



John A. Carey  
Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
Accredited

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*“Enhancing Public Trust in Government”*

# Audit Report

## 2024-A-0001

# City of West Palm Beach - Fire Service Assessment Fee

## November 1, 2023



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Inspector General

# OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

## AUDIT REPORT 2024-A-0001

DATE ISSUED: NOVEMBER 1, 2023



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### CITY OF WEST PALM BEACH - FIRE SERVICE ASSESSMENT FEE

#### SUMMARY

##### WHAT WE DID

The Office of Inspector General (OIG) conducted a Fire Service Assessment Fee audit of the City of West Palm Beach (City). We performed this audit in response to a management request and added it to the Office of Inspector General, Palm Beach County 2021 Annual Audit Plan.

Our audit focused on the Fire Service Assessment Fee program for the period October 1, 2017 through September 30, 2021.

##### WHAT WE FOUND

We found the Fire Service Assessment Fee program was generally operating as intended with respect to the collection and use of funds, and that the City had generally adequate controls over the receipt and disbursement of Fire Service Assessment Fee funds. However, we found weaknesses with respect to the interdepartmental transfer of Fire Service

Assessment Fee monies which lacked sufficient supporting documentation.

Our audit identified **\$877,853.49** in questioned costs<sup>1</sup> for expenditures that lacked sufficient supporting documentation.

##### **IT General Services, GIS,<sup>2</sup> costs were not sufficiently supported**

The City did not maintain sufficient supporting documentation to support its allocation of IT General Services, GIS, costs totaling \$446,478.00 to the Fire Department Equipment Maintenance and Suppression divisions of the Fire Assessment Fee Fund.

The City could not provide the OIG with sufficient documentation to support the "PC/VDI Count" used as the basis for the allocation for fiscal years (FY) 2020 and 2021. As a result, we could not assess the fairness or legitimacy of the allocated IT General Service, GIS, costs, or determine if the costs were in compliance with

<sup>1</sup> Questioned costs are costs or financial obligations that are questioned by the OIG because of: an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such costs or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As such, and as in this case, not all questioned costs are indicative of potential fraud or waste.

<sup>2</sup> GIS is an acronym for geographic information system, which is a computer system that allows users to visualize, question, analyze, interpret and understand data to reveal relationships, patterns, and trends. [https://www.gsa.gov/real-estate/design-and-construction/geographic-information-systems#:~:text=Geographic%20information%20systems%20\(GIS\)%20allows,the%20source%20of%20the%20data](https://www.gsa.gov/real-estate/design-and-construction/geographic-information-systems#:~:text=Geographic%20information%20systems%20(GIS)%20allows,the%20source%20of%20the%20data).

resolutions governing the expenditure of Fire Service Assessment Fee monies. The total amount of **\$446,478.00** is a questioned cost for lack of sufficient supporting documentation.

**Capital Lease Expenditures were not always sufficiently supported**

The City could not provide the OIG with sufficient supporting documentation demonstrating that, in all cases, Fire Assessment Fee Fund monies transferred to the Debt Service Fund for capital lease expenditures were used for the stated purpose.

For the period from FY2019 through FY2021, we found that funds transferred from the Fire Assessment Fee Fund to the Debt Service Fund to pay for Fire Department capital lease costs exceeded the related disbursements made from the Debt Service Fund by \$249,857.07. Therefore, the total amount of **\$249,857.07** is a questioned cost for lack of sufficient supporting documentation.

**Corrective Action:** The City reconciled Fire Assessment Fee Fund monies transferred to the Debt Service Fund for capital lease expenditures through FY2022. The reconciliation resulted in \$243,525.00<sup>3</sup> being transferred back to the Fire Assessment Fee Fund for FY2024.

**Monies transferred for capital expenditures were not always accounted for in the Capital Acquisition Fund**

The City did not provide the OIG with sufficient documentation demonstrating the use of \$134,611.00 in Fire Assessment Fee Fund monies transferred to the

Capital Acquisition Fund in FY2020 for capital expenditures. The City informed us that it had not been expended and was allocated to the fund balance of the Capital Acquisition Fund and not directly allocated to a separate Fire Assessment Fee fund balance. Therefore, the total amount of **\$134,611.00** is a questioned cost for lack of sufficient supporting documentation.

**Corrective Action:** To strengthen fire service assessment fee tracking accountability, the City created a Fire Assessment Fee Reserve fund balance within the Capital Acquisition Fund. Subsequently, in FY2024, the City transferred \$134,611.00 into the Fire Assessment Fee Reserve fund.

**Equipment Maintenance Services costs were not sufficiently supported**

The City did not maintain sufficient supporting documentation demonstrating how it allocated eight (8) Administration/Management Fee costs related to Equipment Maintenance Services totaling \$46,907.42 to the Fire Assessment Fee Fund.

The City did not provide documentation of a cost allocation strategy, methodology, basis, or plan supporting how the fees were determined. As a result, we could not assess the fairness or legitimacy of the costs, or if they were in compliance with governing resolutions. Therefore, the total amount of **\$46,907.42** is a questioned cost for lack of sufficient supporting documentation.

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<sup>3</sup> The reconciliation identified a total amount due to the Fire Assessment Fee Fund of \$694,525.00 which was reduced by an anticipated lease payment out of the Debt Service Fund for Fire Department equipment in FY2024 of \$451,000.00.

**ADDITIONAL NON-FINDING ITEM****Increased risk of noncompliance associated with monies transferred to the Capital Acquisition Fund**

We traced four (4) transfers authorized by City resolutions to the corresponding budgeted amounts for Fire Department projects in the Capital Acquisition Fund. We found that some of the Fire Department projects have not encumbered or expended any of the costs authorized by Resolutions 174-18(F) and 333-18(F), and as a result, there were budgeted amounts totaling \$129,249 that remained available four to five years following appropriation from the Fire Assessment Fee Fund. Additionally, a total of \$329,468 of the budgeted amounts for Fire Department projects were reallocated to a project that may not sufficiently meet Fire Assessment Fee Fund established fund purpose and applicable

requirements. Therefore, there is an increased risk that these amounts may not be expended in the compliance with Fire Assessment Fee Fund established fund purpose and applicable requirements.

**WHAT WE RECOMMEND**

Our report contains four (4) findings, one (1) additional non-finding item, and eight (8) recommendations. Implementation of the recommendations will assist the City in strengthening internal controls and help ensure compliance with the Fire Service Special Assessment requirements.

The City accepted our recommendations and implemented corrective action for two (2) of the recommendations.

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

**BACKGROUND**

The City of West Palm Beach was incorporated in 1894 and has operated under a strong Mayor form of government since 1991. The first Charter granted by Laws of Florida of the legislature was in 1903, and the Charter became effective September 18 of that year.

The City Commission consists of five (5) City commissioners and a Mayor who are elected at-large on a nonpartisan basis. Each City commissioner is required to be a qualified elector of the City and be a resident of the district from which he or she is elected. The Mayor is required to be a qualified elector of the City and may reside in any district within the City. City commissioners and the Mayor are elected by a citywide vote. The chief executive officer and administrative head of the City is the Mayor who is responsible for the proper administration and conduct of the executive work and affairs of the City. The Mayor is a voting member of the City Commission, only for the purpose of breaking a tie vote.

The City provides its constituents with a full complement of public services including, but not limited to, public safety, public works, parks and recreation, construction services, housing and community development, library, and community events. Based on 2020 census data, the City had a total population of 117,415, residing within 57.69 square miles.

