



John A. Carey
Inspector General

**OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY**



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2016-A-0004

**Town of Loxahatchee Groves
Audit of Contracts, Vendors
and Fixed Assets**

Originally Issued September 23, 2016

**Updated December 21, 2016
(to include the Town Council’s response)**



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AUDIT REPORT: 2016-A-0004 AUDIT OF TOWN OF LOXAHATCHEE GROVES

UPDATED: DECEMBER 21, 2016



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SUMMARY RESULTS AT A GLANCE

What We Did

Our overall audit objective was to determine whether controls over contract management, vendor payments, and fixed assets were in place and working effectively to safeguard the Town's assets. Our scope included activities from October 1, 2013, to September 30, 2015 (FY2014 and FY2015). Our audit procedures included testing \$1,051,603 (FY2014) and \$1,211,763 (FY2015) in contract payments; \$83,064 in vendor payments and \$52,233 in credit card transactions. We also reviewed the Town's inventory of assets.

What We Found

We identified **\$229,019** in total questioned costs,¹ and **\$1,765** in identified costs,² itemized on page 25.

We found that some of the Town's internal controls need improvement. We identified deficiencies and compliance issues related to:

¹ 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.

² Identified costs are those dollars that have a potential of being returned to offset the taxpayers' burden.

- Contract monitoring;
- Managing/overseeing the Town Manager contract;
- Purchasing and credit card usage;
- Payment processing; and
- Asset management.

More specifically, our audit identified the following deficiencies and compliance issues:

Contracting

The Town Manager's responsibilities include monitoring and managing the Town's contractual obligations. We tested a sample of service contracts from a list of contracts provided by the Town Manager. We identified weakness in controls over the monitoring of contract performance and payments. We noted **\$95,874** in questioned costs from our contract testing.

Our audit also identified the following issues related to the current Town Management Company's contract:

- It did not align with the Town Charter, and creates risks for the Town;
- The Town Council did not conduct performance reviews of the Town Management Company as required by the contract;
- The contractor was reimbursed for mileage and training expenses. The contract did not provide for

reimbursement for these expenses, resulting in identified costs of **\$1,765**.

Additionally, two leases and one contract were entered into without the required approval of the Town Attorney, resulting in questioned costs of **\$12,430**.

Vendor Management

During our testing of vendor payments and credit card transactions, we identified the following issues:

- The Management Company could not provide receipts to support 12 credit card transactions totaling \$1,661;
- Purchases over \$1,000 lacked evidence of required telephone quotes, resulting in questioned costs of \$17,754;
- The Town could not provide documentation to show required Town Manager approval of expenses totaling \$100,602.

Payments not in compliance with the Town's Purchasing Ordinance or Finance and Accounting Procedures resulted in **\$120,017** in questioned costs.

The Town paid unnecessary fees for late payments, sales tax and over-limit fees resulting in questioned costs of **\$698**.

Additionally, we noted the Town Management Company did not appear to follow IRS guidelines regarding the issuance of Form 1099's on behalf of the Town.

Assets and Inventory Management

We found that the Town Management Company did not maintain an accurate inventory of the Town's equipment. We identified four items costing a total of \$7,849 that were not tagged as required by the Town's Finance and Accounting Procedures Manual.

What We Recommend

We made 22 recommendations to assist the Town in improving controls and ensuring compliance with its Charter, Purchasing Ordinance and Finance and Accounting Procedures. Seventeen of the 22 recommendations were addressed to the Town Council, and six recommendations were addressed to the Town Manager. The Town Manager provided comments on all of our findings and some comments on our recommendations. His comments are only included within the body of the report when related to recommendations addressed to the Town Manager.

The Town Council provided a response to the audit report after it was initially published on September 23, 2016. We have updated the final report to include the Town Council's response. Both the Town Council's and the Town Manager's responses are included in toto as Attachment 1 and Attachment 2.

During our audit, the Town has been proactive in improving some of the internal control deficiencies identified.

BACKGROUND

The Town of Loxahatchee Groves was founded in 2006, and has an estimated population of 3,180 living within 12.5 square miles. The Town operates under a Council-Manager form of government, with five elected council members, one of whom is the Mayor. The Town has no employees, but instead, uses contractors to perform government services. According to its website, the Town prides itself on its independence, contracted service – type government (“Government Lite”),³ farming/nursery spaces and slow growth rate. In 2011, the Town Council (Council) entered into a contract with its current management firm, which provides a Town Manager, Town Clerk, Planning Technician, and clerical staff. The Town has also entered into other service contracts for Code Enforcement,⁴ Town Attorney, Town Engineer, and a Solid Waste Consultant.⁵



At the outset of this report, we wish to emphasize that our findings and recommendations do not reflect either a positive or negative stance on outsourcing public services. Outsourcing of public services has been a trend in recent years and, when properly executed, can save taxpayers' dollars. Some keys to successful outsourcing include contracts that delineate a clear scope of work, appropriate performance standards, solid performance evaluation techniques, and strong contract administration and management oversight. The degree of outsourcing in the Town of Loxahatchee Groves is uncommon in that the Town has contracted out all of its public services. While outsourcing has a number of advantages, there are also challenges. Our report points out some of the risks in outsourcing all public services and offers recommendations to mitigate those risks.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of the audit was to determine whether controls over contracts, vendors, and fixed assets were in place and working effectively to safeguard the assets of the Town.

The scope of the audit included a review of activities from October 1, 2013, to September 30, 2015. Our audit procedures included, but were not limited to:

- Reviewing internal controls;

³ http://www.loxahatcheegrovesfl.gov/Pages/LoxahatcheeFL_WebDocs/info

⁴ As of June 2016, the Town Management Contract includes Code Enforcement services.

⁵ The Town terminated the contract with the Solid Waste Consultant in 2015.

- Interviewing contractors and personnel in order to gain an understanding of the controls and ascertain operational compliance;
- Evaluating compliance with applicable policies and procedures;
- Reviewing executed contracts for compliance;
- Performing detailed testing of judgmentally selected transactions; and,
- Reviewing inventory of assets.

We reviewed the contracts for Town services including Town Manager & Clerk, Attorney, Planner, Engineer, Surveyor, Special Magistrate, Code Enforcement, and Solid Waste and Recycling, as well as contracts for road maintenance to determine whether the management and oversight of these contracts was adequate to ensure that contractors complied with contract terms. Our review of contracts included verifying that a valid executed contract was in effect for the services provided, recalculating payments to contractors, reviewing documentation of deliverables for contracts, and reviewing documentation of monitoring activities performed (e.g. photos of site visits, phone contact logs, daily activity logs, etc).

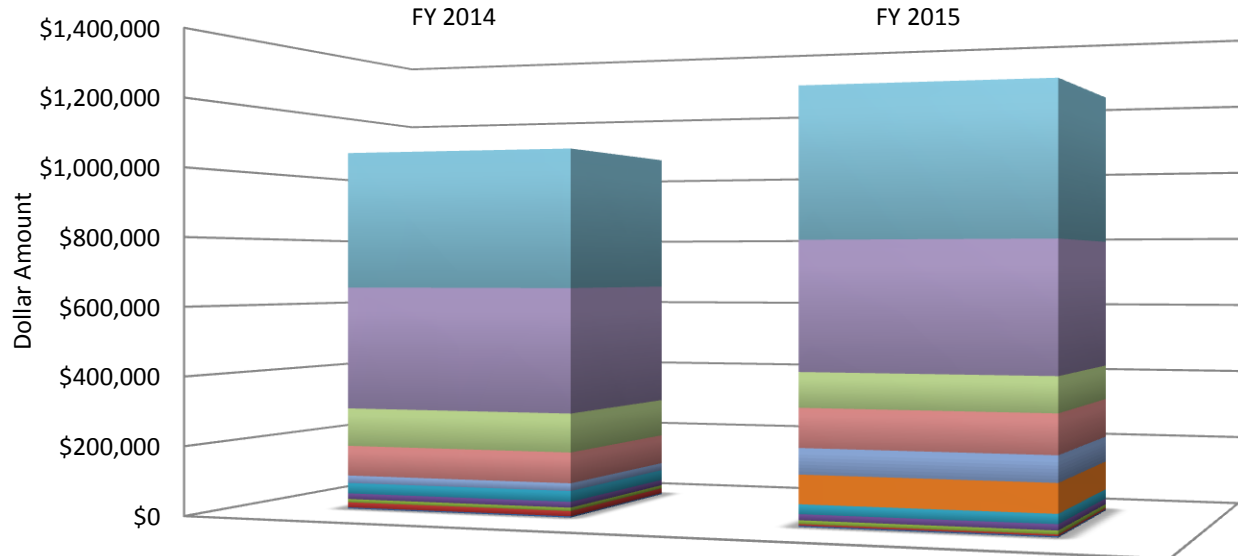
In total, we reviewed \$1,051,603 in payments on contracts for Fiscal year 2014, and \$1,211,763 in payments on contracts for Fiscal Year 2015.

The following items were excluded from our audit scope:

- Fixed monthly payments made to the Town Management Company;
- Payments to the Loxahatchee Groves Water Control District;
- The contract with, and payments to, the Solid Waste Consultant.

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.

Contracts Reviewed



	Fiscal Year 2014	Fiscal Year 2015
Waste Pro	\$397,686	\$423,650
Underwood Management Services Group	\$357,605	\$362,834
Keshavarz & Associates	\$110,899	\$98,249
Goren, Cheroff, Doody and Ezrol	\$87,774	\$110,312
Land Research Management Inc.	\$22,033	\$73,038
North Florida Emulsions	\$0	\$81,412
Tew and Taylor Associates	\$30,795	\$27,169
Nowlen, Holt & Miner PA	\$16,700	\$16,700
Simmons & White	\$9,771	\$10,362
A&B Engineering	\$14,900	\$4,600
Caldwell Pacetti	\$3,440	\$3,437
Totals	\$1,051,603	\$1,211,763

FINDINGS AND RECOMMENDATIONS**Finding (1): THE TOWN DOES NOT HAVE ADEQUATE POLICIES AND PROCEDURES FOR CONTRACT MONITORING**

The contract for Town Manager outlines “Contract Manager” as one of the duties in the scope of work to be performed. Specifically, the contract outlines the following operational responsibilities as Contract Manager:

- (1) Monitors all independent contractors on specific projects and on-going contractual agreements on behalf of the Town. Ensures proper compliance with the contract’s terms and conditions.
- (2) Monitors all contracts to ensure adherence to contractual obligations and report to Town Council when contract is not being fulfilled. Corrective measures will be recommended to the Town Council and enforced.

Although the contract requires the Town Manager to monitor contracts, there are no policies, procedures, or guidelines prescribing what specific activities should be performed. Developing procedures would help ensure that each contract is managed effectively and consistently, and would allow the Town to gauge whether the Town Manager has adequately performed the contract management duties required by the contract.

We selected and reviewed nine contracts to determine whether the contracts were being properly monitored by the Town Manager. We identified weaknesses in controls over the monitoring of contract performance and payments as follows:

- The contract files did not always contain evidence of review or monitoring of the contract such as:
 - Documents supporting the amounts being invoiced or paid,
 - Progress reports provided by contractors, especially for contracts billed based on the percentage of work completed, and
 - Time logs for hourly contracts.
- One of the nine contractors reviewed did not have executed contracts on file with the Town for the services rendered.
- For two of the nine contracts, there was no documentation of required insurance on file for the contract term.

More specifically, we identified the following issues:

- **Land Research Management Inc. (LRMI – Planner Services):** The original contract for LRMI was dated November 27, 2007, and contained a “Scope of Services” that outlined three services to be completed: “(1) Assistance to the Town in establishing a Planning Commission and/or Planning and Zoning Board; (2) Assistance to the Town in establishing a Local Planning Agency (LPA); [and]

(3) Assistance to the LPA in drafting a program for preparing the Town's initial Comprehensive Plan." According to Town records, the three services were completed in 2011.⁶ The services for which LRMI invoiced the Town during the period reviewed were not included in the original contract, and there was no additional or amended contract.

We identified **\$95,071** in payments made to the contractor between October 1, 2013, and September 30, 2015, for which there was no amended contract or agreement on file for the services performed. Therefore, we consider these payments to be questioned costs.

- **Tew and Taylor (Code Enforcement):** The contract required all weekend and holiday hours to be approved by the Town Manager; however, there was no documented approval from the Town Manager for weekend/holiday hours worked. We asked for documentation showing approval by the Town Manager for weekend/holiday hours, of which there was none. We noted six instances totaling **\$803** where the contractor conducted work on the weekend without evidence of the Town Manager's approval, and charged a higher hourly rate. Despite the lack of approval, the invoices for work performed were paid. Thus, we are considering these questioned costs. Also, there was no proof on file that the contractor maintained the automobile and worker's compensation insurance required by the contract.
- **A&B Engineering (Surveying):** The contractor submitted invoices for work performed. Upon our request, the Town Manager could not produce the Work Authorization for this project. Also, there was no proof on file that the contractor maintained the insurance required by the contract.

The above noted questioned costs total **\$95,874**.

Recommendations:

We recommend:

- 1) **The Town Council develop and implement policies, procedures, or guidelines to be used for monitoring the Town's contracts to include ensuring contracts are properly executed, a documented review of deliverables is performed prior to payment, and verifying that required insurance coverage is maintained.**
- 2) **The Town Manager ensure that all contractors have an executed contract on file prior to conducting business and making any payments.**

⁶ The Town's Comprehensive Plan was adopted in February 2009. The Town's Planning and Zoning Board was established in July 2011, and acts as the Town's Local Planning Agency.

- 3) **The Town Manager review insurance requirements on a consistent basis (at least annually), and request updated insurance documents from contractors as needed to ensure required coverage is maintained.**

Management Response:

- 1) **Town Council Response:**

The Town Council has directed that the Town Attorney review contracts prior to execution by the Town to confirm that they are consistent with the terms of any competitive selection process used to procure the contract and consistent with the approval of the Town Council.

The Town Council has directed that the Town Attorney confirm that contracts have been properly executed.

The Town Manager monitors contracts to review deliverables. The Town Manager will confirm prior to the commencement of work that the Town has received verification and required documentation of insurance for contracts that require insurance.

The Town Council has directed that the Town Manager create a list of contractors and their insurance obligations, which list shall include expiration dates for certificates of insurance, and for the Town Manager to monitor the list to avoid the expiration of any required insurance coverages.

- 3) **Town Manager response in part:**

We concur with the audit recommendation relative to review of insurance requirements, on an annual basis, and will request updated insurance documents as needed. We would further suggest and recommend the Town Council consider uniformity in the contract criteria relative to insurance requirements on future contracts.

OIG Comment:

The Town Manager disagreed with some of the facts supporting finding No. 1. The Town Manager did not address whether recommendation No. 2 will be implemented. The Town Manager's full response is included as Attachment 2 to this report.

Finding (2): THE CONTRACT FOR TOWN MANAGEMENT SERVICES DOES NOT ALIGN WITH THE TOWN CHARTER, AND THE ORGANIZATIONAL STRUCTURE CREATES RISKS FOR THE TOWN

The language in Section 4 of the Town Charter refers to an employee when describing the Town Manager per the following clauses:

- “The Town manager and the Town attorney are designated as charter officers, except that the office of Town attorney may be contracted to an attorney or law firm.”
- “The compensation of the charter officers shall be fixed by the Town council through the approval of an acceptable employment contract.”
- “The Town manager shall be appointed by resolution approving an employment contract between the Town and the Town manager. The Town manager shall receive such compensation as determined by the Town council through the adoption of an appropriate resolution.”

Although the Charter specifies that the Town Attorney may be an individual or firm, the charter makes no such concession for the Town Manager. Additionally, the charter specifies that the Town Manager will have an employment contract. Thus, it is anticipated that the Town Manager will be an employee, and not an independent contractor.

Contrary to the Town Charter, the Town Management contract states “This Agreement does not create an employee/employer relationship between the parties. It is the intent of the parties that Underwood is an independent contractor under this Agreement and not the Town’s employee for any and all purposes...”

