



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Investigative Report

2019-0002

**Delray Beach Out of School
Program**

September 28, 2020



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OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY
INVESTIGATIVE REPORT

DATE ISSUED: September 28, 2020



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DELRAY BEACH OUT OF SCHOOL PROGRAM

SUMMARY

WHAT WE DID

In November 2018, the Palm Beach County Office of Inspector General (OIG) received an anonymous complaint regarding the City of Delray Beach (City) Parks and Recreation Department's Out of School Program. The complainant stated that the City's Out of School Program Supervisor Tonya Smith (Ms. Smith) requested checks for vendors she had already paid using a purchasing card, then split the check proceeds with those vendors. The complainant further alleged that Ms. Smith did not comply with the City's policy requiring that employees ensure that vendors have a City-assigned vendor file activation vendor number before purchasing goods or services from the vendor. We developed additional allegations based upon our preliminary investigation of the complaint.

Allegation (1): Ms. Smith requested that the City pay vendors by check after she had already paid them using a purchasing card, then split the check proceeds with the vendors.

Allegation (2): Ms. Smith requested payment for vendors that were not active within the City's financial accounting vendor file at the time purchases were made.

Allegation (3): Ms. Smith hired the son of a City employee as a photographer for the City in violation of City Purchasing and/or ethics policy.

Allegation (4): Ms. Smith created and submitted fictitious invoices with check requests for vendor payment.

Our office reviewed and analyzed the City's Purchasing, Finance, and IT department records. We also interviewed City personnel in the Purchasing, Finance, and Parks and Recreation departments, and the City Internal Auditor.

WHAT WE FOUND

Allegation (1) is not supported. We compared purchasing card purchases against checks the City issued to vendors and found no duplicate payments.

Allegation (2) is supported. Ms. Smith requested payments for four vendors who were not yet active in the financial accounting system at the time the purchases were made.

Allegation (3) is not supported. We did not find that Ms. Smith violated the City's Purchasing or Personnel policies by hiring a City employee's son as a City vendor.

Allegation (4) is not supported. We did not find evidence that Ms. Smith created and submitted false vendor invoices for payment. Although she acknowledged creating some invoices on behalf of a vendor, those invoices were for work actually performed and the City's policy does not prohibit payment for accurate invoices prepared by City staff. Nevertheless, best practices suggest that vendors should provide invoices representing the work performed and City staff should review for accuracy and for completion of contracted deliverables. To

reduce the risk of fraud, the person ordering goods and/or services, should not have the authority to create invoices and confirm/verify that the work was actually done.

WHAT WE RECOMMEND

We make four recommendations, which can assist the City in strengthening internal controls and enhancing enforcement of required policies.

BACKGROUND

The town of Delray was incorporated in 1911. The land west of the Intracoastal was incorporated as Delray Beach in 1923, and the town and city merged to become the incorporated City of Delray Beach on May 11, 1927. The City is governed under a City Commission/City Manager form of government. All legislative powers of the City are vested in the City Commission. The Commission is composed of five Commissioners elected at-large to a term of three years, one of whom is the duly elected Mayor. The Mayor presides at Commission meetings and represents the City in intergovernmental relationships. The City Manager is the chief administrative officer of the City and is appointed by the Commission.



The City's Parks & Recreation Department offers an Out of School Program for children ages 5-12. The Program provides recreational and sporting activities and is geared towards children in the community without adult supervision outside of school hours. Tonya Smith is the Program Coordinator. The Program utilizes outside vendors to provide goods and services.

In November 2018, the OIG received a complaint from an anonymous source regarding the Program. The City's then-City Manager, Mark Lauzier, received the same complaint, which he referred to the OIG, along with a request that OIG contact the City's Internal Auditor for supporting information.

ALLEGATIONS AND FINDINGS

Allegation (1):

City Out of School Program Supervisor, Tonya Smith, requested that the City pay vendors by check after she had already paid them using a purchasing card, then split the check proceeds with the vendors.

Governing Directives:

Section 812.014, Florida Statutes.

Finding:

The information obtained **does not support** the allegation.

OIG Record Review and Analysis

The OIG obtained and reviewed the City's purchasing card records, and identified 606 purchases made by staff working in the Out of School Program Division from October 2015 through May 2019. We also reviewed the City's accounts payable records for that time period, to include invoices and transactions paid by check, and compared those records to the purchasing card data to determine if the City paid any vendors twice for the same goods or services. For the entirety of our examination period, we found no record of the City paying vendors for the same goods and services by both check and purchasing card.