**Fire Service Special Assessment**

On June 16, 2008, the City Commission passed Ordinance 4141-08 (the "Ordinance"), authorizing the imposition and collection of an annual recurring special assessment program to fund the assessable costs of providing fire services, excluding emergency medical services (EMS). According to the Ordinance, assessable costs of providing fire services, facilities, or programs to parcels of land that receive a special benefit from the delivery of fire services, include, but are not limited to:



- a) The cost of physical construction, reconstruction, or completion of any required facility or improvement;
- b) The costs incurred in any required acquisition or purchase;
- c) The cost of labor, materials, machinery, and equipment;
- d) The cost of fuel, parts, supplies, maintenance, repairs, and utilities;
- e) The cost of computer services, data processing, and communications;
- f) The cost of all lands and interest therein, leases, property rights, easements, and franchises of any nature whatsoever;
- g) The cost of any indemnity or surety bonds and premiums for insurance;

- h) The cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits;
- i) The cost of uniforms, training, travel, and per diem;
- j) The cost of construction plans and specifications, surveys, and estimates of costs;
- k) The cost of engineering, financial, legal, and other professional services;
- l) The costs of compliance with any contracts or agreements entered into by the City to provide fire rescue services;
- m) All costs associated with the structure, implementation, collection, and enforcement of the Fire Service Assessments, including any service charges of the Tax Collector, or Property Appraiser, and amounts necessary to off-set discounts received for early payment of Fire Service Assessments pursuant to the Uniform Assessment Collection Act or for early payment of Fire Service Assessments collected pursuant to Section 3.02 herein;
- n) All other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, and such other expenses as may be necessary or incidental to any related financing authorized by the City Commission by subsequent resolution;
- o) A reasonable amount for contingency and anticipated delinquencies and uncollectible Fire Service Assessments; and,
- p) Reimbursement to the City or any other person for any moneys advanced for any costs incurred by the City or such person in connection with any of the foregoing components of Fire Service Assessed Cost.

### **Fire Assessment Fee Fund Expenditures**

For the audit testing period of October 1, 2017 through September 30, 2021, Fire Assessment Fee Fund expenditures totaled \$21,985,562. We have summarized the expenditures by type and fiscal year in Exhibit I.

We conducted this audit in response to a management request. The project was added to the FY 2021 Annual Audit Plan under the "Management Requests" category. We experienced audit delays imposed by the City which included numerous instances where the City did not provide information and documentation requested in a timely manner and requested to delay the OIG in order to complete the City's FY2021 annual audit. The City explained that in August 2021, when it requested the OIG to perform an audit of Fire Assessment Fee Fund expenditures, it could not foresee the high staff turnover and the resulting instability that would occur within the organization.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The overall objectives of the audit were to determine if:

- Fire Assessment Fee program expenditures (including inter-departmental transfers) were accurate, valid, adequately supported, properly approved, and made in accordance with the established fund purpose and applicable requirements;
- Fire Assessment Fee program was operating as intended with respect to the collection and use of funds; and

- Controls were adequate for the receipt and disbursement of Fire Assessment Fee funds.

The scope of the audit included, but was not limited to, the Fire Service Assessment Fee program for the period October 1, 2017 through September 30, 2021.

The audit methodology included but was not limited to:

- Completion of data reliability and integrity assessment of related computer systems;
- Review of policies, procedures, and related requirements;
- Completion of process walk-throughs and conducting a review of internal controls related to the management of the Fire Assessment Fee and related expenditures;
- Interview of appropriate personnel;
- Review of records, reports, contracts, and agreements; and,
- Detailed testing of selected transactions.

As part of the audit, we completed a data reliability and integrity assessment for the computer systems used by the City for recording Fire Service Assessment Fee revenue. We determined that the computer-processed data contained within the Oracle ERP computer system was sufficiently reliable for purposes of the audit.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## FINDINGS AND RECOMMENDATIONS

### **Finding (1): IT General Services, GIS, internal service fund transfers were not adequately supported.**

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Section 218.33, Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures, Florida Statutes, states,

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

Resolution No. 228-19, effective October 1, 2019, states,

**Section 7. Application of Assessment Proceeds.**

(a) **A portion of the cost to provide fire services, facilities, or programs shall be funded from proceeds of the Fire Service Assessment.** The Fire Service Assessment for Fiscal Year commencing October 1, 2019 may be used for: (A) the cost of physical construction, reconstruction or completion of any required fire station, facility or improvement; (B) the costs incurred in any required acquisition or purchase; (C) **the cost of** all labor, materials, machinery, and **equipment**; (D) the cost of fuel, parts, supplies, maintenance, repairs, and utilities; (E) **the cost of computer services, data processing, and communications**; (F) the cost of all lands and interest therein, leases, property rights, easements, and franchises of any nature whatsoever; (G) the cost of any indemnity or surety bonds and premiums for insurance; (H) the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; (I) the cost of uniforms, training, travel, and per diem; (J) the cost of construction plans and specifications, surveys and estimates of costs; (K) the cost of engineering, financial, legal, and other professional services; (L) the costs of compliance with any contracts or agreements entered into by the City to provide fire services; (M) all costs associated with the structure, implementation, collection, and enforcement of the Fire Service Assessments, including any service charges of the Tax Collector, or Property Appraiser, and amounts necessary to off-set discounts received for early payment of Fire Service Assessments pursuant to the Uniform Assessment Collection Act or for early payment of Fire Service Assessments collected pursuant to Section 3.02 of the Ordinance; (N) all other costs and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, including debt service and such other expenses as may be necessary or incidental to any related financing authorized by the City Commission by subsequent resolution; (O) a reasonable amount for contingency and anticipated delinquencies and uncollectible Fire Service Assessments; and (P) reimbursement to the City or any other person for any moneys advanced for any costs incurred by the City or such person in connection with any of the foregoing components of Fire Service Assessed Cost. [Emphasis added]

Resolution No. 232-20, effective October 1, 2020, states,

**Section 5. Application of Assessment Proceeds. The revenue derived from the City's Fire Service Assessment will be utilized toward all costs of providing fire services, including** capital improvements (including the construction or improvement of fire stations and the acquisition of fire vehicles); **the cost of** labor, materials, vehicles, machinery, and **equipment**; the cost of fuel, parts, supplies, maintenance, repairs, and utilities; **the cost of computer services, data processing, and communications**; the cost of all leases of land or

facilities; the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; the cost of uniforms, training, travel, and per diem; all other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, debt service and other operating costs, and any other costs permitted under the Ordinance. The Fire Service Assessment revenue shall not be used toward those costs determined to constitute Emergency Medical Services Costs. Emergency Medical Services Costs are the amounts other than first response medical rescue services, determined by the City Commission to be associated with Emergency Medical Services [Emphasis added]

The Government Finance Officers Association's (GFOA)<sup>4</sup> best practice for the pricing of internal services recommends that governments assessing internal service charges to user departments decide the basis for allocating such costs. **Cost allocation should adhere to the following principles: (a) costs should be allocated based on usage or causal factors relating to costs incurred by the service provider; (b) the basis for allocation should bear a relationship to the benefit the user department receives from the service; and, (c) the method of cost allocation must be seen as fair and legitimate.**<sup>5</sup> [Emphasis added]

We performed data analysis on the total population of Fire Assessment Fee Fund non-personnel expenditures<sup>6</sup> to identify high risk transactions for detailed testing. The data analysis procedures analyzed expenditure transaction characteristics such as date, amount, journal entry name, details and account number to identify expenditures that were potentially unauthorized, unsupported, duplicates, or not made in compliance with the established fund purpose and requirements. We selected 133 expenditure transactions (including interdepartmental transfers) and reviewed the related source and supporting documentation for accuracy, proper support, approval, and compliance with applicable requirements. Of the 133 non-personnel expenditures sampled, four (4) were monthly internal service fund<sup>7</sup> (ISF) transfers posted to the general ledger expenditure account IT Maintenance Services and titled, "IT GEN SERV, GIS, PUBLIC SAFETY – MONTHLY ISF CHARGE."

