



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**

**2018-A-0011**

**Town of Glen Ridge  
Revenue and Credit Cards**

**July 16, 2018**



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## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

### AUDIT REPORT 2018-A-0011

DATE ISSUED: JULY 16, 2018



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## TOWN OF GLEN RIDGE – REVENUE AND CREDIT CARDS

### SUMMARY

#### WHAT WE DID

We conducted a revenue audit of the Town of Glen Ridge (Town). This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2018 Annual Audit Plan.

Our audit focused on revenue and related cash receipt activities that occurred during Fiscal Year (FY) 2016 and FY 2017 (October 1, 2015 – September 30, 2017). Based on observations made during fieldwork, we expanded the original scope of the audit to include review of the Town's investments and credit card expenditures for FY 2016 and FY 2017.

#### WHAT WE FOUND

We found control weaknesses for the Town's accounting computer system user access, revenue receipt process, recording of financial transactions, credit

card expenditure process, and investment practices. Our audit identified **\$51,842** in questioned costs,<sup>1</sup> **\$79.85** in identified costs<sup>2</sup> for potential return, and **\$13,234** in avoidable costs.<sup>3</sup>

#### Investment Revenue

The Town maintained funds in savings accounts in a qualified public depository in accordance with Florida Statutes.

We found the Town did not invest excess funds in higher yield accounts that would have optimized investment returns while prioritizing safety of principal and liquidity. Our recommendation to optimize Town investments may result in approximately **\$13,075** in future avoidable costs.

#### Revenue

The Town lacks sufficient controls, review, and oversight for the revenue receipt process. The Town's revenue receipt process lacks adequate written policies

<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> Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

<sup>3</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.

and procedures for collecting permit fees, authorizing account adjustments, and permitting management overrides. The Town did have written policies and procedures regarding timely deposits and review of bank reconciliations by an outside party. However, these policies and procedures were not consistently followed. Additionally, the Town's written policies and procedures are inconsistent with Florida Statutes.

The Town did not follow the uniform accounting practices and procedures promulgated by the Florida Department of Financial Services (Department). As a result, the Town misclassified a total of **\$50,934** in revenue as expenses in FY 2016 (\$50,123) and FY 2017 (\$811), which caused the financial statement revenues to be understated. The misstatement of revenue violated section 218.33, Florida Statute, which resulted in a violation of section 218.39(1)(g).<sup>4</sup> The misclassified revenue for FY 2016 and FY 2017 is considered a questioned cost.

### Permit Fee Deposits

The deposit process lacks adequate controls. Three deposits were not properly deposited in the bank totaling **\$238**, which are considered questioned costs. Fourteen (14) of 50 deposits (28%) were not deposited in a timely manner.

### Computer System

The Town's computer system controls are inadequate. The Town Manager and Town Mayor shared a financial computer system

single user license including the user ID and passwords.<sup>5</sup> Passwords were not properly secured. Sharing or not securing user IDs and passwords increase the risk that the financial system data may be compromised and diminishes the ability to create an audit trail to identify who completed transactions.

### Credit Cards

The credit card program lacks adequate controls and oversight. The Town's process does not include an independent review of transactions and an approval process. In addition, the Town has no written policies and procedures for the use of the Town credit card.

The Town Manager and Town Mayor have shared the Town's credit card. Thirty-nine percent (39%) of credit card transactions during FY 2016 and FY 2017 lacked sufficient documentation to identify who made the purchase.

The Town should consider recouping sales tax paid in error. The amount improperly paid is an identified cost of **\$79.85**. Two credit card transactions totaling approximately **\$670** lacked adequate support, which is a questioned cost.

The Town does not participate in a credit card reward program, which is a lost opportunity to lessen the taxpayers' burden. By participating in a reward program, the Town could save an additional **\$159** over the next three years

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<sup>4</sup> Section 218.39(1), Florida Statutes, requires that local government entities obtain an annual financial audit when the revenue or the total of expenditures are between \$100,000 and \$250,000 and have not been subject to a financial audit for the preceding two fiscal years. In FY 2016, the Town's misclassified revenue which would have caused the total revenue to be in excess of \$100,000 qualifying the Town to need to have an audit under statute. The Town's last audit was in FY 2011. Therefore, the Town is out of compliance with Section 218.39(1)(g), Florida Statutes.