Interviews of City of Delray Beach Staff**Julia Davidyan, City Internal Auditor**

Ms. Davidyan told the OIG that around November 2018, she checked the activity on Tonya Smith's City Bank of America purchasing card for about a year, and did not identify any payments for goods or services that had also been paid via check. Ms. Davidyan did not review the physical supporting documents for the purchasing card transactions or check requests.

Ms. Davidyan said that the Parks & Recreation Department sends receipts to the Finance Department, and it enters payments into the City's financial accounting system. All purchasing card purchases and all check requests must go through the Parks & Recreation supervisor or department head before they go to the Finance Department for payment.

Suzanne Fisher, then-Parks & Recreation Department Director

Ms. Fisher stated that she believed all of Ms. Smith's vendor payments went through the appropriate Parks & Recreation Department process. Junia Noel, the Department's accountant, completed the department's budgeting, processed invoices, and rejected purchase orders and requisitions when they did not have required information. Ms. Fisher has not found any instances of Ms. Smith submitting check requests for purchases from vendors that had already been paid with a purchasing card.

Junia Noel, then-Administrative Office Coordinator

Ms. Noel was the Parks & Recreation Department's liaison to the Finance Department during our examination period. She told the OIG that she created requisitions, paid

invoices, and handled the budget. The supervisors in the Parks & Recreation Department submitted their requests for checks or purchase orders, along with the supporting documentation to Ms. Noel. Once the purchase order was open, Ms. Noel processed the invoice or check request.

Ms. Noel said that if supervisors submitted requests that looked unusual, she asked them questions. In her experience, all of the divisions have been cooperative, except for the Out of School Program Division, which was supervised by Ms. Smith. Their information “never seemed to be as clear.”

Ms. Noel said that on one occasion Ms. Smith requested a check for a vendor, and Ms. Noel was later told by the department superintendent, Amy Hanson, that she believed that vendor had already been paid with a purchasing card. Ms. Noel said most of the vendors that Ms. Smith requested payment for were new and were not in the system. Ms. Noel said that Ms. Smith submitted check requests for services, but there was no documentation to support the requests. After corrections and needed documentation was supplied, the checks were issued.

Under the previous financial record-keeping system, Ms. Noel said, it would be complicated to check and see whether a vendor had been paid by both credit card and check. In the current system, it just reflects that purchasing card purchases were made and for what amount, but does not show the description of what the purchase was for.

Laura Thezine, then-Acting Finance Director

When a purchasing card is used, after receiving the card statement, the employee attaches it to a form listing the expenses and copies of receipts. The employee and employee’s supervisor sign the form, and forward it to a City accountant, who reviews the request and enters it into the system. Finance then makes the purchasing card payment. When Finance staff receives a purchase order and an invoice, they attach the invoice to the purchase order and then pay it. The end users enter their own invoices, and Finance reviews them for completeness and accuracy. Usually, the electronic record-keeping system will make Finance aware if duplicate invoice numbers have been entered. That is one of the internal controls to prevent duplicate payments.

Glenda Rivera, then-Accountant

Ms. Rivera was the person in Finance who handled the purchasing cards. She stated that if an invoice number is used for purchasing cards, the current electronic record-keeping system will flag an invoice that has already been entered into the system. However, she said that because there is often no invoice number associated with purchasing cards, there is really no way to check whether that purchase has already been made via check.

Tonya Smith, Out of School Program Coordinator

Ms. Smith said she has not hired vendors and paid them via purchasing card, requested payment for them via check, and then split the proceeds with the vendor. She said her

mind “does not think like that”, and “that’s not my character at all, period.” She stated she is not a thief, and she would never do that.

OIG Conclusion

Our comparison of records for purchasing card purchases against checks the City issued to vendors did not reveal any duplicate payments for the same goods or services. Thus, we find the allegation that Tonya Smith made purchases from vendors using a purchasing card then made check requests to pay the same vendor, and split the check proceeds with the vendors **is not supported**. However, the OIG conducted multiple interviews regarding the City’s payment process that revealed that the City’s payment system does not require the Finance Department to regularly compare purchasing card purchases against check purchases.