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\* Plans should be submitted only once; subsequent plans should indicate any changes since the last plan.

<sup>4</sup> The GFOA was founded in 1906 and represents public finance officials throughout the United States and Canada. The association's more than 20,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in public finance. <https://www.gfoa.org/about>

<sup>5</sup> GFOA Best Practices – Pricing Internal Services <https://www.gfoa.org/materials/pricing-internal-services>

<sup>6</sup> We sampled and tested personnel expenditures separately.

<sup>7</sup> GASB Statement 34 states, "Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis." The City uses ISFs to accumulate and allocate costs internally among the City's various functions. These funds primarily serve the City's departments and account for the City's information systems, fleet management, self-insurance program and employee health and life insurance benefits programs.

The monthly IT General Services, GIS, ISF transfers expended in the Fire Assessment Fee Fund during fiscal years 2020 and 2021 totaled \$446,478.00.<sup>8</sup> We found the City did not have sufficient documentation supporting how the expenditure amount charged to the Fire Assessment Fee Fund was determined.

<b>FIRE DEPARTMENT—IT GENERAL SERVICES, GIS</b>			
<b>Department</b>	<b>FY20</b>	<b>FY21</b>	<b>Total</b>
Equipment Maintenance	\$24,865.00	\$25,618.00	\$50,483.00
Suppression	\$251,843.00	\$144,152.00	\$395,995.00
<b>Total</b>	<b>\$276,708.00</b>	<b>\$169,770.00</b>	<b>\$446,478.00</b>

The City informed us that it creates allocations when budgeting for the ISF charges. The allocations are based on phones, equipment, staffing, etc. while reviewing the expenditures of the departments and determining what is necessary to be charged to the general fund departments based on the information that is available at that time. With that information and feedback, the ISF schedule is entered into the draft budget. However, the ISF schedules do not match the budgeted amount because the budget is adjusted based on changing capital and personnel needs discussed in conversations and meetings for which the City provided no documentation.

We reviewed the ISF schedules for fiscal years 2020 and 2021 that showed the Information Technology Services costs allocated to each City department/division. We verified that the schedules reflected the amounts charged to the Fire Assessment Fee Fund as noted in the table above. However, the “PC/VDI Count” attributable to the Fire Department Equipment Maintenance and Suppression divisions, which is used as the basis for the cost allocation documented within the schedules, was from a FY2019 inventory count and no inventory records supporting the counts were provided.

The City told us that due to a lack of detailed inventory tracking during FY2020 and FY2021, it is not possible to determine which units were designated for a specific area; however, all systems were accounted for. Additionally, we were told that as of 2022, the IT Department created new policies and processes for inventory management and completed the implementation of a robust inventory management system. The inventory management system tracks criteria such as: serial number, type of system, make and model, assigned location, warranty information, and purchase date. In addition to the new inventory management system, the City hired a full-time employee who is responsible for managing and tracking all IT assets.

Because the City did not maintain sufficient documentation demonstrating the cost allocation methodology and application, we could not assess either its fairness or

<sup>8</sup> In FY2018 and FY2019, there were no IT General Services, GIS, ISF transfers.

legitimacy, and as a result, whether the allocated IT General Service, GIS, costs were in compliance with the Resolutions' application of assessment proceeds requirements. Therefore, the total amount of **\$446,478.00** is a questioned cost for lack of sufficient supporting documentation.

We reviewed the City's Accounting and Financial Procedures Policy 2-1, which includes a section titled, "Financial Management Standards and Procedures." Subsection "Budget Preparation," identifies one of the responsibilities of the Budget Division as being to develop ISF budgets and allocations to user funds. However, it does not outline the procedures for developing ISF budgets or allocations to user departments/divisions. Additionally, the City has no written policy or procedures for reviewing, recording, or reconciling ISF transfers from the Fire Assessment Fee Fund to ensure that the costs transferred are in compliance with the Fire Assessment Fee Fund purpose and applicable requirements.

The lack of guidance accompanying a cost allocation strategy increases risk associated with inconsistent and/or inequitable cost sharing and expenditures that are not in compliance with the established Fire Assessment Fee Fund purpose and requirements.

### **Recommendations:**

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- (1) The City should establish and maintain a written review and oversight process for reviewing, recording, and reconciling Fire Assessment Fee Fund internal service fund transfers to ensure they are in compliance with the established fund purpose and applicable requirements.**
- (2) The City should establish and maintain a cost allocation plan policy and procedure that identifies:**
  - a. The items of expense included in the cost of each service;**
  - b. The method used to distribute the cost of the services (i.e. decides the basis of allocation); and,**
  - c. A summary schedule showing the allocation of each service to the specific benefitted departments/divisions.**
- (3) The City should maintain documentation of the application of the established cost allocation strategy that supports the IT General Services, GIS, expenditure allocated to the Fire Assessment Fee Fund.**

### **Management Response:**

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- (1) The City will create an additional section in the Accounting and Financial Procedures Policy 2-1 specific to the financial management of the Fire Assessment Fee Funds. This new section will address the reconciliation of fire assessment fee fund transfers to other city funds, required supporting documentation, and compliance review.**

(2) The City will document in writing the current process and procedures followed for the Internal Service Fund Transfers cost allocation plan and formalize it within the Accounting and Financial Procedures Policy 2-1

(3) See attached Management response to Recommendation #1.

Finding (2): Capital Lease expenditures were not always adequately supported.

Section 218.33, Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures, Florida Statutes states,

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

Resolution No. 201-18, effective October 1, 2018, states,

**Section 4. Application of Assessment Proceeds.**

- (a) The revenue derived from the City's Fire Service Assessment will be utilized toward all costs of providing fire services, including capital improvements (including the construction or improvement of fire stations and the acquisition of fire vehicles); the cost of labor, materials, vehicles, machinery, and equipment; the cost of fuel, parts, supplies, maintenance, repairs, and utilities; the cost of computer services, data processing, and communications; the cost of all leases of land or facilities; the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; the cost of uniforms, training, travel, and per diem; all other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, debt service and other operating costs, and any other costs permitted under the Ordinance.

Resolution No. 228-19, effective October 1, 2019, states,

**Section 7. Application of Assessment Proceeds.**

- (a) **A portion of the cost to provide fire services, facilities, or programs shall be funded from proceeds of the Fire Service Assessment.** The Fire Service Assessment for Fiscal Year commencing October 1, 2019 may be used for: (A) the cost of physical construction, reconstruction or completion of any required fire station, facility or improvement; (B) the costs incurred in any required acquisition or purchase; (C) **the cost of all**

labor, materials, machinery, and **equipment**; (D) the cost of fuel, parts, supplies, maintenance, repairs, and utilities; (E) the cost of computer services, data processing, and communications; (F) the cost of all lands and interest therein, leases, property rights, easements, and franchises of any nature whatsoever; (G) the cost of any indemnity or surety bonds and premiums for insurance; (H) the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; (I) the cost of uniforms, training, travel, and per diem; (J) the cost of construction plans and specifications, surveys and estimates of costs; (K) the cost of engineering, financial, legal, and other professional services; (L) the costs of compliance with any contracts or agreements entered into by the City to provide fire services; (M) all costs associated with the structure, implementation, collection, and enforcement of the Fire Service Assessments, including any service charges of the Tax Collector, or Property Appraiser, and amounts necessary to off-set discounts received for early payment of Fire Service Assessments pursuant to the Uniform Assessment Collection Act or for early payment of Fire Service Assessments collected pursuant to Section 3.02 of the Ordinance; (N) **all other costs** and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, **including debt service** and such other expenses as may be necessary or incidental to any related financing authorized by the City Commission by subsequent resolution; (O) a reasonable amount for contingency and anticipated delinquencies and uncollectible Fire Service Assessments; and (P) reimbursement to the City or any other person for any moneys advanced for any costs incurred by the City or such person in connection with any of the foregoing components of Fire Service Assessed Cost. [Emphasis added]

Of the 133 non-personnel expenditures sampled,<sup>9</sup> three (3) were transfers posted to the general ledger expenditure account Transfer to Other Funds and titled, "TRANSFER TO FUND 210 FOR FIRE DEPT CAPITAL LEASES." These transactions transferred monies from the Fire Assessment Fee Fund to the City's Debt Service Fund to make payments on financed Fire Department vehicles and equipment.<sup>10</sup>

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<sup>9</sup> See Finding 1 for additional information regarding the sample selection and related testing procedures.

