

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2024-051  
November 2023

**TOWN OF WHITE SPRINGS**



Sherrill F. Norman, CPA  
Auditor General

## **Council Members and Town Manager**

During the period October 2021 through December 2022, the following individuals served as Town Mayor, Vice Mayor, Town Council, and Town Manager.

Anita Rivers, Mayor

Nicole Williams, Vice Mayor through May 9, 2022

Jacqueline Williams, Vice Mayor from May 10, 2022

Mary Berry, Council Member

LaRita McCallum, Council Member

Vanessa George, Town Manager

The audit was supervised by Glenda K. Hart, CPA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at [dereknoonan@aud.state.fl.us](mailto:dereknoonan@aud.state.fl.us) or by telephone at (850) 412-2895.

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# TOWN OF WHITE SPRINGS

## **SUMMARY**

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This operational audit of the Town of White Springs (Town) focused on selected Town processes and administrative activities. Our audit disclosed a pervasive lack of adequate controls necessary to promote and encourage compliance with State laws, Town ordinances and regulations, contracts, grant agreements, and other applicable guidelines; reliability of records and reports; and the safeguarding of assets. Specifically, our operational audit disclosed that:

**Finding 1:** According to the auditor for the 2019-20 fiscal year financial audit, the Town's most recent audit as of July 2023, the Town experienced deteriorating financial conditions. Due to inadequate and incomplete financial records, the Town's financial condition as of March 2023 could not be determined.

**Finding 2:** Contrary to Government Finance Officers Association best practices, the Town had not, as of March 2023, established General Fund unrestricted fund balance requirements and Enterprise Fund working capital target amounts.

**Finding 3:** The Town did not timely provide for and submit required annual audited financial statements and annual financial reports to the Florida Auditor General and Florida Department of Financial Services, respectively, for the 2018-19 through 2021-22 fiscal years. Consequently, through September 2023, the Department of Revenue withheld from the Town approximately \$49,247 in combined half-cent sales tax and municipal revenue sharing revenues.

**Finding 4:** For the 2019-20 and 2020-21 fiscal years, the Town's contracted accounting services were not adequate to ensure that Town accounting records were accurate and timely available for financial statement preparation.

**Finding 5:** Town accounting records contained numerous significant errors.

**Finding 6:** Bank account reconciliations were not timely performed, contained errors, and lacked evidence of review.

**Finding 7:** Town controls over the budgetary process need enhancement.

**Finding 8:** Town records did not always demonstrate that utility customers were correctly billed for services as required by Town Ordinances.

**Finding 9:** Incompatible duties were not effectively separated among Town personnel and compensating controls did not exist.

**Finding 10:** Town controls over the procurement of goods and services need enhancement.

**Finding 11:** Contrary to State law, the Town did not publicly announce requests for proposals for audit services for the 2019-20, 2020-21, and 2021-22 fiscal year financial audits.

**Finding 12:** Town personnel processes and procedures need enhancement.

**Finding 13:** Employment agreements with certain Town employees did not establish minimum work hours and the Town did not require these employees to provide documentation of time worked, activities performed, or any leave taken.

**Finding 14:** The Town did not have policies and procedures in place to document that public records requests were timely completed in accordance with State law.

**Finding 15:** The Town had not retained comprehensive records of Town ordinances and resolutions, contrary to State law.

**Finding 16:** The Town had not implemented anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

## **BACKGROUND**

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The Town of White Springs, Florida, was incorporated as a municipality in 1885, and the incorporation was legalized in 1903 by the provisions of Chapter 5368 (No. 263), Laws of Florida. The Town is located in Hamilton County and has an estimated population of 766.<sup>1</sup>

The Town operates under a council-manager form of government and is governed by five elected Town Council members, each of whom are typically elected but a member may be appointed by the majority vote of the Council members to fill a vacant seat.<sup>2</sup> All seats on the Town Council are at-large seats, and the Town Council elects a mayor and vice-mayor among itself. The Town Council is responsible for enacting ordinances, resolutions, and policies governing the Town, as well as for appointing the Town Manager. The Town Manager is responsible for the day-to-day management of the Town. The Town provides citizens with the following services: general government; public works; water, sewer and solid waste disposal; and fire rescue. The Hamilton County Sheriff's Office provides law enforcement services for the Town.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: Financial Condition**

Deteriorating financial conditions negatively affect the ability of a local government to provide, on a continuing basis, services at the level and quality required for the health, safety, and welfare of its citizens. Auditor General rules<sup>3</sup> require independent certified public accountants (CPAs) who perform a financial audit of a local government to assess the government's financial condition. The audit report management letter must include a statement that the CPA applied financial condition assessment

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<sup>1</sup> University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2022*.

<sup>2</sup> According to the Town Charter, Section 2.03, "If the election is more than 45 days away, the Council will nominate qualified Town residents and by majority vote of the remaining Council members choose one of the nominees to serve the remainder of the term of the vacated seat."

<sup>3</sup> According to Section 10.556(8), Rules of the Auditor General, the auditor is responsible for assessing financial condition and the methodology used is a matter of professional judgment.

procedures.<sup>4</sup> If a deteriorating financial condition<sup>5</sup> is noted, the CPA must disclose that the government's financial condition is deteriorating and provide a description of the conditions causing the CPA to make that conclusion.

As of July 2023, the Town's 2019-20 fiscal year financial statements were the most recently audited financial statements. In the 2019-20 audit report management letter, the CPA disclosed a deteriorating financial condition because, at the September 30, 2020, fiscal year end, the Town's Enterprise Fund included a \$291,511 operating loss (a \$153,343 increase over the 2018-19 fiscal year loss) and a negative \$258,811 unrestricted net position balance. To correct the deteriorating financial condition, the auditor recommended that the Town implement strict measures to ensure that revenues are sufficient to fund expenses and replenish fiscal reserves in the Enterprise Fund. Although the management letter did not disclose a deteriorating financial condition in the General Fund, the 2019-20 fiscal year audited financial statements disclosed a deficit of revenues under expenditures of \$195,588 and an unrestricted fund balance of \$134,791 and, accordingly, the auditor also recommended that the General Fund fiscal reserves be replenished.

In connection with our audit, we attempted to perform an assessment of the Town's financial condition as of March 2023. However, as discussed in Finding 5, the Town's accounting records were incomplete and contained significant errors, which precluded us from making an accurate assessment of the Town's financial condition.

In response to our inquiries regarding efforts to improve the Town's financial condition, Town personnel indicated that a water rate study performed in 2022 recommended rate increases for water and sewer services over the next 5 years. In addition, the Town increased solid waste service rates to replenish depleted reserves in the Enterprise Fund. The Town has also generated new revenues through Internet café permitting fees to help cover increased General Fund personnel costs. Notwithstanding these described efforts, given the Town's insufficient accounting records, various control deficiencies, and instances of noncompliance disclosed in this report, there is an increased risk that the Town's financial condition may continue to deteriorate.

**Recommendation: The Town should continue efforts to improve the Town's financial condition.**

## **Finding 2: General Fund Unrestricted Fund Balance and Enterprise Fund Working Capital Requirements**

To help ensure that adequate funds are available to mitigate current and future risks, such as revenue shortfalls or unanticipated expenditures, Government Finance Officers Association (GFOA) best practices recommend that governments establish a formal policy providing a level of unrestricted fund balance<sup>6</sup> that should be maintained in the government's general fund. According to the GFOA, such a policy should be set by the appropriate body (e.g., Town Council) and articulate a framework and

<sup>4</sup> Section 10.554(1)(i)5., Rules of the Auditor General.

<sup>5</sup> Pursuant to Section 10.554(1)(f), Rules of the Auditor General, a deteriorating financial condition is a circumstance determined as of the fiscal year end that significantly impairs a local government's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 218.503(1), Florida Statutes, to occur.