<sup>5</sup> The licensing agreement for the financial computer system does not allow for shared access of a single user license. Single user licenses are for software access and use solely by one specific person.

based upon its current average annual spending, which is an avoidable cost.

#### WHAT WE RECOMMEND

Our report contains seven (7) findings and offers nineteen (19) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls, 2) save approximately **\$13,234** in future avoidable costs, and 3)

help ensure compliance with regulatory requirements.

The Town concurred and accepted all nineteen recommendations and is taking corrective actions to implement the recommendations.

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

## BACKGROUND



The Town was developed in the 1940s and incorporated in 1947. The entire town is classified as a bird sanctuary and is primarily residential. The land area was incorporated with 100 acres and 240 residents. The Town's name was inspired by its location on the bank or "ridge" of the West Palm Beach Canal (C-51) to the west. The 2017 population was approximately 218 residents. The Town is governed by an elected Mayor who appoints a Town Manager.

The OIG 2018 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 Town Council approved budgets totaling \$90,000 per year for FY 2016 and FY 2017.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Revenue controls were adequate for the receipt of revenue and/or cash intake/receipt activities;
- Revenues were recorded appropriately and accurately in compliance with financial requirements; and
- Cash receipts were accurately and timely recorded.

The initial scope of the audit included, but was not limited to, revenue and related cash receipt activities that occurred during the period of October 1, 2015 through September 30, 2017. Based on observations made during the audit engagement, we expanded the scope to include review of the Town's investment activities and credit card process for the audit period.

The audit methodology included, but was not limited to:

- Review of revenue/cash receipt policies and procedures;
- Review of banking and accounting records;
- Review of potential investment written guidance;
- Review of internal controls;
- Review of reports and applicable agreements;
- Interview of appropriate personnel; and
- Detailed testing and reconciliation of selected transactions.

As part of the audit, we completed a data reliability and integrity assessment for the financial computer system used by the Town for revenue and cash intake activities, as well as, credit card expenditures. We determined that the computer-processed data contained in the financial computer systems had exceptions (noted in applicable findings), but the data was sufficiently reliable when traced back to the original source documentation 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.

## FINDINGS AND RECOMMENDATIONS

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



The Town does not have an investment policy; therefore, it is required to follow section 218.415(17), Florida Statutes, which states units of local government may invest surplus public funds in their control or possession in any of four enumerated investment tools.

During FY 2016 and FY 2017, the Town maintained an average total balance of \$442,420<sup>6</sup> in its low yield interest-bearing savings account. The interest rate yield on the savings account is .01%, which resulted in \$88 of interest revenue for the Town during that period.

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 higher yield savings account at a qualified public depository, the Town could have increased its interest rate yield to 0.995%.

We took the actual savings account balance and determined that the average amount of excess funds available for investment was approximately \$442,420.<sup>7</sup> Based on our calculations and the interest rate yield of 0.995%, we determined that had the Town invested in a higher-yield savings account in FY 2016 and FY 2017, the Town could have earned interest of approximately \$8,804. The Town lost potential interest revenue of approximately \$8,716<sup>8</sup> by not investing excess funds in a higher yield interest-bearing account.

If the Town implements the OIG recommendation to invest excess funds in a higher yield interest-bearing account, over the next three years the Town could earn additional interest

<sup>6</sup> This amount is the average of the savings bank account balance over FY 2016 and FY 2017. All accounts used are in qualified public depositories, in compliance with Florida Statutes.

<sup>7</sup> Actual bank balances were used for the calculation, which varied on a monthly basis.

<sup>8</sup> Estimated potential interest for FY 2016 and FY 2017 of \$8,804 less the actual interest of \$88 equals \$8,716 of lost potential interest revenue.

revenue of approximately **\$13,075**.<sup>9</sup> This is considered an avoidable cost because it is an anticipated increase in interest revenue for the Town.

