



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**

**2020-A-0002**

**Town of Haverhill  
Revenue**

**December 2, 2019**



John A. Carey  
Inspector General

OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY

AUDIT REPORT  
2020-A-0002

DATE ISSUED: DECEMBER 2, 2019



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*"Enhancing Public Trust in Government"*

TOWN OF HAVERHILL – REVENUE

SUMMARY

WHAT WE DID

We conducted a revenue audit of the Town of Haverhill (Town). This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2019 Annual Audit Plan.

Our audit focused on revenue and related cash receipt activities that occurred during Fiscal Year (FY) 2017 through mid-FY 2019 (October 1, 2016 – March 31, 2019).

WHAT WE FOUND

We found control weaknesses for the Town's revenue and financial operations and reporting processes.

Our audit identified **\$284.34** in questioned costs<sup>1</sup> for sales tax that was not paid. Our audit identified **\$37,049** in avoidable costs<sup>2</sup> for excess revenue that could have been invested in higher yield accounts.

**Investment Revenue**

The Town maintained funds in checking accounts, savings accounts, money market accounts, and certificate of deposit accounts (CDs) in qualified public depositories in accordance with Florida Statutes. We concluded that the Town received the market rate for its CDs.

Our recommendation to optimize Town investment funds may result in approximately **\$37,049** in avoidable costs for the checking, savings, and money market accounts.

**Revenue Process**

The Town can improve controls, review, and oversight for revenue processes. The Town lacked adequate written policies and procedures for revenue.

The Town did not follow the uniform accounting practices and procedures promulgated by the Florida Department of Financial Services (Department). There were two (2) franchise fee revenue transactions of the nine (9) non-permitting

<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 cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>2</sup> Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report. The maximum period for calculating Avoidable Costs shall typically be three years from the issuance of the OIG report, except in instances where it involves a contract with a specified contract period.

transactions (22%) tested totaling \$16,753.63 that were coded to the incorrect revenue general ledger account. We found that the Town's financial account system used eight (8) of 28 (29%) revenue account codes and 4 of 28 (14%) revenue account titles that did not match the Uniform Accounting System (UAS) Manual<sup>3</sup> revenue account codes/titles.

### **Controls for Financial Operations and Reporting**

The Town lacked written guidance regarding the endorsement of checks and safeguarding cash receipts. The Town's written guidance did not require and the Town did not have a process for the independent review and approval of monthly bank reconciliations.

Twelve (12) of the 12 (100%) Town Council Regular Meeting Minutes tested contained no evidence of review and approval of the internal financial statements or documents by the Town Council, as described in the Town's General Policies and Duties.

There were 11 of 61 (18%) cash receipts, which totaled \$13,110.64, that were not deposited within 11 calendar days in accordance with the Town's process. These deposits were made from 13 to 29 days after receipt.

### **Potential Sales Tax Owed**

The Town is potentially responsible for paying outstanding sales tax owed to the

Florida Department of Revenue, plus penalties and interest related to the rental of real property within the Town. The total questioned costs are approximately **\$284.34** due to the lack of supporting documentation to show that payments were made appropriately.

### **Lack of IT Policies and Procedures**

This audit included review of data reliability and integrity of computer systems related to revenue and permits. We found that the Town does not have written Information Technology (IT) policies for any of the IT processes. Lack of written guidance increases the risk of inconsistent operations and unauthorized or inappropriate access to the Town's computer systems.

## **WHAT WE RECOMMEND**

Our report contains six (6) findings and offers sixteen (16) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls, 2) save approximately **\$37,049** in future avoidable costs, and 3) help ensure compliance with regulatory requirements.

The Town is taking corrective actions to implement the recommendations.

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

<sup>3</sup> The Uniform Accounting System Manual was developed by the State of Florida Department of Financial Services and was last updated for the 2014 Edition.

## BACKGROUND



The Town was created by a special act of the Florida Legislature that became law on June 12, 1959. The Town's original Charter, also adopted on June 12, 1959, was amended by Ordinance Number 377 on January 22, 2009, and referendum on March 10, 2009. The Town is located in central Palm Beach County and consists of approximately .61 square miles.