<sup>6</sup> Unrestricted fund balance, according to the GFOA, includes committed, assigned, and unassigned fund balances and represents resources that have the least spending constraints.

process for how the government would increase or decrease the level of unrestricted fund balance over a specific period, including how resources will be directed to replenish fund balance should the balance fall below the level prescribed. The GFOA recommends that, at a minimum, general-purpose governments, regardless of size, maintain an unrestricted fund balance in their general fund that is no less than 2 months of the regular general fund operating revenues or regular general fund operating expenditures.<sup>7</sup>

The GFOA similarly recommends that governments develop a target amount of working capital<sup>8</sup> to maintain in each enterprise fund and include such targets in a formal financial policy or plan. Maintaining targeted levels of working capital in enterprise funds helps provide a government with a buffer for meeting obligations in the event of revenue shortfalls or unanticipated expenses relating to the applicable enterprise operations. The GFOA further recommends that, to determine the appropriate target amount, local governments should start with a baseline of 90 days' worth of working capital and then adjust the target based on the characteristics of the enterprise fund in question. The GFOA provides that in no case should the target be less than 45 days' worth of the fund's working capital needs. In its best practice advisory, the GFOA presents various characteristics that should be considered by a local government when determining the appropriate targets.<sup>9</sup>

Our examination of Town records and discussions with Town personnel disclosed that the Town had not adopted policies that address or provide an appropriate level of unrestricted fund balance to be maintained in the General Fund or an appropriate target amount of working capital to be maintained in the Enterprise Fund for the purpose of mitigating risks of revenue shortfalls and unanticipated expenditures or expenses. Town personnel indicated that they were not aware that they needed these policies.

As discussed in Finding 1, the Town's 2019-20 fiscal year audited financial statements reported a General Fund unrestricted fund balance of \$134,791 and an Enterprise Fund deficit net position of \$258,811, as of September 30, 2020. Town policies establishing and requiring the maintenance of an appropriate General Fund unrestricted fund balance and Enterprise Fund working capital target amounts may help prevent future deteriorating financial conditions.

**Recommendation: The Town should establish policies to ensure that the General Fund unrestricted fund balance and Enterprise Fund working capital amounts are maintained at acceptable levels consistent with GFOA best practices.**

### **Finding 3: Financial Audits**

Pursuant to State law,<sup>10</sup> the Town is required to obtain a financial audit of its accounts and records by an independent CPA. The resulting audit report must be filed with the Auditor General within 45 days after delivery of the audit report to the governing body of the Town, but no later than 9 months after the

<sup>7</sup> GFOA Best Practice: *Fund Balance Guidelines for the General Fund*, September 2015.

<sup>8</sup> The GFOA defines working capital as current assets less current liabilities.

<sup>9</sup> GFOA Best Practice: *Working Capital Targets for Enterprise Funds*, February 2011.

<sup>10</sup> Section 218.39(1)(b), Florida Statutes, provides that any municipality with revenues or total expenditures and expenses in excess of \$250,000, as reported on the fund financial statements, is required to obtain a financial audit of its accounts and records by an independent CPA.

end of the Town's fiscal year.<sup>11</sup> State law<sup>12</sup> also requires the Town to submit a copy of its audit report and annual financial report (AFR) to the Department of Financial Services (DFS) within 45 days of the completion of the audit report but no later than 9 months after the end of the fiscal year.

Our discussions with Town personnel and examination of Town records disclosed that:

- While the Town submitted its annual audit reports for the 2018-19 and 2019-20 fiscal years, the Town filed the 2018-19 report with the Auditor General in October 2021, 463 days late and the 2019-20 report in July 2022, 391 days late. As of July 2023, the audit report for the 2020-21 fiscal year had not been filed and was approximately 13 months late, and the 2021-22 fiscal year audit was approximately 1 month late.
- While the Town submitted its AFR for the 2018-19 and 2019-20 fiscal years, the Town filed the 2018-19 and 2019-20 fiscal year AFRs with the DFS in November 2021 and August 2022, 503 and 399 days late, respectively. As of July 2023, the 2020-21 fiscal year AFR had not been filed and was approximately 13 months late, and the 2021-22 AFR was approximately 1 month late.

According to Florida Joint Legislative Auditing Committee records, as of September 2023, the Florida Department of Revenue (DOR) and DFS had withheld from the Town half-cent sales tax revenues totaling \$25,312 and municipal revenue sharing revenues totaling \$23,935 for the untimely filed 2018-19, 2019-20, and 2020-21 fiscal year audit reports.

According to Town personnel, the Town experienced significant employee turnover and a new administration was instated during the 2020-21 fiscal year, at which point the Town was already behind on the 2018-19 and 2019-20 fiscal year audits. Although Town personnel indicated that a CPA firm was engaged to perform the 2020-21 financial audit, the audit had not been completed because, as further discussed in Finding 4, the Town's contracted accountant had not submitted all the required information to the auditors. As of July 2023, the Town had not engaged a CPA firm to complete the 2021-22 audit, which was due on June 30, 2023.

Timely audits are necessary to provide accountability and assurance to citizens and those charged with governance; help ensure that management and those charged with governance are promptly informed of financial concerns (e.g., deteriorating financial conditions), control deficiencies, and financial-related noncompliance; and allow for timely review by appropriate Federal, State, and county oversight agencies. Failure to submit timely audits has resulted in the DOR and DFS withholding certain sales tax and revenue sharing funds and the potential loss of those funds. Additionally, as the DFS uses the information provided on AFRs to prepare a verified report pursuant to State law,<sup>13</sup> failure to timely file AFRs with the DFS may result in financial data not being available to DFS online data users.

**Recommendation: The Town should enhance efforts to comply with State law and ensure that annual financial audit reports and AFRs are timely completed and filed with the Auditor General and the DFS.**

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<sup>11</sup> Section 218.39 (7), Florida Statutes.

<sup>12</sup> Section 218.32(1)(d), Florida Statutes.

<sup>13</sup> Section 218.32(2), Florida Statutes.



#### **Finding 4: Financial Statement Preparation**

GFOA best practices<sup>14</sup> recommend that local governments prepare their annual external financial statements in accordance with generally accepted accounting principles (GAAP) and fulfill their financial reporting responsibilities by hiring, training, developing, and retaining accounting staff with the knowledge and capability to produce GAAP financial statements. Small governments that cannot hire someone with this expertise could hire a consultant or an accounting firm, other than their independent auditor, to produce GAAP financial statements and other related financial management documents.

Our examination of Town records and inquiries with Town personnel disclosed that, although the Town Charter<sup>15</sup> states that the Town Clerk is responsible for accounting functions, Town personnel recognized that they did not have the knowledge and capability required to prepare GAAP financial statements for the 2020-21, 2021-22, and 2022-23 fiscal years. Consequently, the Town contracted with an independent CPA to prepare GAAP financial statements. Additionally, the Town contracted with another accounting firm to perform all accounting functions for the Town, and the contract requires the accountant to work onsite twice per month to provide unspecified “accounting and financial services.”<sup>16</sup>

Despite these efforts, as noted in Finding 5, the Town’s accounting records included significant errors. Those errors contributed to the delays in submitting the financial audit reports and AFRs noted in Finding 3 and demonstrate that the level of services provided for in the accountant contract may not be sufficient for the performance of all the Town’s accounting functions.

Ineffective controls over the maintenance of accurate accounting records that provide the data needed for the timely preparation of financial statements in conformity with GAAP limits management’s assurances regarding accurate financial reporting in accordance with GAAP and the timely availability of financial statements for audit.

**Recommendation: The Town should contract for specified accounting services necessary to ensure that accounting records are properly prepared and maintained and timely made available to the contracted CPA for financial statement preparation or, alternatively, take appropriate actions to hire, train, develop, and retain staff with the knowledge and capability to produce GAAP financial statements.**

#### **Finding 5: Accounting Records and Related Controls**

Properly designed and maintained accounting systems are necessary to ensure accurate and complete financial information is available to timely prepare financial statements in conformity with GAAP. To help ensure the validity and accuracy of the accounting system information and records, it is important to maintain records in sufficient detail to support the amounts reported on the financial statements and to provide for periodic reconciliations of financial report amounts to the amounts recorded in general ledger or detailed subsidiary records.

<sup>14</sup> GFOA Best Practices: *Meeting and Exceeding Minimum GAAP Financial Reporting Requirements*, October 2021.

<sup>15</sup> Section 5.01, Administrative Department, Town Clerk, Town of White Springs Charter.

<sup>16</sup> For the 2020-21 and 2021-22 fiscal years, the Town paid \$40,411 and \$42,622, respectively, for the accounting services and, as of March 2023, the Town had paid \$22,927 for 2022-23 fiscal year accounting services.



