



John A. Carey  
Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

*“Enhancing Public Trust in Government”*

# **Audit Report**

## **2014-A-0005**

### **September 22, 2014**

*“Provide leadership in the promotion of accountability and  
integrity of Government in Palm Beach County”*



**OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY  
CITY OF BELLE GLADE  
AUDIT OF CASH DISBURSEMENTS  
AUDIT REPORT: 2014-A-0005**

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*"Enhancing Public Trust in Government"*

## SUMMARY RESULTS AT A GLANCE

### What We Did

We audited cash disbursement controls at the City of Belle Glade (the "City"). Our audit procedures included sampling 116 check transactions totaling over \$1.8 million, and credit card charges totaling \$22,422 recorded on 16 credit card statements transacted during fiscal years 2012 and 2013.

### What We Found

Policies, procedures and controls governing cash disbursements were generally adequate. With noted exceptions, most payments that we tested were properly authorized, approved and supported by adequate documentation.

We identified certain deficiencies related to contracting, use of City credit cards, authorizations for large dollar payments, and the need for additional segregation of duties in the accounts payable process. We also identified payments to retiring employees that may not comply with State statute.

These deficiencies resulted in identifying \$47,268 in questioned costs<sup>1</sup> from our sample (3% of the dollar value of our sample). Of that amount, \$9,218

represents sampled payments on two contracts that expired in 2008 and have not been competitively procured in accordance with City Ordinance.

Our audit identified additional questioned costs for payments outside our sample. We included all of the remaining payments (\$988,195) made on the two expired contracts since 2008.

Our audit identified total questioned costs of \$1,044,625 as itemized on page 14.

In our review of credit card transactions we found that the City needs to establish additional guidance that defines allowable and unallowable expenditures.

Following is a summary of the deficiencies we identified during our audit:

We noted several findings with respect to contracting controls:

- The City did not follow its competitive procurement Ordinance by continuing to operate under two large contracts that expired in 2008. The City lacks a contract management process to track and monitor contracts, which contributed to the City not identifying that these two contracts have been expired for almost six years.

<sup>1</sup> Questioned costs can include costs incurred pursuant to a potential violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, and/or a finding that such costs are not supported by adequate documentation, and/or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable in amount. As such, not all questioned costs are indicative of potential fraud or waste.

- Third parties performed work for the City related to the Youth Empowerment Center lacking a contract or volunteer agreement, contributing to \$12,000 in settlement payments.
- The City did not adequately document work performed on a contract awarded under a grant program administered by the County. The City later made a \$10,000 settlement payment to the contractor. However, because of a lack of documentation, the City was not able to obtain reimbursement under the grant.
- There is a segregation of duties weakness in that the same employee can prepare items for payment and enter vendors into the City's vendor master file. This increases the risk of fraudulent or erroneous payments.

We also identified payments of a benefit (bonus) to retiring employees made in fiscal years 2012 and 2013 totaling \$5,674. The payments were made pursuant to a City Ordinance, in effect since 1990 and amended in 1995, which may conflict with State statute.

### What We Recommend

We made 14 recommendations to assist the City in improving controls and ensuring operational compliance with policies and procedures.

### Correction of Previously Issued Audit Report

On August 28, 2014, the OIG issued audit report 2014-A-0005, City of Belle Glade Audit of Cash Disbursements. On August 29, 2014, additional information was brought to our attention by a former City Manager relative to Finding 2. We previously reported the following:

*The City executed an employment contract amendment with a former City Manager that contained a substantial severance provision not approved by the City Commission. This resulted in a settlement payment of \$225,000 after the former City Manager was terminated.*

Based on our review of the additional information, and records we subsequently obtained from the City Clerk, we determined that the basis for Finding 2 was not correct. The records show that

In our review of credit card expenditures, we identified charges totaling \$10,070 that included expenses such as meals for groups of employees and citizens and travel expenses such as hotel room upgrades, extended stays at conferences/meetings, and use of a City employee to drive City Commissioners to multi-day conferences. The City needs to establish additional guidelines on whether such expenditures have a business or public purpose.

We also found that the City could potentially earn as much as \$1,252 from pursuing a cash back rebate on its credit card spending.

We identified the following two areas where internal controls over payment processing need strengthening:

- For cash disbursements above certain dollar thresholds, additional levels of authorization should be required beyond the current Finance Department approval.

the City Commission had approved the former City Manager's employment contract containing the severance clause. This occurred at a December 19, 2007 Special Meeting the record of which was not posted on the City's website and was not provided to us during the audit. The meeting followed the December 17, 2007 regular Commission meeting cited in our previously issued report.

Accordingly, we are reissuing the report and Finding 2 in the previously issued report has been removed along with the associated recommendation and questioned costs of \$225,000.

All other findings and recommendations from the previously issued report are unchanged and have been renumbered for this report.