The Town operates under the Council-Administrator form of government. The Council consists of five (5) Council members elected to 2-year terms. Each year, the Council elects from its members a Mayor and Vice Mayor. The Mayor is recognized as the head of the Town for service of process, ceremonial matters, and the signature or execution of ordinances, contracts, deeds, bonds, and other instruments or documents. The Vice-Mayor serves as acting mayor during the absence or disability of the Mayor. The Town Administrator is the chief administrative officer of the Town and is selected by the Council. The main sources of revenue for the Town are taxes, licenses and permits, rental revenue, and franchise fees. The 2018 population was approximately 2,008.<sup>4</sup>

The OIG 2019 Annual Audit Plan had multiple entities selected for revenue audits. The Town was selected for audit since it has not been previously audited by the OIG.

The FY 2017 revenues totaled \$1,180,248 and expenditures totaled \$1,127,458, the FY 2018 budgeted totals for revenues and expenditures were \$1,207,796, and FY 2019 budgeted totals for revenues and expenses were \$1,361,262.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Revenue controls were adequate for revenue and/or cash intake/receipt activities;
- Revenues were recorded appropriately and accurately in compliance with financial requirements;
- Cash receipts were accurately and timely recorded; and
- The Town made efficient use of revenue through investments.

The scope of the audit included, but was not limited to, revenue and related cash receipt activities that occurred during the period of October 1, 2016 through March 31, 2019.

The audit methodology included, but was not limited to:

- Completion of data reliability and integrity assessment of revenue and related computer systems;
- Review of revenue/cash receipt policies and procedures;
- Review of banking and accounting records;

<sup>4</sup> <http://citystats.flcities.com/Survey/Responses?cityID=266&year=2018&renderStyle=True>

- Review of potential investment written guidance;
- Interviews of appropriate personnel;
- Review of revenue and investment related reports, contracts, and agreements; and
- Detailed testing and reconciliation of selected revenue and cash receipt transactions.

As part of the audit, we completed a data reliability and integrity assessment for the financial computer systems used by the Town for revenue and cash intake activities. We determined that the computer-processed data contained in the Information Management Services (IMS) financial computer system was sufficiently reliable for purposes of the audit. There were minor exceptions<sup>5</sup> for policies and procedures (noted in applicable findings), but the data was sufficiently reliable for the purposes of the audit.

We conducted this audit 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.

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<sup>5</sup> For purposes of this audit report, we are defining the term “exception” as a computer system entry or transaction that does not follow the applicable written guidance (e.g. irregularities, deviation, anomaly).

## FINDINGS AND RECOMMENDATIONS

**Finding (1): The Town did not invest in higher yield accounts that may lessen the taxpayers' burden.**

Certain governmental units, including cities, counties, and special districts, in Florida must comply with provisions in chapters 218 and 280, Florida Statutes, regarding the investment of surplus funds. Section 218.415, Florida Statutes, states that “[a]ny such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses...or shall meet the alternative investment guidelines contained in subsection (17).” The investment

activity by a unit of local government must be consistent with a written investment plan adopted by the governing body in compliance with section 218.415(16), Florida Statutes, or in the absence of a written plan, in accordance with section 218.415(17), Florida Statutes.

The Town does not have an investment policy; therefore, the Town is required to follow section 218.415(17), which states that units of local government may invest surplus public funds in their control or possession in the Local Government Surplus Funds Trust Fund, registered money market funds with the highest credit quality rating from a nationally recognized rating agency, direct obligations of the U.S. Treasury, or interest-bearing time deposit or savings accounts in qualified public depositories.

Section 280.03(1)(b), Florida Statutes, indicates that public deposits (which include time deposit accounts, demand deposit accounts, and nonnegotiable certificates of deposit) “shall be made in a qualified public depository unless exempted by law.” The Town was in compliance with section 280.03, Florida Statutes, and maintained its interest-bearing time deposit or savings accounts in a qualified public depository. A list of Active Qualified Public Depositories can be found online at [www.myfloridacfo.com](http://www.myfloridacfo.com).

**Checking, Savings, and Money Market Accounts**

We completed an analysis of available investment options that meet the Town’s accepted risk levels and liquidity needs. We concluded that if the Town moved its funds to a higher yield business money market deposit account at a qualified public depository, the Town could potentially increase its interest rate yield to 2.03%.

If the Town implements the OIG recommendation to invest excess funds in a higher yield interest-bearing account, over the next three (3) years, the Town could potentially earn additional interest revenue of approximately **\$37,049**. This is considered an avoidable cost because it is an anticipated increase in interest revenue for the Town.