On May 3, 2016, the Town Council passed a resolution to hold a referendum vote to amend the Town Charter to clarify that the Town Manager may be engaged through an agreement with a management firm. On August 30, 2016, the voters approved the amendment to the Town Charter. Nonetheless, placing all of the functions set forth in the current Town Management contract under the responsibility of a single business entity creates several risks for the Town.

Some concerns include the following:

- **Segregation of Duties:** The U.S. General Accounting Office (GAO) *Standards for Internal Control in the Federal Government* states:
Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

Currently, the Town Management company has the ability to:

- Invoice the Town for Town Management services, approve the invoice, and print a check.
 - Receive, approve, collect payments, and record all transactions related to planning and zoning.
 - Initiate and authorize purchases, authorize payments, receive goods, and manage inventory.
- **Potential for Conflicts of Interest:** We noted that other vendor contracts (i.e. the Engineering and Code Enforcement contracts) contained a Conflict of Interest clause, but the contract for Town Management services does not. A Conflict of Interest clause could provide an additional safeguard for the Town by 1) prohibiting the business from participating in activities which could be construed as a conflict of interest, and/or 2) requiring full disclosure of activities, including work for other municipalities or contractors, which could have the potential for actual and perceived conflicting priorities.
 - **Business Continuity and Succession Planning:** Contracting many of the Town's operational functions through one business entity presents the risk that in the event of an emergency or a situation where the contract is unexpectedly terminated, the Town's operations could be negatively impacted. The key functions of the Town Manager, Town Clerk, Planning and Zoning, Code Enforcement, Financial Management, and Office Coordinator (support staff) could all be vacant simultaneously until a new contractor(s) assumed the duties. Moreover, there is a risk of loss of critical documentation such as financial records because they are not in the custody and control of the Town.

We noted there are no comprehensive standard operating procedures for critical functions of the Town, such as Code Enforcement, Planning and Zoning, and Town Clerk. Having written procedures and a succession plan may assist the Town in resuming these critical functions, obtaining custody of records, and transferring knowledge, if needed.

Recommendations:

We recommend:

- 4) **The Town Council consider developing a Town Manager employer/employee relationship to mitigate some of the above noted risks.**
- 5) **The Town Council separate the financial, clerk, and Town management duties to ensure segregation of duties over key government functions, or create other mitigating controls to address the risks associated with contracting all key functions under one entity.**

- 6) The Town Council consider including a Conflict of Interest clause in the Town Management contract, which requires disclosure of activities that have a potential for actual and perceived conflicts of interest.
- 7) The Town Council consider developing written procedures for critical functions, and a succession plan, that can be used in the event of transitioning between town management companies.

Management Response:

Town Council Response:

- 4) The Town Council is aware of the risks and issues outlined by the OIG in the Audit Report, but believes that the benefits of the current Town Manager Contract relationship outweighs the risk, and that the current Town Management Contract arrangement is in the best interest of the Town at this time. The Town Council may look into different types of structure in the future, but remains concerned about expanding Town government. Ultimately, through the governing process, with public input, the Town Council may review the structure of its management, and may determine in the future that a change in course is in the best interest of the Town.
- 6) The Town Council will consider a Conflict of Interest clause for the Town Manager Contract, and in the meantime the Town Manager will advise the Town Council upon determining that a potential conflict of interest may exist.
- 7) In the past, the transition from Town Management firms has been relatively without incident. The current Town Management firm has advised the Town Council that it would facilitate any transition at the end of its contract (or any renewals thereof). In the event of a sudden transition, the Town Council can call upon the resources of other entities to assist the Town, including the Florida City/County Management Association.

OIG Comment:

The Town Council's response did not address whether recommendation No. 5. will be implemented. While we understand the Council's concern about expanding government, that was not the intent of our recommendation. Separating key functions by removing responsibilities from one sole contractor or individual, and granting them to another contractor or individual, does not necessarily expand government.

Finding (3): THE TOWN COUNCIL DID NOT CONDUCT PERFORMANCE REVIEWS OF THE TOWN MANAGEMENT CONTRACTOR AS REQUIRED BY THE CONTRACT

The Town Council has not conducted a performance review to ensure that the Town Management contractor was in full compliance with the contract. The contract for Town Management services, executed September 30, 2011, states in Exhibit A – Review of Contract for Town Management Services:

The Contract for Town Management Services shall be reviewed annually. This annual review will be comprised of performance and evaluation criteria established and managed by the Town Council based upon the duties contained in the Contract for Town Management Services along with the Town Management Report through June of the current year prepared by the Town Manager. This annual review of the Contract for Town Management Services shall occur no later than August 1 of each year.

However, no documented annual review of performance has been completed since the beginning of the contract. As discussed in Finding No.'s 1, 4, 6, and 10, we found that the contractor (Underwood Management Services Group, or UMSG) did not always adhere to all requirements of the contract. Conducting annual performance reviews will help ensure that the contractor is adhering to the contract terms and conditions, and that the Council is receiving the intended outcomes of utilizing a Town management company. The Town paid UMSG more than \$357,000 in Fiscal Year 2014 and \$362,000 in Fiscal Year 2015, without conducting a performance review.

Recommendation:

- 8) **We recommend Town Council take a more active role in the oversight of the Town Management contract by (a) establishing performance evaluation criteria; (b) performing annual reviews of the Town Management contract; and (c) ensuring all contract deliverables are met.**

Management Response:

- 8) **Town Council Response:**

The Town Council agrees with this recommendation of the OIG. The Town Council will discuss the potential of amending the Management contract or determining the scheduling of evaluations of the Town Management contract at future Town Council meetings.

Finding (4): THE TOWN MANAGEMENT CONTRACTOR WAS REIMBURSED FOR EXPENSES OUTSIDE OF THE SCOPE OF THE CONTRACT

Staff of the Town Management Company received reimbursements from the Town for mileage expenses and notary training costs. The contract does not specify that such expenses would be paid.

The contract specifies a fixed fee that USMG will be paid monthly for providing the services outlined in the contract. The contract included specific tasks that would require travel such as attend off-site meetings, act as liaison with other governmental entities, deposit monies, perform Planning, Zoning and administrative duties, and perform “other duties as may be required by the Council.” Also, Section 7(g) of the contract states “... the Town will not be liable for any obligation incurred by Underwood or other Underwood personnel...”

The Town paid a total of **\$1,576** in mileage reimbursements to the Management Company staff from October 1, 2013, through September 30, 2015. Also, we noted several mileage logs attached to the check requests for mileage reimbursement which did not provide the destination, or odometer readings as requested on the forms. Additionally, we noted the Town paid **\$189** for one staff of USMG to become a notary. There was no documented approval by the Council for this expense. We noted the Council routinely approves monthly payments and reimbursements to the Town Attorney, but a similar process is not followed for payments to the Town Management firm or its staff.

We consider the above noted reimbursements totaling **\$1,765** to be identified costs because such payments are outside the scope of the contract.

Recommendations:

We recommend:

- 9) The Town Council consider recouping the \$1,765 in identified costs.**
- 10) The Town Council consider clarifying the terms of the Town Management contract regarding mileage and training expenses.**
- 11) The Town Council consider approving all payments and reimbursements made to the Town Management firm prior to payment.**

Management Response:

Town Council Response:

- 9) The Town Council will not seek to recoup the \$1,765.00 in identified costs. The costs were incurred for government purposes related to Town business.
- 10) The Town Council will consider an amendment to the Town Management contract to provide for mileage and training expenses, and other expenses as provided for in the annual fiscal year appropriations.
- 11) The Town's Financial Advisory and Audit Committee will continue to review Town financials and provide reports to the Town Council. The Town Manager has advised the Town Council that it is in the process of updating Town policies and forms, including for reimbursements.

Finding (5): THE TOWN DID NOT ALWAYS RECORD MEETING MINUTES PROMPTLY, OR MAKE THEM AVAILABLE FOR INSPECTION, AS REQUIRED

The Town Council meeting minutes for two meetings, one held May 19, 2015, and another held June 16, 2015, were approved by the Council on April 5, 2016, more than nine months after the meetings were held. Additionally, as of August 2, 2016, the minutes for the Town Council meetings held July 7, and July 21, 2015, had not been approved by the Council. Upon our initial request for these meeting minutes, the Town Management Company indicated the minutes were not available because they had not yet been approved.



Florida Sunshine Law, FS 286.011, states “(2) The minutes of a meeting of any such board or commission of any such state agency or authority shall be **promptly** recorded, and **such records shall be open to public inspection**... (3)(a) Any public officer who violates any provision of this section is guilty of a noncriminal infraction, punishable by fine not exceeding \$500.”

The Town Management Company is responsible for compiling the minutes for the Town Council, Committee and Board meetings. The Town Management Company contract in effect during the aforementioned meetings required these minutes to be available for

approval within two weeks. However, 38 of the 49 Council Meeting minutes we reviewed were approved more than 30 days after the meeting. The failure to record and approve minutes within two weeks violated the terms of the contract, and contributed to the Town not making such minutes available for inspection as required by the Florida Sunshine Law.

Recommendation:

- 12) We recommend the Town Council require the Town Management Company to record and submit the meeting minutes within the deadlines prescribed in the Professional Services Contract (or prior to the next regularly scheduled Council Meeting), and make recorded minutes available in accordance with F.S. 286.011.

Management Response:

12) Town Council Response:

The Town Council approved the meeting minutes from July, 2015, identified in the OIG Audit. The Town Manager has advised the Town Council that it will ensure the completion of meeting minutes, the placement of the meeting minutes on the Town Council agendas, and making them available for public inspection, in a timely fashion.

Finding (6): VENDOR PAYMENTS WERE NOT ALWAYS IN COMPLIANCE WITH THE TOWN'S PURCHASING ORDINANCE AND PROCEDURES

Our test of vendor payments included a review of authorizations and documentation provided with vendor invoices, including credit card statements and receipts supporting the purchase or invoice.

We tested a judgmental sample of 33 transactions totaling \$83,064 in vendor payments and 300 transactions totaling \$52,233 in credit card payments made between October 1, 2013, and September 30, 2015. During this time, three Town credit cards were used by UMSG. One of the cards was cancelled after the prior Town Manager left the position. Two cards are currently in use: one in the name of the current Town Manager, and one in the name of the additional managing partner for UMSG.



We also tested payments made to contractors to ensure these payments were in compliance with purchasing policies.

The controls over the Town's purchases appear to be weak and may not adequately protect the Town's assets. The Town has limited policies regarding Town purchases, and those policies were not consistently followed by the Town Management Company. For example, we noted the following:

- We identified 12 credit card transactions totaling **\$1,661** that were missing receipts to validate the purchase; thus, we consider these transactions to be questioned costs.
- The Town Management Company made purchases over \$1,000 but did not maintain sufficient documentation demonstrating that three quotes were obtained prior to each purchase. The Town's Purchasing Ordinance 2008-09 states in the Procurement Code section (J) "all such purchases of greater than the estimated cost of one thousand dollars (\$1,000) but less than or equal to five thousand dollars (\$5,000) shall require at least three (3) quotations by telephone."
 - Nine credit card transactions (totaling **\$13,799**) and two payments by check (totaling **\$3,955**) lacked sufficient evidence of at least three telephone quotes; thus, we consider these transactions to be questioned costs.
- The Town Manager did not approve all payments as required. The Town's Finance & Accounting Procedures (Check Disbursements - Check Authorizations) states, "Under no circumstances will: Invoices be paid unless approved by the Town Manager." The process for documenting approval was evidenced by affixing the Town Manager's initials and date on each invoice. We found the process for documenting approval was not always followed:
 - The Town paid **\$5,351** (\$4,997 in credit cards and \$354 in vendor payments) without documented authorization by the Town Manager; thus, we consider these transactions to be questioned costs.
 - We noted that the Town paid **\$95,251** in contractor payments without documented authorization by the Town Manager; thus, we consider these payments to be questioned costs.

Total questioned costs: \$120,017

Recommendations:

We recommend:

- 13) **The Town Council take steps to ensure the established procedures requiring the Town Manager's written authorization prior to payment processing are adhered to.**

- 14) The Town Manager take steps to ensure sufficient documentation of required telephone quotes is maintained to demonstrate compliance with the Town's purchasing ordinance.
- 15) The Town Council update its Finance and Accounting Procedures to establish procedures for processing payments when receipts or invoices are missing.

Management Response:

- 14) Town Manager response in part:

We concur that we did not always comply with Town's Purchasing Ordinance and procedures. However, we would like to take this opportunity to further illuminate, as some of the comments made in Report may be misleading...

The 9 credit card transaction of \$13,799, and two payments by check totaling \$3955 were supported by written quotes rather than telephone quotes that were received in advance of purchases, and provided for the audit, but rejected for various inconsequential reasons. Town did provide what we believe is sufficient documentation of the quotes received in writing or by internet on all items over \$1000 despite the fact that only verbal quotes by telephone were required...

We agree that payment of \$4,997 in credit card payments and \$354 in vendor payments lacked the signature approval of the Town Manager on the invoice that was processed for payment. We agree there were 11 invoices in contractor payments that did not contain the signature approval of the Town Manager on invoices processed for payment as indicated. The invoices in question represented 2 invoices in FY 2014, and 9 invoices in FY 2015. Even though invoices were not signed by the Town Manager when processed for payment, all services as identified in the questioned invoices were provided by Tew & Taylor, Waste Pro, and Keshavrz & Associates, and the invoices were approved and paid by the Town Council.

- 15) Town Council response:

The Town Council acknowledges that from time to time formal receipts or invoices may be missing or misplaced. However, in all instances there is documentation reflecting the payment and its purpose. The Town Council will continue to encourage the Town Manager to minimize mistakes in such documentation.

OIG Comment:

The Town Council's response did not directly address recommendation No. 13.

The Town Manager's response did not address whether recommendation No. 14 will be implemented. The Town Manager's full response is included as Attachment 2 to this report.

We reiterate our position that the Town Manager did not maintain sufficient documentation of the required three quotes.

Finding (7): THE TOWN DID NOT ALWAYS ISSUE IRS FORM 1099-MISC TO CONTRACTORS

The Town has no government employees, but depends on independent contractors to provide all services. The instructions for Internal Revenue Service (IRS) Form 1099-MISC indicate that the form is completed for each individual who is paid during the year "at least \$600 in (2) services performed by someone who is not your employee (including parts and materials)... (9) Payments to an attorney." According to the IRS.gov website,⁷ each contractor should provide the Town with a Form W-9 (Request for Taxpayer Identification Number and Certification) so that the Town can report income paid to the contractor.

It appears the Town did not follow IRS guidelines regarding form 1099-MISC. During our testing, we reviewed copies of the W-9 forms for 13 individuals who received over \$600 from the Town within a year. Based on the W-9 forms, we identified several individuals and two law firms who were not issued 1099 forms for payments received.

The Town Management Company was responsible for following statutory requirements in maintaining proper municipal accounting, and preparing federal financial reports. These responsibilities should include appropriate issuance of 1099 forms. The Town had no documented procedures regarding issuing of 1099 forms to vendors.

If IRS guidelines are not followed, the Town risks noncompliance with federal reporting requirements and possible penalties. Moreover, contractors could be at risk of not reporting income for tax purposes.

⁷ <https://www.irs.gov/uac/about-form-w9>, accessed July 7, 2016

Recommendations:

We recommend:

- 16) **The Town Council take steps to ensure compliance with IRS guidelines regarding issuance of 1099s.**
- 17) **The Town Council seek professional advice to determine if retroactive issuance of 1099s to any contractors is required.**

Management Response:

Town Council Response:**16) and 17)**

The Town Manager has advised the Town Council that it has taken the necessary steps to address the compliance issues identified by the OIG relating to the IRS Form 1099- MISC, and that it has taken the necessary steps to comply with the requirements going forward.