OIG Recommendation for Allegation (1)

We recommend that the City implement a payment system that minimizes the risk that vendors could be paid by check and purchasing card for the same goods and services.

Allegation (2):

Ms. Smith requested payment for vendors that were not active within the City’s financial accounting vendor file at the time purchases were made.

Governing Directives:

City Policy PUR-002;¹ Delray Beach Purchasing Policies and Procedures Manual

Finding:

The information obtained **supports** the allegation.

City Policy PUR-002, updated August 1, 2015 states in part,

A. Policy

The purpose of this policy is to provide for the maintenance and control of an accurate vendor master file within the financial accounting system. This policy was created in order to maximize efficiency so that the occurrence of duplicate vendors and inaccuracies in vendor information is avoided.....

All City of Delray Beach personnel initiating the purchase of goods or services shall ensure that vendors are active within the financial accounting vendor file **prior to purchasing goods or services**. [Emphasis added]

¹ According to City Purchasing Director Alvarez, this policy was superseded by the newest revision of the City’s Purchasing Policies and Procedures Manual, dated 12/06/2019. The policy cited in our report was in effect during the entire period covered by this investigation.

B. Procedure

1. Requesting New Vendors

All City of Delray Beach personnel initiating the purchase of goods or services shall obtain a Vendor Application package including a W9. The Vendor Application package should be forwarded to the Purchasing Department to add new vendors to the financial accounting system.

City Policy PUR-002 also requires that SunBiz² be checked to verify that the business is active and states in part,

If the company is inactive, the vendor information is either returned to the requesting department or the vendor, informing them that the City cannot do business with the vendor until such time as their business is active with the State of Florida.

OIG Record Review and Analysis

The OIG obtained copies of invoices, purchase orders, and supporting documentation for purchases from the Out of School Division between July 2017 and August 2019 from the City's Finance Department. Those records revealed the City used 60³ different vendors for the Out of School Division during that time period. We obtained records from the City's IT Department regarding those vendors to determine the dates those vendors became active in the system. We compared the dates the vendors became active in the system against the dates the work was performed per the invoices and the dates the payment requests were submitted. We found the Out of School Division initiated purchases for Fastliving Studios; Florida CPR/ First Aid, Inc.; PB Parenting LLC; and Feverish Frozen Treats before the companies were active vendors in the financial accounting system.

Vendor	Purchase Date	Vendor File Creation Date
Fastliving Studios	8/1/2018	8/23/2018
Florida CPR/ First Aid, Inc.	8/8/2017	8/25/2017
PB Parenting, LLC	3/16/2019	7/16/2019
Feverish Frozen Treats	6/15/2019	6/20/2019

The OIG reviewed emails dated August 1, 2018 between Ms. Noel, Ms. Smith, and an additional Purchasing Department employee, in which the Purchasing Department staff wrote they "didn't locate this vendor [Fastliving Studios] as being registered with Sunbiz." An OIG Sunbiz search showed that Fastliving Studios was not registered in Sunbiz at the time of the purchase.⁴

² Sunbiz is the Florida Division of Corporations website that provides information on business entity registrations in the State of Florida.

³ City records reflected that four vendors- Chuck E Cheese, Language Testing International, Verizon Wireless, and AT&T- were migrated to the current system from the City's old system on 7/17/2017, but contained no further information as to when those vendors became active. As such, OIG did not include them in our analysis.

⁴ A Sunbiz record was found for "Fast Living Studios LLC". However, this LLC, registered on July 2, 2019, does not appear to be the same entity that performed services for the City.

OIG Interviews of City of Delray Beach Staff

Junia Noel, then-Administrative Office Coordinator

Ms. Noel told the OIG that Ms. Smith requested a vendor number for vendor file activation for a photographer after the photographer had already provided services to the City. Ms. Noel said that per the City's purchasing policy, purchase orders must be open before services are rendered. Ms. Noel stated that City Purchasing agreed to pay the vendor as a one-time payment. She added that check requests cannot be submitted to Finance without a vendor number. In order to get a vendor number, the vendor must fill out a vendor application and a W-9 form.

Ms. Noel said that most of the time, the payment requests she received from Ms. Smith were for services that had already been provided prior to the vendor being active in the financial accounting system. Ultimately, all of these vendors have been paid.