**Recommendations:**

- (1) **The Town consider investing excess funds in a higher yield interest bearing account at a qualified public depository or one of the other options available under section 218.415(17), Florida Statutes.**
- (2) **The Town consider adopting an investment policy allowing it to invest its surplus public funds in any of the options available under section 218.415(16), Florida Statutes.**

**Management Response:**

The Town concurs with **recommendations (1) and (2)** and will consider investing excess funds in higher yield interest bearing accounts and will consider adopting an investment policy allowing it to invest its surplus public funds in any of the options available under section 218.415 (16), Florida Statutes.

**Finding (2): Revenue was not posted to the appropriate revenue account.**

Section 218.33(2), Florida Statutes, states:

Each local governmental entity shall follow uniform accounting practices and procedures as promulgated by rule of the department [of Financial Services] to assure the use of proper accounting and fiscal management by such units. Such rule shall include a uniform classification of accounts.

Pursuant to section 218.33, the Department promulgated rule 69I-51.0012, Florida Administrative Code, which indicates that the uniform classification of accounts, as organized under the Department's Uniform Accounting System Manual (UAS), 2014 Edition,<sup>6</sup> provides guidance to reporting entities regarding the reporting of their assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures. The UAS Manual mandates that reporting units use the UAS Chart of Accounts as the standard for recording and reporting to the State of Florida.

The UAS Manual, which is in accordance with generally accepted accounting principles, provides that revenues of a local government should be classified by fund and source to provide the information necessary to (1) prepare and control the budget, (2) record the collection of revenues, (3) prepare financial statements and schedules, and (4) prepare financial statistics. The manual defines each revenue account code, and the local government is responsible for recording and reporting each revenue item in the revenue account titles as prescribed therein.

The Town coded incorrectly two (2) franchise fee revenue transactions of the nine (9) non-permitting transactions (22%) our office tested, totaling \$16,753.63 in transactions coded to the incorrect revenue general ledger account. The Town miscoded the franchise

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<sup>6</sup> The Uniform Accounting System Manual was developed by the State of Florida Department of Financial Services and was last updated for the 2014 Edition.

fee revenue, which is a violation of the UAS. There is no questioned cost because the revenue was miscoded to another revenue account.

The Town's general ledger chart of accounts does not conform to the UAS Manual for revenue account codes.

In FY 2017, FY 2018, and FY 2019, the Town used the IMS system as the Town's financial computer system. In comparing the IMS revenue account codes and descriptions, there were eight (8) of 28 (29%) revenue account codes and 4 of 28 (14%) revenue account titles that did not match the UAS Manual revenue account codes/titles. The inconsistencies were as follows:

<b>Inconsistent Chart of Accounts</b>			
<b>IMS Revenue Accounts (what is)</b>		<b>UAS Revenue Accounts (should be)</b>	
<b>Account Number</b>	<b>Account Title<sup>7</sup></b>	<b>Account Number</b>	<b>Account Title</b>
001-313.1000	Francise Fee - Electric	323100	Franchise Fee - Electricity
001-321.1000	Local Business Tax Receipt	316000	Local Business Tax (Chapter 205)
001-342.5000	Variance & Zoning Fees	329000	Other Permits, Fees & Special Assessments
001-369.0100	Miscellaneous Revenues	369900	Other Miscellaneous Revenues
001-369.1000	Fema Reimbursement	331620	Federal Grant - Public Assistance
001-366.0000	Town Hall Lift Station	325100	Special Assessments - Capital Improvement
001-369-2000	Insurance Reimbursement	369900	Other Miscellaneous Revenues
001-389-0100	Appropriated Fund Balance	241000 or 28X000	Appropriations or Fund Balance. Not a revenue account - Appropriations from Fund Balance should be coded to an equity account.

The Town's accounting policies and procedures do not provide sufficient guidance for selecting the correct account in accordance with the UAS Chart of Accounts.

Revenues may be misclassified in the financial statements between the revenue accounts. Account codes are out of compliance with UAS Manual.