To gain an understanding of Town accounting records, we inquired of Town personnel and examined Town records and found that the Town's contracted accountant was responsible for maintaining the accounting records using purchased accounting application software. We also requested for examination selected financial reports and related records, including details of activity for the period October 2019 through March 2023 and corresponding general ledger and detailed subsidiary records. Our comparison of these financial reports and records disclosed several significant errors. For example:

- Analysis of the Town's revenue recorded in the general ledger disclosed:
  - Significant understatements totaling \$50,898 in ad valorem tax revenues during the 2019-20, 2020-21, and 2021-22 fiscal years because certain tax revenues deposited in the Town's checking accounts were not recorded in the accounting records.
  - Some deposits were entered into the accounting records twice, overstating ad valorem tax revenues recorded in the 2019-20 fiscal year by \$10,291 and resulting in unreconciled differences between the Town's General Fund bank account and the General Fund cash balance in the accounting records.

The Town's 2019-20 fiscal year audit report also disclosed misstatements in "intergovernmental revenues."

- According to the Town Council's February 14, 2023, meeting minutes, the Town had collected Internet café permitting revenue of \$96,000 during the period October 2022, through January 2023. Our examination of Town accounting records and bank statements disclosed that, as of March 31, 2023, the \$96,000 had been deposited in the Town's bank account but had not been recorded in the accounting records.
- Capital asset balances reported on the March 31, 2023, trial balance for the General Fund and Enterprise Fund totaled \$4.5 million and \$8.4 million, respectively. In contrast, the Towns' capital asset subsidiary records balances were \$2.1 million and \$6.4 million, respectively. We scanned the Town's capital asset subsidiary records and noted that the records had not been updated since the 2018-19 fiscal year. According to Town personnel, capital asset subsidiary records had not been updated due to personnel turnover.

In response to our inquiries, Town personnel indicated that procedures had not been established to require and ensure the accurate and timely recording of financial activity, or periodic reconciliations of financial reports to the corresponding general ledger and detailed subsidiary records. Additionally, Town personnel believed that some differences could have resulted from year-end audit adjustments that the Town's contracted accountant had not posted in the Town's accounting records.

Inadequate accounting records were similarly noted by the CPA firm that audited the Town's 2018-19 fiscal year financial statements. Although the Town contracted with an accountant in the 2019-20 fiscal year to maintain accurate financial records, the auditor noted significant deficiencies in the Town's internal controls over financial reporting in that fiscal year, including incomplete and inaccurate capital asset records, lack of subsidiary records to accurately reflect the Town's grant activity during the fiscal year, and inadequate support for disbursements, resulting in a disclaimer of opinion in the auditor's report.<sup>17</sup>

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<sup>17</sup> In the independent auditor's report for the 2019-20 fiscal year, the auditor did not express an opinion on the Town's government-wide, General Fund, and Enterprise Fund opinion units because the auditor was unable to obtain sufficient audit evidence to provide a basis for an audit opinion.

Without accurate and complete accounting records and reports, the Town cannot demonstrate proper accountability for activities or assure citizens and oversight agencies of the appropriate stewardship of Town resources. In addition, the lack of accurate and complete accounting records may have contributed to deficiencies noted in Findings 1, 3, 4 and 7 regarding financial condition monitoring, timely financial statement audits, financial statement preparation, and the budgetary process, respectively. Timely and properly performed bank account reconciliations may have detected errors in the accounting records; however, as noted in Finding 6, the Town's bank account reconciliation process was deficient.

**Recommendation: The Town should establish and maintain a properly designed accounting system and related policies and procedures that require and ensure the accurate and timely recording of all financial activity in the Town accounting records and the maintenance of appropriate supporting documentation.**

### **Finding 6: Bank Reconciliations**

Bank account reconciliations verify that cash amounts included in the bank statements and the Town accounting records are accurate and complete and help provide for the timely detection of errors and fraud. Effective bank account reconciliation procedures require and ensure that:

- Employees performing, reviewing, and approving the reconciliations do not have cash handling and journal entry responsibilities.
- The identities of the employees who perform the reconciliations and the employees who review and approve the reconciliations are documented to properly affix responsibility for those functions.
- Reconciling items are documented and promptly and thoroughly investigated, explained, and resolved.
- Reconciliations are timely completed and any related adjustments to Town accounting records are timely made.

As of March 31, 2023, the Town had six bank accounts, including the General Fund and the Enterprise Fund bank accounts, which accounted for most of the Town's financial activities. As of that date, the balances in the six accounts totaled \$1.7 million, including \$1.2 million in the General Fund bank account, \$72,959 in the Enterprise Fund bank account, and \$489,018 in the other accounts. As of May 2023, the General Fund bank account had not been reconciled since September 2021 and the Enterprise Fund bank account had not been reconciled since September 2020. Three of the other four bank accounts were last reconciled in August 2020, October 2020, and February 2022, and the fourth bank account was opened in March 2023 and had not yet been reconciled.

Our examination of the General Fund bank account reconciliation for September 30, 2021, disclosed numerous errors. For example:

- One check for \$18,245 dated May 29, 2020, was voided, and the Town subsequently issued a check for the same amount from the Enterprise Fund bank account. However, the Town did not record the check as voided in the accounting records. Consequently, expenditures were overstated, and cash was understated by that amount in the General Fund.
- One check for \$5,000 dated March 16, 2021, listed as an outstanding check, was posted twice in the accounting records, overstating General Fund expenditures and understating cash by \$5,000.

- The reconciliation listed 89 items totaling \$88,098 as deposits or credits in transit. Our scanning of these items identified six deposits in transit totaling \$66,917 posted in the accounting records twice, resulting in uncorrected overstatements of General Fund cash and revenues.
- Unrecorded deposits were not listed as reconciling items on the bank reconciliation. According to previous bank statements, \$50,773 in ad valorem tax collections were deposited into the bank account during the period October 2020 through September 2021 but had not been recorded in the accounting records as of June 2023, resulting in understatements of General Fund cash and revenues by the same amount.

According to Town personnel, the contracted accountant is responsible for preparing bank account reconciliations; however, the Town lacks written policies and procedures to require that bank account reconciliations be timely prepared and that someone other than the preparer perform a documented review of the reconciliation. Such review may have detected the bank account reconciliation errors discussed above.

Absent timely and complete bank reconciliations, review and approval of the reconciliations, and timely accounting record corrections for identified errors, including duplicate or unrecorded transactions, there is an increased risk that fraud and errors may occur and not be timely detected, and, as discussed in Finding 5, the Town has limited assurance that its accounting records are accurate and complete.

**Recommendation:** The Town should establish appropriate policies and procedures to ensure that bank account reconciliations are properly and timely performed, reviewed, and approved. Such policies and procedures should require that reconciling items be documented and promptly and thoroughly investigated, explained, and resolved and any necessary adjustments to Town accounting records be timely made.

## Finding 7: Budgetary Process

Pursuant to State law,<sup>18</sup> the Town must adopt a budget by ordinance or resolution each fiscal year and the total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. The Town Council's adopted budget must regulate the Town's expenditures, and it is unlawful to expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. The budget may be amended at any time during a fiscal year and within 60 days after the end of the fiscal year.<sup>19</sup>

Our examination of Town records and discussions with Town personnel regarding the budgetary process disclosed that controls over budget preparation, recording, reporting, and monitoring could be improved.

**Budget Preparation.** We examined the Town's approved 2021-22 and 2022-23 fiscal year budgets<sup>20</sup> and found that, contrary to State law,<sup>21</sup> prior fiscal year-end balances were not included in the budget as available for appropriation. According to Town personnel, the current administration's first budget cycle was the 2021-22 fiscal year, and the Town's financial audits for the 2018-19 and 2019-20 fiscal years

<sup>18</sup> Section 166.241(2), Florida Statutes.

<sup>19</sup> Section 166.241(7), Florida Statutes (2021).

<sup>20</sup> Town of White Springs Resolution Nos. 21-01 and 21-02 for the 2021-22 fiscal year and Resolution Nos. 23-01 and 23-02 for the 2022-23 fiscal year.

<sup>21</sup> Section 166.241(2), Florida Statutes.

had not been completed; consequently, the Town was unaware of what the fiscal year-end balances were and did not include any carryforward balances in the 2021-22 and 2022-23 fiscal year budgets.

Notwithstanding, fiscal year-end balances can be estimated and then later adjusted to actual amounts through the budget amendment process. Consideration of balances brought forward from prior fiscal years provides for transparency of all available sources, increases the usefulness of the budget as a financial management tool, and enables the Town to determine appropriate increases and decreases in revenues that may be needed to fund the Town's budget priorities.