Finding (8): CONTRACTS WERE ENTERED INTO WITHOUT TOWN ATTORNEY APPROVAL AS REQUIRED BY THE TOWN CHARTER

During testing we noted two leases and a contract which were entered into without the required Town Attorney approval. Under the Town's Charter 2006-328, Section 4, the Town Attorney is required to "approve all contracts, bonds, and other instruments in which the Town is concerned and shall endorse on each his or her approval of the form and correctness thereof." It further states, "No contract with the Town shall take effect until his or her [Town Attorney] approval is so endorsed thereon."

A 48-month lease for a credit card processing service was established by the prior Town Manager. The Town's Attorney did not approve the lease. The lease began in August 2011, and expired in July 2015. This lease bound both the future Town Manager and the future Council into a multi-year, "non-cancellable" lease. The prior Town Manager approved the authorization for all future payments to be automatically deducted from the Town's bank checking account. We found the contracted service was never used and not needed because the Town does not process credit card payments. Thus, we consider the costs related to this service which amount to \$1,504 for 48 monthly lease payments plus \$473 in fees, for a total of **\$1,977** in questioned costs.

Similarly, a month-to-month lease agreement for a storage unit was established in the name of a prior Town Manager in May 2012. Monthly payments of \$149 are automatically charged to the Town's credit card. The Town's Attorney did not approve the lease. Therefore, we consider the monthly payments of \$149 for 24 months

between October 1, 2013, and September 30, 2015, a total of **\$3,576**, to be questioned costs.

Lastly, we noted that the Town made payments to the contractor for Special Magistrate services based on a letter dated August 15, 2011, which outlined an hourly amount to be billed for services. The letter was signed by the prior Town Manager agreeing to the terms of the letter. However, there was no indication that the Town Attorney reviewed or approved the agreement as required by Town Charter. Thus, we are considering the **\$6,877** that was paid to the contractor from October 1, 2013, to September 30, 2015, to be questioned costs.

Total questioned costs: \$12,430

Recommendation:

- 18) We recommend the Town Council ensure that all leases are reviewed and approved by the Town Attorney, prior to execution, as required under the Town's Charter.**

Management Response:

Town Council Response:

- 18) The Town Council agrees with the recommendation of the OIG, and the Town Attorney will review and approve all future leases.**

Finding (9): THE TOWN MADE LATE PAYMENTS TO CONTRACTORS, AND INCURRED UNNECESSARY LATE FEES, SALES TAX, AND OVER-LIMIT FEES

During our review of contract monitoring, we noted that the Town made late payments to contractors as follows:

- Waste Pro: 15 of 24 invoices (or 63%) were paid after the due date.
- Keshavarz and Associates: Nine of the 51 invoices reviewed (or 18%) were paid after the due date.
- Simmons and White: Three of the 17 invoices reviewed (or 18%), were paid after the due date.

The Town did not incur fees for these late payments. However, the contractor's agreement for Simmons and White stated that payments made after the due date "shall include interest from date of invoice at a simple rate of 1 ½ percent per month." By not making timely payments, the Town risked accruing interest charges had the contractor opted to invoke sanctions provided in the contract.

During our review of credit card and vendor payments, we noted that the Town paid for late fees, over-limit fees, and sales tax on some purchases. These fees could have

been avoided with better controls over purchasing and credit card payments, including providing proof of sales tax exemption to vendors.

We identified the following unnecessary fees and charges:

- \$442 in late fees and finance charges as a result of not making payments on time;
- \$139 in sales tax; and,
- \$117 in over-limit fees as a result of Town Management Company exceeding credit card limits.

These unnecessary fees and charges amounted to **\$698**, and are considered questioned costs.

The Town Management contract outlines the processing of all invoices and payments as a contractual function of the Town Manager.

Recommendation:

- 19) We recommend the Town Manager and Town Council ensure payments are reviewed and processed to avoid unnecessary late fees, sales tax and over-limit fees.**

Management Response:

- 19) Town Council's response:**

The Town Manager explained to the Town Council the circumstances relating to the late fees, sales taxes and over-limit fees that the OIG identified in the Audit Report. The Town Council accepted the explanations, and encourages the Town Manager to continue [to] take steps to avoid unnecessary payments of this nature in the future.

- 19) Town Manager's response in part:**

Regarding late payments to three firms, Waste Pro, Keshavarz and Associates, and Simmons and White, we do not disagree that late payments occurred; however, this report in some instances took into account the date of the invoice not the date it was received. Additionally, cause of some late payments was due to coordination of Town Council members to execute checks. Further, some late payments were because of the Manager questioning specific information, or requests by the Manager to bifurcate invoice billing into separate components contained within an invoice.

OIG Comment:

The Town Manager's response did not address whether recommendation No. 19 will be implemented. The Town Manager's full response is included as Attachment 2 to this report.

Finding (10): THE TOWN DID NOT TAG EQUIPMENT, OR PERFORM A PHYSICAL INVENTORY, AS REQUIRED BY THE TOWN'S PROCEDURES MANUAL

The Town Manager does not maintain an accurate listing of equipment that is owned by the Town. At the start of the audit, there was no detailed listing of inventory, furniture and electronics owned by the Town. At our request, the Town Manager created a listing of items, including furniture, computer equipment, and audiovisual equipment. The list did not contain a cost for every item over \$1,000 having a useful life over one year. Also, none of the items were tagged or etched to show Town ownership.

The Town Management company did not follow the guidelines of the Finance and Accounting Procedures Manual and Florida Statutes referenced therein. The Town's Finance and Accounting Procedures Manual, January 2012, states for property (page 6):

Equipment shall be defined as all items (purchased or donated) with a unit cost of \$1000 or more and a useful life of more than one year. Descriptions and serial numbers of all such equipment shall be recorded and kept in the Town office fire-proof safe. In addition all equipment shall be etched to identify ownership as belonging to the Town of Loxahatchee Groves. An annual physical inventory of fixed assets will be conducted in accordance with Florida Statute 274.02.

We identified four items costing \$1,000 or more with a useful life over one year, totaling \$7,849, which should have been tagged or etched as property owned by the Town as required by the accounting procedures manual. There was no documentation of the current value associated with these items.

Without a detailed inventory of equipment, it would be difficult to file a claim after an insured event such as a natural disaster, theft, or fire. For insurance purposes, the existence and value of equipment would be easily determinable if the Town maintained a detailed inventory. Moreover, because the Town Management company has custody of the equipment, the risk of loss of equipment due to a change in management companies is higher without a clear tagging demonstrating which items belong to the Management Company and which items belong to the Town.

Recommendations:

We recommend:

- 20) The Town Manager complete an updated listing of items owned by the Town which have value of \$1,000 or more, or would have a significant impact if lost during a natural disaster, theft, or fire. This listing should:
 - Include a date of purchase and value or cost of equipment, and distinguishing serial numbers;
 - Be kept in the fire-proof safe; and,
 - Be updated at least annually as required by the Town's Finance and Accounting Procedures Manual.
- 21) The Town Manager ensure all equipment valued at \$1,000 or more with a useful life of more than one year is etched or tagged in order to demonstrate ownership by the Town as required by the procedures manual.
- 22) The Town Council require an annual physical inventory of the Town's property to ensure that it aligns with the inventory listing.

Summary of Management Response:

20) Town Manager response in part:

An inventory list was already in existence with respect to all electronic equipment. The computer equipment list did include serial numbers, but not identified items costs. The inventory list for the audio visual was prepared by the vendor as part of the vendor payment and provided to Town at time of installation that included identified costs and serial numbers. The Furniture inventory was created specifically for the OIG as requested...While we concur having the information readily available would assist for insurance purposes, each item exceeds the insurance deductible if stolen, or lost through a natural disaster.

21) Town Manager response in part:

The Town purchased inventory tags for all mobile items. The tags will be attached to the items and an annual inventory will be completed.

22) Town Council response:

The Town Manager has advised the Town Council that all equipment valued at \$1,000.00 or more, or with a useful life of more than one (1) year, has been tagged and that all such equipment acquired in the future will be tagged for inventory purposes. The Town Manager has advised the Town Council that an inventory of Town equipment will be completed on an annual basis.

SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS IDENTIFIED IN THE AUDIT

Questioned Costs⁸

Finding	Description	Questioned Costs
1	Lack of documentation for contract payments.	\$95,874
6	Payments not in compliance with the Town's Purchasing Ordinance and procedures manual	\$120,017
8	Payments for leases entered into without Town Attorney approval as required.	\$12,430
9	Unnecessary fees for late payments, sales tax, and over limit fees.	\$698
TOTAL QUESTIONED COSTS		<u>\$229,019</u>

Identified Costs⁹

Finding	Description	Identified Costs
4	Reimbursements outside of scope of contract.	\$1,765

ATTACHMENTS

- Attachment 1 – Complete Management Response from Town Council, page 26
Attachment 2 – Complete Management Response from Town Manager, page 32

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Town of Loxahatchee Groves' Town Council, contractors and residents 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 Robert Bliss, Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

⁸ 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.

⁹ Identified costs are those dollars that have a potential of being returned to offset the taxpayers' burden.

ATTACHMENT 1 – Town Council Response

**Town of Loxahatchee Groves**

155 F Road
Loxahatchee Groves, FL 33470

December 14, 2016

Phone (561) 793-2418
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www.loxahatcheegrovesfl.gov

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

RE: Response of the Town Council of the Town of Loxahatchee Groves to Audit Report 2016-A-0004 "Town of Loxahatchee Groves Audit of Contracts, Vendors and Fixed Assets, dated September 23, 2016 ("Audit Report")

Dear Mr. Carey:

As you are aware, the Audit Report contained several findings and recommendations relating to the Town's contracts, vendors and fixed assets. The Office of the Inspector General (OIG) made sixteen (16) recommendations to the Town Council. As an elected governing body, the Town Council is subject to the Sunshine Law, which limits the ability of the Town Council to collectively review and provide directions to the Town's management and legal staff on providing a response to the OIG on the recommendations directed to the Town Council.

At the first Town Council meeting after the Audit Report became public, which occurred on October 18, 2016, the Town Council directed a two-step process for providing a response to the OIG. First, the Town Council would place the Audit Report on the agenda for its November 1, 2016, meeting, in order to publicly review the recommendations of the OIG and provide direction to the Town's staff on preparing a response to the OIG. Thereafter, the Town's management and legal staff would prepare a draft response for final review by the Town Council at its next meeting, December 6, 2016, and authorization by the Town Council to deliver the response to the OIG. The OIG was advised of the direction provided by the Town Council at its October 18, 2016, meeting, and provided the Town Council with an additional sixty (60) days to provide a response to the Audit Report.

On November 1, 2016, the Town Council publicly reviewed the Audit Report, publicly discussed the recommendations of the OIG directed at the Town Council, provided the public with an opportunity to be heard on its review of the Audit Report, and provided direction to the Town's management and legal staff on the preparation of a draft response to be placed on the December 6, 2016, agenda.

On December 6, 2016, the Town Council reviewed the draft response prepared by the Town's management and legal staff, and authorized the delivery of this response to the OIG. This response is limited to the sixteen (16) recommendations directed at the Town Council.

OIG FINDING #1: The Town does not have adequate policies and procedures for contract monitoring.

ATTACHMENT 1 – Town Council Response continued

John Carey, Office of Inspector General

OIG RECOMMENDATION:

- 1) The Town Council develop and implement policies, procedures, or guidelines to be used for monitoring the Town's contracts to include ensuring contracts are properly executed, a documented review of deliverables is performed prior to payment, and verifying that required insurance coverage is maintained.

RESPONSE OF THE TOWN COUNCIL:

The Town Council has directed that the Town Attorney review contracts prior to execution by the Town to confirm that they are consistent with the terms of any competitive selection process used to procure the contract and consistent with the approval of the Town Council.

The Town Council has directed that the Town Attorney confirm that contracts have been properly executed.

The Town Manager monitors contracts to review deliverables. The Town Manager will confirm prior to the commencement of work that the Town has received verification and required documentation of insurance for contracts that require insurance.

The Town Council has directed that the Town Manager create a list of contractors and their insurance obligations, which list shall include expiration dates for certificates of insurance, and for the Town Manager to monitor the list to avoid the expiration of any required insurance coverages.

OIG FINDING #2: The contract for Town Management Services does not align with the Town Charter, and the organizational structure creates risks for the Town.

OIG RECOMMENDATION:

- 4) The Town Council consider developing a Town Manager employer/employee relationship to mitigate some of the above noted risks.
- 5) The Town Council separate the financial, clerk, and Town management duties to ensure segregation of duties over key government functions, or create other mitigating controls to address the risks associated with contracting all key functions under one entity.
- 6) The Town Council consider including a Conflict of Interest clause in the Town Management contract, which requires disclosure of activities that have a potential for actual and perceived conflicts of interest.
- 7) The Town Council consider developing written procedures for critical functions, and a succession plan, that can be used in the event of transitioning between town management companies.

RESPONSE OF THE TOWN COUNCIL:

The Town Council is aware of the risks and issues outlined by the OIG in the Audit Report, but believes that the benefits of the current Town Manager Contract relationship

Page 2 of 6

ATTACHMENT 1 – Town Council Response continued

John Carey, Office of Inspector General

outweighs the risk, and that the current Town Management Contract arrangement is in the best interest of the Town at this time. The Town Council may look into different types of structure in the future, but remains concerned about expanding Town government. Ultimately, through the governing process, with public input, the Town Council may review the structure of its management, and may determine in the future that a change in course is in the best interest of the Town.

The Town Council will consider a Conflict of Interest clause for the Town Manager Contract, and in the meantime the Town Manager will advise the Town Council upon determining that a potential conflict of interest may exist.

In the past, the transition from Town Management firms has been relatively without incident. The current Town Management firm has advised the Town Council that it would facilitate any transition at the end of its contract (or any renewals thereof). In the event of a sudden transition, the Town Council can call upon the resources of other entities to assist the Town, including the Florida City/County Management Association.

OIG FINDING #3: The Town Council did not conduct performance reviews of the Town Management Contractor as required by the contract.

OIG RECOMMENDATION:

- 8) We recommend Town Council take a more active role in the oversight of the Town Management contract by (a) establishing performance evaluation criteria; (b) performing annual reviews of the Town Management contract; and (c) ensuring all contract deliverables are met.

RESPONSE OF THE TOWN COUNCIL:

The Town Council agrees with this recommendation of the OIG. The Town Council will discuss the potential of amending the Management contract or determining the scheduling of evaluations of the Town Management contract at future Town Council meetings.

OIG FINDING #4: The Town Management Contractor was reimbursed for expenses outside of the scope of the contract.

OIG RECOMMENDATION:

- 9) The Town Council consider recouping the \$1,765 in identified costs.
- 10) The Town Council consider clarifying the terms of the Town Management contract regarding mileage and training expenses.
- 11) The Town Council consider approving all payments and reimbursements made to the Town Management firm prior to payment.

ATTACHMENT 1 – Town Council Response continued

John Carey, Office of Inspector General

RESPONSE OF THE TOWN COUNCIL:

The Town Council will not seek to recoup the \$1,765.00 in identified costs. The costs were incurred for government purposes related to Town business.

The Town Council will consider an amendment to the Town Management contract to provide for mileage and training expenses, and other expenses as provided for in the annual fiscal year appropriations.

The Town's Financial Advisory and Audit Committee will continue to review Town financials and provide reports to the Town Council.

The Town Manager has advised the Town Council that it is in the process of updating Town policies and forms, including for reimbursements.

OIG FINDING #5: The Town did not always record meeting minutes promptly, or make them available for inspection, as required.

OIG RECOMMENDATION:

- 12) We recommend the Town Council require the Town Management Company to record and submit the meeting minutes within the deadlines prescribed in the Professional Services Contract (or prior to the next regularly scheduled Council Meeting), and make recorded minutes available in accordance with F .S. 286.011.

RESPONSE OF THE TOWN COUNCIL:

The Town Council approved the meeting minutes from July, 2015, identified in the OIG Audit. The Town Manager has advised the Town Council that it will ensure the completion of meeting minutes, the placement of the meeting minutes on the Town Council agendas, and making them available for public inspection, in a timely fashion.