### **Recommendations:**

- (3) The Town complete a journal entry to correct the coding for all franchise fee revenue that was posted to the incorrect account code.**
- (4) The Town update its general ledger chart of accounts to be in compliance with statutory requirements.**
- (5) The Town develop and implement policies and procedures to provide sufficient guidance for Chart of Account selections.**

<sup>7</sup> The Account title was copied exactly with no edits from the Town's Master Chart of Accounts list.



**(6) The Town record/post revenue transactions in the proper revenue account based on the UAS Chart of Accounts.**

**Management Response:**

The Town concurs with **recommendations (3), (4), (5), and (6)** and where possible with complete J/E to correct coding for all franchise fee revenue that had been posted to incorrect accounts; has already updated its Chart of Accounts to be in compliance with statutory requirements; the Town will develop policies and procedures to provide sufficient guidance for Chart of Account selections and the Town is presently posting revenue transactions to the proper revenue accounts based on the UAS Chart of Accounts.

**Finding (3): The Town's controls for financial operations and reporting could be enhanced.**

Effective July 1, 2019, section 218.33(3), Florida Statutes (2019), states:

Each local governmental 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.

According to the Town's General Policies and Duties guidance, the Town utilizes the following processes,

**CASH RECEIPTS**

The mail is received and opened by the Administrative Assistant and entered in the mail log. All receipts received are entered into the IMS system and a deposit is prepared. When a receipt is generated, it automatically is assigned a receipt number. The deposit is either given to the Town Administrator or the Director of Public Services for delivery to the bank. EFT deposits are entered into the IMS system and are given a receipt number.

...

Monthly bank reconciliations of cash and investment accounts (CD) are prepared by the Town Administrator.

...

**Financial Reporting**

The Town Administrator prepares and submits internal financial statements to the Town Council bi-monthly for review and approval. The financial statements are

prepared from IMS information and are included in the Council meeting agenda packages along with other information discussed above such as check registers, requisitions, certain invoices, budget to actual reports, and certain management variance analysis for enterprise activity, etc.

...

The internal financial reports are submitted to and approved by the Council, and any open items including items in question or unexpected variances are researched or discussed as applicable and then resolved during that or a following meeting.

We made several observations regarding the Town's cash receipts and financial reporting activities.

The Town did not follow its written policies or stated processes:

- The Town did not provide receipts for all cash receipt transactions, and all receipts were not issued from the computer system.
- There were 11 of 61 (18%) cash receipts which totaled \$13,110.64<sup>8</sup> that were not deposited within 11 calendar days, in accordance with the Town's stated process. These deposits ranged from 13 to 29 days after receipt.
- Five (5) of the 23 monthly bank statements tested were not reconciled to the general ledger. The Town did not provide adequate supporting documentation to show the ending general ledger balance.
- Twelve (12) of the 12 (100%) Town Council Regular Meeting Minutes tested contained no evidence of review and approval of the internal financial statements or documents by the Town Council as described in the Town's General Policies and Duties.

The Town lacked adequate written policies and procedures for revenue:

- The Town lacked adequate written guidance regarding the endorsement of checks.
- The Town lacked adequate written guidance for the safeguarding of cash receipts.
- The Town's written guidance did not require and the Town did not have a process for the independent review and approval of monthly bank reconciliations.

The Town did not follow its General Policies and Duties guidance regarding the reconciliation of bank statements and the review and approval of internal financial statements and documents. Additionally, the Town did not follow the confirmed process for cash deposits. Deposits held for long periods of time or that are not supported by bank validated deposit slips have an increased risk of theft and errors. Additionally, if the Town deposits funds soon after receipt, the deposited funds could earn additional interest. The Town is losing interest revenue by holding deposits.

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<sup>8</sup> The total amount of \$13,110.64 was deposited in 12 or more days after receipt, which is not considered a questioned cost because it is not related to a cost or financial obligation, but rather a timing delay in the deposit.



A lack of adequate controls for the receipt, safeguarding, and deposit of cash and checks and a lack of adequate review and oversight for the bank reconciliation process increases the Town's risk for fraud, theft, waste, and abuse; non-compliance with Florida statutory requirements and other written guidance; and that fraud, theft, or errors may go unnoticed.