In addition, our examination of Town records and discussions with Town personnel disclosed that neither the Town Charter nor ordinances define the legal level of budgetary control. Therefore, it is incumbent on the Town Council to make appropriations and adopt a budget at the level of detail that it deems necessary. The Town Council-adopted resolutions<sup>22</sup> for the 2021-22 and 2022-23 fiscal year budgets did not specify the legal level of budgetary control; however, the adopted budget presented expenditures for each fund at the department level. Although Town personnel indicated that budget policies had been implemented, the budget policies also did not define the legal level of budgetary control and, as indicated below, budgetary amounts were not entered into the Town's accounting records. Accordingly, it is not apparent how Town personnel and the Town Council could readily determine whether resources were expended within budgeted amounts at the department level consistent with Town Council intent. Although we inquired, Town personnel did not explain why the legal level of budgetary control had not been defined.

**Budget Recording.** To effectively manage expenditures, it is essential that adopted budgets be accurately input into the Town's accounting records. Our examination of the Town's accounting records disclosed that the 2021-22 and 2022-23 fiscal year budgeted expenditure amounts had not been input into the Town's accounting records. Although we inquired, Town personnel did not explain why the approved budget amounts were not entered into the accounting records but responded that the amounts had been entered subsequent to our inquiry and were available for review. Absent controls to ensure that Town Council-approved budgeted expenditures are properly recorded in the accounting records, there is an increased risk that actual expenditures will not be consistent with, or will exceed, approved budgeted expenditure amounts.

**Budget Reporting and Monitoring.** According to GFOA recommendations,<sup>23</sup> regular and frequent reporting is necessary to provide accountability, educate and inform stakeholders, and improve confidence in the government; communication and involvement is an essential component of every aspect of the budget process; and regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual comparison results become evident. The Town Charter<sup>24</sup> requires the Town Manager to keep the Town Council fully advised as to the financial condition and future needs of the Town by providing a financial and budget progress report at each regular (monthly) Town Council meeting and submit and make available to the public a complete report on finances and administrative

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<sup>22</sup> Town of White Springs Resolution No. 21-02 for the 2021-22 fiscal year and Resolution No. 23-02 for the 2022-23 fiscal year.

<sup>23</sup> *Recommended Budget Practices of the National Advisory Council on State and Local Budgeting* (1998).

<sup>24</sup> Section 3.02 (f) and (h), Town of White Springs Charter.

activities as of the end of the fiscal year. Additionally, the Town Charter<sup>25</sup> requires that the Town Manager quarterly review budget reports with department heads and advise or be advised of any allotment which is in danger of being exceeded. If at any time during the fiscal year it appears that appropriated revenues will be insufficient, the Town Manager is to immediately report to the Town Council the estimated amount of the deficit and suggest remedial action to be taken.

Our examination of Town records and discussions with Town personnel disclosed that, during the period October 2021 through December 2022, the Town did not comply with Town Charter budgetary reporting and monitoring requirements and GFOA recommendations. Specifically:

- Contrary to the Town Charter<sup>26</sup> and GFOA recommendations, Town records did not evidence that the Town Manager prepared any of the required monthly financial and budget progress reports for presentation to the Town Council. Town personnel indicated that monthly financial reports were not available due to unreconciled accounts but that a complete report of finances and administrative activities is submitted to the Town Council and community members during the budget adoption process. Notwithstanding, absent the monthly financial and budget progress reports, the Town Council may not be adequately informed in time to consider actions that may be needed should budget-to-actual comparison results identify major deviations. The lack of such information may have contributed to the Town's deteriorating financial condition discussed in Finding 1.
- Contrary to the Town Charter,<sup>27</sup> Town records did not evidence quarterly budget meetings held with department heads to ensure that budgeted amounts would not be exceeded. Although we inquired, the Town Manager did not explain why the quarterly meetings were not held but indicated that the Town would hold the meetings going forward. Without the quarterly budget meetings, there is an increased risk of budgetary overexpenditures and the Town cannot demonstrate compliance with the Town Charter.
- Despite significant differences between the budget and actual amounts, and contrary to Town Charter provisions and GFOA recommendations, the Town did not amend the budget. Our comparison of the Town-adopted 2021-22 fiscal year budgeted revenue and expenditure amounts to actual revenue and expenditure amounts recorded in the Town accounting records disclosed significant differences as:
  - Total budgeted revenues for the General Fund exceeded actual revenues by \$148,192, and total budgeted expenditures exceeded actual expenditures by \$175,697.
  - Total budgeted revenues for the Enterprise Fund exceeded actual revenues by \$119,537 and, contrary to State law,<sup>28</sup> total actual expenses exceeded budgeted expenses by \$408,029.

Although we requested, Town personnel did not explain why periodic budget amendments were not made to reflect actual revenues and expenditures that significantly differed from budgetary expectations.

Absent periodic budget-to-actual comparison reports, the Town Council and the public lack the information necessary to gain an appropriate understanding of the Town's financial status. Such information is essential to identifying and timely remedying critical budget shortfalls and verifying that funds are available before authorizing purchases and expenditures. Additionally, absent periodic budget amendments, the budget may not accurately reflect anticipated revenues and expenditures and there is

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<sup>25</sup> Section 6.09 (a) and 6.07 (b), Town of White Springs Charter.

<sup>26</sup> Section 3.02 (f) and (h), Town of White Springs Charter.

<sup>27</sup> Section 6.09 (a), Town of White Springs Charter.

<sup>28</sup> Section 166.241(2), Florida Statutes.

an increased risk that Town expenditures may exceed available resources and that the Town will experience a deteriorating financial condition, such as noted in Finding 1.

**Recommendation:** The Town should enhance controls over the budgetary process to ensure that:

- Balances are brought forward from prior years and included in the budget.
- The desired legal level of budgetary control is established for Town budgets.
- Town Council-approved budgeted expenditures are properly recorded in Town accounting records.
- Actual expenditures are limited to budgeted amounts as required by State law.
- The Town Manager prepares and provides to the Town Council monthly financial reports reflecting budget-to-actual comparisons and meets quarterly with department heads as required by the Town Charter.
- Budgets are periodically amended to reflect actual revenues and expenditures that significantly differ from budgeted amounts.

### **Finding 8: Utility Services Billing and Collection Processes**

The Town provides water and sewer services to customers connected to the Town's water and sewer utility systems. Additionally, the Town contracted with a vendor to provide solid waste (garbage) services. Town ordinances<sup>29</sup> require residents to connect to and use the Town's water and sewer systems and the Town's garbage collection services at fees established by the Town Council. If any landowner within Town limits refuses to connect to the sewer system after notification by the Town Clerk, the Town is authorized to make the connection at the owner's expense. However, Town ordinances also allow owners of private sewage facilities to pay a monthly fee equal to the minimum usage fee rather than use the Town's sewer system.

While the Town had not established written policies and procedures over the utility services billing and collection processes, in practice, the Town requires customers to complete an application for utility services and pay the required deposit and any applicable fees (for example, a water and sewer connection fee). Town personnel then enter the application information into the Town's utility billing system to establish a new customer account and enter the Town Council-approved billing rates. Rates for water and sewer are entered into the system on a per unit basis, and solid waste rates are dependent upon can or dumpster types. Town personnel read meters monthly and update the utility billing system for monthly consumption of water (in gallons), and the utility billing system calculates the monthly billings. The water and sewer charges billed include a monthly base charge plus actual usage charges based on meter readings while garbage services are determined based on the contracted rate plus a markup.

As of December 2022, the Town had 474 utility services customer accounts. To determine whether Town processes related to meter reading, billing, and collection of water, sewer and garbage service fees were operating effectively, we examined records supporting utility billings totaling \$2,406, before taxes, for 30 selected accounts, 27 of which were active accounts, during the December 2022 billing period. Our

<sup>29</sup> Town of White Springs Ordinance No. 15-01.

examination disclosed the following deficiencies, which may have been caused, in part, by the lack of written policies and procedures:

- Although we requested, applications establishing services were not provided for 25 of the accounts, including 22 active accounts. Town personnel indicated that the 25 applications not located were related to accounts established prior to the current Town administration.
- While applications were provided for 5 active accounts, the information noted on the applications was not sufficient. During the audit period, and subsequently, the Town used two different application forms for utility services, one that detailed the services offered by the Town and required the applicant to select the services requested, and another that did not provide detail of the services offered nor require the customer to request specific services. Although we requested, Town personnel could not provide an explanation as to why one application form was sometimes used instead of the other. Our examination of the 5 provided applications found that:
  - 2 applications were incomplete because, although required by the application, the types of utility services requested were not specified.
  - 2 other applications did not require identification of the services requested.
  - None of the 5 applications specified whether any additional fees were required or if sewer was available.