### **Recommendations:**

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- (1) The Town consider investing excess funds in a higher yield savings 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 Summary:**

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- (1) On May 23, 2018, money was transferred from the BB&T account to a new account at Florida Community Bank (QPD) at a rate of 1.2-1.3% interest annually.**
- (2) The Town Council will consider adopting an investment policy at a future Council meeting.**

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

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Section 218.33, 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 of Financial Services (Department) promulgated rule 69I-51.0012, Florida Administrative Code, which indicates that the uniform classification of accounts, as organized under the Department's Uniform Account Systems Manual<sup>10</sup>, 2014 Edition, provides guidance to reporting entities regarding the reporting of their assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures. The Uniform Accounting Systems Manual mandates that reporting units use the Uniform Accounting System Chart of Accounts as the standard for recording and reporting to the State of Florida.

According to the Uniform Accounting System Manual, which is in accordance with generally accepted accounting principles, 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

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<sup>9</sup> Lost potential interest revenue  $\$8,716 / 2 \text{ years} = \$4,358.23$  Potential interest revenue per year.  $\$4,358.23 \times 3 \text{ years} =$  approximately  $\$13,075$  additional interest revenue.

<sup>10</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

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's policies and procedures have not been updated consistent with the 2014 Uniform Accounting System Manual. The Town's accounting policies and procedures were last updated in September 2005 and do not provide sufficient guidance for selecting the correct account in accordance with the Uniform Accounting System Chart of Accounts. Consequently, the Town incorrectly recorded revenue transactions totaling approximately \$50,934 to expense accounts.

<b>Revenue Recorded as Expense in Error</b>			
<b>Date</b>	<b>Description of Misclassified Expense (i.e. revenue)</b>	<b>Questioned Cost</b>	<b>Should Be Revenue Account Title</b>
10/8/2015	Reimbursement for Prior Year Expense	\$4,382	Other Miscellaneous Revenues
11/19/2015	Donations / Special Event	\$500	Contributions and Donations from Private Sources
12/22/2015	Insurance Refund for Prior Year Expense	\$241	Other Miscellaneous Revenues
2/22/2016	Donation / Special Event	\$500	Contributions and Donations from Private Sources
1/19/2016	Donation / Special Event	\$3,000	Contributions and Donations from Private Sources
3/15/2016	Code Enforcement / Fine Payment	\$40,000	Fines – Local Ordinance Violations
6/2/2016	Code Enforcement / Fine Payment	\$500	Fines – Local Ordinance Violations
8/31/2016	Code Enforcement / Fine Payment	<u>\$1,000</u>	Fines – Local Ordinance Violations
<b>FY 2016 Sub-Total</b>		<b>\$50,123</b>	
12/15/2016	Insurance Refund for Prior Year Expense	\$171	Other Miscellaneous Revenues
3/30/2017	Refund for Prior Year Expense	\$52	Other Miscellaneous Revenues
9/21/2017	State of Florida Revenue Sharing	<u>\$588</u>	State Revenue Sharing - Proceeds
<b>FY 2017 Sub-Total</b>		<b>\$811</b>	
<b>Total Questioned Costs</b>		<b><u>\$50,934</u></b>	

Additionally, section 218.39(1)(g), Florida Statutes, requires that municipalities with revenues or total expenditures between \$100,000 and \$250,000, as reported on the fund financial statements, that have not been subject to a financial audit for the preceding two fiscal years obtain an annual financial audit by an independent certified public accountant.



As a result of the revenue understatement in FY 2016, the Town's financial statements reflected that it did not meet the threshold for a financial audit. The Town's FY 2016 financial statements indicated revenues totaling \$99,725; however, the Town should have reported \$149,848 (\$99,725 + \$50,123) in total revenues. The Town has not had an annual financial audit since FY 2011. Therefore, the misclassification of revenue resulted in the Town violating section 218.39(1)(g), Florida Statutes, which requires a financial audit.

Correction of the misclassified revenue in FY 2017 increases the Town's total revenue from \$111,761 to \$112,572 (\$111,761 + \$811); thereby exceeding the threshold of \$100,000 for a financial audit. Since no financial audits were performed in FY 2017 or the preceding two years, the Town was not in compliance with section 218.39(1)(g), Florida Statutes, in FY 2017.

The misstatement of revenue violated section 218.33 and resulted in a violation of section 218.39(1)(g). We determined that the misclassified revenues for FY 2016 and FY 2017 totaling **\$50,934** (\$50,123 + \$811) are questioned costs.