### Recommendations:

- (7) **The Town comply with its General Policies and Duties guidance for the reconciliation of bank statements and the review and approval of financial statements and documents.**
- (8) **The Town revise its General Policies and Duties guidance to ensure that internal controls are properly established to safeguard assets, as required by Florida Statutes. At a minimum the Town should consider requiring written guidance that checks are endorsed immediately upon receipt, receipts are issued to all customers upon receipt of cash or checks, cash and checks are deposited in a specified and timely manner, and bank reconciliations are independently reviewed and approved.**
- (9) **The Town train staff on the new and/or revised written guidance.**

### Management Response:

In response to **recommendations (7), (8) and (9)**, the Town has included the approval of the financial statements on its Town Council agenda; review of reconciliated bank statements occurs during the annual independent audit but can be increased to a quarterly review; checks are endorsed immediately and receipts will be given upon receipt of payment; checks are deposited in a specified and timely manner. Policies are being updated and staff is being trained.

### Finding (4): The Town did not collect and remit sales tax for the rental of the baseball field and pavilion.



For the audited period, section 212.031(1)(c), Florida Statutes, established that the rental of certain real property was taxable for the total rental fee charged by the person charging or collecting the rental fee and that the rental customer was responsible for paying this tax. The tax rate effective for calendar years 2016-2017 was 6%, calendar year 2018 was 5.8%, and calendar year 2019 was 5.7%.

According to Section 212.031(3), Florida Statutes, the tax imposed on the rental, lease, or license for the use of a convention hall, exhibition hall, auditorium, stadium, theater,

arena, civic center, performing arts center, or publicly owned recreational facility to hold an event of not more than 7 consecutive days' duration shall be collected at the time of the payment for that rental, lease, or license but is not due and payable to the Florida Department of Revenue until the first day of the month following the last day that the event for which the payment is made, is actually held, and becomes delinquent on the 21st day of that month.

Additionally, Florida Administrative Code Rule 12A-1.056 provides for penalties<sup>9</sup> and interest<sup>10</sup> for failure to disclose and timely pay sales and use taxes, discretionary sales surtax surcharges, or fees imposed by or administered under Chapter 212, Florida Statutes.

In addition, Palm Beach County adopted a 1% Local Government Infrastructure Surtax (Discretionary Sales Surtax) beginning January 1, 2017, which is also applicable to the rental fee.

We reviewed the Town's records and confirmed there were no payments collected or remitted by the Town to the Florida Department of Revenue for sales tax owed for the baseball field and pavilion rentals in FY 2017, FY 2018, or FY 2019. The Town was not aware of the statutory requirement to collect and remit sales tax on baseball field and pavilion rentals.

The Town may be at risk of owing the sales tax, including any applicable interest and penalties, related to the rental payments received. We calculated the tax obligation for the period audited including potential interest and penalties based on the rental payments received by the Town for the period of October 1, 2016 to January 31, 2019, which totaled \$2,490.00. Potential amounts owed for sales tax (including the PBC Local Government Infrastructure surtax), penalties, and interest total \$169.13,<sup>11</sup> \$84.57,<sup>12</sup> and \$30.64,<sup>13</sup>

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<sup>9</sup> Florida Statute Chapter 212 states the party required to make a return or to pay any tax, surtax, surcharge, or fee imposed who fails to disclose such on a return is subject to a penalty of 10% of the amount of tax, surtax, surcharge, or fee owed on the return for each 30-day late period. The penalty may not exceed 50% of the total unpaid tax or fees.

<sup>10</sup> Interest shall accrue on any delinquent tax, surtax, surcharge, or fee imposed by Chapter 212, Florida Statutes, at the rate of interest established pursuant to section 213.235, Florida Statutes, and is prorated daily. Interest accrues on the amount due from the date of delinquency until the date the tax is paid.

<sup>11</sup> The potential sales tax owed was calculated by multiplying each rental payment during the audit period by the applicable sales tax rate for the period. The sales tax rate from October 1, 2015 through December 31, 2016 was 6%. The sales tax rate from January 1, 2017 through December 31, 2017 was 7%. The increase to 7% was due to the 1% discretionary sales surtax for Palm Beach County effective January 1, 2017. The sales tax rate from January 1, 2018 through December 31, 2018 was 6.8%, and the sales tax rate from January 1, 2019 through January 31, 2019 was 6.7% including the PBC discretionary sales surtax of 1%.

<sup>12</sup> Total Sales tax \$169.13 x Maximum Penalty rate 50% = \$84.57 potential penalties owed to the Florida Department of Revenue as of September 30, 2019. If the penalty was calculated based on 10% rate per month the maximum of 50% was met for all the months in the tested period, therefore the penalty was calculated based on the maximum rate of 50%.