Absent properly designed applications for service that are accurately completed prior to entering the information into the Town's utility billing system, Town records did not establish a basis for monthly utility charges to be assessed to the applicant.

- One account was underbilled for sewer services by approximately \$60 per month<sup>30</sup> due to the additional rate for water consumption over 1,000 gallons not being applied.<sup>31</sup> Town personnel indicated that the underbilling resulted from the account being incorrectly classified when established in 2019.<sup>32</sup> When errors made in setting up accounts in the utility billing system are not timely discovered, a continuous loss of revenue may occur.
- One account was not billed for water services for the month of December 2022. According to Town personnel, the customer requested services to be turned off for the month. In response to our inquiries, Town personnel did not provide the legal authority for services to be suspended and reinstated upon a customer's request but indicated that it was common practice in previous administrations. By allowing accounts to be suspended and reinstated upon request without apparent legal authority, the Town is foregoing revenue needed to cover the costs of operating the water and sewer system.
- One account was not billed for sewer services, nor was it billed the required minimum monthly usage fee for nonparticipation. Town personnel indicated that, because they identified four other accounts not participating in the service and not being charged the required minimum fee, for consistency they suspended the fee for the fifth account in March 2022. Notwithstanding, Town personnel lacked apparent legal authority to suspend billings of a required fee, and failure to assess the fee on the five accounts resulted in an annual loss of \$1,039 in Town utility revenues.<sup>33</sup>
- One account with no record of water consumption had not been billed for any services since November 2017. Town personnel indicated that the account was closed; however, although there was a meter assigned to the property, Town personnel could not provide any evidence to support

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<sup>30</sup> The \$60 was calculated by subtracting the minimum fee of \$17.31 for first 1,000 gallons from the minimum fee plus \$8.56 per each additional 1,000 gallons resulting in monthly bill of \$77.74 based on the average monthly use of 8,060 gallons of water.

<sup>31</sup> Published rate schedule in accordance with Town Ordinance 15-01.

<sup>32</sup> The source rate class, which determines how the utility billing system calculates the fee was set to sewer minimum instead of sewer residential resulting in the minimum fee being charged to the customer.

<sup>33</sup> The \$1,039 was calculated by multiplying the minimum fee of \$17.31 by 12 months and five accounts.



that the customer had been connected to the water and sewer system or that the customer had requested the account be closed. We expanded our procedures to scan billing system records for other accounts with no recorded water consumption and noted that in the month of December 2022 the Town had 102 meters, approximately 30 percent of all meters, assigned to addresses with no water consumption. In response to our inquiries, Town personnel indicated that the accounts associated with the 102 meters were closed but did not provide records to evidence the closing of the accounts. Absent an investigation into meters assigned to properties without recorded water consumption, the Town has limited assurance that all property owners are connected to the Town's water and sewer systems (or, if just connected to the water system, paying the sewer minimum usage fee) as required by Town ordinances, that meters are operating correctly, and that the Town is collecting all utility revenues to which it is entitled to cover the costs of operating the water and sewer systems.

- Although we did not note any instances of non-billing for garbage services, Town personnel do not require property owners to sign up for garbage service, contrary to Town ordinances. Rather, the garbage contractor empties all garbage cans with the contractor's logo and placed out for pick up within the Town and bills the Town based on a customer count periodically provided by Town personnel. However, because the Town does not monthly update the count to reflect the number of garbage customers in the utility billing system, the Town may not be billing all customers served by the garbage contractor. Consequently, there is an increased risk that garbage collection services are being provided to users who are not being billed by the Town. In response to our inquiries, Town personnel indicated they were not aware of the Town ordinance requirements.

Without written procedures that are properly designed and implemented to ensure that applications for utility services are appropriately completed and maintained, all properties requiring connection to the Town's water and sewer systems are connected, and all accounts are appropriately set up in the utility billing system and billed in accordance with Town ordinances, Town records do not support the basis for fees charged to customers and the revenues collected may not be sufficient to cover the costs of operations.

**Recommendation: The Town should establish written procedures requiring appropriately designed applications be completed prior to accounts being set up in the utility billing system. In addition, the procedures should ensure that completed applications are maintained to support the fees charged for the services provided, all properties requiring connection to the water and sewer systems are connected, accounts are properly set up in the utility billing system, all accounts are charged at least the minimum required fees and as required by Town ordinances, and prompt investigations are conducted for meters with no recorded water consumption. Also, Town personnel should monthly reconcile the garbage contractor's invoices to active billing system account records to ensure that the Town is billing all customers receiving garbage services.**

### **Finding 9: Separation of Duties**

Governmental organizations, to the extent possible with existing personnel, should separate duties so that no one employee has control over all phases of a transaction. For example, no one employee should have access to physical assets and recordkeeping responsibilities for those assets.

Our review of Town records and discussions with Town personnel disclosed that duties were not always appropriately separated among employees. Specifically, the Utility Clerk, who is one of the Town's four

administrative employees,<sup>34</sup> prepares and sends invoices for water, sewer, and garbage services; collects cash and checks as payment; records payments to customer accounts in the utility billing system; prepares related bank deposits; and deposits the funds into the applicable bank account weekly. Although deposits are recorded in the accounting records by the contracted accountant, because the Utility Clerk has control over the billing and collection process, she could divert collections for unauthorized purposes without timely detection.

We noted no compensating controls in place to mitigate the incompatible duties risk and Town personnel indicated that the Town does not have funds to hire another employee to separate the incompatible duties. Notwithstanding, insofar as the Town has four administrative employees, the Town could appropriately separate duties through realignment of position duties.

Although our audit procedures did not disclose any significant errors<sup>35</sup> or fraud, the inappropriate separation of duties, especially given lack of timely and complete bank reconciliations and lack of complete and accurate financial accounting records noted in Findings 6 and 5, respectively, there is an increased risk that errors or fraud could occur and not be timely detected and resolved.

**Recommendation: The Town should separate utility billing, collection, and recordkeeping duties to the extent possible by realigning position duties among available administrative staff and the contracted accountant.**

#### **Finding 10: Procurement of Goods and Services**

The Town is responsible for establishing controls that provide assurance that the process of acquiring goods and services is effectively and consistently administered. A competitive procurement process provides a means for efficiently and equitably obtaining the best quality goods and services at the lowest possible cost and reduces the appearance and opportunity for favoritism. In addition, the use of procurement documents, such as contracts or purchase orders, detail the goods or services being acquired and evidence approval for the purchase.

Contractual arrangements for services should be evidenced by written contracts embodying all provisions and conditions of the procurement of such services. Written contracts protect the interests, and identify the responsibilities, of both parties; define the services to be performed; and provide a basis for payment. Further, effective monitoring procedures are essential to ensuring that contractors comply with applicable contract terms and conditions and that the contractor's performance is acceptable and accomplishes objectives established in the contract.

Town procedures<sup>36</sup> require purchase orders be submitted to appropriate levels of authority for approval of purchases of goods and services. Approved purchase orders serve to document management's authorizations to acquire goods and services, provide a basis for controlling the use of appropriated

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<sup>34</sup> The other three administrative employees are the Town Manager and Town Clerk, both employed during entire audit period, and a Bookkeeper hired November 2022 to assist the contracted accountant.

<sup>35</sup> Although not monetarily significant to the Enterprise Fund financial activity, numerous instances of errors in utility billings were noted in Finding 8.

<sup>36</sup> Section VII. Purchasing, Town of White Springs, Standard Operating Procedures.

resources through encumbrances, document the specifications and prices of the goods and services ordered, and authorize vendors to provide goods and services.

Town procedures also specify that the Town Manager may approve purchases of \$2,500 or less, but that competitive selection processes be used for purchases exceeding \$2,500. Specifically:

- Purchases of \$2,501 to \$4,999 must be approved by Town Council and an unspecified number of telephone quotes should be obtained, when possible.
- Purchases of \$5,000 to \$24,999 require an unspecified number of written quotes or proposals and must be approved by the Town Council.
- Purchases of goods or services of \$25,000 or more are to be made under a competitive sealed bid or Request for Proposal (RFP) process, unless designated by the Town Council as a sole source, single source, or emergency purchase.