## BACKGROUND

The City of Belle Glade is located in western Palm Beach County on the southeast corner of Lake Okeechobee. The City has a commission/city manager form of government.

The City's expenditures were \$12.3 million and \$12.1 million in fiscal years 2012 and 2013, respectively.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to:

1. Determine if internal controls were in place and adequate to govern cash disbursements made by City check, credit card, wire transfer, and petty cash.
2. Determine whether cash disbursement transactions were executed in compliance with such controls, including if expenditures were of a nature that have a clear public purpose or public benefit.

Cash disbursement transactions selected for review occurred between October 1, 2011 and September 30, 2013 (fiscal years 2012 and 2013). The total value of our sampled checks was \$1,812,933 and included 116 transactions. We sampled \$22,422 in credit card charges recorded on 16 credit card statements. Our audit procedures included but were not limited to:

- Evaluating the internal control procedures over monitoring and approving cash disbursements;
- Interviewing City personnel in order to gain an understanding of the controls and ascertain operational compliance;
- Evaluating compliance with applicable policies and procedures;
- Selecting various samples of cash disbursements and credit card charges from City records;
- Reviewing any available supporting documentation, and in some cases pursuing relevant documentation from third parties.

Payroll was excluded from our scope and may be the subject of a future 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**

We found that overall, policies, procedures and controls governing cash disbursements were adequate. With the noted exceptions discussed below, most payments we tested in our sample were properly authorized, approved and supported with appropriate documentation.

**CONTRACT CONTROLS****Finding (1): THE CITY DID NOT CONSISTENTLY COMPLY WITH THE CITY ORDINANCE THAT REQUIRES COMPETITIVE PROCUREMENT**

Included among our sample of cash disbursements were four payments to two vendors: J.E. Wilson & Son, Inc. ("Wilson"), the fuel vendor, and Aramark Uniform Services ("Aramark"), the uniform services provider. We noted that the City has not complied with City Ordinance 13-02, section 2-431(d) (6) requiring Commission authorization and competitive procurement as both the Wilson and Aramark contracts expired in 2008, and the City continues to purchase from the vendors. The City may have realized savings had the contracts been competitively bid on a timely basis. In addition, we noted payments to three additional vendors that lacked evidence of having obtained the required written quotes prior to procuring the goods/services.

1. The City contracted with Wilson in 2002 to supply gas and diesel fuel for use in City vehicles and equipment for a two year period. The contract contained a provision for automatic renewals for two successive two year terms unless either party opted out. Both two year renewal periods commenced and the contract ultimately expired in September 2008. However, the City continues to purchase fuel using this vendor, under the terms of the expired contract. In addition, although not required by City ordinance, the contract was not brought before the Commission for review prior to the automatic renewals taking effect at both two year intervals.

At the time of the original fuel contract award, Commissioners expressed concern that additional alternative vendors had not been contacted directly by the City in order to call attention to the City's request for proposals, which may have reduced competition. Wilson was the only respondent at that time, which highlights the urgency for the City to conduct a timely and effective competitive procurement process. Also, operating without a valid contract puts the City at risk should the vendor cease to satisfactorily perform under the now expired contract.

We recognize that the City has continued to obtain fuel from Wilson under the same terms and conditions provided for in the expired contract. However, due to the lack of Commission authorization, absence of competition, and lack of a valid contract, we have included \$959,770, the amount spent after contract expiration through May 27, 2014, as questioned costs.

2. The City entered into an agreement with Aramark in March 2005 for uniform purchases, rentals, and laundry services. The contract was “piggybacked” from the contract between Aramark and the Martin County Board of County Commissioners (“Martin County”), executed in September 2003. Martin County’s contract was for a five year period with two one year options to renew. Since the City did not include a new term period in the contract, it expired in September 2008. The City continued purchasing \$37,643 in uniform services after the expiration of the contract through May 27, 2014, which we have identified as questioned costs in the absence of Commission authorization, competitive procurement, and a valid contract. Just as with the Wilson fuel contract, the City is at risk by continuing to operate without a valid contract.
3. The City was unable to provide evidence that three written quotations had been obtained prior to the selection of and payments of \$8,216 to three other vendors noted in our sample. According to City Ordinance 13-02, section 2-431(d) (2) (C), each purchase over \$500 must have three written quotes prior to award. Without the required written quotes, there is no assurance that the goods or services were purchased at the lowest cost.

With respect to items (1) & (2) above, we noted that the City does not have a contract management system in place to track contract status, which contributed to the lack of starting a timely competitive procurement process in advance of the expiration of contracts.