Suzanne Fisher, then-Parks & Recreation Department Director

Ms. Fisher stated it would be unusual to request a vendor file activation vendor number after the services had been completed. The City's procurement and payment process requires vendor application and approval prior to services being performed.

Jennifer Alvarez, Purchasing Director

Ms. Alvarez told the OIG that the Purchasing Department would have no way of knowing if work had already been performed when the department processed requisition forms unless an invoice with an earlier date was attached. Ms. Alvarez said the City's purchasing policy prohibits a vendor that is not in the electronic record-keeping system from being paid by the City.

Ms. Alvarez said the City's purchasing process is threshold-based. Any purchase under \$2,500 can be made via a purchasing card or direct payment, without needing to go through the process of obtaining quotes or the purchase order process. To send a purchase order to a vendor, the vendor must be in the City's system with a vendor number. To get into the system, the vendor completes a one-page document that includes the business' Federal Employee Identification Number or social security number.

Ms. Alvarez stated the financial accounting vendor considers a vendor active as of the "W-9 Compliance Date" noted in the system. She also stated that under the City's policy, the date that a "purchase" is considered to have occurred is the date of the purchase order. Ms. Alvarez said that a good or service that has been ordered and received is considered to have been purchased.

Ms. Alvarez said that under the policy, a purchase is considered to be "initiated" when the requesting department inputs the requisition with vendor number into the electronic

system. If a purchase is made without entering the requisition, it is considered an unauthorized purchase. She said this applies only when vendors need to be entered into the system for purchases, and that is not needed for purchases under the threshold of \$2,500. Ms. Alvarez explained that this is because the City's Purchasing Policy & Procedures Manual states that requisitions are only needed for purchases over \$2,500. She said that a "direct payment request" can be completed for very low dollar value purchases.

Ms. Alvarez said that due to the definition of requisitions and when they are needed, it is "implied" that City Policy PUR-002 does not apply to purchases under \$2,500. However, it does not specifically state this in City Policy PUR-002 or any other City policy.

Tonya Smith, Out of School Program Coordinator

Ms. Smith said she obtains a vendor application and W-9 form from new vendors in order to get a vendor file activation vendor number assigned. She said the policy has recently changed, and the new process requires that a vendor file activation vendor number is assigned prior to making purchases with a purchasing card. Previously, she said, it was permissible to make purchases with the purchasing card prior to having a vendor number. Ms. Smith would make purchases, and then notify Priscilla Patrick or Junia Noel in the division's finance department area, who, after seeing a receipt, obtained a vendor number. For check requests, she submitted a vendor application and W-9 form along with the request to the Purchasing Department, or to Ms. Patrick or Ms. Noel, who in turn sent it to the Purchasing Department.

Ms. Smith said that after the implementation of the new policy, Ms. Patrick sent out an email stating that every vendor must have a vendor application, W-9 form, and vendor number. Ms. Smith said she had always tried to submit the vendor application and W-9 and request a vendor number be created before hiring a vendor. Her general procedure was that she would check to see if a vendor was in the system first. If not, she had vendors complete a vendor application and W-9 form. Then, she would submit it and request that a vendor number be created. She said that she did what the Finance Department said to do, and if it was wrong, it would let her know and she tried to correct it. She did not recall whether she ever submitted an invoice at the same time as the vendor application and W-9.

Ms. Smith said the Out of School Program used Paul Fulton II d/b/a Fastliving Studios at an event. She said a City staff member suggested that the Out of School Program hire Mr. Fulton II, but she does not know him personally and did not know him prior to hiring him. Ms. Smith believes the City needed to hire someone quickly and Mr. Fulton II was available. She stated that he did the work, but he had no vendor file activation vendor number and was not yet in the system. Ms. Smith repeatedly tried to contact Mr. Fulton II to give him his check, but he never called back.

OIG Conclusion for Allegation (2)

Ms. Smith initiated payment requests for Fastliving Studios; Florida CPR/ First Aid, Inc.; PB Parenting LLC; and Feverish Frozen Treats for work performed or items provided before they were listed as active in the City's financial accounting system. Ms. Smith acknowledged that Mr. Fulton II of Fastliving Studios performed work without yet being active in the City system.