#### **Recommendations:**

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- (3) The Town update its Chart of Accounts and the Accounting Policies and Procedures to be in compliance with the statutory requirements.**
- (4) The Town record/post revenue transactions in the proper revenue account based on the Uniform Accounting System Chart of Accounts.**
- (5) The Town obtain an audit of the financial statements in accordance with section 218.39, Florida Statutes.**
- (6) The Town implement a review process and comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.**

#### **Management Response:**

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- (3) The Town Manager will update the Chart of Accounts and its Accounting Policies and Procedures to be in compliance with statutory requirements.**
- (4) The Town will update its Accounting Policies and Procedures to include a list of the appropriate accounts for deposit of specific revenues and payment of specific expenses based on the Uniform Accounting System Chart of Accounts.**
- (5) The Town will seek an audit of financial statements for FY 2016 and 2017.**
- (6) The Town will implement an external review process and will comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.**

### Finding (3): Permit fee deposit process lacks adequate controls.

The Town of Glen Ridge "Accounting Procedures and Internal Control Memo" dated September 30, 2005, states the Town Manager is responsible for preparing deposit slips and recording the receipts in the cash receipt journal. The written procedures require checks be deposited to the bank weekly.

We found that 14 of the 50 deposits (28%) for FY 2016 and FY 2017 permits were not deposited by the Town on a weekly<sup>11</sup> basis as required by the Accounting Procedures Memo.

We found that three of 50 deposits were for permit log book<sup>12</sup> entries for FY 2016 that were recorded as cash collected, when no cash was collected. No cash was collected for the three transactions because the permits were for Town projects. The Town waived the permit fees for its own projects because the Town did not believe it had to pay for its own permits.

We also found that the Town did not deposit the full permit fee collected for three of the permit log book entries for FY 2016. For two of the transactions, only a partial amount was deposited and recorded in the financial system, and one transaction was not deposited or recorded in the financial system. The cause of these discrepancies is not known as the current Town Manager was not the manager at that time.

Permit #	Log Book Amount	QuickBooks Amount	Deposited Amount	Amount not Deposited
16004	\$757	\$735	\$735	\$22
16018	\$216	\$104	\$104	\$112
16019	\$104	\$0	\$0	\$104
<b>Total Questioned Costs</b>				<b>\$238</b>

There is a lack of adequate documentation to show that the deposits recorded in the permit log book / cash receipt journal were deposited into the bank account; therefore, these costs are questioned costs.

The Town does not have adequate written procedures related to the permit fee process to provide guidance and consistency for how permits are recorded in the permit fee log book. Had the Town completed reconciliations between the bank deposits and the permit fee log book, the above issues could have been detected. Additionally, the Town lacks adequate oversight regarding cash receipts and deposits. This lack of guidance and oversight for permit fee revenues increases the risk that permit fee revenues are recorded incorrectly or inconsistently, and not following the prescribed deposit timeline increases the risk of checks or cash being lost or stolen.

<sup>11</sup> For purposes of audit testing, weekly was tested as seven days.

<sup>12</sup> The permit log book is considered the cash receipts journal for permits and records cash collected at the time of cash collection for permits.

**Recommendations:**

- (7) The Town comply with its Accounting Procedures for timeliness of deposits.
- (8) The Town establish internal controls to ensure that the permit fee revenue collected is deposited in full and records are regularly reconciled.

**Management Response:**

- (7) The Town will comply with its Accounting Procedures for timeliness of deposits (i.e., weekly).
- (8) The Town will establish internal controls through a third-party review to ensure that the permit fee revenue collected is deposited in full and records are regularly reconciled.

**Finding (4): The revenue receipt process lacked adequate controls and oversight.**

Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks. The Town has two documents that provide written guidance regarding the Town's accounting policies and procedures: 1) an Accounting Procedures and Internal Control Memo and 2) a Permit Fees schedule.

We noted instances of non-compliance with existing written guidance, areas with a lack of written guidance, and areas with an overall lack of controls that have contributed to errors and inconsistencies across the Town's revenue receipt process.

