditures related to retirement celebrations that establishes fair and consistent spending limits and guidelines and required documentation that promotes transparency, including but not limited to itemized receipts, attendees, and public purpose.

Management Response: The retirement celebrations are budgeted expenses however some employees may not want the same type of celebration which would result in different expense amounts. The Village has already implemented the requirement of itemized receipts, list of attendees, and documented public purpose for these celebrations. This will also be included in the upcoming training.

On behalf of the Village, I want to thank you and your team for your recommendations to improve and strengthen the Village's procedures and controls.

Sincerely,



Raymond C. Liggins
Village Manager

CC: John A Carey, Inspector General
Sharon Almeida, Finance Director