OIG FINDING #6: Vendor payments were not always in compliance with the Town's purchasing ordinance and procedures.

OIG RECOMMENDATION:

- 13) The Town Council take steps to ensure the established procedures requiring the Town Manager's written authorization prior to payment processing are adhered to.
- 15) The Town Council update its Finance and Accounting Procedures to establish procedures for processing payments when receipts or invoices are missing.

ATTACHMENT 1 – Town Council Response continued

John Carey, Office of Inspector General

RESPONSE OF THE TOWN COUNCIL:

The Town Council acknowledges that from time to time formal receipts or invoices may be missing or misplaced. However, in all instances there is documentation reflecting the payment and its purpose. The Town Council will continue to encourage the Town Manager to minimize mistakes in such documentation.

OIG FINDING #7: The Town did not always issue IRS Form 1099-MSC to contractors.

OIG RECOMMENDATION:

- 16) The Town Council take steps to ensure compliance with IRS guidelines regarding issuance of 1099s.
- 17) The Town Council seek professional advice to determine if retroactive issuance of 1099s to any contractors is required.

RESPONSE OF THE TOWN COUNCIL:

The Town Manager has advised the Town Council that it has taken the necessary steps to address the compliance issues identified by the OIG relating to the IRS Form 1099-MISC, and that it has taken the necessary steps to comply with the requirements going forward.

OIG FINDING #8: Contracts were entered into without Town Attorney approval as required by the Town Charter.

OIG RECOMMENDATION:

- 18) We recommend the Town Council ensure that all leases are reviewed and approved by the Town Attorney, prior to execution, as required under the Town's Charter.

RESPONSE OF THE TOWN COUNCIL:

The Town Council agrees with the recommendation of the OIG, and the Town Attorney will review and approve all future leases.

OIG FINDING #9: The Town made late payments to contractors, and incurred unnecessary late fees, sales tax, and over-limit fees.

OIG RECOMMENDATION:

- 19) We recommend the Town Manager and Town Council ensure payments are reviewed and processed to avoid unnecessary late fees, sales tax and over-limit fees.

ATTACHMENT 1 – Town Council Response continued

John Carey, Office of Inspector General

RESPONSE OF THE TOWN COUNCIL:

The Town Manager explained to the Town Council the circumstances relating to the late fees, sales taxes and over-limit fees that the OIG identified in the Audit Report. The Town Council accepted the explanations, and encourages the Town Manager to continue take steps to avoid unnecessary payments of this nature in the future.

OIG FINDING #10: The Town did not tag equipment, or perform a physical inventory, as required by the Town's procedures manual.

OIG RECOMMENDATION:

- 22) The Town Council require an annual physical inventory of the Town's property to ensure that it aligns with the inventory listing.

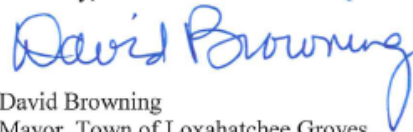
RESPONSE OF THE TOWN COUNCIL:

The Town Manager has advised the Town Council that all equipment valued at \$1,000.00 or more, or with a useful life of more than one (1) year, has been tagged and that all such equipment acquired in the future will be tagged for inventory purposes.

The Town Manager has advised the Town Council that an inventory of Town equipment will be completed on an annual basis.

Please consider these responses in the completion of the OIG's Final Audit Report.

Sincerely,



David Browning
Mayor, Town of Loxahatchee Groves

cc: Members of the Town Council
Town Manager
Town Clerk
Town Attorney

ATTACHMENT 2 - Town Manager Response

**Town of Loxahatchee Groves**

155 F Road
Loxahatchee Groves, FL 33470

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September 20, 2016

We would like to take this opportunity to thank the OIG for their extensive detailed nine (9) month examination of the 2-year study period beginning October 1, 2013 and ending September 30, 2015. Although the review seemed exhaustive, one's perception of the work product does not reflect an unbiased evaluation of the Town of Loxahatchee Groves performance. A fundamental issue is due to the position the OIG takes regarding municipal management services in concept specifically the lack of understanding of the role and function of the Town Manager as anything other than the traditional Manager/Employee municipality as opposed to a municipality that contracts out all its services.

To the Town Council's credit, the three firms engaged to provide municipal services have all had extensive municipal experience in South Florida. None of the three Management firms had a learning curve with respect to operations of local governments.

A theme that contract services create risks for the Town is stressed through the entire Audit Report. The Report begins by acknowledging the trend in outsourcing municipal services, and identifies several factors for success. We feel that "delineation of clear scope of work, appropriate performance standards, solid performance evaluation techniques, and strong contract administration and management oversight" as stressed in the Report is no different than what is expected from the traditional municipality with employees.

One could argue the work performed in this Report could have yielded a better product for the Town and its citizens if the effort had focused on identifying the inconsistencies between the Town Charter, RFP for Management Services, Management Services Contract and FAAC Policies and Procedures Policy. Instead, the Report cherry picks pieces of the four documents in an effort to apply to what they perceive as specific standards. These same documents applied by this audit to a traditional municipality with Manager/Employees would produce similar if not the same outcome.

In fact, the Management staff has been working to identify the various inconsistencies that create what the OIG believes is failed performance in the Town before the OIG had announced its Audit Schedule of FY2016 which included the Town of Loxahatchee Groves.

At no time did the Report try to meld the Charter, RFP for Management Services, Management Services Contract, and the FAAC Policies and Procedures Manual to any of the findings identified. On the other hand, the Audit Report never looks to the Fiscal Policies that are adopted annually by the Town Council, with respect to any of its findings.

The following is Management's Response to the Audit Report.

A handwritten signature in dark ink, appearing to read "W. F. Underwood, II".

William F. Underwood, II, Town Manager

ATTACHMENT 2 - Town Manager Response continued**Finding (1): THE TOWN DOES NOT HAVE ADEQUATE POLICIES AND PROCEDURES FOR CONTRACT MONITORING**

While it is true that the Town Manager's Contract states the Manager monitors all Town Contracts, that is in conflict with certain Town contracts whereby others are designated as monitors on those specific contracts. Presently, we can specifically identify three contracts that are outside the Manager's purview.

- Contract files are not used for documents supporting amounts being paid.
- Project reports and correspondence were primarily maintained in electronic files.
- Of the 16 contracts provided to OIG, there is no requirement in those contracts to provide time logs for contracts that bill on an hourly rate basis. We do not understand how a time log is evidence of contract review or monitoring.

We would recommend the Town Council consider uniformity in the Contract criteria relative to payment structure.

No Executed Contracts:

- Land Research Management did have an executed contract with the Town for services rendered; however, the contract may have or may not be expired. It is questionable that the firm has fully completed the task identified in the Contract relative to the Comp Plan as the Town continues to work on modifications to its Comp Plan beginning in 2011 and continuing through today. With regard to the services contract, the Town Council Agenda Report of 2007 reflects LRM engagement to provide Town planning consultant services (**See Exhibit A**).

In addition, the Town Council has continued to use LRM for planning consultant services and rendered payment for services received continuously since 2007.

- The contract for Special Magistrate services with Caldwell Pacetti was not mentioned in the Audit Report under "Finding 1" even though it too was included as one of the 16 contracts provided by the Town. Even though there was a letter agreement approved by the previous management firm, there was no approved contract by the Town Council. Just like the LRM contract, the Town Council continued to use their services and rendered payment for services received.

In August, the Town issued Requests for Letters of Interest for Special Magistrate services, and three (3) proposals were submitted. The Town Council is scheduled to interview all applicants at its September 20, 2016 meeting.

No Insurance Documentation:

- While the Contract with Land Research Management identified specific insurance requirements, the Town Council took specific action waiving identified insurance requirements in 2007.
- We disagree with the Audit Report that Tew & Taylor did not have Workers Compensation Insurance on file with the Town. Tew & Taylor provided their annual exemption from Workers Compensation through the State of Florida each year.

ATTACHMENT 2 - Town Manager Response continued

The Audit Reports ignores several Town Contracts that were provided and reviewed that also did not have insurance policies on file as follows: Town Road Maintenance Services Contract with Loxahatchee Groves Water Control District, and Frank Schiola Contract.

Questionable Costs:

- **Land Research Management Inc. (LRMI – Planner Services):**

We disagree with the Audit Report relative to the questionable cost of \$95,071 to Land Research Management for the Audit period beginning October 2013 and September 30, 2015. Specifically most of those payments were ordered and work directed by the Town Council to LRM for services including, but not limited to planning, comprehensive plan modifications, moratorium issues, and various other Council directed planning related services.

- **Tew & Taylor (Code Enforcement):**

We disagree with the Audit Report relative to questionable cost of \$803 to Tew & Taylor for contractor to conduct work on weekends without evidence of the Town Manager approval at a higher hourly rate for the Audit period. Code Enforcement Services Contract allows a higher hourly rate for weekend work. The Contract does not specify the methodology of approval for this weekend work to be performed. All cases identified as questionable by the OIG are regarding noise complaints with the exception of one case, and in that instance there was a specific reason for the early morning call out.

Additionally, to the best of our knowledge, the Audit Report does not reflect that they contacted the Town's former Town Manager Kutney to inquire if he had approved the weekend hours as submitted in the Tew & Taylor invoicing. We would assume that the OIG would have a policy of contacting specific parties to gain a perceptiveness of oral conversations regarding the authorization in question.

- **A&B Engineering:**

We disagree with the Audit Report relative to Work Authorization, percent complete or fee earned, and no approved insurance on file relative to A&B Engineering. We have provided the Work Authorization, correspondence between the contractor and Town Manager, correspondence reflecting telephone conference calls with Town Manager and Town Attorney, preliminary survey and road plat relative to legal descriptions and survey work performed on the three projects identified as Bryan Road, Glen Platt/Folsom, and North Road Survey. Legal descriptions for Bryan Road were incorporated into Easements signed over to the Town by all Bryan Road residents, and Glen Platt/Folsom properties and recorded in the PBC public records prior to the Town resurfacing those specific roadways.

With respect to insurance policies, the Town received the required insurance certificate from the contractor for 2013-2014. No further services have been provided by contractor after the completion of the above mention work in 2013, and as such no updated insurance has been required (**See Exhibit B**).

Payments to A&B Engineering were not identified in the Audit Report as questioned costs even though the Report identifies many of the same deficiencies as identified in the LMR and Tew & Taylor Contracts.

With the exception of the three Town engineering contract, most Town contracts in place precede our commencement date with the Town. Because of undocumented changes to many of the Town's existing contracts, we have implemented adoption of Resolutions for Town Council action as it provides the ability to better track Council actions. For example when we were researching LRM insurance requirements, we

ATTACHMENT 2 - Town Manager Response continued

discovered that in 2007 the Town Council at a regular meeting waived insurance requirements included in the LRM contract by a voice vote only without ever amending the contract.

We concur with the Audit recommendation relative to review of insurance requirements, on an annual basis, and will request updated insurance documents as needed.

We would further suggest and recommend the Town Council consider uniformity in the Contract criteria relative to insurance requirements on future contracts.

Finding (2): THE CONTRACT FOR TOWN MANAGEMENT SERVICES DOES NOT ALIGN WITH THE TOWN CHARTER, AND THE ORGANIZATIONAL STRUCTURE CREATES RISKS FOR THE TOWN

This is an accurate statement; however, the finding is insufficient. Not only does the Town Management contract not align with the Town charter, it does not align with the Request for Proposals (RFP), or the Town's policy and procedures. The Audit's characterization ignores the Town's inalienable right to determine how it desires to manage the Town. In other words, the Town Council and citizens have the right to self-determination through home-rule.

The report ignores the fact Town Manager is "appointed by resolution," and presumes the Town Manager shall receive such compensation as determined by the Town Council. The report implies that after the issue was brought forward to the Town Manager on March 4, 2016 by OIG, that the issue would be addressed by a resolution to hold a referendum vote to amend the Town Charter. Had the investigation inquired, the report would have stated the discussion regarding conflicts between the Town Charter, Management Services RFP, Management Services Contract, and FAAC Policy and Procedures Manual along with policy aspects of Town Manager duties and responsibilities were first addressed by Loxahatchee Groves Water Control District Supervisor John Ryan at the Town Council meeting in August 2015.

At the October 13, 2015, meeting, the Town Manager identified the conflicts regarding management duties and responsibilities in the four documents. At that time, the Town Council requested that the Town Manager provide a revised Contract to address all the necessary changes for Town Council consideration. At no time was the matter of employee/firm relationship identified as a concern.

In March, the Town Council modified the UMSG Contract to reconcile the discrepancies between the documents. In relation to other separate matters, the Town Council decided to include three (3) Charter referendums questions for voter consideration, as changes to the Charter cannot be modified, changed, or altered through a legislative resolution, or ordinance.

The Audit Report chose to identify only a very select portion of the Charter while ignoring other conflicts in the Charter, RFP, Contract, and policies as it relates to management.

For example, as part of the duties and responsibilities included in the Charter is the provision that identifies the Town Manager as the sole signer on all checks of the Town even though in 2010-2011, the Town Council adopted a Resolution identifying the Town Council as sole signers on all checks. Additionally, the FAAC Policy and Procedures specifies that checks to be signed by Town Council members only.

The Audit Report chose only to focus on the language of the Charter as it relates to the form of employment by the Town of a Manager as employee rather than as contracted services without at a minimum identifying other language contradictions of the Charter. In fact, the check signing conflict was identified to the OIG staff, but was dismissed because the Town adopted a Resolution making the change. Changes to the Charter cannot be

ATTACHMENT 2 - Town Manager Response continued

modified, changed, or altered through a legislative resolution, or ordinance, however in this Audit Report the OIG attributed their suggestions of March 2016 as a factor for the Charter change to be included in a voter referendum.

At no time since the Town incorporated in 2007, has the Town of Loxahatchee Groves ever entered into an employer/employee relationship with its previous Managers. In fact, four the five original Town Council members were also part of the incorporation committee. Additionally, the Town's legal firm was used by the incorporation committee in drafting its charter and preparing the RFPs and contracts for management services for the previous and current management company.

- **Segregation of Duties:**

It remains unclear how managing the Town through a management contract or employee Town Manager creates "several risks for the Town." Specifically, the report identifies an issue with "**Segregation of Duties**" as recommended in the U. S. General Accounting Office (GAO) *Standards for Internal Control in the Federal Government*. First, the Town's Charter has a no interference clause regarding Council interference with Town staff, whether a contract company or Town Manager employee, all employees report to the head of the operation, i.e. Town Manager. In either case, the employees work at the pleasure and under the control of the Manager. We believe that this noninterference clause is a standard practice in most cities in South Florida, to include Palm Beach County.

- The report states the Town Management company has the ability to "[i]nvoice the Town for Town Management services, approve the invoice, and print a check to pay itself." The Town management company, under current circumstances, **cannot** "pay itself." Only the Town Council has the ability to pay the management company as two of the authorized signatories of Town Council members sign all checks issued.

The structure used by the Town is likely more secure than most local governments. For example, a typical local government in Palm Beach County, a Manager or through its Finance Director approves the invoices, authorizing the check printing to pay invoices without Council direct oversight and review as very few cities still manually sign all checks. City Managers/Employees in traditional municipalities approve, print, and pay themselves, without the benefit of their respective legislative bodies reviewing and signing those checks individually.

- Approximately 98% of all payments received by the Town are through wire transfer or EFT, we are responsible to record them, as well as planning and zoning permit payments that over 99% received by the Town are through checks.
- It is true the management firm oversees the code enforcement contract function; however, the Audit report is completely incorrect, as the Management Company does not fine individuals for code enforcement infractions. The Town's Special Magistrate sets the amount for infractions and records the magistrate's order, collects and reconciles the amount collected in the accounting system.

As in many local governments, whether contracted or employee hired, the Town Manager has the responsibility to initiate and authorize purchases, authorize payments, receive goods, and manage inventory.