The Town did not follow the requirement in the Accounting Procedures and Internal Control Memo to deposit permit fees in the bank at least weekly (See Finding 3), or the requirement that an outside accountant reviews the monthly reconciliations of cash and trust fund accounts.

The Town has insufficient written guidance regarding the proper process for collecting and recording permit fees. As a result, the Town's records reflect inconsistencies in the permit numbering and amount of permit fees collected. The Town also lacks written guidance regarding authorizing account adjustments and permitting management overrides in the accounting system (QuickBooks), for issuing credits and refunds, voiding transactions, and reversals of cash.

Additionally, the Town lacks sufficient control and oversight to verify that the accounting system permit fee entries and permit fee log information are accurate and complete. No reconciliation process exists to identify and resolve differences between the permit fee log and corresponding cash receipts (See Finding 8). There is also no documented review of the reconciliations of cash and trust fund accounts, which are reports generated by the

accounting system, or comparison of the reconciliations to the bank statements to ensure accuracy and completeness.

Compliance with the written policies and procedures would have helped avoid inconsistencies and errors in the revenue receipt process noted in the audit. Lack of adequate policies and procedures may lead to higher risk of improper transactions. Additionally, inconsistent review and lack of oversight increases the risk that errors and non-compliance with requirements are not detected.

#### **Recommendations:**

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- (9) The Town update its accounting policies and procedures to clearly define and document financial procedures that ensure all aspects of the revenue and cash receipting process have proper reconciliation and review.**
- (10) The Town establish a process for review that is consistent with the accounting policies and procedures, of all financial reports by an independent reviewer other than the preparer.**

#### **Management Response:**

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- (9) The Town is currently in the process of updating accounting policies and procedures to ensure all aspects of the revenue and cash receipting process have proper reconciliation and review.**
- (10) The Town will initiate a process of third-party review of all financial reports.**

#### **Finding (5): Computer system user access controls are not adequate.**

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Basic computer systems controls include: limiting access to those who need access, providing each user a separate user ID and password, prohibiting sharing of information, and periodically requiring password changes. Additionally, the QuickBooks single user license terms and conditions prohibits multiple users for the single user license.

The Town does not have written policies and procedures to ensure the reliability and integrity of the information within their computer systems. The Town Manager and Town Mayor share a single user license for the financial system (QuickBooks) as well as user IDs and passwords. By sharing user IDs and passwords, the financial system data may be compromised and lacks the information/audit trail to identify who completed the transactions.

By allowing all users to share user IDs and passwords in the computer system and storing passwords in the office, the entity is susceptible to improper and erroneous transactions as well as concealment of the inappropriate or unauthorized activity.

**Recommendations:**

- (11) The Town require each computer system user to have a unique user ID and password that are kept confidential, and obtain additional user licenses, as needed.
- (12) The Town develop a written policy or procedure to provide consistent guidance to computer system users regarding user access. At a minimum, written guidance should require separate user accounts, prevent password sharing, and require periodic password changes.

**Management Response:**

- (11) The Town Manager will present a Computer Use Policy for Council approval that requires a unique user ID and password to be kept confidential and will obtain additional user licenses as needed. Passwords are now secured and confidential.
- (12) The Town Manager will present a Computer Use Policy for Council approval that addresses these issues.

**Finding (6): Credit card process lacked adequate controls and oversight.**

The Town has no written policies and procedures to provide consistency in the credit card process or to ensure that proper documentation is obtained for credit card purchases. The Town does not have a process for independent review and approval of credit card transactions. Although the Town Council receives a report of credit card transactions as a lump sum amount in the financial reports and information package, the Town Council does not approve the purchases or see the itemized breakdown of the transactions.

The Town has an agreement for a BB&T Commercial Card. According to the agreement, the Town Manager is the principal credit card user and program administrator who is authorized to perform activities such as reporting, card addition, deletions, address changes, and individual credit card limit changes. Under the agreement, only authorized users are allowed to use the credit card. Additionally, the total credit card threshold is \$50,000 and there are no transaction limits.

The credit card has been shared by the Town Manager and the Town Mayor. Twenty-one of the 54 transactions (39%) of credit card transactions during FY 2016 and FY 2017 lacked sufficient documentation to identify who made the purchase.