<sup>13</sup> The Florida Department of Revenue provides interest rates and daily interest rate factors for taxpayers to determine the interest due on deficiencies (underpayments) in its Tax Information Publications. Publication No. 19ADM-02 issued on May 1, 2019 provides the calculation method and applicable daily interest rate factors effective as of the date of this

respectively. The total of potential sales tax, penalties, and interest that the Town could owe the Florida Department of Revenue is approximately **\$284.34**.<sup>14</sup> This is considered a questioned cost due to a lack of supporting documentation to show that payments were made appropriately, which is a violation of Florida Statutes.

### Recommendations:

- (10) The Town collect and remit applicable sales tax to the Florida Department of Revenue.**
- (11) The Town consider updating its written guidance to ensure sales tax is properly collected and remitted to the Florida Department of Revenue.**
- (12) The Town provide staff training for the updated written guidance.**

### Management Response:

The Town concurs with recommendations **(10, (11) and (12)** and has remitted applicable sales tax and will update its facility rental policy to include the collection of sales tax and has trained staff in the collection and remittance of sales tax.

### Finding (5): The Town did not follow written guidance for permit refunds.



The Building Permit Department Procedures states,

**Refunds:** Refunds will be granted only on permit fees in excess of \$100.00. For permit fees in excess of \$100.00, 50% of the fee is refundable on valid applications and permits. No refunds shall be granted for permits on which work has commenced.

Despite the wording of the Procedure, the Town advised our office that it did not grant refunds of permit fees unless there was an overpayment of the fee.

Operations are more prone to error and/or user confusion when written guidance is not followed. Non-compliance potentially decreases the efficiency of the process and increases the risk of errors.

### Recommendations:

- (13) The Town adjust its process to comply with its Building Permit Department Procedures for the refund of permit fees.**
- (14) The Town provide staff training on the Building Permit Department Procedures for refund of permit fees.**

report and used for our calculation of the potential interest amount due of \$30.80 for the lease payments for October 1, 2016 to January 31, 2019 as of September 30, 2019.

<sup>14</sup> Sales tax \$169.13 + Penalties \$84.57 + Interest \$30.64 = \$284.34 potential obligation of the Town.

**Management Response:**

**Recommendations (13) and (14)** will be implemented when and if a situation requiring a refund presents itself. Staff will review building department procedures in this area so in the future if a question regarding refund of permit fees is posed, Staff will have the correct answer.

**Finding (6): The Town lacks adequate written guidance for IT processes.**

The audit included a review of data reliability and integrity for the computer systems related to the revenue operations including the Financial Computer System which is also used for Permitting in a separate module. We found that the Town has processes with controls to ensure the integrity of information in the computer systems; however, there were not adequate written policies and procedures for the IT processes. The Town Administrator stated there are processes, but no written policies and procedures to provide guidance to new employees or system users for IT

processes.

Basic computer system controls include written IT policies, procedures, and definitions that are clearly communicated; access to and use of the system, assets and records are reasonable and restricted to authorized individuals; and system users are granted only the access needed to perform their duties.

The Town has independent contractors/vendors that handle IT operations. The Town has had limited turnover and had processes in place. Since the processes are in place and the Town outsources the IT function, the Town had not developed written policies and procedures for their IT operations.

Lack of written policies and procedures increases the risk of inconsistent operations and unauthorized access to system records.

**Recommendations:**

- (15) The Town develop and implement written IT policies and procedures to ensure consistency of operations that provide guidance, at a minimum, for how to:**
- a. Assign and remove user rights and a reasonable time for removal when access is no longer appropriate,**
  - b. Authorize user access,**
  - c. Limit system access by requiring unique user IDs and passwords, and**
  - d. Provide for user change management (new and separated employees).**
- (16) The Town provide training to staff for the IT policies and procedures, as needed.**

**Management Response:**

The Town concurs with **recommendations (15) and (16)** and is working with its independent contractor and Town Attorney to develop, implement and train staff for IT policies and procedures as needed.