The Audit Report failed to acknowledge a vital internal control function provided by the Finance Advisory and Audit Committee (FAAC) composed of the following members:

- Chairman Lung Chiu, Inspector General of the Palm Beach County School Board;
- Vice Chair Elise Ryan, former Finance Director Lucent Technologies;

ATTACHMENT 2 - Town Manager Response continued

- Chery Miller, IRS Enrolled Agent;
- Ken Johnson, former JC Penney Company Finance Division; and
- Virginia Standish, private sector accounting.

This committee is charged with reviewing all financial statements, payments, deposits and expenses incurred monthly, and provide the Town Council with monthly reports. This committee specifically reviewed all Land Research Management invoices, all cost recovery accounts, all reimbursements including mileage reimbursements to staff, sales tax charges, late payments, and finance charges on a monthly basis as well.

Finally, it should be noted that with respect to segregation of duties and internal controls there are several governments in Palm Beach County, and throughout Florida, that have as many employees as Town management staff has, and those municipalities are faced with the same situation with respect to segregation of duties and internal controls regardless of structure.

- **Potential for Conflicts of Interest:** The Town Management firm does not participate in activities which could be construed as a conflict of interest and the firm has disclosed activities including work for other municipalities, but has no relationships with any Town contractors that could have the potential for actual or perceived conflicting priorities. The Town Manager and management staff adhere to the Palm Beach County Ethics Ordinance, and all state filing and reporting requirements similar to the requirements for municipal employees in Palm Beach County.
- **Business Continuity and Succession Planning:** "The key functions of the Town Manager, Town Clerk, Planning and Zoning, Code Enforcement, Financial Management, and Office Coordinator (support staff) could all be vacant simultaneously until a new contractor(s) assumed the duties."

The Town Council has always had a past practice of arranging with its previous management firms to assist in the transition to a new company. The three firms the Town has selected have all been prior professional city, town, or village managers. As professional managers, the transition between management companies has occurred somewhat seamlessly each time.

If the OIG had inquired about past transitions, there would have been no need to comment on succession planning as the Town Council has always provided for seamless transitions. With respect to Community Strategies (the first management company) they continued to provide financial support during the transition to Frank Spence (the second management company), and the Town Clerk was hired by Spence. When UMSG began, it spent the last week of the Spence contract in the office with the Manager Spence and Town Clerk Harper. It also received all requested financial documents from the Financial Services provider used by Spence firm so that UMSG could close out their fiscal year.

During the study period, the report stated that code enforcement was a key function even though the Audit Report identifies Tew & Taylor as the Code Enforcement Services provider. Again, the contradictions of FAAC Policy and Procedures Manual which identifies code enforcement as a key function of the management firm.

The report also stated: "Moreover, there is a risk of loss of critical documentation such as financial records because they are not in the custody and control of the Town."

The current Town Management firm provided the Town Council an assessment over four years ago that they, the Council, should provide for their own financial recording and reporting system rather than rely on its management firms to provide the information in a usable format. The Town Manager urged the Town Council to contract with a firm that could provide a financial SaaS solution for the Town. The Council approved a contract during the examination period and implementation is scheduled for FY2017.

ATTACHMENT 2 - Town Manager Response continued

The Audit Report did not identify this activity even though they reviewed the Contract with Blackbaud, the financial SaaS provider.

At this point, the Town will have complete control of its financial records.

Finding (3): THE TOWN COUNCIL DID NOT CONDUCT PERFORMANCE REVIEWS OF THE TOWN MANAGEMENT CONTRACTOR AS REQUIRED BY THE CONTRACT

Town Management has provided the Town Council with two separate Performance Evaluation Review Templates for their review and consideration. To date, the Town Council has not taken action to review, revise, seek other templates, or accept those received.

Evaluations are identified to occur each year to coincide with the release of the annual Audit. The Town Council in the past has looked to bidding Management Services each year beginning in Year 3 and 4 of the current ongoing contract rather than conducting performance reviews. The contract was renewed on each of those identified years as there was no majority to go out to bid. In fiscal year 2015, a majority of Town Council decided to bid Management Services in June. Again, no evaluation was considered. Bids were received, and a new management firm was selected; however, they withdrew their proposal the following week.

At no time did UMSG consider resubmitting a proposal for the contract. UMSG did advise the Council each year that it would do whatever was necessary to ensure a successful transition with the successful firm selected. In addition, UMSG requested the Town Council allow it to help develop a new RFP that was in line with the requirements of the separate governing documents to include current or more effective standards. Each time the Town Council majority chose to use the same RFP that has been used since 2007 with the exception of the 2015 RFP that the Town Council requested FAAC input. The only change to the RFP provided was for the Planning and Zoning function to be included as part of the services to be provided.

We would recommend that the Town Council should seek guidance in drafting a new RFP for Management Services that ensures that all provisions of the Charter, RFP, Management Contract and any policies and procedures in place are addressed to avoid confusion in the future choices.

Finding (4): THE TOWN MANAGEMENT CONTRACTOR WAS REIMBURSED FOR EXPENSES OUTSIDE OF THE SCOPE OF THE CONTRACT

Town Management Contractor was reimbursed for expenses outside of the scope of the Contract.

If it was the intent of the Council to not reimburse mileage, or notary training costs and fees, then the Council would have noted such in the Addendum to the RFP. This Addendum to RFP 2011-006 specifically identified, and included that the contractor would be responsible to pay, through their contract, for the cost of the proportionate share of the OIG costs of \$0.25% of certain contract expenses to the Office of Inspector General, and proposers should include such in the cost proposal of a Response to the RFP.

In order for Council to expect the contractor to include mileage costs in their proposals, the RFP would have indicated the number of miles to be traveled, on behalf of the Town, by the contractor, similarly to what was included in the Addendum for OIG expenses. Additionally, when we entered into the contract, it was past practice to reimburse previous management companies for mileage and any expenses incurred on behalf of the Town.

ATTACHMENT 2 - Town Manager Response continued

While the OIG is stating a fact that the contract does not state that such expenses will be paid, it is also a fact that the contract does state that such expenses will not be paid. While it is true that the Contract with UMSG indicated that payment would be made monthly for providing services as outlined in the contract, specifically 95 hours, it is not necessarily true that specific tasks would require travel to offsite meetings as offsite meeting are not identified in the contract or RFP.

Additionally, deposit of monies, performance of planning, zoning, administrative, and other duties as may be required by the Council does not imply or infer that UMSG or its employees will incur the cost of such travel on behalf of the Town. In fact, the Town could engage an armored car firm to provide for the pickup and delivery of the deposits at an approximate annual cost of \$6,000 and use alternative mode travel to include taxi services throughout the Town, to attend meeting, or perform other duties required by the Town Council. Alternatively, the Town could purchase a vehicle.

Reimbursements of \$1576.00, made by the Town, to specific personnel of UMSG for individual expenses incurred on behalf of the Town is an obligation of the Town, and not of UMSG. For example, travel by staff to PBC Water Utilities in Boynton Beach, FL for establishing water service at the Town Hall is an obligation of the Town, not one of UMSG or its employees.

The Audit noted that the Town paid \$189 for a UMSG staff member to become a Notary. There is no requirement in the contract or elsewhere that UMSG provide notary services on behalf of the Town. Every municipal government in PBC pays for the training and associated fees of its employees to become Notaries. Specifically, UMSG contract stated that that "it would be responsible for payment of all fees and/or costs associated with Professional Designation, Certifications, and Licenses of any individual required to possess a professional designation, certification, or license by the Town Charter or the RFP 2011-16." The only position that requires a professional designation, certification, or license in the Town Charter or the RFP is that of the Town Manager which is required to be a Credentialed Manager, not a Notary.

UMSG has not requested or been reimbursement for payment of all fees and/or costs associated with the Town Manager professional designation, certifications, and licenses, or those held by the Town Clerk or any of its staff.

The Audit Report failed to report that the FAAC Committee reviews all reimbursements to include mileage, and notary services. At no time did the FAAC express concerns or include comments to the Town Council as part of their monthly report about the mileage reimbursement, reimbursement forms used, or the detail included as part of the reimbursement. Beginning in April 2015, Vice Chair Else Ryan questioned staff mileage reimbursement to Boynton Beach relative to establishing a water utility account for the New Town Hall. While the FAAC chose not to address this concern to the Town Council, Management advised the Town Council on the concern expressed by Vice Chair Ryan.

Additionally, the Audit Report failed to report the reimbursement of purchases made individual members of the Citizen Emergency Response Team "CERT" for purchases made.

Finding (5): THE TOWN DID NOT ALWAYS RECORD MEETING MINUTES PROMPTLY, OR MAKE THEM AVAILABLE FOR INSPECTION, AS REQUIRED

We concur that meeting minutes be made available as soon as practical after the meeting. In the meantime, web-streaming video is recorded and available for review within 24 to 48 hours after the meeting to the public. On occasion, circumstances beyond our control may cause a delay in minute presentation to Council.

ATTACHMENT 2 - Town Manager Response continued

Finding (6): VENDOR PAYMENTS WERE NOT ALWAYS IN COMPLIANCE WITH THE TOWN'S PURCHASING ORDINANCE AND PROCEDURES PURCHASING ORDINANCE AND PROCEDURES

Vendor Payment not always in compliance with Town's Purchasing Ordinance and procedures

We concur that we did not always comply with Town's Purchasing Ordinance and procedures. However, we would like to take this opportunity to further illuminate, as some of the comments made in Report may be misleading. For instance, while it may be true that OIG sampled 33 transactions in vendor payments and 300 transactions in credit card payments made during the two (2) year period, we believe based on our observation, and evidentiary material of nearly 100% of vendor transactions and credit card transactions were reviewed by OIG staff.

- Examples noted by the report of 12 credit card transactions with missing receipt that have been identified as questioned costs can be supported through visual identification, and independent third party confirmation.

For instance, the Town provides delivered meals to Town Election workers, and within the statement, the receipt for the meals delivered was noted as missing and included a copy of the Too Jay's Restaurant food order placed for the date of election with the associated cost.

While the Audit Report states that it may appear that controls are weak and do not adequately protect the Town's assets, it should have identified all payments for any invoice whether it is by vendor, payments, or contractor payments are reviewed by at least two council members. Executed transactions logs by Town Council members were included as part of the review and approval of purchases and payments.

Additionally, the Report should have acknowledged that credit card transactions are also reviewed by the Town's Finance Advisory and Accounting Committee on a monthly basis. Committee members were provided information with respect to purchases and missing receipts. Chair Chiu had previously advised that notations of missing receipts should be included as part of the credit invoicing, and payment. FAAC always has urged and staff concurs that every attempt be made to avoid loss of receipts.

While the Audit Report identifies the issuance of multiple credit cards by the Town, it could have been beneficial to the OIG staff if they had inquired as to why there were multiple cards issued. The FAAC recommended that an additional Town credit card be issued to a managing partner for UMSG as the firm was making purchases on behalf of the Town, and sales tax was being charged to UMSG credit card for such purchases. (See Exhibit D).

- With respect to payments made over \$1000, the Audit states that staff did not maintain sufficient documentation demonstrating that telephone quotes were obtained prior to each purchase. The 9 credit card transaction of \$13,799, and two payments by check totaling \$3955 were supported by written quotes rather than telephone quotes that were received in advance of purchases, and provided for the Audit, but rejected for various inconsequential reasons.

ATTACHMENT 2 - Town Manager Response continued

Town did provide what we believe is sufficient documentation of the quotes received in writing or by internet on all items over \$1000 despite the fact that only verbal quotes by telephone were required. For example, it has been indicated that evidentiary documentation for Town Hall dedication barbeque was insufficient, as the selected menu, items did not provide totals from one of the vendors. Secondly, adequate quotes were provided for necessary furniture items needed for the New Town Hall by more than three (3) vendors. The quotes were not acceptable because they identified in an aggregated list of office items needed rather than segregated by individual item such as conference room chairs, and some quotes did not contain identical items for comparison.

The Town Manager did not approve all payments as required. The Town's Finance & Accounting Procedures states, "Under no circumstances will: Invoices be paid unless approved by the Town Manager."

- We agree that payment of \$4,997 in credit card payments and \$354 in vendor payments lacked the signature approval of the Town Manager on the invoice that was processed for payment.
- We agree there were 11 invoices in contractor payments that did not contain the signature approval of the Town Manager on invoices processed for payment as indicated. The invoices in question represented 2 invoices in FY2014, and 9 invoices in FY2015.

Even though invoices were not signed by the Town Manager when processed for payment, all services as identified in the questioned invoices were provided by Tew & Taylor, Waste Pro, and Keshavrz & Associates, and the invoices were approved and paid by the Town Council.

As mentioned in Management's response throughout this report, there are many conflicts between many of the Town's documents. The Manager function is to verify and process invoices for payments, and approval authority rests solely with the Town Council. While the FAAC policies state that the Town Manager shall approve all invoices, the Town Management Contract reflects that the Town Manager shall process payments, and does not address signing invoices as a requirement.

OIG staff reviewed invoices submitted by Loxahatchee Groves Water Control District for road maintenance services contract that there not signed or verified for payment by the Town Manager, but the Audit Report failed to identify those invoices payments.

The invoices in question were paid by official action of the Town Council without the approval or ability of work verification, or resubmission of corrected invoicing by the contractor was provided.

Finding (7): THE TOWN DID NOT ALWAYS ISSUE IRS FORM 1099-MISC TO CONTRACTORS.

We concur with the recommendation and will seek guidance to ensure compliance with IRS guidelines.

Finding (8): CONTRACTS WERE ENTERED INTO WITHOUT TOWN ATTORNEY APPROVAL AS REQUIRED BY TOWN CHARTER

We agree that Town Attorney did not approve the credit card processing service established in August 2011 by the former Management Company. Staff attempted to cancel the lease to include requesting an early release consideration, but to no avail.

ATTACHMENT 2 - Town Manager Response continued

- The month to month storage facility lease agreement was entered into by Town Manager Kutney as a result of the loss of one office unit rented to another vendor by the landlord, Yee's Corporation. The rental charge for the storage unit at the time was less expensive than renting an additional office unit of \$600 monthly as proposed by Yee's Corporation. (See Exhibit C)

We would like to point out that two separate monthly subscription services that also were not approved by the Town Attorney as follows: Boost Mobile in the amount of \$55.00 monthly for cellular phone service for the Town's Waste Monitor, and Microsoft Exchange in the amount of \$112.00 monthly for email service accounts for 14 users. Carbonite and Dropbox are two other services used by the Town that are paid electronic and no contract is available for Town Attorney approval. While reviewed by the OIG, it was not included in the Audit Report.

We will ensure that all contracts are signed by the Town Attorney; however, we have no solution for such approvals for subscriptions such as those identified above.

Finding (9): THE TOWN MADE LATE PAYMENTS TO CONTRACTORS, AND INCURRED UNNECESSARY LATE FEES, SALES TAX, AND OVER-LIMIT FEES

Regarding late payments to three firms, Waste Pro, Keshavarz and Associates, and Simmons and White, we do not disagree that late payments occurred; however, this report in some instances took into account the date of the invoice not the date it was received. Additionally, cause of some late payments was due to coordination of Town Council members to execute checks. Further, some late payments were because of the Manager questioning specific information, or requests by the Manager to bifurcate invoice billing into separate components contained within an invoice.

The report also noted "...that the Town paid for late fees, over-limit fees, and sales tax on some purchases." Again, Town Management does not control elected officials or their schedules. Since management is not a signatory on the Town's checking account, late fees for credit card payments are a function of signatory availability. Over-limit fees are a function credit card posting reserves against the available balance and orders being fulfilled concurrently. Sales tax proof of tax exemption is used whenever and wherever practical. Unfortunately, there are times when management staff is coincidentally at a vendor that can provide supplies needed by the Town; however, the tax-exempt form cannot be used because the staff uses their personal credit or debit card to make the needed purchase.