During the period October 2021 through December 2022, non-payroll Town expenditures totaled \$1.3 million. To test compliance with Town procurement procedures and good business practices, we selected 16 vendors, each with payments greater than \$2,500, and examined Town records for payments totaling \$94,878 of the \$431,540 amount paid to the 16 vendors during that period. Our examination disclosed that:

- Town records did not always evidence purchases of goods and services were made in accordance with Town competitive procurement procedures. Specifically:
  - Payments totaling \$158,975 made to two vendors exceeded \$25,000; however, Town personnel could not provide evidence that the goods and services were obtained pursuant to a competitive sealed bid or RFP process, or alternatively, that the purchases were exempted from competitive procurement.
  - Payments totaling \$74,145 for purchases of goods and services from 5 vendors each exceeded \$5,000 without evidence that written quotes or proposals were obtained.
  - The Town could not provide evidence that telephone quotes were obtained for purchases of goods and services from 2 vendors with payments above \$2,500 and below \$4,999 and totaling \$9,900.

Absent competitive procurement in accordance with Town procedures, there is increased risk that the goods and services will not be obtained at the lowest cost consistent with acceptable quality.

- Contrary to good business practices and Town procedures, 6 of 16 payments totaling \$71,623 made to 6 vendors were not supported by a purchase order or contract. The absence of properly approved purchase orders or contracts increases the Town's risk of making purchases that are unauthorized, exceed budget authority, or are inconsistent with the Town Council's intent. In addition, the lack of a written purchase order or contract clearly establishing the rights and responsibilities of both parties in advance of the provision of the goods and services may result in misunderstandings between the Town and its vendors.
- Contrary to good business practices, the invoiced amounts for 6 contract payments totaling \$20,261 made to 2 vendors exceeded the contract prices by \$1,802. In response to our inquiries, Town personnel could not explain why the amounts invoiced did not agree with contracted rates. Town procedures do not require Town personnel to verify that invoiced amounts agree with contract rates and terms and conditions and, absent such verification, there is an increased risk that the Town may overpay for goods and services or that such goods and services may not comply with contract terms and conditions.

- Contrary to good business practices, invoices supporting 3 payments totaling \$18,500 did not contain sufficient detail to verify services were provided in accordance with contract terms. For example, the Town contracted with the Hamilton County Sheriff's Office (HCSO) to provide law enforcement services for \$8,250 per month. The contract provided for at least one deputy to be on duty and within Town limits for at least 60 hours per week, especially during the hours of 6:00 PM through 2:00 AM, as allowed by call volume. Our review disclosed that the contract did not require, and the monthly HCSO invoices did not provide, detail of the deputy days and hours worked for the month, and the Town had not established alternate procedures for verifying that the HCSO had at least one deputy on duty for the hours required by the contract. When invoices lack sufficient detail of the services provided, there is an increased risk that the Town may overpay for such services or that goods and services may not be received consistent with the Town Council's expectations and contract terms.
- Contrary to good business practices, the Town did not have written procedures requiring documented receipt of goods or services prior to payment. None of the records supporting the 16 selected expenditures totaling \$94,878 contained evidence, such as a signature and receipt date, indicating that the goods or services were received by a Town employee having direct knowledge of the receipt of the goods or services. Absent evidence that goods and services were received prior to payment, there is an increased risk that the Town will pay for unsubstantiated or improper expenditures.

**Recommendation: Town personnel should follow established purchasing procedures and ensure that telephone quotes, written quotes, or sealed bids or proposals, are obtained as applicable. In addition, the Town should enhance the purchasing procedures to ensure that:**

- **Purchase orders or contracts are used to document the approval of purchases and to clearly establish the rights and responsibilities of the Town and the vendor.**
- **For expenditures pursuant to a contract, invoices contain sufficient detail to demonstrate compliance with the contract terms and conditions and that Town personnel compare invoice amounts to contract rates and terms and conditions prior to payment.**
- **Evidence of receipt of goods or services be documented prior to payment.**

### **Finding 11: Auditor Selection**

Pursuant to State law,<sup>37</sup> the Town is required to provide for annual financial audits. Financial audits performed by an independent CPA give assurance as to the reliability and completeness of Town financial statements; provide a means for evaluating the effectiveness of Town internal controls over financial reporting; and include a determination of the extent to which the Town complied with applicable laws, contracts, grant agreements, and Town ordinances, policies, and procedures, noncompliance with which could have a direct and material effect on Town financial statement amounts. Consequently, it is important for the Town to use an effective auditor selection process to obtain the services of a qualified auditor with the applicable skills and experience necessary to ensure adequate and appropriate audits.

State law<sup>38</sup> requires, prior to entering into a contract for audit services, each municipality to establish an auditor selection committee,<sup>39</sup> assign to the auditor selection committee responsibilities for evaluating

<sup>37</sup> Section 218.39, Florida Statutes.

<sup>38</sup> Section 218.391, Florida Statutes.

<sup>39</sup> Section 218.391(2), Florida Statutes, requires the auditor selection committee to be composed of at least three members, one of which must be a member of the Town Council, and that an employee, a chief executive officer, or a chief financial officer may not serve as a member of the auditor selection committee.

and recommending an auditor, and use specified auditor selection procedures. Furthermore, every procurement is to be evidenced by a written contract embodying all provisions and conditions of the procurement of such services and include, at a minimum, a provision specifying the services to be provided and fees or other compensation for such services, a provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract; and a provision specifying the contract period, including renewals, and conditions under which a contract may be terminated or renewed.

The Town Council's June 11, 2019, meeting minutes indicated that the Town Council approved the advertisement of an RFP for audit services for the 2018-19 through 2020-21 fiscal years. The Town Council approved an Auditor Selection Committee at its July 9, 2019, meeting, and the Committee's membership composition complied with State law. However, our examination of Town records and discussion with Town personnel regarding the selection of the CPA firm to perform the 2018-19 fiscal year audit and another CPA firm to perform the 2019-20 and 2020-21 fiscal year audits indicated that the CPA firms may not have been selected in accordance with State law. Specifically:

- For the CPA firm selected to perform the 2018-19 fiscal year audit, Town records, including Town Council meeting minutes did not evidence the advertisement of the RFP, how many and which firms responded to the RFP, factors considered and ranking of responding firms by the Auditor Selection Committee, or whether the Town ultimately contracted with the firm selected by the Auditor Selection Committee. Additionally, although we requested, Town personnel did not provide the written contract for our review. Consequently, Town records do not demonstrate that the audit services contract contained the required provisions and conditions required by State law. Town personnel indicated that the RFP occurred prior to the hiring of current staff, and the requested records may have existed at one time but could not be located.
- Because the Town Council was not satisfied with the CPA firm that performed the 2018-19 fiscal year audit, the Town Council selected another CPA firm to perform the 2019-20 and 2020-21 fiscal year audits. However, contrary to State law, the Town did not establish an auditor selection committee and did not conduct an RFP-based auditor selection process. According to Town personnel, due to the urgency in getting the audits completed, the Town did not publicly advertise for audit services for the 2019-20 and 2020-21 fiscal year audits, nor did the audit services contract provide for conditions under which the contract may be renewed.

Absent documentation evidencing that requests for audit services were publicly advertised and responding audit firms were evaluated and ranked based upon established factors, including, but not limited to, ability of personnel, experience, ability to furnish required services, and other factors as determined by an audit selection committee, Town records do not demonstrate that the audit services were procured pursuant to State law in a fair and equitable manner.

**Recommendation: The Town should ensure and demonstrate that future auditor selections are performed in compliance with State law by establishing an auditor selection committee, publicly soliciting proposals, evaluating proposals based on established RFP criteria, and maintaining all documentation associated with the auditor selection. Additionally, the Town should ensure that audit services contracts include all required provisions, including a specified contract period and the conditions under which the contract may be terminated or renewed.**

## Finding 12: Personnel Policies and Procedures

Effective personnel controls include the adoption of position descriptions that specify minimum education and experience requirements, verification of an applicant's employment history and educational experience prior to offering employment, and maintenance of personnel files that include personnel action forms or other appropriate documentation evidencing authorized personnel actions. Additionally, the adoption of a Town Council-approved classification and pay plan, including minimum and maximum salary ranges for each position, establishes authorized salary amounts, by position, based on the Town Council's intent.