At the time that Fastliving Studios performed services for the City, the company was not eligible to do business with the City because it was not active in Sunbiz. This was a violation of City Policy PUR-002. Emails between Ms. Noel, Ms. Smith, and the Purchasing Department show that Purchasing Department notified Ms. Smith on the day services were purchased that Fastliving was not registered with Sunbiz. The vendor became an active vendor with the City several weeks later.

As such, we find the allegation that Ms. Smith made purchases from vendors before those vendors were listed as active vendors in City's financial accounting vendor **is supported**.

OIG Recommendations for Allegation (2)

We recommend that the City employees follow the City's policy requiring that businesses are listed as active vendors prior to engaging the vendor to perform work.⁵

We further recommend that the City train staff on the policy.

Allegation (3):

Ms. Smith hired the son of a City employee as a photographer for the City in violation of City Purchasing and/or ethics policy.

Governing Directives:

City Policy PUR-002; Delray Beach Personnel Policies and Procedures Manual

Finding:

The information obtained **does not support** a violation of City policy.

City Personnel Policies and Procedures Manual, Section 3.8. states, in part,

SECTION 3.8 NEPOTISM

This Section establishes the City's policy regarding nepotism, which complies with the Palm Beach County Code of Ethics, Section 2-445, Anti-nepotism law, as amended from time to time.

⁵ It should be noted that City Policy PUR-002, while in effect at the time period relevant to this investigation, was superseded by City Purchasing Policies and Procedures Manual Revision 5, effective 12/6/19. However, while certain wording has been changed from PUR-002, the requirements discussed herein regarding vendor files and vendor usage remained fundamentally the same.

A. All employees who **are employed in, appointed to, or transferred to a position** shall **disclose at the time...** the name(s) of any relative(s) serving as an **elected or appointed City official(s) or employee(s)** then employed by the City.

.....

A person who is a **relative of a City official or employee may not be appointed, employed, promoted, or advanced in or to a position** in any department/division, if the related City official or employee is, or would be the person's supervisor or would exercise any authority or control over or otherwise regulate the duties and responsibilities of the person, or if the person would supervise or exercise any authority or control over or otherwise regulate the duties and responsibilities of the related City official or employee. [Emphasis added]

OIG Review and Analysis of City Records and Policy

Ms. Davidyan provided the OIG an electronic City personnel record for Paul G. Fulton, who is employed as a City Code Enforcement Officer. The record reflects a Declaration of Trust, with the primary trustee being Paul G. Fulton II. City staff records show that Paul Fulton was a City Code Enforcement Officer throughout our examination period. An OIG review of City records show that Mr. Fulton and Mr. Fulton II live at the same address. Our efforts to contact Mr. Fulton II were met with no response.

The City's nepotism policy required Employee Fulton to disclose at the time of employment whether any relatives served as an elected or appointed City official or employee employed by the City. We found no evidence that at the time of his employment that any relative was employed with the City.

The City did retain a business named Fastliving Studios, which was owned by Employee Fulton's son, Paul G. Fulton, II, as a vendor. The Vendor Application form section titled "Disclosure of Employment Employees of the City of Delray Beach" states

All bidders, proposers, vendors, and contractors are required to disclose the names of any of their employees who serve as agents, principals, subcontractors, employees, or consultants and are currently employed or have been employed by the City of Delray Beach within the last two (2) years.

We found no evidence that any employees of Fastliving Studios served as an agent, principal, subcontractor, employee, or consultant of the City. Although the City hired Employee Fulton's son as a vendor, neither the City's nepotism policy nor its Vendor Application required disclosure of this relationship or prohibited Ms. Smith from hiring Fastliving Studios as a vendor. Furthermore, the disclosure requirements in the policy and the Vendor Application did not apply to Ms. Smith.

OIG Interviews of City of Delray Beach Staff

Julia Davidyan, City Internal Auditor

Ms. Davidyan told the OIG that no relationship to any City employee was disclosed on the vendor application for Fastliving Studios. The vendor application was signed by Paul Fulton II. She said a search of the City's Human Resources database revealed an active employee named Paul G. Fulton with the same address as the vendor. Ms. Davidyan stated the vendor application requires that the vendor disclose any relation to a City employee, and that it appears that the vendor is the employee's son.

Ms. Davidyan said all City policies are available online, and all full-time employees go through ethics training every two years. The City has policies and procedures regarding vendors, solicitation, outside activity, and use of equipment.