These three categories totaling \$689 were reviewed, and payment approved and signed by members of the Town Council. Additionally, these items were reviewed, discussed, and approved at various times during the performance period by the FAAC, chaired by Mr. Lung Chiu. At no time earlier in the FAAC review was this matter ever reported to the Town Council as a concern.

Management does not disagree that the Town Management contract outlines the processing of all invoices and payments as a contractual function of the Town Manager. However, as indicated throughout this report and our response, the conflicts between the RFP, Town Charter, Management Contract, FAAC Policy and Procedures, and the Town Council Fiscal Policy, mitigating the matters raised in this report are more complex than delineated by the OIG through selective application of specific rules in conflict.

ATTACHMENT 2 - Town Manager Response continued**Finding (10): THE TOWN DID NOT TAG EQUIPMENT, OR PERFORM A PHYSICAL INVENTORY, AS REQUIRED BY THE TOWN'S PROCEDURES MANUAL**

OIG states: "At the start of the audit, there was no detailed listing of inventory, furniture and electronics owned by the Town. At our request, the Town Manager created a listing of items, including furniture, computer equipment, and audiovisual equipment. The list did not contain a cost for every item over \$1,000 having a useful life over one year. Also, none of the items were tagged or etched to show Town ownership."

- An inventory list was already in existence with respect to all electronic equipment. The computer equipment list did include serial numbers, but not identified items costs.
- The inventory list for the audio visual was prepared by the vendor as part of the vendor payment and provided to Town at time of installation that included identified costs and serial numbers.
- The Furniture inventory was created specifically for the OIG as requested.

It must be noted that with the exception of the digital camera in the council chambers that is used for web streaming video of Town Council Meetings, the encoder that transmits the video to the website, receiver, along with the rack that holds the encoder, and the Town Manage Desk, no other items identified in the inventory provided or created for the OIG are over \$1,000.

The Town purchased inventory tags for all mobile items. The tags will be attached to the items and an annual inventory will be completed.

While we concur having the information readily available would assist for insurance purposes, each item exceeds the insurance deductible if stolen, or lost through a natural disaster.

The Town Council Fiscal Policy adopted annually states that in 1.B.5. "The Town shall maintain its capital and non-capital asset records in accordance with the policy and procedures set forth by the Town Manager. Individual asset costing \$5,000 or more shall be capitalized. However, non-capital mobile assets costing \$1,000 or more and electronic equipment shall be tracked for inventory purposes."

ATTACHMENT 2 - Town Manager Response continued

Management Response Loxahatchee Groves

Exhibit "A"

ATTACHMENT 2 - Town Manager Response continued



Regular Town Council Meeting
AGENDA PACKET

Tuesday, June 21, 2011

ATTACHMENT 2 - Town Manager Response continued



155 F Road
Loxahatchee Groves, FL 33470

TOWN OF LOXAHATCHEE GROVES

Meeting Date: November 6, 2007

Regular Agenda Item No. 15

Town of Loxahatchee Groves

Phone (561) 793-2418

Fax (561) 793-2420

www.loxahatcheegrovesfl.gov

AGENDA MEMO

Subject Matter: Planning Consultant Contract – Land Research Management

Background: The Town has retained the services of Land Research Management to provide the Town with planning consultant services in respect to addressing applicants in the county's DRO process and other various planning issues that may arise. Town staff is looking for approval of the contract to provide such services.

Backup Material: Planning Consultant Contract – Land Research Management

Action: To approve above stated contract

ATTACHMENT 2 - Town Manager Response continued

Management Response – Town of Loxahatchee Groves

Exhibit "B"

ATTACHMENT 2 - Town Manager Response continued

7/2016 Discovery - Perla Underwood - Outlook

eDiscovery search preview: Mark Kutney

The top 500 mailboxes and public folders with the most hits are displayed below.

All items
Item count: 97
Size: 214 MB

Will Underwood I
Item count: 97
Size: 214 MB

Subject	Items by Date (Oldest on top)	
Mark Kutney Draft Agreement Land Surveying Services	6/28/2013	↓
dpainter@abengineering.net Re: Draft Agreement Land Surveying Servi	7/1/2013	↓
Bram A. Maravent Revised Professional Agreements (Engineer	7/1/2013	↓
FW: Revised Professional Agreements (Engli	7/1/2013	↓
FW: Draft Agreement Land Surveying Servic	7/1/2013	↓
Mark Kutney FW: Draft Agreement Land Surveying Servic	7/1/2013	↓
Dennis Painter Re: FW: E&O Insurance	7/9/2013	
Mark Kutney FW: E&O Insurance	7/9/2013	
Bram A. Maravent RE: FW: E&O Insurance	7/9/2013	↓
Mark Kutney RE: E&O Insurance	7/9/2013	↓
Bram A. Maravent Land Surveying - Final Proposed 070913.do	7/9/2013	↓
Mark Kutney FW: Land Surveying - Final Proposed 07091	7/10/2013	↓
Susan Eichhorn Agenda Packet for 7-16-13 Town Council M	7/10/2013	↓
Andrea Lemer Loxahatcheegroves SWA mailer	7/18/2013	↓
Susan Eichhorn Contract ready for signing	7/23/2013	↓
Mark Kutney Dennis Painter/Contract	7/23/2013	↓
Mark Kutney		↓

FW: E&O Insurance

MK Mark Kutney
7/9/2013
bmaravent@cityr

Bram:

What do you think, good to go?

Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager

TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470
(561) 793-2418: Phone
(561) 793-2420: Fax
www.loxahatcheegroves.org

Note: Please direct all future correspondence to
mkutney@loxahatcheegrovesfl.gov

-----Original Message-----
From: Dennis Painter [mailto:DPainter@ABEngineering]
Sent: Tuesday, July 09, 2013 1:19 PM
To: Mark Kutney
Subject: Re: FW: E&O Insurance

Mark:

Regarding our insurance policy, our policy is for \$1,000 each occurrence and \$2,000,000 aggregate. According our agent, we can add the Town to our general liability policy, but not to our professional liability policy.

Is there anything else that the Town requires from us?

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.
3461 Fairlane Farms Road
Wellington, FL 33414
Phone: (561) 383-7480

Quoting Mark Kutney
<mkutney@loxahatcheegrovesfl.gov>:

> Gentlemen:
>
> As promised, here is the final request related to the Insurance.
> Please respond back to me as quickly as you can addressing the items
> so that I can get this to the attorney and keep the agreements moving
> forward for approval tonight.
>
> Best regards,
> Mark
>

<https://outlook.office365.com/owa/loxgrove.onmicrosoft.com/default.aspx?cmd=contents&module=discovery&discoveryid=Mark+Kutney&exsvurl=1> 1/1

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Mark Kutney

The top 500 mailboxes and public folders with the most hits are displayed below.

All items
Item count: 97
Size: 214 MB

Will Underwood I
Item count: 97
Size: 214 MB

Items by Date (Oldest on top) 07/29/2013

Mark Kutney	↓	
Draft: Agreement Land Surveying Services		6/28/2013
dpainter@abengineering.net	↓	
Re: Draft Agreement Land Surveying Servi		7/1/2013
Bram A. Maravent	↓	
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Mark Kutney	↓	
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Dennis Painter		
Re: FW: E&O Insurance		7/9/2013
Mark Kutney		
FW: E&O Insurance		7/9/2013
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RE: FW: E&O Insurance		7/9/2013
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Loxahatcheegroves SWA mailer		7/18/2013
Susan Eichhorn	↓	
Contract ready for signing		7/23/2013
Mark Kutney	↓	
Dennis Painter/Contract		7/23/2013
Mark Kutney	↓	

RE: FW: E&O Insurance

BM Bram A. Maravent <bmaravent@ci
7/9/2013
Mark Kutney; Mill s

You replied on 7/9/2013 4:48 PM.

Mark:

I can amend the current agreement to reflect the information you sent to me. That A&B cannot add the Town to its E&O policy is fine, so long as it has such a policy. I will amend it and send it to you so it can be approved at the next Town Council meeting. The other two professionals' agreements were already approved, correct?

Sincerely,

Bram A. Maravent, Esq.
GOREN, CHEROF, DOODY & EZROL, P.A.
3099 East Commercial Boulevard, Suite 200
Fort Lauderdale, Florida 33308
Telephone (954) 771-4500 x 324 * Fax (954) 771-4923
Email: bmaravent@cityatty.com
www.cityatty.com

Offices in Fort Lauderdale and Delray Beach, Florida.

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-----Original Message-----

From: Mark Kutney
[mailto:mkutney@loxahatcheegrovesfl.gov]
Sent: Tuesday, July 09, 2013 4:43 PM
To: Bram A. Maravent
Subject: FW: FW: E&O Insurance

Bram:

What do you think, good to go?

Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager

TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470
(561) 793-2418: Phone
(561) 793-2420: Fax
www.loxahatcheegroves.org

ATTACHMENT 2 - Town Manager Response continued

August 26, 2013



A&B Engineering, Inc.

Mark Kutney, Town Manager
Town of Loxahatchee Groves
114579 Southern Blvd. Suite 2
Loxahatchee Groves, FL 33470

**RE: PROPOSAL FOR LAND SURVEYING SERVICES:
PREPARE MAINTENANCE MAP FOR PORTIONS OF NORTH ROAD
OUR PROJECT NO. 96035-NN, DRAWING NO. FP-1589V**

Dear Mr. Kutney:

A & B Engineering, Inc. will prepare a Roadway Maintenance Map and Special Purpose Survey for the southerly maintained side of North Road adjacent to "B" Road, and E Road for a lump sum fee of \$11,660. The Maintenance Map will include the determination and survey of the historic roadway maintenance line as currently in use. The Maintenance Map and certified Special Purpose Survey will be drawn in such a manner so as to be approved and executed by the Town Council and/or District Board, and suitable for filing in the Public Records of Palm Beach County, Florida. Printing will be additional and copies will be billed at 115% of our cost. We expect the project to be completed and delivered to the District for filing within 4 to 6 weeks from receipt of your written authorization to proceed.

Thank you for your consideration and we look forward to serving you.

Sincerely,

A & B ENGINEERING, INC.

A handwritten signature in black ink that reads "Dennis Painter". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Dennis Painter
Registered Land Surveyor
Chief of Survey

DP:s

M:\PROPOSAL\SURVEY\96035NN - LOX NORTH ROAD Maintenance Map & Survey.doc

Consulting Engineers • Land Surveyors

3461 Fairlane Farms Road, Wellington, Florida 33414 • Tel: 561-383-7480 • Fax: 561-383-7485
E-mail: abengineering@abengineering.net • Website: www.abengineering.net

ATTACHMENT 2 - Town Manager Response continued

August 29, 2013



A&B Engineering, Inc.

Mark Kutney, Town Manager
Town of Loxahatchee Groves
14579 Southern Blvd. Suite 2
Loxahatchee Groves, FL 33470

**RE: PROPOSAL FOR LAND SURVEYING SERVICES:
REVIEW DEEDS OF ADJACENT GLENN TRACTS ON FOLSOM ROAD
OUR PROJECT NO. 96035-PP**

Dear Mr. Kutney:

A & B Engineering, Inc. will review deeds and prepare a statement as to the findings of the adjacent parcel locations for a lump sum fee of \$240.

This proposal is based on the title information being provided to A & B Engineering by the Town. We expect the project to be completed within 1 week from receipt of the Town's written authorization to proceed.

Thank you for your consideration and we look forward to serving you.

Sincerely,

A & B ENGINEERING, INC.

A handwritten signature in black ink that reads "Dennis Painter". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Dennis Painter
Registered Land Surveyor
Chief of Survey

DP:s

M:\PROPOSAL\SURVEY\96035-PP - LOX - LISA GLENN PARCEL LOCATIONS.doc

Consulting Engineers • Land Surveyors
3461 Fairlane Farms Road, Wellington, Florida 33414 • Tel: 561-383-7480 • Fax: 561-383-7485
E-mail: abengineering@abengineering.net • Website: www.abengineering.net

ATTACHMENT 2 - Town Manager Response continued

August 29, 2013



A&B Engineering, Inc.

Mark Kutney, Town Manager
Town of Loxahatchee Groves
14579 Southern Blvd. Suite 2
Loxahatchee Groves, FL 33470

**RE: PROPOSAL FOR LAND SURVEYING SERVICES:
BRYAN ROAD LOCATION & REVIEW - 0.73 MILES
OUR PROJECT NO. 96035-OO, DRAWING NO. FP-1589W**

Dear Mr. Kutney:

A & B Engineering, Inc. will review deeds, calculate, stake for viewing and prepare a sketch of the Bryan Road location for a lump sum fee of \$3,000. The determination of fees is as follows:

Review Deeds:	\$ 480
Stake R/W Lines:	\$ 1,560
Draft Sketch:	\$ 960
Total:	\$ 3,000

This proposal is based on the title information being provided to A & B Engineering by the Town. We expect the project to be completed within 2 weeks from receipt of the Town's written authorization to proceed.

Thank you for your consideration and we look forward to serving you.

Sincerely,

A & B ENGINEERING, INC.

A handwritten signature in black ink, appearing to read 'Dennis Painter', with a long horizontal flourish extending to the right.

Dennis Painter
Registered Land Surveyor
Chief of Survey

DP:s

MA:PROPOSAL\SURVEY\96035-OO - LOX BRYAN ROAD LOCATION.doc

Consulting Engineers • Land Surveyors

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ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

The top 500 mailboxes and public folders with the most hits are displayed below.

All items
Item count: 97
Size: 214 MB

Will Underwood I
Item count: 97
Size: 214 MB

Items by Date (Oldest on top) ▼

survey cad	0	8/29/2013
Fwd: Proposal for Land Surveying Services f		
Weekly Significant Issues email 8/19/13-8/2	↓	8/30/2013
Mark Kutney	↓	8/30/2013
Weekly Significant Issues email 8/19/13-8/2		
Mike Cirullo		9/6/2013
Dennis Painter		
Lynnette Ballard	0 ↓	9/6/2013
2013-09-11 BOARD MEETING PACKET - PAI		
Mark Kutney		9/9/2013
RE: Dennis Painter		
Mike Cirullo		9/9/2013
RE: Dennis Painter		
Jim Rockett		9/10/2013
9/17/13 TC Agenda		
Dennis Painter		9/27/2013
Bryan Road - Review Deeds and Stakeout -		
Dennis Painter	↓	9/30/2013
RE: Bryan Road - Review Deeds and Stakeo		
Mark Kutney	↓	9/30/2013
FW: Bryan Road - Review Deeds and Stakec		
Mike Cirullo	↓	10/1/2013
RE: Notice to Proceed - Work Authorization		
Braeden Garrett	0 ↓	10/1/2013
FW: Bryan Road - Review Deeds and Stakec		
Dennis Painter	↓	10/11/2013
Bryan Road - Stakeout Scheduling		
Dennis Painter	↓	10/22/2013
Re: FW: Bryan Road - Review Deeds and Sta		
Mike Cirullo	↓	10/30/2013
Pending Items		
Mark Kutney	↓	10/30/2013
RE: Pending Items		

Bryan Road - Review Deeds and Stakeout - North Road Update

DP Dennis Painter <survey-cad1@abe
9/27/2013
Mark Kutney ↗

Mark:

I am ready to begin the review of the Bryan Road deed verify the location for stakeout of the right-of-way lines for viewi Therefore, I am requesting copies of the adjacent property owner deeds that describe the location of the road right-of-way.

We have completed the field work for North Road, and will begin the drawings next week.

Thank you for your assistance.

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Mark Kutney	8/30/2013
Weekly Significant Issues email 8/19/13-8/3	
Mike Cirullo	9/6/2013
Dennis Painter	
Lynnette Ballard	9/6/2013
2013-09-11 BOARD MEETING PACKET - PA	
Mark Kutney	9/9/2013
RE: Dennis Painter	
Mike Cirullo	9/9/2013
RE: Dennis Painter	
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Bryan Road - Review Deeds and Stakeout -	
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Bryan Road - Stakeout Scheduling	
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Re: FW: Bryan Road - Review Deeds and Sta	
Mike Cirullo	10/30/2013
Pending Items	
Mark Kutney	10/30/2013
RE: Pending Items	

RE: Bryan Road - Review Deeds and Stakeout - North Road Update

DP Dennis Painter <survey-cad1@abe 9/30/2013
Mark Kutney ✕

You forwarded this message on 9/30/2013 4:26 PM

Mark:

Should I call the attorney directly with my request (shown below). I can't proceed with the road right-of-way staking until I receive the title information for Byron Road. Thank you for your assistance.