The Town Charter<sup>40</sup> requires the Town Council to establish personnel policies and procedures and requires the Town Manager to maintain a personnel manual. Accordingly, the Town established a *Personnel Policy and Procedure Manual (Manual)* that contains the Town's personnel and payroll policies and procedures. However, although the *Manual* contains several useful policies and procedures, our review of the *Manual* and Town payroll and personnel records identified enhancements that could be made. In addition, our procedures disclosed instances of noncompliance with *Manual* provisions.

**Classification and Pay Plan.** The *Manual*<sup>41</sup> provides that the pay of all employees be established by a classification and pay plan, which must include the minimum and maximum rates of pay for each position and which may be amended by the Town Council upon the Town Manager's recommendation. Contrary to the *Manual*, as of August 2023, the Town had not established a classification and pay plan. A classification and pay plan is essential to ensure that salaries are paid to employees in accordance with the Town Council's intent, and that all positions and rates of pay are authorized.

**Position Descriptions.** Although not specifically required by Town policies or procedures, Town position descriptions that clearly established assigned duties and defined the minimum education and experience requirements were available for some established positions. However, we noted Town Council-approved position descriptions had not been established for two active employees, and one position description did not align with actual employee duties. Specifically:

- Position descriptions were not available for two positions (Utility Director and Road and Street Worker). Instead, we were provided a list of job duties performed by the employees in those positions. The documents provided did not include minimum education, required skills, or experience requirements for the positions and the actual position titles and classifications were not specified.
- The Town Clerk position description required the Town Clerk to "maintain a regular record of all financial accounts of the Town and show at all times the financial condition of the Town." However, contrary to the position description, during the audit period October 2021 through December 2022, the individual employed as Town Clerk did not maintain financial records and accounts of the Town. Instead, the Town contracted for accounting services and expended \$42,622 for those services for the 2021-22 fiscal year.

Town personnel indicated that due to turnover in personnel, position descriptions had not been maintained or updated for these Town positions. Detailed position descriptions that specify minimum

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<sup>40</sup> Section 3.06 and 5.09, Town of White Springs Charter.

<sup>41</sup> Section 5 – Classification and Pay Plan, Town of White Springs, *Personnel Policy and Procedure Manual*.



education, skills, and experience requirements and actions to ensure that duties assigned to employees correlate with the position descriptions established for their respective positions help ensure that employees have the skills and education necessary to complete the job duties required for their positions and that Town Council and management objectives will be met.

**Verification of Employment History and Educational Requirements.** The *Manual* requires that minimum education and experience requirements be established to qualify an applicant for appointment consideration. However, neither the *Manual* nor other Town records include procedures for verifying and documenting that applicants met their respective position requirements before hire. Only two of the nine employees' personnel files we reviewed included evidence that minimum experience and education requirements were met. Absent verification of minimum experience and education requirements prior to hiring, there is an increased risk that Town employees may lack the minimum qualifications or necessary knowledge and training to perform assigned job duties.

**Personnel Action Forms.** Effective personnel administration necessitates the implementation of controls to document approval of all personnel appointments and personnel actions through the use of personnel action forms (PAFs) or similar documentation. Town policies and procedures did not specifically require PAFs or similar documentation and we noted that Town records did not always contain documentation to evidence the approval of position appointments, salary changes, and other personnel actions.

Documentation was not available to support the authorization of the current salary or position appointments for any of the seven employees<sup>42</sup> in our payroll test. According to the Town Manager and Town Clerk, who were hired in November 2020 and January 2021, respectively, the *Manual* does not specifically require documentation for personnel actions, and PAFs or similar documentation have not been regularly used for personnel actions since their hire. Rather, Town personnel informed us that, in practice, the Town Manager authorized the hiring of Town personnel, established pay rates, and authorized other personnel changes either verbally or through notes in the personnel files. Without properly approved PAFs or similar documentation, Town records do not demonstrate that appointments, salary changes, and other personnel actions, were authorized by Town management, and the Town could encounter difficulty in resolving employment disputes should they arise.

**Recommendation:** To provide for efficient and effective personnel administration, the Town Council should:

- **Adopt a classification and pay plan to establish minimum and maximum salary ranges for all authorized Town positions.**
- **Establish detailed position descriptions for all Town positions.**
- **Establish procedures to verify an applicant's educational and employment history prior to hire.**
- **Use PAFs or similar documentation to document authorization for all personnel actions.**

**In addition, the Town Manager should enhance the *Manual* accordingly.**

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<sup>42</sup> The seven employees included the Town Clerk, Utilities Clerk, Bookkeeper, Utility Director, General Laborer, Road and Street Worker, and Firefighter.



## Finding 13: Time and Attendance Records for Salaried Employees

Effective payroll controls include required maintenance of a time record to provide the basis for issuing a payroll check by documenting hours worked and leave taken by each employee, whether salaried or hourly paid. Similarly, properly maintained leave records document sick, vacation, and administrative leave earned and used, as appropriate. When time records are not required and maintained, other documentation, such as employee-prepared activity reports detailing the employee's activities over a specified period, would provide some assurance that required services are being performed and would also aid in the evaluation of the employee's performance.

The Town Charter<sup>43</sup> states that the Town Council, by a majority vote of its total membership, shall appoint a Town Manager and enter into a mutually acceptable written agreement. The agreement may specify the term, conditions, and benefits of the appointment. The contract with the Town Manager dated November 2020 provided that the Town Manager shall devote such necessary time, attention, knowledge, and skills to faithfully perform her duties and responsibilities, and to exercise her powers under the agreement.

The Town Charter states that the duties and responsibilities of the Town Manager are to:

- Direct and supervise the administration of all departments, offices, and agencies of the Town.
- Prepare and submit the annual budget and capital program to the Town Council.
- Submit to the Town Council and make available to the public a complete report on the finances and administrative activities of the Town at the end of each fiscal year.
- Keep the Town Council fully advised as to the financial condition and future needs of the Town by providing a financial and budget progress report at each regular Council meeting.

The Town Manager's employment agreement provided a fixed salary of \$60,000 for the 2020-21 fiscal year and for the earning of leave benefits but did not establish a minimum number of work hours or specific job duties. As of September 2023, and since her hire in November 2020, the Town Manager did not maintain regular work hours at the Town and did not maintain a record of time worked or leave taken. In response to our inquiry, Town personnel indicated that the employment agreement did not prescribe specific job duties and a minimum number of work hours because, under the agreement, the Town Manager was required to fulfill all duties regardless of time worked. However, based on the results of our audit, it is not evident that all Town Manager duties were being effectively completed in accordance with the Town Charter and employee agreement. For example, as of May 2023, and since her hire in November 2020, the Town Manager had not been providing monthly financial and budget reporting to the Town Council and Town citizens and had not ensured that Town activities were completely and accurately recorded in the Town records and reported<sup>44</sup> or that Town bank accounts were timely reconciled to Town financial records.

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<sup>43</sup> Section 3 – Town Manager, Town of White Springs Charter.

<sup>44</sup> As noted in Finding 3, as of June 2023, the Town had not completed and submitted the required financial audits and AFRs for the 2020-21 and 2021-22 fiscal years due to incomplete financial records for those fiscal years.

We also noted that the Fire Chief was hired in June 2022 and 6 months later, in December 2022, the Town Council approved a contract establishing a fixed annual salary of \$25,000. The Town Charter<sup>45</sup> states that the Fire Chief shall ensure that the fire department is adequately equipped, provide inspections and training of fire personnel, ensure that an adequate number of fire hydrants are maintained in working order, provide emergency services, and ensure that all equipment is in working order. Our examination of payroll records and inquiry of Town personnel disclosed that the employment contract dated December 2022 did not establish specific job duties or require a minimum number of work hours and the Fire Chief is not required to maintain time records or provide a monthly report detailing activities performed. Without established job duties and minimum work hours, records of time worked, or activity reports, Town records did not demonstrate the reasonableness of the Fire Chief's compensation based on the expected services or that the services performed met Town Council expectations.

The Town's Standard Operating Procedures require that hourly employees prepare time sheets to document time worked; however, no such requirement exists for salaried employees, such as the Town Manager and Fire Chief. Without documentation of salaried employee work effort, such as established work hours and a requirement that employee time worked be documented, or activities performed be reported in detail, Town records did not demonstrate the reasonableness of the Town Manager or Fire Chief's compensation based on the expected services, and there is an increased risk that employee services are not being provided consistent with established job responsibilities and Town Council expectations.