<sup>10</sup> Government Accounting Standard Board (GASB), Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, states that "Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes **other than debt service or capital projects**." [Emphasis Added]  
<https://gasb.org/page/ShowDocument?path=GASBS%252054.pdf&acceptedDisclaimer=true&title=GASB+STATEMENT+NO.+54%2C+FUND+BALANCE+REPORTING+AND+GOVERNMENTAL+FUND+TYPE+DEFINITIONS&Submit>

We found that during the period between FY2019 and FY2021, monies transferred from the Fire Assessment Fee Fund to pay for Fire Department capital lease costs exceeded the related disbursements made from the Debt Service Fund by \$249,857.06.<sup>11</sup>

<b>FIRE DEPARTMENT—DEBT SERVICE FUND CAPITAL LEASE PAYMENTS</b>			
<b>Fiscal Year (FY)</b>	<b>Fire Assessment Fee Fund – Annual Transfer</b>	<b>Debt Service Fund Capital Lease Payments – Annual Costs</b>	<b>Difference</b>
FY19	\$2,841,053.00	\$2,723,210.87	\$117,842.13
FY20	\$2,784,499.00	\$2,650,187.83	\$134,311.17
FY21	\$3,167,606.00	\$3,169,902.23	(\$2,296.23)
<b>Amount Remaining in Debt Service Fund</b>			<b>\$249,857.07</b>

The City informed us that it does not reconcile funds transferred from the Fire Assessment Fee Fund to related disbursements from the Debt Service Fund for capital lease costs. The City considers Fire Assessment Fee Fund monies to be fully exhausted because it made additional Fire Department capital lease payments from the General Fund.

We verified that in FY2019, the City disbursed \$263,634.57 from the General Fund for Fire Department capital lease costs, and in FY20, the City disbursed \$259,778.57 from the General Fund for Fire Department capital lease costs. However, the City did not provide sufficient supporting documentation demonstrating that the amount remaining in the Debt Service Fund for Fire Department capital lease expenditures of \$249,857.07 was used for capital lease payments. Therefore, the total amount of **\$249,857.07** is a questioned cost for lack of sufficient supporting documentation.

We reviewed the City's Accounting and Financial Procedures Policy 2-1. Although it has processes with controls to assist in accounting and financial matters, it does not include policies or procedures for reviewing, recording, or reconciling Fire Assessment Fee Fund monies transferred to the Debt Service Fund for Fire Department capital lease payments. The lack of written guidance accompanying the review, recording, and reconciliation of transfers from the Fire Assessment Fee Fund to the Debt Service Fund increases the risk that the special revenue fund expenditures are not in compliance with the established Fire Assessment Fee Fund purpose and applicable requirements.

### **Recommendations:**

- (4) The City should establish and maintain a written review and oversight process for reviewing, recording, and reconciling Fire Assessment Fee Fund**

<sup>11</sup> In FY 2018, there were no transfers for Fire Department capital lease payments from the Fire Assessment Fee Fund (131) to the Debt Service Fund (210).

monies transferred to the Debt Service Fund for capital lease charges to ensure they are in compliance with the established fund purpose and applicable requirements.

- (5) The City should reconcile monies transferred from Fire Assessment Fee Fund to the Debt Service Fund for payment of capital lease costs to ensure they are accounted for in compliance with the Fire Assessment Fee Fund purpose and applicable requirements.

#### Management Response:

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- (4) See attached Management response to Recommendation #1.

- (5) The City has reconciled the fire assessment fee fund transferred to debt service through 2023 and implemented a payback to the fire assessment fee fund in the fiscal year 2024 adopted budget.

#### Finding (3): A Fire Assessment Fee Fund transfer of \$134,611 was unaccounted for in the Capital Acquisition Fund.

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Section 218.33, Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures, Florida Statutes states,

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

Resolution No. 232-20, effective October 1, 2020, states,

**Section 5. Application of Assessment Proceeds.** The revenue derived from the City's Fire Service Assessment will be utilized toward all costs of providing fire services, including capital improvements (including the construction or improvement of fire stations and the acquisition of fire vehicles); the cost of labor, materials, vehicles, machinery, and equipment; the cost of fuel, parts, supplies, maintenance, repairs, and utilities; the cost of computer services, data processing, and communications; the cost of all leases of land or facilities; the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; the cost of uniforms, training, travel, and per diem; all other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services,

facilities, or programs, debt service and other operating costs, and any other costs permitted under the Ordinance. The Fire Service Assessment revenue shall not be used toward those costs determined to constitute Emergency Medical Services Costs. Emergency Medical Services Costs are the amounts other than first response medical rescue services, determined by the City Commission to be associated with Emergency Medical Services [Emphasis added]

In Concept Statement No. 1, the Governmental Accounting Standards Board<sup>12</sup> (GASB) explains that a government's budget is its formal expression of public policy on the entities objectives and priorities and provides a method of controlling expenditures."<sup>13</sup> GASB issued the following Statement of Principle as it relates to Budget and Budgetary Accounting:

### Introduction

.101 Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. Every governmental unit should prepare a comprehensive budget covering all governmental, proprietary, and fiduciary funds for each annual (or, in some states, biennial) fiscal period.

...

.105 On adoption, the expenditure estimates in the annual budget, as modified by the legislative body, are enacted into law through the passage of an appropriation act(s) or ordinance(s). The appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the legislative body. **Unexpended and/or unencumbered appropriations may lapse at the end of a fiscal year or may continue as authority for subsequent period expenditures**, depending upon the applicable legal provisions. [Emphasis Added]

...

### Types of Budgets

#### Time Span of Budgets

.107 The annual budget authorizes, and provides the basis for control of, financial operations during the fiscal year.

...

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<sup>12</sup> The Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation in April 1984 by amendment of the Foundation's certificate of incorporation and by-laws, to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities. The GASB is the successor organization to the NCGA. <https://gasb.org/>

<sup>13</sup> Concepts Statement No. 1 of the Governmental Accounting Standards Board titled, "Objectives of Financial Reporting." <https://gasb.org/>

### **Budgetary Account Integration**

. 118 Formal budgetary accounting is a management control technique used to assist in controlling expenditures and enforcing revenue provisions... Budgetary accounting techniques are an extremely important control aspect of accounting for general, special revenue, and similar governmental funds, because the annual budget is a legal compliance standard against which the operations of such funds are evaluated.