Ms. Davidyan asked the Purchasing Department staff what they do if a vendor application discloses a relationship to a City employee. She was told that Purchasing Department staff would contact Human Resources, but that this section is "never" completed.

Tonya Smith, Out of School Program Coordinator

Ms. Smith said she was not sure whether Mr. Fulton II was the son of a City staff member, but thought "he probably was" and that it "sounds familiar" to her.

OIG Conclusion for Allegation (3)

Although the City may have hired employee Fulton's son as a vendor, neither the City's nepotism policy nor its Vendor Application required disclosure of this relationship or prohibited Ms. Smith from hiring Fastliving Studios as a vendor. Therefore, our review found no violation of City policy, and the allegation is **not supported**.

Allegation (4):

Ms. Smith created and submitted fictitious invoices with check requests for vendor payment.

Governing Directives:

Delray Beach Administrative Policies and Procedures Manual, number BF-12

Delray Beach Administrative Policies and Procedures Manual number BF-12 states, in part, "All check requests must be accompanied by the original invoices and supporting documentation..."

Finding:

The information obtained **does not support** the allegation.

OIG Record Review and Analysis

Our review of the invoices, purchase orders, and supporting documentation for purchases from the Out of School Division from July, 2017 through August, 2019 showed that 60 different vendors were utilized during that time period. Thirteen (13) of those vendors' payment requests were initiated by Ms. Smith.⁶ We limited our analysis to requests in which Ms. Smith was the initial requestor, rather than the approver of a request initiated by another employee.

Of those 13 payment requests by Ms. Smith, one (1) was submitted with supporting documentation that included a register receipt, not an invoice, and therefore, did not fall within the parameters of our investigation. We attempted to contact the 12 vendors with invoices to confirm the validity of the invoices submitted by Ms. Smith. All but one (1) of those vendors confirmed that the purchases billed on the invoices were, in fact, legitimate. We were not able to confirm the legitimacy of the invoice from Fastliving Studios, as it did not respond to our contact efforts.



OIG Interviews of City of Delray Beach Staff

Junia Noel, then-Administrative Office Coordinator

Ms. Noel stated there had been numerous times that the Finance Department rejected requests for payment from the Out of School Division because there was not sufficient documentation to support the funds requested. When Finance questioned the requests and sent them back, Ms. Smith would “suddenly.... come up with another invoice.” Those invoices, to Ms. Noel, appeared to have been created by Out of School Division staff, and as such, are potentially fabricated. To her, they looked like Word documents that had been edited, and the body of the email never came directly from the vendor. Rather, they were always attached to Ms. Smith’s email, and there was no way for Ms. Noel to see whether the vendor actually replied to the request.

Laura Thezine, then-Acting Finance Director

Ms. Thezine told the OIG that it is the responsibility of the head of the requesting department to ensure that a purchase for which payment is requested was actually made. When the invoice ultimately reaches the Finance Department, Finance assumes that verification has already been completed.

Tonya Smith, Out of School Program Coordinator

Ms. Smith said she had not created false invoices. She told the OIG that she created invoices for vendor Doc’s All American (Doc’s), with the consent of Doc’s manager,

⁶ We were unable to determine the requestor for one (1) of the 60 vendors.

because the manager did not prepare them in a timely manner. The Doc's manager then reviewed and signed the invoices before Ms. Smith submitted them. All of the information on the invoices came from Doc's, and Ms. Smith prepared the invoices before purchases were made. Ms. Smith did this in order to move the payment process forward without having to wait for Doc's to get it done. She said her staff had done the same thing for vendors they have used, but she did not recall which vendors.

OIG Conclusion for Allegation (4)

We did not find evidence that Ms. Smith created and submitted false vendor invoices for payment. The evidence we reviewed confirms that the City paid invoices for work vendors actually performed. As such, we find the allegation that Ms. Smith submitted fictitious invoices with check requests for vendor payment is **not supported**.

Although she acknowledged creating some invoices on behalf a vendor, those invoices were for work actually performed and the City's policy does not prohibit payment for accurate invoices prepared by City staff. Nevertheless, best practices suggest that vendors should provide invoices representing the work performed and City staff should review representations for accuracy and for completion of contracted deliverables. To reduce the risk of fraud, the person ordering goods and/or services, should not also have authority to create invoices and confirm/verify that the work was actually done.