**Finding (2): CLAIMS AGAINST THE CITY RESULTING IN PAYMENTS WERE RELATED TO WEAK VENDOR/CONSULTANT CONTRACT CONTROLS INCLUDING LACK OF FORMAL AGREEMENTS AND DOCUMENTATION OF PERFORMANCE**

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During our testing of cash disbursements, included in our sample were three payments totaling \$22,000 representing settlements of one disputed vendor contract and two alleged unwritten agreements with individuals that performed services for the City’s Youth Empowerment Center (the ‘YEC”). Our review of documentation related to the payments disclosed the following:

1. The City did not document the performance of one of three providers under contract to provide services to the YEC. We requested and reviewed City records concerning the contract. The contractor made a request for payment of \$20,000 and in December 2011, the City Commission authorized a payment to the contractor of \$10,000. The City was unable to provide documentation that substantiated that any services had been rendered by the contractor. In addition, the contract was executed as part of a grant program administered by the County’s Criminal Justice Commission (CJC). When we contacted CJC, we were informed that the City was not reimbursed any money for this contract. Had procedures been in place to document contract performance, either the

settlement could have been avoided or the cost could have been reimbursed under the grant program.

2. The City did not document a volunteer agreement or services contract with two individuals who performed work on an agricultural training project involving City youth through the YEC. The individuals worked on the project and subsequently requested \$10,000 each in compensation, stating that a verbal agreement with the City existed regarding their activities. In December 2011, the Commission authorized payments totaling \$12,000 (\$6,000 to each individual). We were not provided documentation that identified the specific deliverables and corresponding days/hours worked. Given the lack of documentation, we cannot substantiate the validity of the payment.

The lack of active contract management and documentation resulted in disputes with the contractor and the two individuals, and total questioned costs of \$22,000.

### **Recommendations:**

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- (1) The City Manager should ensure compliance with City Ordinance 13-02, Purchasing, including ensuring all contracts are properly competed and approved by the Commission.**
- (2) The City Manager should direct the establishment of a contract management process. The process may be supported by tracking:**
  - a. A list of department contracts and the status of those contracts;**
  - b. Contract pricing;**
  - c. A list of contract liaisons and the specific contracts monitored by those liaisons;**
  - d. Proof of insurance documents provided by vendors engaged in contracts with the department;**
  - e. Dates of contract expiration; and**
  - f. Terms of the contract for termination.**
- (3) The City Manager should propose a policy that ensures all contracts containing an auto-renewal provision are brought to the Commission in a timely manner before the contract renewal date. This provides the Commission with an opportunity to revisit the contract and determine if the vendors' services are justified for an additional term and/or if competition should be sought.**
- (4) The City should seek to obtain new contracts through a competitive procurement process for fuel and uniform services.**



- (5) The City Manager should ensure that the City has a formal, documented contract in place prior to any company or individual performing significant work for the City.

#### Summary of Management Response:

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The City does not concur with Finding (1) and states that "...the Finding should only apply to certain noted exceptions". However, the City concurs with recommendations (1) - (4) that are related to the exceptions. The City concurs with Finding (2).

- (1) The City concurs with the recommendation and seeks to ensure compliance with City Ordinance 13-2, Purchasing, including ensuring that all contracts are properly competed and approved by the Commission.
- (2) The City concurs with the recommendation and is in the process of implementing a contract management process whereby all contracts are tracked.
- (3) The City concurs with the recommendation and seeks to ensure that all contracts containing an auto-renewal provision are brought to the Commission in a timely manner before the contract renewal date.
- (4) The City concurs with the recommendation and has already obtained a new contract for uniform services and is in the process of competitively procuring its fuel needs.
- (5) The City concurs with the recommendation and seeks to ensure that the City has a formal, documented contract in place prior to any company or individual performing significant work for the City.

### CITY CREDIT CARDS

#### Finding (3): THE CITY NEEDS TO ESTABLISH ADDITIONAL GUIDANCE THAT DEFINES ALLOWABLE AND UNALLOWABLE EXPENDITURES

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The City provides a credit card to certain individuals for the purpose of business travel and/or small item expenditures. Currently there are nine credit cards issued, one to each City Commissioner and four to selected City employees.

We sampled monthly City credit card statements and reviewed charges on those statements totaling \$22,422 (36%) of the \$62,578 charged on all credit cards during the audit period. Our review identified charges totaling \$10,070 that included expenses such as local meals for groups of employees and citizens and travel expenses such as hotel room upgrades, extended stays at conferences/meetings, and use of a City employee to drive City Commissioners to multi-day conferences.

While these expenses were backed up by receipts, there was no additional documentation to support the business or public purpose for these types of expenses. Two of the purchases involving meals for groups of employees and citizens were submitted to the City Commission for approval after the purchases were made. While the City Commission approved the purchases as having a public purpose, there has been no additional guidance issued to define under what conditions these types of purchases are permissible.