Of the 133 non-personnel expenditures sampled,<sup>14</sup> one (1) was a transfer in the amount of \$58,583.33 posted to the general ledger expenditure account Transfer to Other Funds and titled, "TRAINING FACILITY, FS #8 & #9, BATTALION CHIEF REPLACEMENT VEHICLE." This transfer was one (1) of 12 monthly installments totaling \$703,000.00 transferred to the Capital Acquisition Fund during FY2020. The authority for this transfer is Resolution 301-19(F), the City's FY20 Adopted Budget, which appropriates \$703,000.00 from the Fire Assessment Fee Fund to the Capital Acquisition Fund for costs identified as:

<b>Description</b>	<b>Amount</b>
Fire Station No. 8	\$50,000.00
Fire/Police Training Facility (including Fire Station No. 9)	\$100,000.00
Fire Station No. 9 – additional	\$500,000.00
Fire Fighter Battalion Chief Replacement Vehicle	\$53,000.00
<b>Total Transfer to Other Funds</b>	<b>\$703,000.00</b>

However, we found the City appropriated the following amounts in the Capital Acquisition Fund for expected Fire Department expenditures:

<b>Cost Center</b>	<b>Description</b>	<b>Amount</b>
032100 – Fire Administration	Merged 90131079 into 40131331	\$543,480.00
032710 - Suppression	Police/Fire Training Facility – CIP FY20	\$24,909.00
<b>Total Budgeted Fire Department Expenditures:</b>		<b>\$568,389.00</b>

The City did not provide us with sufficient documentation identifying the allocation for the remaining \$134,611.00 transferred from the Fire Assessment Fee Fund to the Capital Acquisition Fund. Therefore, we could not determine whether this amount was expended in compliance with the established Fire Assessment Fee Fund purpose and applicable requirements, and **\$134,611.00** is considered a questioned cost for lack of sufficient supporting documentation.

<sup>14</sup> See Finding 1 for additional information regarding the sample selection and related testing procedures.

The City told us that the \$134,611.00 in unspent Fire Assessment Fee Funds was allocated to the fund balance of the Capital Acquisition Fund and not directly allocated to a separate Fire Assessment Fee Fund balance. To correct this error and ensure it does not recur in the future, the City stated management is creating a reserve/fund balance within the capital fund to hold Fire Service Assessment funds in the FY2024 budget. This will allow the City to ensure funds transferred from the Fire Assessment Fee Fund to the Capital Acquisition Fund are contained within their own designated fund balance and tracked separately. To correct the error of the \$134,611.00 in unspent Fire Assessment Fee Funds, the City is transferring \$134,611.00 from the Capital Acquisition Fund to a newly created Fire Assessment Capital Fund balance account.

We reviewed the City's Accounting and Financial Procedures Policy 2-1. Although it has processes with controls to assist in accounting and financial matters, it does not include policies or procedures for reviewing, recording or reconciling Fire Assessment Fee Fund monies transferred to the Capital Acquisition Fund for Fire Department capital expenditures to ensure compliance with the Fire Assessment Fee Fund purpose and applicable requirements.

The lack of written guidance accompanying the review, recording, and reconciliation of transfers from the Fire Assessment Fee Fund to the Capital Acquisition Fund increases the risk that the special revenue fund expenditures are not in compliance with the established Fire Assessment Fee Fund purpose and applicable requirements.

### Recommendations:

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- (6) The City should establish and maintain a written review and oversight process for reviewing, recording, and reconciling Fire Assessment Fee Fund funds transferred to the Capital Acquisition Fund for capital expenditures to ensure they are in compliance with the established fund purpose and applicable requirements.**
- (7) The City should reconcile funds transferred from Fire Assessment Fee Fund to the Capital Acquisition Fund for payment of capital expenditures to ensure the funds were accounted for in compliance with the established fund purpose and applicable requirements.**

### Management Response:

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- (6) See attached Management response to Recommendation #1.**
- (7) The City has reconciled the fire assessment fee funds transferred to the Capital Acquisition Fund and has created a Fire Assessment Fee Reserve fund balance account within the Capital Acquisition Fund to better track and account for fire assessment fee funds and ensure their segregation. The identified \$134,611 has been moved to the Fire Assessment fee reserve fund balance account in the adopted 2024 budget.**

**Finding (4): Equipment Maintenance charges from the Internal Service Fund were not adequately supported.**

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Section 218.33, Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures, Florida Statutes states,

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

Resolution No. 228-19, effective October 1, 2019, states,

**Section 7. Application of Assessment Proceeds.**

- (a) **A portion of the cost to provide fire services, facilities, or programs shall be funded from proceeds of the Fire Service Assessment.** The Fire Service Assessment for Fiscal Year commencing October 1, 2019 may be used for: (A) the cost of physical construction, reconstruction or completion of any required fire station, facility or improvement; (B) the costs incurred in any required acquisition or purchase; (C) the cost of all labor, materials, machinery, and equipment; (D) **the cost of** fuel, parts, supplies, **maintenance**, repairs, and utilities; (E) the cost of computer services, data processing, and communications; (F) the cost of all lands and interest therein , leases, property rights, easements, and franchises of any nature whatsoever; (G) the cost of any indemnity or surety bonds and premiums for insurance; (H) the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; (I) the cost of uniforms, training, travel, and per diem; (J) the cost of construction plans and specifications, surveys and estimates of costs; (K) the cost of engineering, financial, legal, and other professional services; (L) the costs of compliance with any contracts or agreements entered into by the City to provide fire services; (M) all costs associated with the structure, implementation, collection, and enforcement of the Fire Service Assessments, including any service charges of the Tax Collector, or Property Appraiser, and amounts necessary to off-set discounts received for early payment of Fire Service Assessments pursuant to the Uniform Assessment Collection Act or for early payment of Fire Service Assessments collected pursuant to Section 3.02 of the Ordinance; (N) all other costs and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, including debt service and such other expenses as may be necessary or incidental to any related financing authorized by the City Commission by subsequent

resolution; (O) a reasonable amount for contingency and anticipated delinquencies and uncollectible Fire Service Assessments; and (P) reimbursement to the City or any other person for any moneys advanced for any costs incurred by the City or such person in connection with any of the foregoing components of Fire Service Assessed Cost. [Emphasis added]

Resolution No. 232-20, effective October 1, 2020, states,

**Section 5. Application of Assessment Proceeds. The revenue derived from the City's Fire Service Assessment will be utilized toward all costs of providing fire services, including** capital improvements (including the construction or improvement of fire stations and the acquisition of fire vehicles); the cost of labor, materials, vehicles, machinery, and equipment; **the cost of** fuel, parts, supplies, **maintenance**, repairs, and utilities; the cost of computer services, data processing, and communications; the cost of all leases of land or facilities; the cost of salaries, volunteer pay, workers' compensation insurance, or other employment benefits; the cost of uniforms, training, travel, and per diem; all other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, debt service and other operating costs, and any other costs permitted under the Ordinance. The Fire Service Assessment revenue shall not be used toward those costs determined to constitute Emergency Medical Services Costs. Emergency Medical Services Costs are the amounts other than first response medical rescue services, determined by the City Commission to be associated with Emergency Medical Services [Emphasis added]

The GFOA)<sup>15</sup> best practice for the pricing of internal services recommends that governments assessing internal service charges to user departments decide the basis for allocating such costs. **Cost allocation should adhere to the following principles: (a) costs should be allocated based on usage or causal factors relating to costs incurred by the service provider; (b) the basis for allocation should bear a relationship to the benefit the user department receives from the service; and, (c) the method of cost allocation must be seen as fair and legitimate.**<sup>16</sup> [Emphasis added]

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\* Plans should be submitted only once; subsequent plans should indicate any changes since the last plan.