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.

----- Original Message -----

Subject:Bryan Road - Review Deeds and Stakeout - North Road Update

Date:Fri, 27 Sep 2013 09:56:04 -0400

From:Dennis Painter <survey-cad1@abengineering.net>

Organization:A & B Engineering, Inc.

To:Mark Kutney <mkutney@loxahatcheegrovesfl.gov>

Mark:

I am ready to begin the review of the B location for stakeout of the right-of-way. I am requesting copies of the adjacent drawings that describe the location of the road right

We have completed the field work for North Road drawings next week.

Thank you for your assistance.

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Mike Cirullo	10/30/2013	↓
Pending Items		
Mark Kutney	10/30/2013	↓
RE: Pending Items		

FW: Bryan Road - Review Deeds and Stakeout - North Road Update

MK Mark Kutney
9/30/2013
Braeden Garrett

Braeden:

Do you have these deeds or is it Mike? Please advise.

Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager



TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470
(561) 793-2418: Phone
(561) 793-2420: Fax
www.loxahatcheegroves.org

Note: Please direct all future correspondence to mkutney@loxahatcheegrovesfl.gov

From: Dennis Painter [mailto:survey-cad1@abengineering.net]
Sent: Monday, September 30, 2013 2:22 PM
To: Mark Kutney
Subject: RE: Bryan Road - Review Deeds and Stakeou North Road Update

Mark:

Should I call the attorney directly with my request (shown below). I can't proceed with the road right way staking until I receive the title information fo: Byron Road. Thank you for your assistance.

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.

----- Original Message -----

Subject: Bryan Road - Review Deeds and Stakeout - North Road Update
Date: Fri, 27 Sep 2013 09:56:04 -0400
From: Dennis Painter <survey-cad1@abengineering.net>
Organization: A & B Engineering, Inc.
To: Mark Kutney <mkutney@loxahatcheegrovesfl.gov>

Mark:

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Mike Cirullo	9/6/2013	
Dennis Painter	9/6/2013	
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Re: FW: Bryan Road - Review Deeds and Sta	10/22/2013	
Mike Cirullo	10/30/2013	↓
Pending Items	10/30/2013	
Mark Kutney	10/30/2013	↓
RE: Pending Items	10/30/2013	

MC Mike Cirullo <MCirullo@cityatty.co
10/1/2013
Mark Kutney, Perla

Good afternoon, Mark. Any update from Dennis on th matters?

-Mike

-----Original Message-----

From: Mark Kutney
[mailto:mikutney@loxahatcheegrovesfl.gov]
Sent: Tuesday, September 10, 2013 10:01 AM
To: Mike Cirullo
Cc: Perla Underwood
Subject: FW: Notice to Proceed - Work Authorization N 13-0901- Survey

Mike:

FYI, per your inquiry.

Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager

TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470
(561) 793-2418: Phone
(561) 793-2420: Fax
www.loxahatcheegroves.org

Note: Please direct all future correspondence to
mikutney@loxahatcheegrovesfl.gov

-----Original Message-----

From: Denise Rodriguez
Sent: Monday, September 09, 2013 3:01 PM
To: 'survey-cad1@abengineering.net'
Cc: Mark Kutney
Subject: Notice to Proceed - Work Authorization No. 1. 0901- Survey

Good afternoon Mr. Painter,

Please find attached the "Notice to Proceed" Work Authorization No. 13-0901-Survey, for your review and signature.

Please sign in BLUE INK, and return it back to our office

Sincerely,

Dennise D. Rodriguez
Office Coordinator

TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470
(561) 793-2418: Phone
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www.loxahatcheegrovesfl.gov

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Parla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Dennis Painter	↓	
Re: FW: Bryan Road - Review Deeds and Sta	10/22/2013	
Mike Cirullo		
Pending Items	10/30/2013	
Mark Kutney	↓	
RE: Pending Items	10/30/2013	
Mike Cirullo		
RE: Pending Items	10/30/2013	
Dennis Painter	Ⓜ	
BRYAN ROAD - LAND SURVEYOR'S REPORT	11/4/2013	
Mark Kutney	Ⓜ	
FW: BRYAN ROAD - LAND SURVEYOR'S REF	11/5/2013	
Ronald Jarriel		
Re: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013	
Mike Cirullo		
RE: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013	
Dennis Painter		
Land Surveyor's Report - 13th Pl. North - Li	11/12/2013	
Braeden Garrett	↓	
FW: Land Surveyor's Report - 13th Pl. North	11/14/2013	
Dennis Painter	Ⓜ	
North Road Survey and Road Plat (Prelimin	11/25/2013	
12/11/13-12/31/13 The "50" TDL	12/11/2013	
Mark Kutney		
12/11/13-12/31/13 The "50" TDL	12/12/2013	
Lynnette Ballard	Ⓜ	
2014-05-12 BOARD MEETING PACKET	5/9/2014	
Lynnette Ballard	Ⓜ ↓	
2014-07-14 BOARD MEETING PACKET - FIN	7/11/2014	
Mark Kutney	Ⓜ	
FW: 2014-07-14 BOARD MEETING PACKET -	7/14/2014	
F. Martin Perry	Ⓜ ↓	
Groves Town Center/Loxahatchee Groves C	7/17/2014	

RE: Pending Items

MC Mike Cirullo <MCirullo@cityatty.co
10/30/2013
Mark Kutney ✉

Monday it is. Thanks.

From: Mark Kutney
[mailto:mkutney@loxahatcheegrovesfl.gov]
Sent: Wednesday, October 30, 2013 11:01 AM
To: Mike Cirullo
Subject: RE: Pending Items

Mike:

If we can, let's do it Monday.

Thanks,
Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager



TOWN OF LOXAHATCHEE GROVES
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www.loxahatcheegroves.org

Note: Please direct all future correspondence to
mkutney@loxahatcheegrovesfl.gov

From: Mike Cirullo [mailto:MCirullo@cityatty.com]
Sent: Wednesday, October 30, 2013 10:21 AM
To: Mark Kutney
Subject: Pending Items

Mark, I wanted to follow up on 2 items:

1. Dennis Painter/Bryan Road and North Road
2. Sirdar

I know we're busy with the items for Tuesday, so if the need to wait until next week, that's fine. But we may be prepared for questions on Bryan and North since roads will be discussed extensively Tuesday night as per several items.

Let me know if you want to talk today or tomorrow, or Monday.

Thanks.

Michael D. Cirullo, Jr.
GOREN, CHEROF, DOODY & EZROL, P.A.
3099 East Commercial Boulevard, Suite 200
Fort Lauderdale, Florida 33308
Telephone (954) 771-4500 x 325 * Fax (954) 771-4923
Email: MCirullo@cityatty.com
www.cityatty.com

ATTACHMENT 2 - Town Manager Response continued

November 4, 2013



A&B Engineering, Inc.

Mark A. Kutney, AICP, ICMA-CM
Town Manager
TOWN OF LOXAHATCHEE GROVES
14579 Southern Blvd, Suite 2
Loxahatchee Groves, FL 33470

**RE: BRYAN ROAD - LAND SURVEYOR'S REPORT
OUR PROJECT NO. 96035-OO**

Dear Mr. Kutney:

The undersigned land surveyor at A & B Engineering, Inc. has reviewed the title information that was provided by the Town, and we have surveyed and staked the right-of-way lines for Bryan Road from F-Road to Folsom Road according to said title information, and we have determined that the physical road paving does in fact lie entirely within the right-of-way.

Please contact me if you have any questions regarding this proposal.

A & B ENGINEERING, INC.

A handwritten signature in black ink, appearing to read 'Dennis Painter', with a stylized flourish at the end.

Dennis Painter
Registered Land Surveyor
Chief of Survey
DP/s

C:\Documents and Settings\Painter\Desktop\Bryan Road Photos\96035-OO Bryan Road Land Surveyor's Report.doc

Consulting Engineers • Land Surveyors

3461 Fairlane Farms Road, Wellington, Florida 33414 • Tel: 561-383-7480 • Fax: 561-383-7485
E-mail: abengineering@abengineering.net • Website: www.abengineering.net

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Mike Cirullo		
RE: Notice to Proceed - Work Authorization	10/1/2013	
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Mark Kutney		
12/11/13-12/31/13 The "50" TDL	12/12/2013	
Lynnette Ballard		
2014 05 22 BOARD MEETING PACKET		

FW: BRYAN ROAD - LAND SURVEYOR'S REPORT

MK Mark Kutney
11/5/2013
Ron Jarriel, Davic+1 more

96035-00 Bryan Road L...
106 KB

Download

Ron:

As you requested, here is the copy of the email transmitted to me by Dennis Painter yesterday afternc

Mark

Mark A. Kutney, AICP, ICMA-CM
Town Manager



TOWN OF LOXAHATCHEE GROVES
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www.loxahatcheegroves.org

Note: Please direct all future correspondence to
mkutney@loxahatcheegrovesfl.gov

From: Dennis Painter [mailto:DPainter@abengineering.
Sent: Monday, November 04, 2013 4:29 PM
To: Mark Kutney
Subject: BRYAN ROAD - LAND SURVEYOR'S REPORT

Dear Mr. Kutney:

Transmitted herewith is a copy of my PDF surveyor's report regarding the location of pavement of Bryan Road. Please call me if : can be of further service.

Sincerely,

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.
3461 Fairlane Farms Road
Wellington, FL 33414

ATTACHMENT 2 - Town Manager Response continued

9/2/2016

Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

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Mike Cirullo Pending Items	10/30/2013
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Mike Cirullo RE: Pending Items	10/30/2013
Dennis Painter BRYAN ROAD - LAND SURVEYOR'S REPORT	11/4/2013
Mark Kutney FW: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
Ronald Jarriel Re: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
Mike Cirullo RE: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
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Mark Kutney 12/11/13-12/31/13 The "50" TDL	12/12/2013
Lynnette Ballard 2014-05-12 BOARD MEETING PACKET	5/9/2014
Lynnette Ballard 2014-07-14 BOARD MEETING PACKET - FIN	7/11/2014
Mark Kutney FW: 2014-07-14 BOARD MEETING PACKET -	7/14/2014
F. Martin Perry Groves Town Center/Loxahatchee Groves C	7/17/2014
Town Engineer Review-B Road Estimates	7/29/2014

Land Surveyor's Report -
13th Pl. North - Lisa
Glenn

DP Dennis Painter <DPainter@abengij
11/12/2013
'Mike Cirullo' <M >

Mike:

From review of the title information provic
Lisa Glenn owns the east half of Tract 39,
Block F, and Marine Services Agency, Inc.
owns the east half of Tract 40, Block F.
Tract 39 is located north of and adjacent t
Tract 40.

I have reviewed all the deeds that I have f
the east half (E.1/2) of Tracts 39 and 40,
Block F, and I cannot find any reference to
road or access easement, except for the
additional right-of-way that was taken for
Folsom Road (the east 50 feet).

These are the deeds that I reviewed:

ORB/PAGE

5801/1721
6293/521
25396/586
25621/863
26113/81

However, upon reviewing the deed for the
adjacent property located to the west of t
east half of Tracts 39 & 40, which is filed
O.R.B. 25282, page 536, I found the follow
easement:

"... an easement for ingress and egress ove
the North 30 feet of the East 1/4 of Tract
Block F, LOXAHATCHEE GROVES,..." (the
deed also calls for an access & utility
easement over the North 30 feet of the e
half of Tract 40).

This would indicate that there could be a r
or driveway over the north 30 feet of Trac
40, being south of and adjacent to the Lisa
Glenn parcel. Although there appears to be

ATTACHMENT 2 - Town Manager Response continued

9/2/2016
Discovery - Perla Underwood - Outlook

eDiscovery search preview: Dennis Painter

The top 500 mailboxes and public folders with the most hits are displayed below.

All items
Item count: 97
Size: 214 MB

Will Underwood 1
Item count: 97
Size: 214 MB

From	Subject	Date
Mike Cirullo	Pending Items	10/30/2013
Mark Kutney	RE: Pending Items	10/30/2013
Mike Cirullo	RE: Pending Items	10/30/2013
Dennis Painter	BRYAN ROAD - LAND SURVEYOR'S REPORT	11/4/2013
Mark Kutney	FW: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
Ronald Jarriel	Re: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
Mike Cirullo	RE: BRYAN ROAD - LAND SURVEYOR'S REP	11/5/2013
Dennis Painter	Land Surveyor's Report - 13th Pl. North - Li	11/12/2013
Braeden Garrett	FW: Land Surveyor's Report - 13th Pl. North	11/14/2013
Dennis Painter	North Road Survey and Road Plat (Prelimirs	11/25/2013
	12/11/13-12/31/13 The "50" TDL	12/11/2013
Mark Kutney	12/11/13-12/31/13 The "50" TDL	12/12/2013
Lynnette Ballard	2014-05-12 BOARD MEETING PACKET	5/9/2014
Lynnette Ballard	2014-07-14 BOARD MEETING PACKET - FIN	7/11/2014
Mark Kutney	FW: 2014-07-14 BOARD MEETING PACKET	7/14/2014
F. Martin Perry	Groves Town Center/Loxahatchee Groves C	7/17/2014
	Town Engineer Review-B Road Estimates	7/29/2014

North Road Survey and Road Plat (Preliminary)

DP Dennis Painter <DPainter@abengin>
11/25/2013
Mark Kutney: "Mi &

96035 NN-North Rd - C...
157 KB

4 attachments (724 KB) Download all

Mr. Kutney,

Transmitted herewith is a PDF copy of the preliminary survey and Road Plat for North Road.

Please review the first sheet as I am not sure who will be signing the plat, or what entities should be included for signing.

The remainder of the sheets should be ready and are included for your information.

Please inform me as to any corrections. Thank you.

Dennis Painter
Registered Land Surveyor

A & B Engineering, Inc.
3461 Fairlane Farms Road
Wellington, FL 33414
Phone: (561) 383-7480

<https://outlook.office365.com/owa/default.aspx?realm=loxgroves.onmicrosoft.com&cmd=contents&module=discovery&discoveryid=Dennis+Painter&exsvurl=1> 1/1

ATTACHMENT 2 - Town Manager Response continued

LOXAHATCHEE GROVES WATER CONTROL DISTRICT

MAINTENANCE MAP FOR PORTIONS OF NORTH ROAD

IN THE
LOXAHATCHEE GROVES REPLAT
RECORDED IN PLAT BOOK 42, PAGE 276
IN SECTIONS 17 AND 18 TOWNSHIP 42 SOUTH, RANGE 41 EAST
TOWN OF LOXAHATCHEE GROVES, PALM BEACH COUNTY, FLORIDA
SEPTEMBER, 2013

STATE OF FLORIDA
 COUNTY OF PALM BEACH
 THE PALM BEACH COUNTY ENGINEER
 AND ANTHONY M. BELL, P.E.
 PALM BEACH COUNTY ENGINEER
 BRADLEY H. BUCK, with a seal
 P.E.