OIG Recommendation for Allegation (4)

Although we found no violation of the policy as written, we believe invoices for goods and services provided to the City should originate with the vendor. As such, we recommend that the City clarify its policy to reflect that invoices must be provided by the documented City vendor.

ACKNOWLEDGEMENT

The Inspector General's Investigations Division would like to thank the City of Delray Beach staff for their cooperation throughout this investigation.

RECOMMENDED CORRECTIVE ACTIONS

Based on our findings, we recommend the following corrective actions:

1. With regard to Allegation (1), we recommend that the City implement a payment system that minimizes the risk that vendors could be paid by check and purchasing card for the same goods and services

2. With regard to Allegation (2), we recommend that City employees follow the City's policy requiring that businesses are listed as active vendors prior to engaging the vendor to perform work.⁷
3. With regard to Allegation (2), we recommend that the City train staff on the policy requiring that businesses are listed as active vendors prior to engaging the vendor to perform work.
4. With regard to Allegation (4), we recommend that the City clarify City Policy BF-12 to reflect that invoices must be provided by the documented City vendor.

RESPONSE FROM MANAGEMENT

Pursuant to Article XII, Section 2-427 of the Palm Beach County Code, the City of Delray Beach and Tonya Smith were provided the opportunity to submit a written explanation or rebuttal to the findings as stated in this Investigative Report within ten (10) calendar days. Ms. Smith did not provide a response. The City's written response is attached to this report as Attachment A.

⁷ It should be noted that City Policy PUR-002, while in effect at the time period relevant to this investigation, was superseded by City Purchasing Policies and Procedures Manual Revision 5, effective 12/6/19. However, while certain wording has been changed from PUR-002, the requirements discussed herein regarding vendor files and vendor usage remained fundamentally the same.

This Investigation has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles & Quality Standards for Investigations.

**ATTACHMENT A
RESPONSE FROM THE CITY OF DELRAY BEACH**



CITY OF DELRAY BEACH
CITY MANAGER'S OFFICE
100 N.W. 1ST AVENUE □ DELRAY BEACH □ FLORIDA 33444 □
(561) 243-7015



September 21, 2020

Stuart Robinson
Director of Investigations
Office of Inspector General
P.O. Box 16568
West Palm Beach, FL 33416

RE: OIG 2019 -0002 Investigation: Delray Beach Out-of-School Program

Dear Mr. Robinson:

The City of Delray Beach (City) has reviewed the Office of Inspector General's draft investigative report regarding the City's Out of School Program. Please see below the City's responses to the findings and recommendations.

City Response No 1: The City concurs with the recommendation. As noted in the report finding, the City's Tyler financial system will stop an end user from using the same invoice number to enter the transaction in Accounts Payable (paid by check) and using a P-Card. However, there are times when there is no invoice number associated with a P-Card purchase. As corrective action, to strengthen controls without overly burdening staff time, the City proposes to implement a procedure whereby the P-Card accountant each month will randomly select approximately 20% of the P-Card purchases made and confirm in the Tyler system that the transaction has not been paid. In addition, the P-Card accountant will ensure, prior to processing the import file each month, that all invoice numbers are entered correctly so that the Tyler system can detect duplicate invoice payments for those transactions having a legitimate invoice number.

Corrective Action expected implementation: October 2020

City Response No 2: The City concurs with this recommendation. As corrective action, the City will continue to reinforce adherence to this policy through additional training citywide.

Corrective Action expected implementation: September 2020 and quarterly training thereafter.

City Response No 3: The City concurs with this recommendation. As corrective action, the City will continue to reinforce adherence to this policy through additional training citywide.

Corrective Action expected implementation: September 2020 and quarterly training thereafter.

City Response No 4: The City concurs with this recommendation. As corrective action, the City will clarify the policy and create a training video detailing that vendor invoices must be provided by documented vendors and the creation of vendor invoices by city staff is strictly prohibited. Additionally, this procedure will be incorporated into the City's Purchasing training program.

Corrective Action expected implementation: September 2020 and quarterly training thereafter.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'JA', with a long horizontal stroke extending to the right.

Jennifer Alvarez
Interim City Manager

SERVICE □ **P**ERFORMANCE □ **I**NTEGRITY □ **R**ESPONSIBLE · **I**NNOVATIVE · **T**EAMWORK