<sup>15</sup> The GFOA was founded in 1906 and represents public finance officials throughout the United States and Canada. The association's more than 20,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in public finance. <https://www.gfoa.org/about>

<sup>16</sup> GFOA Best Practices – Pricing Internal Services <https://www.gfoa.org/materials/pricing-internal-services>

Of the 133 non-personnel expenditures sampled,<sup>17</sup> four (4) were monthly ISF charges posted to the general ledger expenditure account Equipment Maintenance and titled, "FIRE DEPARTMENT SUPPRESSION – EQUIPMENT MAINTENANCE." These expenditures were based on work order documentation generated from the City's AssetWorks fleet management system.

We reviewed the work orders supporting the sample ISF charges and found that eight (8) of the work orders contained the following annual administration and monthly asset management fees, totaling \$46,907.42. The City did not provide us with the methodology or basis for how the annual administration and monthly asset management fees were determined.

FIRE DEPARTMENT—EQUIPMENT MAINTENANCE			
Asset ID	Date	Description	Expenditure
FDT10000	6/30/2020	Quarterly Operation and Administration Allocation (Quarter 3)	\$10,017.57
FDT10000	6/30/2020	Unknown <sup>18</sup>	\$430.19
FDT10000	5/19/2021	Asset Management Fee (FY 20-21 May)	\$451.35
FDT10000	6/25/2021	Asset Management Fee (FY 20-21 June)	\$440.77
FMT10000	8/31/2021	Annual Administration Fee (End of FY 20-21)	\$10,017.57
FMT10000	8/31/2021	Asset Management Fee (FY 20-21 August)	\$102.21
FDT10000	8/31/2021	Annual Administration Fee (End of FY 20-21)	\$25,017.57
FDT10000	8/31/2021	Asset Management Fee (FY 20-21 August)	\$430.19
<b>Total Expenditures:</b>			<b>\$46,907.42</b>

Because the City does not maintain sufficient documentation demonstrating the cost allocation methodology and application, we could not assess either its fairness or legitimacy, and as a result whether the allocated Administration/Management Fees costs were in compliance with the Resolutions' application of assessment proceeds requirements. Therefore, the total amount of **\$46,907.42** is a questioned cost for lack of sufficient supporting documentation.

<sup>17</sup> See Finding 1 for additional information regarding the sample selection and related testing procedures.

<sup>18</sup> The work order detailing this fee was not included in the work order documentation the City provided to us.

The Fire Department told us that although it receives a daily report from Fleet Maintenance (including vehicle maintenance status, vehicle availability, and repair quotes), it does not have direct control in deciding whether ISFs are expensed against the Fire Assessment Fee Fund or the General Fund.

We reviewed the City's Accounting and Financial Procedures Policy 2-1. Although it has processes with controls to assist in accounting and financial matters, it does not include policies or procedures for reviewing, recording or reconciling ISF charges.

The lack of guidance accompanying a cost allocation strategy, increases risk associated with inconsistent and/or inequitable cost sharing; and, expenditures that are not in compliance with the established Fire Assessment Fee Fund purpose and requirements.

### Recommendation:

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- (8) The City should maintain documentation of the application of the established cost allocation strategy that supports the Administration/Management Fees charged to the Fire Assessment Fee Fund.**

### Management Response:

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- (8) The City will document in writing the current process and procedures and strategy followed for the Administration/Management fees the Fleet Division charges all departments including the Fire Assessment fee fund formalizing it within the Accounting and Financial Procedures Policy 2-1.**

## ADDITIONAL NON-FINDING ITEM

### Non-Finding Item (1): There is an increased risk of noncompliance associated with Fire Assessment Fee monies transferred to the Capital Acquisition Fund.

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Section 218.33, Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures, Florida Statutes states,

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

Resolution No. 2018-18, effective October 1, 2018, states,

**Section 4. Application of Assessment Proceeds.**

(a) The revenue derived from the City’s Fire Service Assessment will be utilized toward all costs of providing fire services, including capital improvements (including the construction or improvement of fire stations and the acquisition of fire vehicles); the cost of labor, materials, vehicles, machinery, and equipment; the cost of fuel, parts, supplies, maintenance, repairs, and utilities; the cost of computer services, data processing, and communications; the cost of all leases of land or facilities; the cost of salaries, volunteer pay, workers’ compensation insurance, or other employment benefits; the cost of uniforms, training, travel, and per diem; all other cost and expenses necessary or incidental to the acquisition, provision, or construction of fire services, facilities, or programs, debt service and other operating costs, and any other costs permitted under the Ordinance.

Of the 133 non-personnel expenditures sampled,<sup>19</sup> three (3) transfers were posted to the general ledger expenditure account Transfer to Other Funds:

Title of Transfer	Amount
RESOLUTION 174-18(F)	\$285,000.00
RESOLUTION NO. 290-18(F)	\$1,508,142.00
FUNDING TRANSFERS PER RES. 333-18(F)	\$931,429.00
<b>Total</b>	<b>\$2,724,571.00</b>

On June 18, 2018, the City Commission authorized Resolution 174-18(F) to transfer \$285,000.00 from the Fire Assessment Fee Fund to the Capital Acquisition Fund for costs identified as:

Description	Account Number	Amount
Rental & Leases – Fire Logistics Building	304.032210.522.500440	\$85,000.00
Improvements other than Buildings – Fleet Management/City Complex	304.019296.539.500630	\$40,000.00
Machinery and Equipment	304.019296.539.500640	\$160,000.00
<b>Total Transfer to Other Funds</b>		<b>\$285,000.00</b>

On September 24, 2018, the City Commission authorized Resolution 290-18(F) to transfer \$1,508,142.00 from the Fire Assessment Fee Fund to the Capital Acquisition Fund for costs identified as:

<sup>19</sup> See Finding 1 for additional information regarding the sample selection and related testing procedures.

Description	Account Number	Amount
Machinery and Equipment - Fire	304.032100.522.500641	\$1,508,142.00
<b>Total Transfer to Other Fund</b>		<b>\$1,508,142.00</b>

On November 19, 2018, the City Commission authorized Resolution 333-18(F) to transfer \$931,429.00 from the Fire Assessment Fee Fund to the Capital Acquisition Fund for costs identified as:

Description	Account Number	Amount
Automotive Equipment – Fire Department	304.032100.522.500641.00000000	\$381,202.00
Buildings – Fire Station No. 5	304.032100.522.500620.09626613	\$44,249.00
Buildings – Fire Station No. 4	304.032100.522.500620.13200003	\$176,510.00
Buildings – Fire Station No. 8	304.032100.522.500620.13200004	\$35,988.00
Buildings – Fire Training Facility	304.032100.522.500620.90131079	\$293,480.00
<b>Total Transfer to Other Funds</b>		<b>\$931,429.00</b>

We traced each of the transfers to the corresponding budgeted amounts for Fire department projects in the Capital Acquisition Fund. We found that some of the Fire department projects have not incurred any of the costs authorized by Resolutions 174-18(F) and 333-18(F), and as a result, there are budgeted amounts totaling \$129,249.00 that remain available 4-5 years following appropriation from the Fire Assessment Fee Fund. Additionally, a total of \$329,468.00 of the budgeted amounts for Fire department projects were reallocated to a project that may not sufficiently meet Fire Assessment Fee Fund established fund purpose and applicable requirements.

#### **Available Fire Service Assessment Monies**

The \$85,000.00 transfer to the Capital Acquisition Fund for “Rental & Leases – Fire Logistics Building” has been neither expended nor encumbered. As of May 2023 those funds remain available for costs incurred in accordance with the established fund purpose and applicable requirements.