We also identified one travel expenditure involving a hotel room upgrade and a room service charge that was identified by City finance staff as "not within the City's travel policy or practice". However, the expenses were paid and no reimbursement to the City was required. Nothing in the City's travel policy addresses whether these items are permissible or when additional justification is required. In fact, the City's travel policy is limited in guidance. It states that the City will determine travel costs in accordance with Internal Revenue Service (IRS) publications. However, IRS rules are intended to provide guidance for taxpayers regarding what travel expenses are deductible for federal income tax purposes and therefore are not instructive for public officials in determining how public funds should be used for official travel.

Municipalities, through the 1973 "Municipal Home Rule Powers Act" (Home Rule Act), have additional discretion in the expenditure of municipal funds. However, it is the responsibility of each city, town, or village commission to authorize municipal expenditures and determine that each primarily serves a municipal purpose. The Attorney General in AGO 2006-12 observed: "Municipalities have been granted home rule powers to exercise any power for municipal purposes except when expressly prohibited by law. **This power is tempered by the basic proposition that municipal funds may be used only for a municipal purpose....** Such a determination must be made by the town's commission and cannot be delegated...In making this determination, the commission must make appropriate legislative findings" (Bold added).

To meet its obligations under the Home Rule Act and ensure that credit card purchases made on behalf of the City, as well as travel expenses incurred on official travel have a clear municipal purpose, the City needs to provide more detailed guidance. Such guidance should provide additional parameters on the types of expenditures that are allowable and unallowable as well as appropriate spending limits, especially for travel related expenditures. In the absence of such guidance, we have included \$10,070 in credit card charges identified in our sample as questioned costs.

#### **Finding (4): THE CITY COULD BENEFIT BY PURSUING A CASH BACK REBATE ON ITS CREDIT CARD SPENDING**

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We noted one area where the City may be able to further benefit from its use of credit cards to pay certain expenses. The City does not have a provision for volume-based rebates in its credit card agreement with the bank and therefore the City loses the

opportunity to receive value back in the form of a monetary rebate or other reward. Based on the City's total credit card spending during fiscal years 2012 and 2013, and assuming a 2% rebate rate, the City could have been awarded as much as \$1,252.

### **Recommendations:**

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- (6) The City Commission should revise the current travel Ordinance to provide more specific guidelines for per diem and other travel expenses.**
- (7) The City Commission should establish a policy that provides guidance for use of City credit cards including purchases of local meals.**
- (8) The City Manager should determine if the City can obtain additional benefits in its use of credit cards through a cash back rebate.**

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

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The City concurs with Findings (3) and (4).

- (6) The City concurs with the recommendation and is drafting a revised travel policy to present to the City Commission.**
- (7) The City concurs with the recommendation and will be re-addressing the City credit card policy at the same time as the travel policy.**
- (8) The City concurs with the recommendation. The current credit card company does not provide for cash back rebates; however, the City will contact additional credit card companies and evaluate the pros and cons of a cash back rebate program.**

## **PAYMENT PROCESSING CONTROLS**

### **Finding (5): PROCEDURES FOR THE AUTHORIZATION OF CASH DISBURSEMENTS NEED TO BE STRENGTHENED**

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We noted the following issues with respect to authorization of transactions:

- 1. A policy does not exist that requires increasing levels of authorization prior to cash disbursements.
- 2. The Assistant Finance Director, who approves requisitions, purchase orders, and cash disbursements for the Finance Department, is not formally authorized to do so according to the City's purchasing Ordinance.

3. The City form used to request a check does not clearly identify the name, title, and date of the individuals authorizing a transaction.

#### **Finding (6): LACK OF SEGREGATION OF DUTIES IN ACCOUNTS PAYABLE**

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We identified a segregation of duties weakness in that the Accounting Specialist III who enters invoices into the accounts payable system and prepares checks for disbursement can also establish new vendors and make other edits in the vendor master file. Management does not independently review changes to the vendor master file; therefore, the Accounting Specialist III could independently add to and edit the vendor master file and issue payments.

We also noted that the vendor master file contains inactive vendors. Each vendor in the vendor master file is a potential portal for cash disbursements.

#### **Recommendations:**

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- (9) The City Manager should propose a policy to the Commission that requires, for successively higher amounts of cash disbursements, correspondingly higher authorization requirements.**
- (10) Should the Commission deem it appropriate that the Assistant Finance Director be authorized to approve expenditures at the level currently designated for the (unfilled) Director of Finance position, a waiver/modification of the policy should be formally documented.**
- (11) The check request forms should be modified to clearly indicate the authorized approver's name, title, and the date.**
- (12) The City Manager should take action to either eliminate or mitigate the segregation of duties weakness in the Accounts Payable function.**
- (13) The City Manager should implement a procedure for the identification and routine removal of inactive vendors.**

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

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The City concurs with Findings (5) and (6).