Generally, section 212.08(6), Florida Statutes exempts government agencies, including municipalities, from paying sales tax on items that are purchased for the use of the entity.

The Town had a total of 54 credit card transactions totaling \$9,550 for FY 2016 and FY 2017. We tested all 54 (100%) of the transactions and found that 39 (72%) incorrectly

included payment for sales tax. We also found that two (2) credit card transactions lacked adequate support. These transactions did not contain detailed information or an itemized receipt.

Description	# of Transactions	% of Transactions	Amount <sup>13</sup>	Type
Sales Tax Paid	39	72%	\$79.85	Identified Cost
Unknown Purchaser	21	39%	N/A	Lack of Control
Inadequate Support	2	4%	\$670.16	Questioned Cost

The Town's lack of written credit card policy or procedures increases the risk that transactions are not adequately supported and that sales tax is paid in error. We determined questioned costs totaling **\$670** for inadequate support and identified costs totaling **\$79.85** for sales tax paid in error.

Additionally, the \$50,000 credit card limit threshold may be reasonable but there are no transactional limits which is unreasonable based on the limited amount of transactions completed each year. The transactional limit threshold should have a reasonable limit for purchases to reduce risk of loss.

### Recommendations:

- (13) The Town develop and implement written policies and procedures that include, at a minimum, guidance for allowable or unallowable expenditures for credit cards, the approval process (pre-approval and/or independent review of completed transactions), and the documentation required to support the transaction.
- (14) Sales tax should not be paid on transactions, and the Town should consider obtaining reimbursement for sales tax paid.
- (15) The Town should lower the transaction limit threshold to a reasonable amount per transaction.
- (16) An independent reviewer complete review and approval of the credit card expenditures by an itemized transactional list to ensure proper authorization and oversight of the individual transactions.
- (17) Credit cards should not be shared and should only be used by authorized individuals.

### Management Response Summary:

- (13) The Town Manager will present a credit card use policy for Council approval that addresses these issues.

<sup>13</sup> For the purpose of this chart, the amount is the amount questioned or identified costs.

- (14) **The Town agrees that sales tax should not be paid on transactions. The Town Manager has established tax-free status with Staples, Office Depot, and GeoArm and will ensure that the appropriate tax exemption is enacted for future transactions. It has been determined that securing reimbursement for sales tax paid is not cost effective, given the small amount of money and the personnel cost to process the requests.**
- (15) **The transaction limit threshold will be reduced to \$5,000 through BB&T.**
- (16) **Credit card expenditures as represented by an itemized transaction list will be independently reviewed to ensure proper authorization and oversight of the individual transactions.**
- (17) **The Mayor and the Town Manager applied for and have received separate credit cards to include “Town of Glen Ridge” and their name on the card, thus clearly identifying via bank statement who made what purchases.**

**Finding (7): The Town did not participate in a credit card reward program to lessen the taxpayer’s burden.**

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There is no specific requirement related to participation in a credit card rewards program. However, not participating in a credit card rewards program is a lost opportunity to obtain additional funds at no additional cost to the Town, which would reduce the taxpayer’s burden.

The Town has one BB&T commercial credit card, which the staff uses as a credit card. The card does not have an annual membership fee. Additionally, the Town’s card does not have a rewards program for purchases.

According to its website, BB&T offers one rewards program for business credit cards named “BB&T Visa Signature credit card”. There is no annual fee associated with the card. The rewards for the program consist of one point accrued per net US dollar purchase and can be redeemed for gift cards, travel, merchandise, and activities. The gift cards are not personalized and are transferable so they could be used for Town purchases. Additionally, the points can be redeemed for a Visa Reward card that is the equivalent of cash but cannot be used for purchase of airline tickets, car rentals, accommodations and gas at stations, which is a built-in control for type of usage of the Visa Reward card.

The Town’s average annual expenditures on this card were approximately \$4,775 based on approximately \$9,550 total credit card spend for the two fiscal years reviewed. The Town has the opportunity to accrue approximately 4,775 points per year which could be redeemed for a cash equivalent.

We were unable to determine the redemption rate and cash equivalent of the points used in the BB&T rewards program (not available online). Therefore, we reviewed the different

comparable<sup>14</sup> credit card rewards programs with no annual fee that are currently available on the market, and we determined the average reward rate to be 1.1% for cash rewards.