The \$44,249.00 transferred to the Capital Acquisition Fund for expenditures associated with Fire Station No. 5, has been neither expended nor encumbered. As of June 2023 those funds remain available for costs incurred in accordance with the established fund purpose and applicable requirements.

Resolution Number	Description	Account Number	Budgeted	Expended /Encumbered	Available
174-18(F)	Rental & Leases – Fire Logistics Building	304.032210.522.500440	\$85,000.00	\$0.00	\$85,000.00
333-18(F)	Buildings – Fire Station No.5	304.032100.522.500620.09626613	\$44,249.00	\$0.00	\$44,249.00
<b>Total Available</b>					<b>\$129,249.00</b>

**Fire Service Assessment Monies Budgeted for Police/Fire Training Facility**

The \$35,988.00 transferred to the Capital Acquisition Fund for expenditures associated with Fire Station No. 8, has been neither expended nor encumbered. According to the City these funds were reallocated to the Police/Fire Training Facility account 304.032100.522.500620.40131331 during the FY23 Budget carryforward review process.

The \$293,480.00 transferred to Capital Acquisition Fund account 304.032100.522.500620.90131079 for expenditures associated with the Fire Training Facility was reallocated to the Police/Fire Training Facility account 304.032100.522.500620.40131331 in FY20, resulting in an available budget of \$543,480.00. As of September 30, 2022, the general ledger detail report for account 304.032100.522.500620.40131331 identifies an available budget of \$361,167.00 for costs incurred in accordance with the established fund purpose and applicable requirements.

The Assistant Fire Chief informed us that although he was aware the City has been placing funds into an account for a future training facility and there have been discussions about a possible joint venture, he was not aware of any cost sharing agreement between the Police and Fire departments governing the allocation of funds for the Police/Fire Training Facility project.

Resolution Number	Description	Account Number	Budgeted	Expended /Encumbered	Re-Allocated
333-18(F)	Buildings – Fire Station No.8	304.032100.522.500620.13200004	\$35,988.00	\$0.00	\$35,988.00
333-18(F)	Buildings – Fire Training Facility	304.032100.522.500620.90131079	\$293,480.00	\$0.00	\$293,480.00
<b>Total Reallocated</b>					<b>\$329,468.00</b>

Given the extended period of time that the \$129,249.00 transferred from the Fire Assessment Fee Fund has remained unexpended in the Capital Acquisition Fund, and that the \$329,468.00 was reallocated to the budget of a project that may not meet applicable spending restrictions, there is an increased risk that these amounts are not

expended in the compliance with Fire Assessment Fee Fund established fund purpose and applicable requirements.

We reviewed the City's Accounting and Financial Procedures Policy 2-1. Although it has processes with controls to assist in accounting and financial matters, it does not include policies or procedures for reviewing, recording or reconciling Fire Assessment Fee Fund monies transferred to the Capital Acquisition Fund for Fire Department capital expenditures to ensure compliance with the Fire Assessment Fee Fund purpose and applicable requirements.

The lack of written guidance accompanying the review, recording, and reconciliation of transfers from the Fire Assessment Fee Fund to the Capital Acquisition Fund increases the risk that budgeted amounts remaining after four to five years from initial appropriation will not be spent in accordance with the established fund purpose and applicable requirements. Special revenue funds could be transferred to accounts where City staff are not aware of cost restrictions.

### **Recommendation:**

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**See Recommendation 6 noted in Finding 3**

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

**Questioned Costs**

Finding	Description	Questioned Costs
1	IT General Services, GIS, internal service fund transfers were not adequately supported.	\$446,478.00
2	Capital Lease costs were not adequately supported.	\$249,857.07
3	Unaccounted Resolution Transfer Funds.	\$134,611.00
4	Equipment Maintenance charges from the Internal Service Fund were not adequately supported.	\$46,907.42
<b>TOTAL QUESTIONED COSTS</b>		<b>\$877,853.49</b>

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

**EXHIBIT LIST**

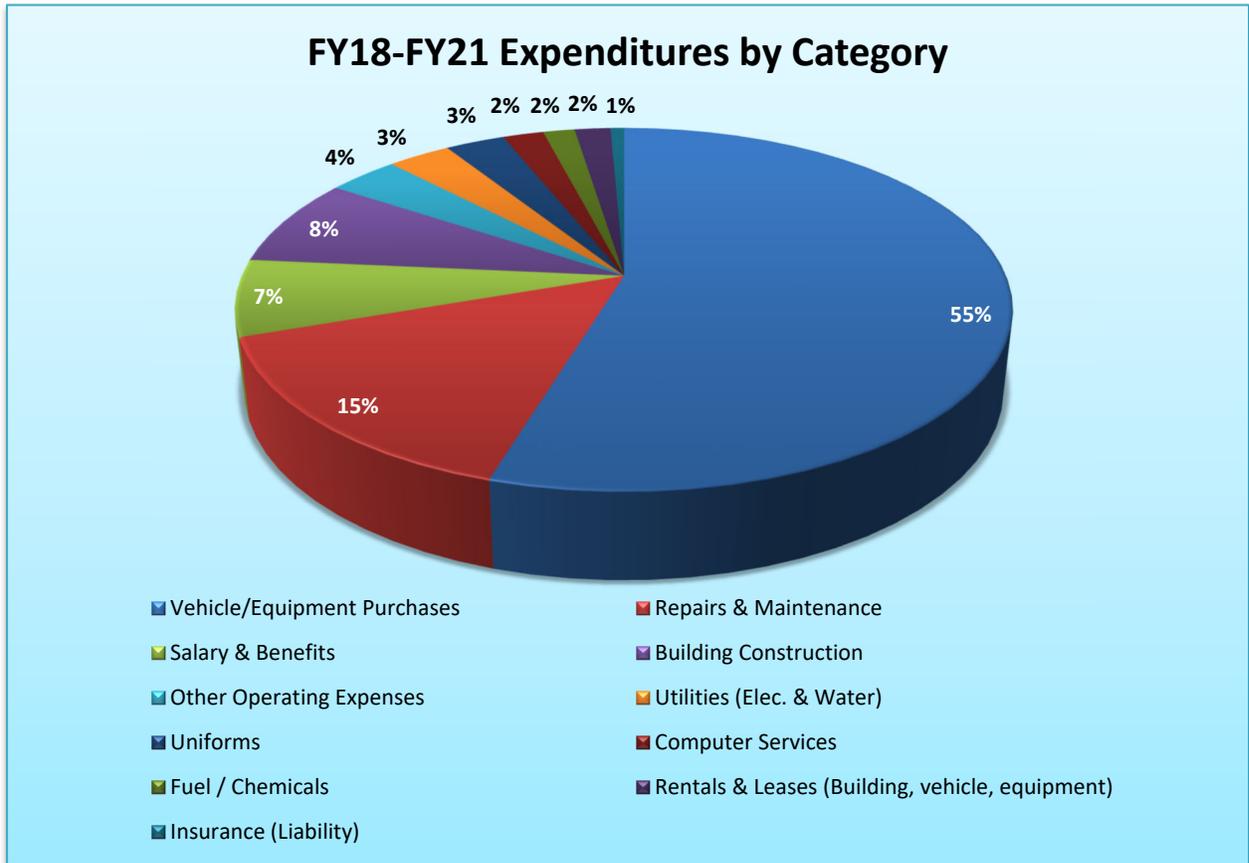
Exhibit I – Fire Assessment Fee Fund Expenditures