LOCATION MAP (NOT TO SCALE)

PRELIMINARY

GENERAL NOTES:

1. THIS PLAN IS A PRELIMINARY DESIGN AND IS SUBJECT TO CHANGE WITHOUT NOTICE. THE ENGINEER HAS CONDUCTED VISUAL INSPECTIONS OF THE EXISTING CONDITIONS AND HAS OBSERVED THE PROPOSED WORK. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

2. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

3. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

DESIGN NOTES:

1. THE DESIGN IS BASED ON THE ASSUMPTIONS AND CONDITIONS SET FORTH IN THE GENERAL NOTES. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

2. THE DESIGN IS BASED ON THE ASSUMPTIONS AND CONDITIONS SET FORTH IN THE GENERAL NOTES. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

3. THE DESIGN IS BASED ON THE ASSUMPTIONS AND CONDITIONS SET FORTH IN THE GENERAL NOTES. THE ENGINEER HAS NOT CONDUCTED ANY TESTS OR INVESTIGATIONS TO DETERMINE THE EXISTING CONDITIONS OR THE NEED FOR THE PROPOSED WORK.

CONSTRUCTION NOTES:

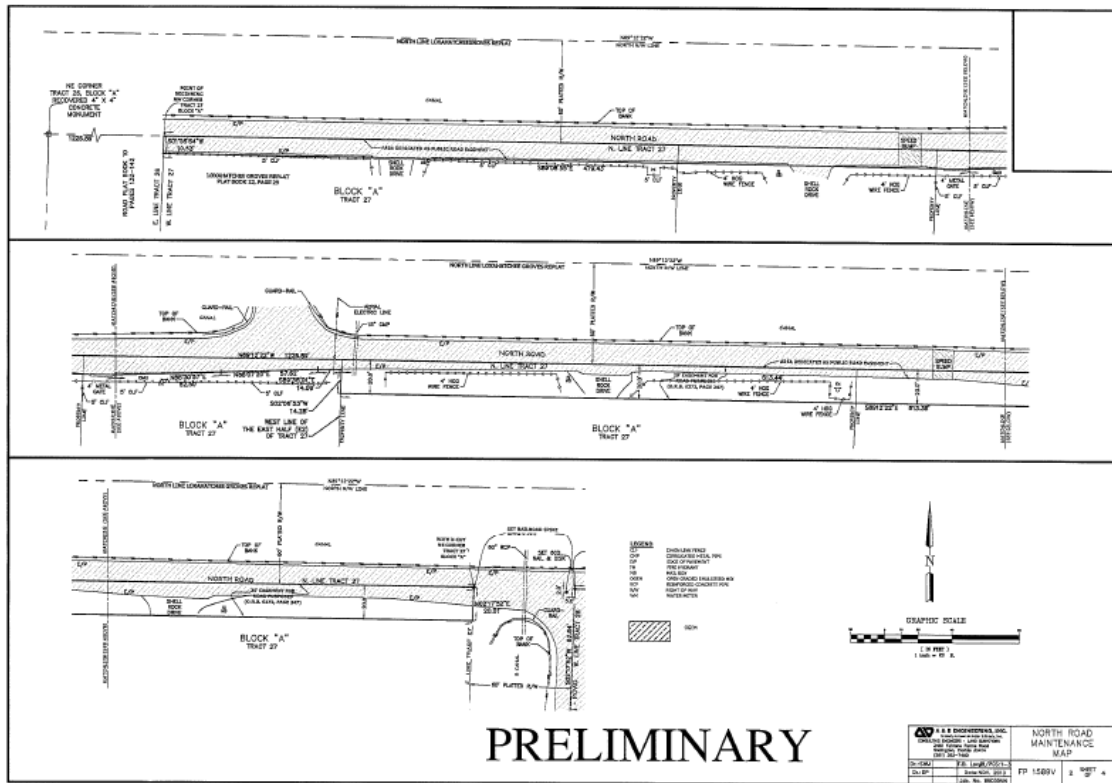
1. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

2. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

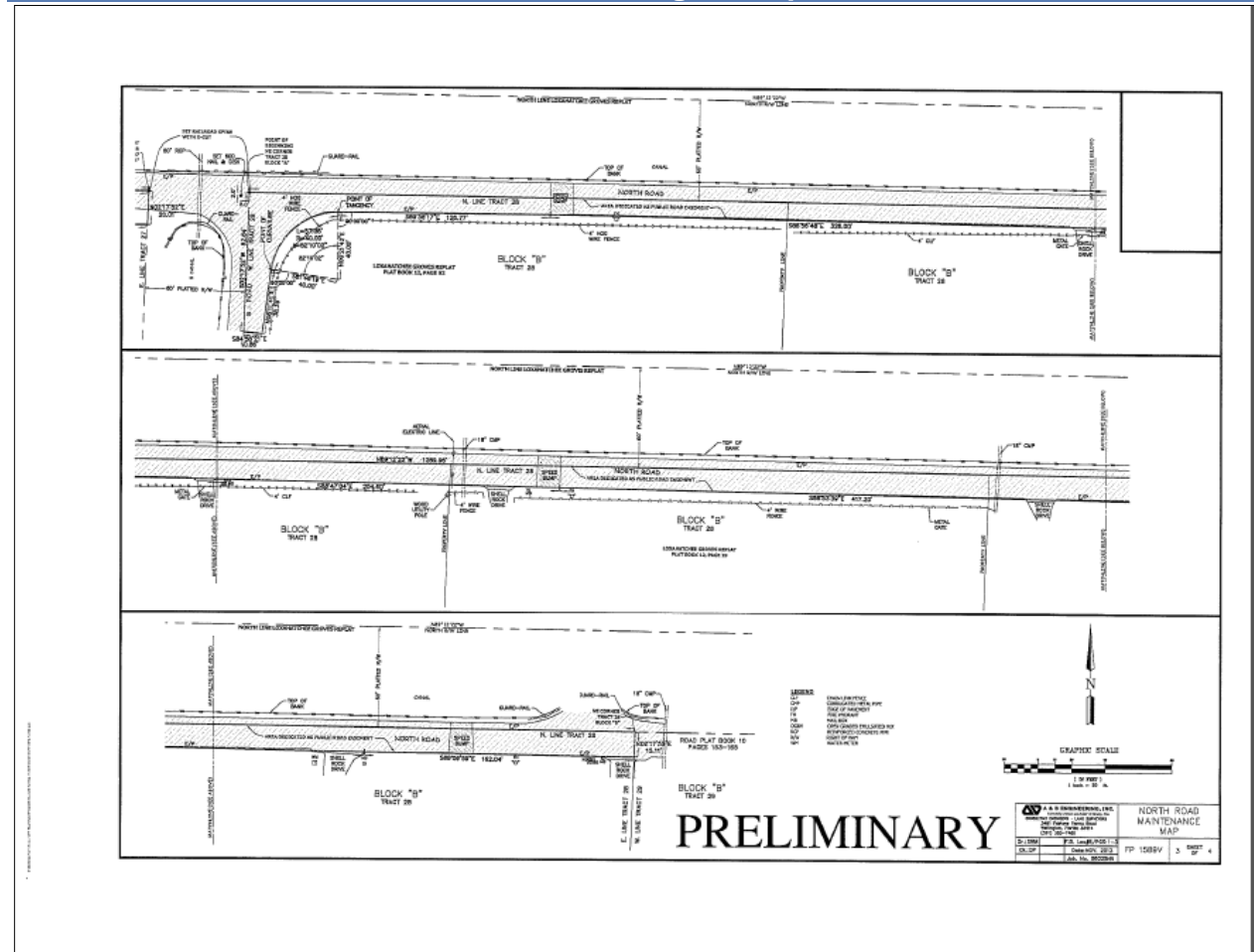
3. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

DATE: 09/15/16
 DRAWN BY: J. L. LAMBERT
 CHECKED BY: J. L. LAMBERT
 PROJECT NO. 1550V
 SHEET 4 OF 4

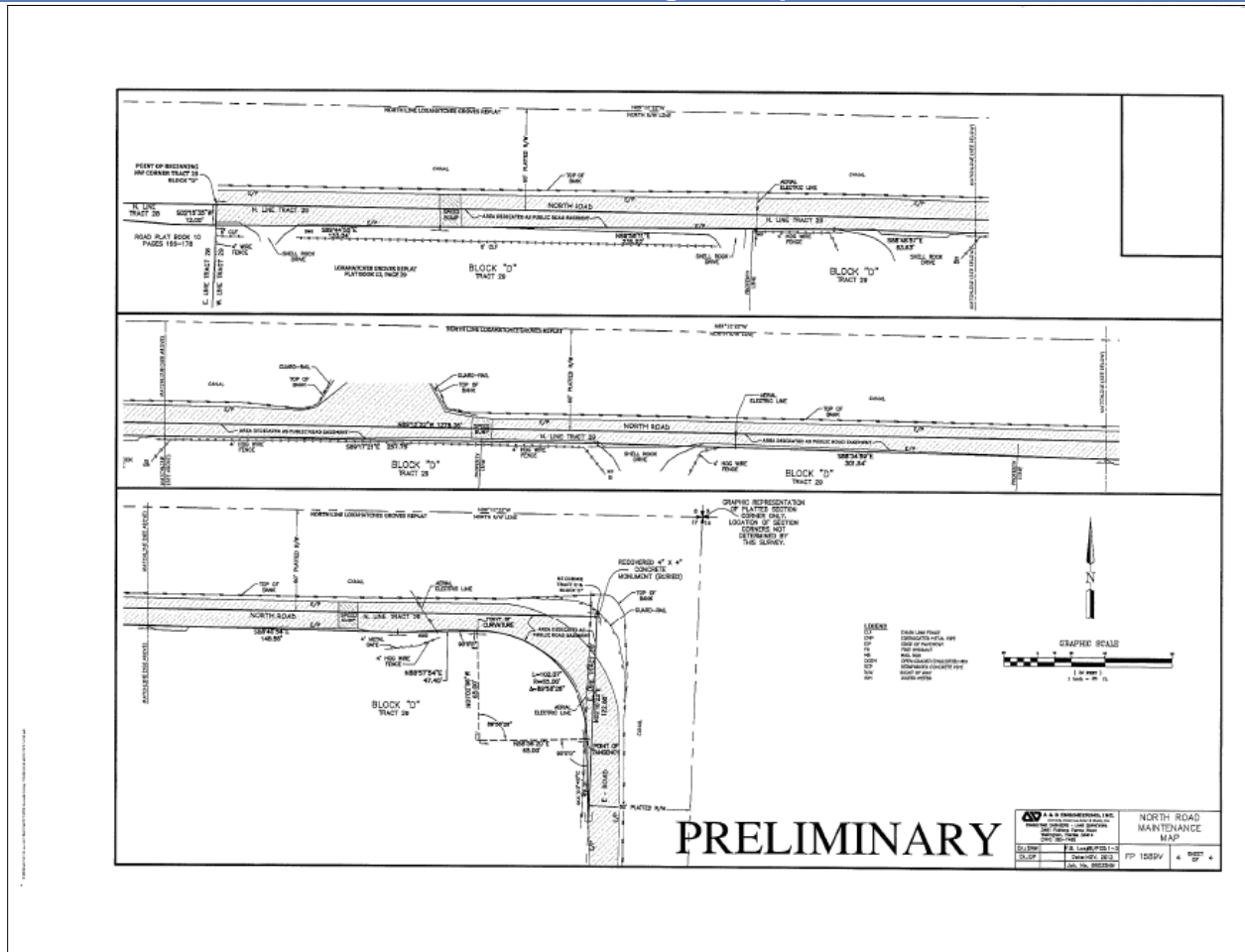
ATTACHMENT 2 - Town Manager Response continued



ATTACHMENT 2 - Town Manager Response continued



ATTACHMENT 2 - Town Manager Response continued



ATTACHMENT 2 - Town Manager Response continued

Management Response – Town of Loxahatchee Groves

Exhibit "C"

ATTACHMENT 2 - Town Manager Response continued**Public comments:**

Marge Herzog:

Stated that if one reads the contracts, it should say that the contractors should provide insurance liability policy. Committee should be directing that all contracts be required to carry the required insurance coverage.

Town Manager Kutney advised that he feels the current contracts were done on a case by case basis. Chair Chiu suggested that staff bring this to Town Council attention.

A discussion took place with respect to the Town's Procurement Ordinance. It was agreed that the staff should include the Procurement Ordinance in a future agenda under Old Business.

Chair Chiu inquired about the sales tax being charged on Underwood Management Services credit card when they make purchases on behalf of the Town. Chair Chiu suggested that Underwood Management should be provided a Town credit card. Bill Underwood explained that the Town's Bank, Wells Fargo, requires a resolution for another person to have a credit card. Following discussion, it was recommended that the Committee recommend to the Town Council that Perla Underwood be approved for a Town credit card when they make the next monthly financial report at the Town Council Meeting.

Member Johnson inquired about the Storage Unit charges, and why is the town renting a storage unit. Town Manager Kutney explained that the storage unit was rented when Mr. Yee rented Room #3 that the town was using as a conference room to another vendor. Mr. Kutney advised that the CERT supplies, along with the recording from Palm Beach County, and other supplies were moved to the new storage facility.

Public comments:

Marge Herzog:

She asked if it would be less expensive to rent the additional office that is available from Mr. Yee. Mr. Kutney advised that Mr. Yee rental charge for the extra room is \$600 monthly, and the cost of the storage unit is approximately \$149 monthly.

b. Review of Planning & Zoning Invoices

Member Johnson inquired about the invoices for Valley Crest and the Hay Sale. The Committee was advised that the Work Authorization for Hay sales is not subject to Cost Recovery, as this matter was Council initiated.

Chair Chiu inquired about Underwood Management Services Group reimbursements. Mr. Underwood advised that the Management Company always provides its reimbursement payments that include all reimbursement requests with support documentation to the Committee for their review and information.

Chair Chiu asked when the Town Council members sign the checks, if they go over and verify that they know what they are signing so that they can determine they have correct information.

ATTACHMENT 2 - Town Manager Response continued

TOWN OF LOXAHATCHEE GROVES
TOWN COUNCIL MEETING MINUTES, TUESDAY, MARCH 5, 2013

acres of rice paddies that were being flooded at the same time that there was a drought. He maintained that was a decision of the South Florida Water Management.

4. Committee Reports

- a. Finance Advisory & Audit Committee (FAAC) Report and Approval of the January 2013 Financial Reports – Board Member Virginia Standish

Virginia Standish presented the Finance Advisory & Audit Committee (FAAC) Report and Approval of the January 2013 Financial Reports. The committee is recommending issuing another credit card for the use of the office.

Motion: Vice Mayor Jim Rockett moved to approve the Finance Advisory and Audit Committee Report and Approval of the January 2013 Financial Report. Councilman Ron Jarriel seconded the motion, which passed 5-0.

Motion: Councilman Ron Jarriel moved to approve that an additional credit card be issued to Town Staff. Councilman Ryan Liang seconded the motion, which passed 5/0.

5. PUBLIC HEARINGS – (Ordinance 2nd Reading) -

- a. Ordinance No. 2012-12

AN ORDINANCE OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA, AMENDING THE TOWN OF LOXAHATCHEE GROVES UNIFIED LAND DEVELOPMENT CODE (ULDC), TO AMEND ARTICLE 10 ENTITLED "DEFINITIONS, ABBREVIATIONS, AND CONSTRUCTION OF TERMS," SECTION 10-015, ENTITLED "DEFINITIONS" TO ADD A NEW DEFINITION FOR "RESIDENTIAL AGRICULTURAL SALES AND SERVICES;" TO AMEND ARTICLE 20, ENTITLED "RESIDENTIAL ZONING DISTRICTS," SECTION 20-015, ENTITLED "PERMITTED USES," TO ADD RESIDENTIAL AGRICULTURAL SALES AND SERVICES AS AN ACCESSORY USE SUBJECT TO ARTICLE 80 (CONDITIONAL USE) IN THE AGRICULTURAL RESIDENTIAL (AR) ZONING DISTRICT; TO AMEND ARTICLE 80, ENTITLED "CONDITIONAL USES," TO ADD A NEW SECTION 80-60, ENTITLED "RESIDENTIAL AGRICULTURAL SALES AND SERVICES," TO PROVIDE CONDITIONS ON RESIDENTIAL AGRICULTURAL SALES AND SERVICES USES IN THE AGRICULTURAL RESIDENTIAL (AR) ZONING DISTRICT; PROVIDING FOR