Based on the average reward rate, the potential cash rewards that the Town can earn based on its current average expenditures is approximately \$53 ( $\$4,775 \times 1.1\% = \$53$ ) per year. We determined that the potential cash rewards for the next three years ( $\$53 \times 3$ ), approximately **\$159**, is considered avoidable costs because it is an anticipated increase in revenue.

#### **Recommendations:**

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- (18) The Town participate in the rewards program as part of its credit card program.**
- (19) The Town develop and implement written guidance to manage and control the rewards program if the Town decides to participate in the program.**

#### **Management Response:**

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- (18) The Town will pursue participation in the rewards program as part of its credit card program with BB&T.**
- (19) Should the Town participate in such a rewards program, the Town Manager will develop written guidance to manage and control the program and present to Council for approval.**

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<sup>14</sup> We determined the reviewed programs to be comparable based on similar terms and rates to the current credit card used by the Town.



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

**Questioned Costs**

<b>Finding</b>	<b>Description</b>	<b>Questioned Costs</b>
<b>2</b>	Revenue posted to Expense Accounts	<b>\$50,934</b>
<b>6</b>	Lack of Adequate Support – Credit Card	<b>670</b>
<b>3</b>	Missing Deposits	<b><u>238</u></b>
	<b>TOTAL QUESTIONED COSTS</b>	<b>\$51,842</b>

**Identified Costs**

<b>Finding</b>	<b>Description</b>	<b>Identified Costs</b>
<b>6</b>	Sales Tax Paid in Error	<b><u>\$79.85</u></b>
	<b>TOTAL IDENTIFIED COSTS</b>	<b>\$79.85</b>

**Avoidable Costs**

<b>Finding</b>	<b>Description</b>	<b>Avoidable Costs</b>
<b>1</b>	Investments	<b>\$13,075</b>
<b>7</b>	Credit Card Rebate Program	<b><u>159</u></b>
	<b>TOTAL AVOIDABLE COSTS</b>	<b>\$13,234</b>

**ATTACHMENT**

Attachment 1 – Town of Glen Ridge’s Management Response, page 18 – 21.

**ACKNOWLEDGEMENT**

The Inspector General’s audit staff would like to extend our appreciation to the Town of Glen Ridge 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 GLEN RIDGE'S MANAGEMENT RESPONSE

Town of Glen Ridge Response. Page 1 of 4

11 July 2018

TO: Megan Gaillard, Director of Audit  
Office of Inspector General

FROM: John J. Deal, Town Manager, Glen Ridge, FL

CC: John Carey  
Inspector General

RE: Response to the findings of Audit Report 2018-A-000x  
Office of Inspector General, Palm Beach County

The audit focused on revenue/cash receipts and credit card activities that occurred during FY 2016 and FY2017 (1 October 2015 to 30 September 2017). The report contained seven (7) findings and offered nineteen (19) recommendations.

**The Town concurred with the findings, accepted the recommendations, and is working to correct the reported deficiencies as outlined below.**

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

**Recommendation (1)** The Town consider investing excess funds in a higher yield savings account at a qualified public depository or one of the other options available under section 218.415(17), Florida Statutes.

*Response: On 23 May 2018 money was transferred from the BBT account to a new account at Florida Community Bank (QPD) at a rate of 1.2-1.3% interest.*

**Recommendation (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.

*Response: The Town Council will consider adopting an investment policy at a future Council meeting.*

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

**Recommendation (3)** The Town update its Chart of Accounts and the Accounting Policies and Procedures to be in compliance with the statutory requirements.

*Response: The Town Manager will update the Chart of Accounts and its Accounting Policies and Procedures to be in compliance with statutory*

*requirements.*

**Recommendation (4)** The Town record/post revenue transactions in the proper revenue account based on the Uniform Accounting System Chart of Accounts.

*Response: The Town will update its Accounting Policies and Procedures to include a list of the appropriate accounts for deposit of specific revenues and payment of specific expenses based on the Uniform Accounting System Chart of Accounts.*

**Recommendation (5)** The Town obtain an audit of the financial statements in accordance with section 218.39, Florida Statutes.