**ATTACHMENT**

Attachment I – City of West Palm Beach’s Management Response

## EXHIBIT I – Fire Assessment Fee Fund Expenditures

Fire Assessment Fee Fund Expenditures						
Expenditure Category	FY18	FY19	FY20	FY21	Total	% of Total Amount
Vehicle/Equipment Purchases	\$2,933,405	\$3,044,640	\$2,863,515	\$3,183,976	\$12,025,535	55%
Repairs & Maintenance	8,603	715,404	1,245,534	1,320,675	3,290,216	15%
Salary & Benefits	-	-	339,508	1,157,621	1,497,129	7%
Building Construction	590,227	281,003	717,021	143,000	1,731,251	8%
Other Operating Expenses	96,071	166,809	278,272	232,369	773,521	4%
Utilities (Elec. & Water)	-	-	312,964	376,391	689,356	3%
Uniforms	-	191,130	212,510	243,587	647,227	3%
Computer Services	-	-	276,708	169,770	446,478	2%
Fuel / Chemicals	-	10,000	149,057	185,293	344,350	2%
Rentals & Leases (Building, vehicle, equipment)	99,140	85,266	98,261	109,581	392,248	2%
Insurance (Liability)	-	-	104,380	43,871	148,251	1%
<b>Total</b>	<b>\$3,727,446</b>	<b>\$4,494,251</b>	<b>\$6,597,731</b>	<b>\$7,166,133</b>	<b>\$21,985,562</b>	<b>100%</b>



## CITY OF WEST PALM BEACH'S MANAGEMENT RESPONSE

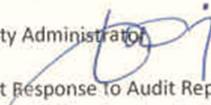


City Administration

City Administration  
 401 Clematis Street  
 West Palm Beach, FL 33401  
 Telephone: 561-822-1400

**DATE:** October 25, 2023

**TO:** Hillary Bojan, Director of Audit – Office of the Inspector General

**FROM:** Faye W. Johnson, City Administrator 

**RE:** DRAFT Management Response To Audit Report 2024-A-00XX, Recommendations on City of West Palm Beach – Fire Service Assessment Fee

This memorandum is in response to your October 12, 2023, email transmitting the draft City of West Palm Beach Fire Service Assessment Fee Audit Report #2024-A-00XX (Report). Below you will find the City's management responses to the recommendations outlined in the draft report.

**Finding 2: Capital Lease expenditures were not always adequately supported.**

**Recommendation 5:**

*"The City should reconcile monies transferred from Fire Assessment Fee Fund to the Debt Service Fund for payment of capital lease costs to ensure they are accounted for in compliance with the Fire Assessment Fee Fund purpose and applicable requirements."*

**Management Response:** The City has reconciled the fire assessment fee funds transferred to debt service through 2023 and implemented a payback to the fire assessment fee fund in the fiscal year 2024 adopted budget.

*Recommendation implemented/repayment completed on October 24, 2023. (See Supporting Documentation, Attachment "A")*

**Finding 3: A Fire Assessment Fee Fund transfer of \$134,611 was unaccounted for in the Capital Acquisition Fund.**

**Recommendation 7:**

*"The City should reconcile funds transferred from Fire Assessment Fee Fund to Capital Acquisition Fund for payment of capital expenditures to ensure the funds were accounted for in compliance with the established fund purpose and applicable requirements"*

**Management Response:** The City has reconciled the fire assessment fee funds transferred to the Capital Acquisition Fund and has created a Fire Assessment Fee Reserve fund balance account within the Capital Acquisition Fund to better track and account for fire assessment fee funds and ensure their segregation. The identified \$134,611 has been moved to the Fire Assessment fee reserve fund balance account in the adopted 2024 budget.

*Recommendation implemented: October 24, 2023. (See Supporting Documentation, Attachment "B")*

City of West Palm Beach Response to Audit 2024-A-00XX  
October 25, 2023 Management Response

Page 2 of 3

**Finding 1: IT General Services, GIS, internal service fund transfers were not adequately supported.**

**Recommendation 1:**

*"The City should establish and maintain a written review and oversight process for reviewing, recording, and reconciling Fire Assessment Fee Fund internal service transfers to ensure they are in compliance with the established fund purpose and applicable requirements."*

Management Response: The City will create an additional section in the Accounting and Financial Procedures Policy 2-1 specific to the financial management of the Fire Assessment Fee Funds. This new section will address the reconciliation of fire assessment fee fund transfers to other city funds, required supporting documentation, and compliance review.

*The target implementation date: December 31, 2023.*

**Recommendation 2:**

*"The City should establish and maintain a cost allocation plan policy and procedure that identifies:*

- a. The items of expense included in the cost of each service;*
- b. The method used to distribute the cost of services (i.e. decides the basis of allocation); and,*
- c. A summary schedule showing the allocation of each service to the specific benefitted departments/divisions."*

Management Response: The City will document in writing the current process and procedures followed for the Internal Service Fund Transfers cost allocation plan and formalize it within the Accounting and Financial Procedures Policy 2-1.

*Target implementation date: December 31, 2023.*

**Recommendation 3:**

*"The City should maintain documentation of the application of the established cost allocation strategy that supports the IT General Services, GIS, expenditure allocated to the Fire Assessment Fee Fund."*

Management Response: See Management response to Recommendation #1.

**Finding 2: Capital Lease expenditures were not always adequately supported.**

**Recommendation 4:**

*"The City should establish and maintain a written review and oversight process for reviewing, recording and reconciling Fire Assessment Fee Fund monies transferred to the Debt Service Fund for capital lease charges to ensure they are in compliance with the established fund purpose and applicable requirements."*

Management Response: See Management response to Recommendation #1.

City of West Palm Beach Response to Audit 2024-A-00XX  
October 25, 2023 Management Response

Page 3 of 3

**Finding 3: A Fire Assessment Fee Fund transfer of \$134,611 was unaccounted for in the Capital Acquisition Fund.**

**Recommendation 6:**

*"The City should establish and maintain a written review and oversight process for reviewing, recording, and reconciling Fire Assessment Fee Fund funds transferred to the Capital acquisition Fund for capital expenditures to ensure they are in compliance with the established fund purpose and applicable requirements"*

Management Response: See Management response to Recommendation #1.

**Finding 4: Equipment Maintenance charges from the Internal Service Fund were not adequately supported.**

**Recommendation 8:**

*"The City should maintain documentation of the application of the established cost allocation strategy that supports the Administration/Management Fees charged to the Fire Assessment Fee Fund."*

Management Response: The City will document in writing the current process and procedures and strategy followed for the Administration/Management fees the Fleet Division charges all departments including the Fire Assessment fee fund formalizing it within the Accounting and Financial Procedures Policy 2-1.

*Target implementation date: December 31, 2023.*

C: John Carey, Palm Beach County Inspector General

**Attachment "A"**  
**6. Trial Balance - Revenues**

Account : 131.000000.000.381000.0000000.0000 to 131.999999.000.381999.9999999.9999      Budget : CWPB\_BUD\_24      Period : 10-23

Page : 1 of 1  
 Run : 25-OCT-23  
 As of : 25-OCT-23

Fund CC	Object	Project	Budget	Actual	Month	Ending Balance	% Collected
131	032710.381210	TRSFY FROM FUND 210	(243,525.00)	(243,525.00)	(243,525.00)	0.00	100.00%
	OTHER SOURCES	000000000	(243,525.00)	(243,525.00)	(243,525.00)	0.00	100.00%
	Total by Cost Center - 032710		(243,525.00)	(243,525.00)	(243,525.00)	0.00	100.00%
	Total by Fund - 131		(243,525.00)	(243,525.00)	(243,525.00)	0.00	100.00%
	Grand Total		(243,525.00)	(243,525.00)	(243,525.00)	0.00	100.00%