- (9) The City believes that it already has procedures in place.**
- (10) The City concurs with the recommendation. While the City Manager has authorized the Financial Consultant and the Assistant Director of Finance to approve expenditures at the level designated for the (unfilled) Director of Finance position, management will request that the City Commission revise**

**City Ordinance 13-2, Purchasing, to include language that will clarify the approval authority of these positions.**

- (11) The City concurs with the recommendation and has updated the check request form.
- (12) The City concurs with the recommendation and has implemented procedures for the review of the vendor master file; furthermore, the only person authorized to add to or edit the vendor master file is the Purchasing Manager or designee who is authorized by the Finance Department.
- (13) The City concurs with the recommendation. The Finance Department is currently reviewing its internal controls to address the monitoring of the vendor master file as the current financial software system will not allow the removal of inactive vendors.

#### **OIG Comment:**

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With respect to Recommendation (9), we are aware that the City requires successively higher levels of approval to authorize a purchase depending on dollar value. However, our recommendation concerns establishing documented higher levels of approval authority for the execution of the actual cash payment, such as by check.

#### **ADDITIONAL MATTER**

#### **Finding (7): THE CITY IS MAKING ADDITIONAL PAYMENTS TO RETIRING EMPLOYEES BASED ON A DISCRETIONARY RETIREMENT BENEFIT (BONUS) CITY ORDINANCE THAT APPEARS TO CONFLICT WITH STATE STATUTE**

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In our review of certain general ledger transactions, we noted a payment to a former employee. Upon inquiry we learned that the payment represented a discretionary (at the option of the City Commission) retirement benefit (bonus) provided for by City Ordinance, Chapter 2, section VI, section 2-281 "Retirement Recognition".

A discretionary payment made to employees after the service has been rendered is generally prohibited by Section 215.425, Florida Statutes, which strictly proscribes conditions under which such payments can be made.

Subsection (2) imposes four specific requirements on any bonus plan, and states:

"Any policy, ordinance, rule, or resolution designed to implement a bonus scheme must:

- a. Base the award of a bonus on work performance;
- b. Describe the performance standards and evaluation process by which a bonus will be awarded;

- c. Notify all employees of the policy, City ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and
- d. Consider all employees for the bonus.”

In contrast to these requirements, the City’s plan states that an employee must have the following qualifications to be eligible:

- a. Ten years of employment with the City;
- b. Voluntarily elected to retire from such employment;
- c. Be in good standing;
- d. Be entitled to receive retirement benefits from either social security or the City’s retirement plan;
- e. Have attained the age of normal retirement eligibility; or
- f. Have, after 10 years of employment, become permanently and totally disabled in connection with a job related incident.

The City’s plan also sets out a formula for determining the retirement benefit amount, based on total years of employment and the employee’s last five (5) years’ average municipal salary. Significant to the question of its legality, the City’s Ordinance also contains a provision under which the City Commission may deny a retiring employee any retirement benefit under this City Ordinance that he or she would otherwise qualify for, increase or decrease the amount, or provide retirement benefit payments to employees who otherwise would not qualify. The Commission’s authority under this provision comes with no specific limitations or criteria. We noted an instance whereby the City declined to pay a bonus to one retiree.

We contacted the City Attorney and expressed our concerns regarding the legality of this Ordinance. We received a response from the City Attorney stating their position that the Ordinance does not conflict with the prohibitions set out in Section 215.425 Florida Statutes. After review of the City Attorney’s position by OIG Counsel, we still believe the City Ordinance is at variance with the requirements of State statute. The amount paid under the City Ordinance totals \$5,674 in fiscal years 2012 and 2013, which we consider as questioned costs.

### **Recommendations:**

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- (14) The City should seek an opinion from the State Attorney General as to the legality of the City’s retirement recognition Ordinance.**

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

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- (14) The City concurs with the finding and recommendation and will pursue an opinion as to the legality of the City’s retirement recognition Ordinance, and will recommend that the Ordinance be amended to make the recognition non-discretionary.**

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

### Questioned Costs

Finding	Description	Questioned Costs
1	Expenditures on expired contracts	\$997,413
2	Undocumented services contracts	\$12,000
3	Questionable credit card charges	\$10,070
2	Undocumented vendor performance	\$10,000
1	Purchases lacking required quotes	\$8,216
7	Retirement payments	\$5,674
4	City credit card estimated unrealized rebates	\$1,252
	Total	<u>\$1,044,625</u>

### Cost Avoidance<sup>2</sup>

\$128,676

## ATTACHMENTS

Attachment 1 – Complete Management Response including Exhibits

## ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the City Commission and employees for their assistance 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 Dennis Schindel, Director of Audit, by email at [inspector@pbcgov.org](mailto:inspector@pbcgov.org) or by telephone at (561) 233-2350.*

<sup>2</sup> Please see [www.pbcgov.com/OIG](http://www.pbcgov.com/OIG) for description. Calculation excludes payments made on expired contracts.