*Response: The Town will seek an audit of financial statements for FY 2016 and 2017.*

**Recommendation (6)** The Town implement a review process and comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.

*Response: The Town will implement an external review process and will comply with the requirements for annual financial reporting and audits for municipalities, as required in Florida Statutes.*

**Finding (3):** Permit fee deposit process lacks adequate controls.

**Recommendation (7)** The Town comply with its Accounting Procedures for timeliness of deposits.

*Response: The Town will comply with its Accounting Procedures for timeliness of deposits (i.e., weekly).*

**Recommendation (8)** The Town establish internal controls to ensure that the permit fee revenue collected is deposited in full and records are regularly reconciled.

*Response: The Town will establish internal controls through a third-party review to ensure that the permit fee revenue collected is deposited in full and records are regularly reconciled.*

**Finding (4):** The revenue receipt process lacked adequate controls and oversight.

**Recommendation (9)** The Town update its accounting policies and procedures to clearly define and document financial procedures that ensure all aspects of the revenue and cash receipting process have proper reconciliation and review.

*Response: The Town is currently in the process of updating accounting policies and procedures to ensure all aspects of the revenue and cash receipting process*

*have proper reconciliation and review.*

**Recommendation (10)** The Town establish a process for review that is consistent with the accounting policies and procedures, of all financial reports by an independent reviewer other than the preparer.

*Response: The Town will initiate a process of third-party review of all financial reports.*

**Finding (5):** Computer system user access controls are not adequate.

**Recommendation (11)** The Town require each computer system user to have a unique user ID and password that are kept confidential, and obtain additional user licenses, as needed.

*Response: The Town Manager will present a Computer Use Policy for Council approval that requires a unique user ID and password to be kept confidential and will obtain additional user licenses as needed. Passwords are now secured and confidential.*

**Recommendation (12)** The Town develop a written policy or procedure to provide consistent guidance to computer system users regarding user access. At a minimum, written guidance should require separate user accounts, prevent password sharing, and require periodic password changes.

*Response: The Town Manager will present a Computer Use Policy for Council approval that addresses these issues.*

**Finding (6):** Credit card process lacked adequate controls and oversight.

**Recommendation (13)** The Town develop and implement written policies and procedures that include, at a minimum, guidance for allowable or unallowable expenditures for credit cards, the approval process (pre-approval and/or independent review of completed transactions), and the documentation required to support the transaction.

*Response: The Town Manager will present a credit card use policy for Council approval that addresses these issues.*

**Recommendation (14)** Sales tax should not be paid on transactions, and the Town should consider obtaining reimbursement for sales tax paid.

*Response: The Town agrees that sales tax should not be paid on transactions. The Town Manager has established tax-free status with Staples, Office Depot, and*

*GeoArm and will ensure that the appropriate tax exemption is enacted for future transactions. It has been determined that securing reimbursement for sales tax paid is not cost effective, given the small amount of money and the personnel cost to process the requests.*

**Recommendation (15) The Town should lower the transaction limit threshold to a reasonable amount per transaction.**

*Response: The transaction limit threshold will be reduced to \$5000 through BBT.*

**Recommendation (16) An independent reviewer complete review and approval of the credit card expenditures by an itemized transactional list to ensure proper authorization and oversight of the individual transactions.**

*Response: Credit card expenditures as represented by an itemized transaction list will be independently reviewed to ensure proper authorization and oversight of the individual transactions.*

**Recommendation (17) Credit cards should not be shared and should only be used by authorized individuals.**

*Response: The Mayor and the Town Manager applied for and have received separate credit cards to include "Town of Glen Ridge" and their name on the card, thus clearly identifying via bank statement who made what purchases.*

**Finding (7):** The Town did not participate in a credit card reward program to lessen the taxpayer's burden.

**Recommendation (18) The Town participate in the rewards program as part of its credit card program.**

*Response: The Town will pursue participation in the rewards program as part of its credit card program with BBT.*

**Recommendation (19) The Town develop and implement written guidance to manage and control the rewards program if the Town decides to participate in the program.**

*Response: Should the Town participate in such a rewards program, the Town Manager will develop written guidance to manage and control the program and present to Council for approval.*