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

**Questioned Costs**

Finding	Description	Questioned Costs
4	Sales Tax including interest and penalties	\$ <u>284.34</u>
	<b>TOTAL QUESTIONED COSTS</b>	<b>\$ 284.34</b>

**Avoidable Costs**

Finding	Description	Avoidable Costs
1	Investments Checking and Money Market Account	\$ <u>37,049</u>
	<b>TOTAL AVOIDABLE COSTS</b>	<b>\$ 37,049</b>

**ATTACHMENT**

Attachment 1 – Town of Haverhill’s Management Response, page 16 – 17.

**ACKNOWLEDGEMENT**

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

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



## ATTACHMENT 1 – TOWN OF HAVERHILL'S MANAGEMENT RESPONSE

**Town Hall**

4585 Charlotte Street  
 Haverhill, FL 33417-5911  
 (561) 689-0370  
 FAX: (561) 689-4317  
[www.townofhaverhill-fl.gov](http://www.townofhaverhill-fl.gov)

**Town Council**

Jay G. Foy, Mayor  
 Lawrence Gordon  
 Vice Mayor  
 Mark C. Uptegraph  
 Remar M. Harvin  
 Daniel H. Sohn

**Town Administrator**

Janice C. Rutan

**Deputy Town Clerk**

Jean Wible

**Public Services Coordinator  
Code Enforcement Officer**


Michael L. Jordan

**Building Official**

Bill Denison

Date: November 24, 2019

To: Hillary Bojan, CPA, CIA, CFE, CIGA  
 Acting Audit Manager, Office of the Inspector General

From: Janice C. Rutan, Town Administrator 

cc: John Carey, Inspector General

Subject: Response to the Findings of Audit Report 2020- A – 0002  
 Town of Haverhill Revenue

The Audit of the Office of inspector General focused on the Town of Haverhill's revenue and related cash receipt activities that occurred during Fiscal year 2017 through mid-fiscal year 2019 (October 1, 2016 – March 31, 2019).

**Finding (1): The Town did not invest in higher yield accounts that may lessen the taxpayers' burden.**

The Town concurs with **recommendations (1) and (2)** and will consider investing excess funds in higher yield interest bearing accounts and will consider adopting an investment policy allowing it to invest its surplus public funds in any of the options available under section 218.415 (16), Florida Statutes.

**Finding (2) Revenue was not posted to the appropriate revenue account.**

The Town concurs with **recommendations (3), (4), (5), and (6)** and where possible will complete J/E to correct coding for all franchise fee revenue that had been posted to incorrect accounts; The Town has already updated its Chart of Accounts to be in compliance with statutory requirements; the Town will develop policies and procedures to provide sufficient guidance for Chart of Account selections and the Town is presently posting revenue transactions to the proper revenue accounts based on the UAS Chart of Accounts.

**Finding (3) the Town's controls for financial operations and reporting could be enhanced.**

In response to **recommendations (7), (8) and (9)**, the Town has included the approval of the financial statements on its Town Council agenda; review of reconciled bank statements occurs during the annual independent audit but can be increased to a quarterly review; checks are always endorsed immediately and receipts will be given upon receipt of payment; checks will be deposited in a specified and timely manner. Policies are being updated and staff is being trained.

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Jay G. Foy, Mayor

Lawrence Gordon  
Vice Mayor

Mark C. Uptegraph

Rena M. Harvin

Daniel H. Sohn

**Town Administrator**

Janice C. Rutan

**Deputy Town Clerk**

Jean Wible

**Public Services Coordinator  
Code Enforcement Officer**

Michael L. Jordan

**Building Official**

Bill Denison

**Response to the Findings of Audit Report 2020- A – 0002**

Town of Haverhill Revenue

**Page 2****Finding (4): The Town did not collect and remit sales tax for the rental of the baseball field and pavilion:**

The Town concurs with recommendations **(10, (11) and (12)** and has remitted applicable sales tax and will update its facility rental policy to include the collection of sales tax and has trained staff in the collection and remittance of sales tax.

**Finding (5): The Town did not follow written guidance for permit refunds**

**Recommendations (13) and (14)** will be implemented when and if a situation requiring a refund presents itself. Staff will review building department procedures in this area so in the future if a question regarding refund of permit fees is posed, Staff will have the correct answer.

**Finding (6): The Town lacks written guidance for IT processes**

The Town concurs with **recommendations (15) and (16)** and is working with its independent contractor and Town Attorney to develop, implement and train staff for IT policies and procedures as needed.