## ATTACHMENT 1 - COMPLETE MANAGEMENT RESPONSE



# City of Belle Glade

Office of the City Manager

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## Commissioners

Steve B. Wilson,  
Mayor

Mary Ross Wilkerson,  
Vice Mayor

Michael C. Martin,  
Treasurer

Johnny Burroughs, Jr.

Larry Underwood

Lomax Harrelle,  
City Manager

September 15, 2014

Dennis Schindel, Director of Audit  
Palm Beach County  
Office of Inspector General  
P. O. Box 16568  
West Palm Beach, Florida 33416

Re: Management Response to Audit of Cash Disbursements  
Re-issued to the City of Belle Glade, Dated September 4, 2014

Dear Mr. Schindel:

The City of Belle Glade has reviewed the re-issued draft findings for the OIG report concerning the audit of cash disbursements for the City of Belle Glade.

The City generally agrees with the findings as detailed in our attached response. We do, however, find that the \$1,044,625 in questioned costs will be misleading to readers of the report. The overwhelming majority of those dollars were neither unallowable or unnecessary.

The City of Belle Glade appreciates the opportunity to comment on the re-issued draft audit report and thanks you for the professionalism of your audit staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lomax Harrelle".

Lomax Harrelle  
City Manager

LH/dw/dlh



**ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE**

**Finding (1):** The City did not consistently comply with the City Ordinance that requires competitive procurement.

**Finding (2):** Claims against the City resulting in payments were related to weak vendor/consultant contract controls including lack of formal agreements and documentation of performance.

**Recommendations:**

1. The City Manager should ensure compliance with City ordinance 13-2, Purchasing, including ensuring all contracts are properly competed and approved by the Commission.
2. The City Manager should direct the establishment of a contract management process. The process may be supported by tracking:
  - a. A list of department contracts and the status of those contracts.
  - b. Contract pricing.
  - c. A list of contract liaisons and the specific contracts monitored by those liaisons.
  - d. Proof of insurance documents provided by vendors engaged in contracts with the departments.
  - e. Dates of contract expiration.
  - f. Terms of the contract for termination.
3. The City Manager should propose a policy that ensures all contracts containing an auto-renewal provision are brought to the Commission in a timely manner before the contract renewal date. This provides the Commission with an opportunity to revisit the contract and determine if the vendors' services are justified for an additional term and/or if competition should be sought.
4. The City should seek to obtain new contracts through a competitive procurement process for fuel and uniform services.
5. The City Manager should ensure that the City has a formal, documented contract in place prior to any company or individual performing significant work for the City.

**Management Response:**

**Finding (1):** The City does not concur with Finding (1) because the Finding should only apply to certain "noted exceptions"

**Finding (2):** The City concurs with Finding (2)

## ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE

**Recommendation (1):** The City concurs with Recommendation (1) and is making every effort to ensure compliance with the City Ordinance 13-2, Purchasing, including ensuring all contracts are properly competed and approved by the Commission.

**Recommendation (2):** The City concurs with Recommendation (2) and is in the process of implementing a contract management process whereby all contracts are tracked. See attached copy (Exhibit "A" Page 1 and 2) of the City's current contracting document. The City will issue management procedures for tracking all City contracts.

**Recommendation (3):** The City concurs with Recommendation (3) and is making every effort to ensure that all contracts containing an auto-renewal provision are brought to the Commission in a timely manner before the contract renewal date.

**Recommendation (4):** The City concurs with Recommendation (4) and has already obtained a new contract for uniform services. The City is in the process of seeking competitive procurement for fuel. The City is reviewing all options whether it be to piggyback, enter into an interlocal agreement or go out for competitive invitation to bid. The City estimates to be completed with this process by December 2014.

**Recommendation (5):** The City concurs with Recommendation (5) and is making every effort to ensure that the City has a formal, documented contract in place prior to any company or individual performing significant work for the City.

**Finding (3):** The City needs to establish additional guidance that defines allowable and unallowable expenditures.

**Finding (4):** The City could benefit by pursuing a cash back rebate on its credit card spending.

**Recommendations:**

6. The City Commission should revise their current travel ordinance to provide more specific guidelines for per diem and other travel expenses.
7. The City Commission should establish a policy that provides guidance for use of City credit cards including purchases of local meals.
8. The City Manager should determine if the City can obtain additional benefits in its use of credit cards through a cash back rebate.

**ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE****Management Response:**

**Finding (3):** The City concurs with Finding (4)

**Finding (4):** The City concurs with Finding (4)

**Recommendation (6):** The City concurs with recommendation (6) and is drafting a travel policy to present to the City Commission in late 2014 for consideration that will address the per diem and other travel expenses. Should the Commission be in agreement with the policy the City Ordinance will be revised to reflect the travel policy.

**Recommendation (7):** The City concurs with recommendation (7) and will be re-addressing the City Credit Card Policy at the same time as the travel policy.

**Recommendation (8):** The City concurs with recommendation (8) and has contacted its credit card company. The City's current credit card company does not provide for cash back rebate. The City shall contact additional credit card companies and evaluate the pros and cons of a cash back rebate program.

**Finding (5):** Procedures for the authorization of cash disbursements need to be strengthened.

**Finding (6):** Lack of segregation of duties in accounts payable.

**Recommendations:**

9. The City Manager should propose a policy to the Commission that requires, for successively higher amounts of cash disbursements, correspondingly higher authorization requirements.
10. Should the Commission deem it appropriate that the Assistant Finance Director be authorized to approve expenditures at the level currently designated for the (unfilled) Director of Finance position, a waiver/modification of the policy should be formally documented.
11. The check request forms should be modified to clearly indicate the authorized approver's name, title, and the date.
12. The City Manager should take action to either eliminate or mitigate the segregation of duties weakness in the Accounts Payable function.

## ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE

13. The City Manager should implement a procedure for the identification and routine removal of inactive vendors.

**Management Response:**

**Finding (5):** The City concurs with Finding (5)

**Finding (6):** The City concurs with Finding (6)

**Recommendation (9):** The City believes that it already has procedures in place that requires successively higher amounts of cash disbursements with Recommendation (9).

**Recommendation (10):** The City concurs with Recommendation (10). Attached is a certification (Exhibit "B") from the City Manager authorizing the Financial Consultant and Assistant Director of Finance to approve expenditures at the level currently designated for the (unfilled) Director of Finance. However, management will be requesting that the City Commission revise the current City Ordinance, 13-2, Purchasing to include language that will clarify the approval authority of the Director of Finance and the Assistant Director of Finance.

**Recommendation (11):** The City concurs with Recommendation (11) and attached is a copy of the updated check request form (Exhibit "C").

**Recommendation (12):** The City concurs with Recommendation (12) and has reviewed its internal controls regarding Accounts Payable. The current financial software system will not block the Accounting Specialist III (Accounts Payable Assistant) from access to that module of the system; therefore, Finance has implemented procedures for review of the vendor master files. Also, the only person authorized to add or edit the vendor master file is the Purchasing Manager or designee who is authorized by Finance.

**Recommendation (13):** The City concurs with Recommendation (13); however the current financial software system will not allow the removal of inactive vendors. Finance is currently reviewing its internal controls to address the monitoring of the vendor master file.

**Finding (7):** The City is making additional payments to retiring employees based on a discretionary retirement benefit (Bonus) City Ordinance that appears to conflict with state statute.

**ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE****Recommendations:**

14. The City should seek an opinion from the State Attorney General as to the legality of the City's retirement recognition ordinance.

**Management Response:**

**Finding (7):** The City concurs with Finding (7).

**Recommendation (14):** The City will pursue an opinion as to the legality of the City's retirement recognition ordinance and management will recommend that the recognition be made non-discretionary.

ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE

Exhibit  
"A"  
Page 1

City of Belle Glade Contract Tracking Register																
Fund	Responsible Department	Responsible Monitor	Goods/Services Provided	Contractor	Contract # Project #	Start Date	End Date	Term of Contract	Renewal Notice Date	Current/Expired	Insurance	Contract Amount	Type of Commission Approval	Date of Commission Approval	Document	File Location/Name
General	City Manager	Lomax Harrelle	Law Enforcement Services	PBSO - Palm Beach County Sheriff's Office	Law Enforcement Agreement	10/01/08	10/30/09					\$ 3,596,112	Commission Approved	10/8/2008	<a href="#">Law Enforcement Services - PBSO Agreement</a>	Finance: PBSO/Law Enforcement Serv.
				Palm Beach County - CDBG Grant	First Addendum	10/01/09	10/31/12					\$ 2,768,884	Commission Approved	04/05/10	<a href="#">Q:\Finance Documents\First Addendum Law Enforcement Service PBSO.pdf</a>	Finance: PBSO/Law Enforcement Serv.
				PBSO - Palm Beach County Sheriff's Office	Second Addendum	10/01/11	09/30/13					\$ 2,768,884	Commission Approved	07/21/11	<a href="#">Q:\Finance Documents\Second Addendum Law Enforcement Service PBSO.pdf</a>	Finance: PBSO/Law Enforcement Serv.
				PBSO - Palm Beach County Sheriff's Office	Third Addendum	10/01/13	09/30/14					\$ 2,824,262	Commission Approved	08/05/13		Finance: PBSO/Law Enforcement Serv.
				PBSO - Palm Beach County Sheriff's Office	Fourth Addendum	10/01/14	09/30/14					\$ 2,852,505	Commission Approved	07/16/14		Finance: PBSO/Law Enforcement Serv.
General	City Manager	Lomax Harrelle	Municipal Golf Course Management	Golf Operators Link of Florida, LLC		01/31/08	01/31/13						Commission Approved	01/31/08	<a href="#">.\Golf Course Management\Contract for Management of Golf Course.pdf</a>	Golf Course Management of Golf Course
			Municipal Golf Course Management	Golf Operators Link of Florida, LLC	First Amendment	01/31/08	01/31/13				\$ 50,000	Commission Approved	03/21/11		Golf Course Management of Golf Course	
			Municipal Golf Course Management	Golf Operators Link of Florida, LLC	Second Amendment	01/31/08	09/30/17				\$ 60,000	Commission Approved	05/21/02		Golf Course Management of Golf Course	

ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE

Exhibit  
"A"  
Page 2

City of Belle Glade  
Contract Tracking Register

Exhibit "A"

Fund	Responsible Department	Responsible Monitor	Goods/Services Provided	Contractor	Contract # Project #	Start Date	End Date	Term of Contract	Renewal Notice Date	Current/ Expired	Insurance	Contract Amount	Type of Commission Approval	Date of Commission Approval	Document	File Location/Name
General	Finance	David Wood/ Diana Hughes	Employment Agreement	Lomax Harrelle		10/20/08	10/01/14					\$ 172,000	Commission Approved	09/17/12	Lomax Harrelle Agreement.pdf	City Manager - Lomax Harrelle
General	Public Works	Marcos Montes de Oca	Contract for Professional Engineering and Archtctural Services	AECOM Technical Services, Inc.	Hourly Rate Schedule	09/19/11	09/18/15		3/1/2015			Hourly Rate Schedule Exhibit A	N/A	09/19/11	..AECOM Contract.pdf	AECOM
General	Public Works	Marcos Montes de Oca	Department of Management Services	PRIDE	Contract No. 060-920-11P	11/10/11	02/22/15		8/1/2014			Sheet Pricing			Price-Certification of Contract Price Agreement.pdf	Pride Contract
General Fund	Human Resources	Vivian Hunter	Health Insurance	PRM - Public Risk Management of Health Trust - Blue Cross Blue Shield of Florida		01/01/09	On Going						Piggyback	01/01/09	Public Risk Management of Florida Health Trust.pdf	PRM - Public Risk Management of Health Trust Blue Cross Blue Shield of Florida
General Fund	Human Resources	Vivian Hunter	Property, Liability, E&M and Workers Comp. Insurance	World Risk Management, LLS		04/07/08	On Going						Piggyback	04/07/08	World Risk Management, LLC.pdf	World Risk Management, LLS
General	City Manager	Lomax Harrelle	Real Estate Legal Services	Donia Roberts, P.A.	Agreement City of Belle Glade and Donia Roberts, P.A.	03/05/12	On Going					Fee Schedule	Commission Approved	03/05/12	Agreement Between City of Belle Glade and Donia A. Roberts, P.A..	Donia Roberts, P.A. - Real Estate Legal Services
General	City Manager	Lomax Harrelle	Financial Consultant	David Wood		04/01/09	On Going					\$65.00 per hour			..Dave Wood\David Wood Original Contract.pdf	
			Financial Consultant	David Wood	First Amendment	07/01/09	On Going					\$70.00 per hour	Commission Approved	06/07/10	Financial Consultant- David Wood.pdf	Financial Consultant

**ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE**

Exhibit "B"

Exhibit "B"

CERTIFICATION

As the City Manager of the City of Belle Glade, I do hereby certify that both of the following Finance staff members are now and have always been authorized to sign when the respective enabling legislation requires the signature of the "Director of Finance" or the "Director of Finance or his designee":

<u>Name</u>	<u>Position</u>
David D. Wood	Director of Finance/Financial Consultant
Diana L. Hughes	Assistant Director of Finance

  
\_\_\_\_\_  
Lomax Harrelle, City Manager

6-18-14  
Date



**ATTACHMENT 1 (continued) - COMPLETE MANAGEMENT RESPONSE**

**Exhibit "C"**

**CITY OF BELLE GLADE, FLORIDA  
ORDER FOR CHECK**

Exhibit "C"

**Invoice**

**FUND** Operating **DATE** \_\_\_\_\_

**PAYABLE TO** \_\_\_\_\_ **VENDOR #** \_\_\_\_\_

**AMOUNT** \_\_\_\_\_

**FOR** \_\_\_\_\_

**EXPENDITURE DISTRIBUTION**

Debit		Credit			

**Requested by:**

\_\_\_\_\_  
Requestor

Title \_\_\_\_\_ Date \_\_\_\_\_

**Signature Approvals:**

\_\_\_\_\_  
Department Head

Title \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Finance

Title \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
City Manager

Title \_\_\_\_\_ Date \_\_\_\_\_

**Please Return Check ( )**