**Recommendation: The Town Council should establish payroll documentation requirements for salaried positions that require documentation of work effort, such as detailed records of hours worked or activities performed and any leave taken, to ensure the basis for all compensation is documented and consistent with Town Council expectations. In addition, the Town Council should consider amending the Town Manager and Fire Chief employment agreements to include specific job duties and the minimum number of work hours required.**

#### **Finding 14: Sunshine Law – Public Records Requests**

Certain State laws require municipalities to provide transparency regarding their transactions and activities. These laws include the Public Records Act,<sup>46</sup> which requires the maintenance of public records and the Sunshine Law,<sup>47</sup> which establishes requirements to provide public access to governmental proceedings and records upon request. State law also provides that the custodian of public records must acknowledge requests to inspect or copy records and respond to such requests in good faith in a timely manner. A person denied the right to inspect or copy public records under the Public Records Act may bring a civil action against the agency to enforce the terms of the law. Although the Florida Attorney General's *Government-in-the-Sunshine Manual 2022 Edition (Sunshine Manual)* does not provide any specific time frames for responding to public records requests, it states that an unjustified delay in producing public records constitutes an unlawful refusal to provide access to public records. The

<sup>45</sup> Section 5.06 – Fire Department, Town of White Springs Charter.

<sup>46</sup> Chapter 119, Florida Statutes.

<sup>47</sup> Section 286.011, Florida Statutes.

*Sunshine Manual* further states that, where the delays are not justified, “the Public Records Act holds officials accountable.”

Our examination of Town records and discussions with Town personnel disclosed that Town efforts to ensure compliance with the Sunshine Law and Public Records Act could be improved. As of August 2023, the Town did not have written policies and procedures to ensure that public records requests were promptly completed and documented, nor did the Town maintain a record or log of public records requests received to monitor completion of all requests.

As of August 2023, the Town’s Web site included a link to a form to make a public records request that would be e-mailed to the Town Clerk. The Town Clerk, as the official Town records custodian,<sup>48</sup> is responsible for responding to public records requests made through the Town’s Web site or otherwise. Although the Town does not maintain a log of public records requests, the Town Clerk maintains physical file folders to document requests received.

To determine whether the Town Clerk was promptly responding to public records requests, in May 2023 we requested public records requests received during the period January 2022 through April 2023. The Town Clerk provided 18 individual file folders that contained various records, including notes, and copies of e-mails and other correspondence, related to the 18 public records requests received during that period. Our review of each request and the related documentation included in the 18 file folders disclosed that Town records did not always demonstrate that the requested public records were promptly provided as required by State law. Specifically:

- The Town could not document that an acknowledgement of the public records request was provided for 16 of the 18 public records requests.
- For 5 of the 18 public records requests, received during the period January 2022 through February 2023, Town records did not evidence that the requested records were provided, and another 2 requests, received in August 2022 and March 2023, had only been partially completed as of May 2023.
- Records for 11 requests were provided to the requestor 43 days to 92 days later, an average of 53 days after the request.

The above-noted deficiencies may have been caused, in part, by the lack of written policies and procedures governing public records requests, including periodic monitoring to verify that requests are timely completed. Failure of the Town to promptly respond to public records requests may subject the Town to penalties or litigation and limits the public’s right to promptly access public records.

**Recommendation:** The Town should establish written policies and procedures to ensure that public records requests are completed in compliance with the Sunshine Law and Public Records Act. Such policies and procedures should require logs be maintained to document each public records request received, requests be promptly acknowledged, requested records be provided within an established time frame, and Town records evidence each request and that the requested records were provided.

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<sup>48</sup> Section 5.01, Town of White Springs Charter.

## Finding 15: Records Retention – Town Ordinances and Resolutions

Records of Town ordinances and resolutions are necessary to document for historical and ongoing managerial and administrative purposes those activities, functions, programs, and events that are appropriate and allowable. Such records are necessary to provide current and future Town Councils a basis to properly and consistently govern the Town, and for Town employees to properly administer Town business. Additionally, such records inform the Town's citizenry about the Town's governance decisions and provide a means to hold the Town Council and Town personnel accountable for their actions.

State law<sup>49</sup> requires that, upon its final passage by the governing body, every local government ordinance or resolution, be recorded in a book kept for that purpose and be signed by the presiding officer and clerk of the governing body. According to the State's records retention schedules,<sup>50</sup> records documenting municipal ordinances and resolutions must be retained permanently. Failure to maintain records in accordance with State law could result in Town officials being subjected to the penalties specified in State law.<sup>51</sup>

The Town Charter<sup>52</sup> provides that the Clerk is to keep a record of all ordinances passed by the Town Council and is the custodian of all records, papers, and files of the Town. The Town Charter<sup>53</sup> also requires a complete codification of ordinances be prepared at least every 10 years. Further, the Town adopted a records retention policy as part of its Standard Operating Procedures, which states that ordinances shall be retained, codified, and made available for public review. However, the Town had not established written procedures regarding the retention of Town ordinances and resolutions.

As of June 2023, an index prepared during the 2018-19 fiscal year was the most recent record listing adopted Town ordinances and resolutions and, although we requested, Town personnel did not provide to us a codification of ordinances. We were provided binders of ordinances and resolutions passed during the period November 2014 through May 2023 and, while subsequently reviewing other Town records, we located a codification of all Town-enacted ordinances that had been last updated in October 2013.

In response to our inquiry, Town personnel cited turnover in personnel as the reason why written procedures regarding retention of Town ordinances and resolutions had not been established and further indicated that existing Town personnel were not aware that the ordinances should be periodically codified. Absent an up-to-date and organized repository of Town ordinances and resolutions and periodic codifications of the ordinances, the Town cannot demonstrate compliance with the Town Charter and State law and may subject Town officials to penalties. In addition, the lack of comprehensive records of Town ordinances and resolutions frustrates the public's access to information about local laws and Town Council actions.

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<sup>49</sup> Section 166.041(5), Florida Statutes.

<sup>50</sup> *State of Florida General Records Schedules GS1-SL for State and Local Government Agencies*, Item #s 228 and 297.

<sup>51</sup> Section 119.10(1)(a), Florida Statutes, provides that any public officer who violates any provision of this chapter [Chapter 119, Florida Statutes] commits a noncriminal infraction, punishable by fine not exceeding \$500.

<sup>52</sup> Section 5.01, Town of White Springs Charter.

<sup>53</sup> Section 2.11, Town of White Springs Charter.

**Recommendation:** The Town should maintain an up-to-date and organized repository of ordinances and resolutions, periodically codify the ordinances, and make available for public inspection comprehensive records of ordinances enacted and resolutions adopted by the Town Council as required by State law and the Town Charter.

### **Finding 16: Anti-Fraud Policies and Procedures**

Effective policies and procedures for communicating, investigating, and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures educate employees about proper conduct, create an environment that deters dishonesty, and establish controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. Specifically, anti-fraud policies and procedures identify actions constituting fraud, require individuals to report known or suspected fraud, provide guidance for incident reporting, establish responsibility and guidance for fraud investigation, and specify consequences for fraudulent behavior.

For example, effective incident reporting procedures allow individuals to anonymously report known or suspected fraud and provide an appropriate process for communicating known or suspected management fraud directly to those charged with governance or to an entity's legal counsel. Investigation procedures establish responsibility and the actions for investigating potential incidents of fraud, reporting evidence of such investigations and actions to the appropriate authorities, and protecting the reputation of persons suspected but determined not guilty of fraud.

Our review of Town policies and procedures and discussions with Town personnel disclosed that, as of June 2023, the Town had not established any anti-fraud policies or procedures due to personnel turnover. Absent such policies and procedures, there is an increased risk that potential acts of fraud may not be recognized, appropriately communicated and investigated, and reported to the appropriate authorities for resolution.

**Recommendation:** The Town should develop and implement anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

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

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public Town management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its March 13, 2023, meeting, directed us to conduct this operational audit of the Town of White Springs.

We conducted this operational audit from April 2023 through August 2023 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.

The objectives of this operational audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during October 2021 through December 2022, and selected Town actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws; rules; regulations; and Town ordinances, policies, and procedures, and interviewed Town personnel to gain an understanding of the Town's processes and related requirements and to evaluate whether the Town had established sufficient written policies and

procedures for major Town functions, such as financial reporting, budgeting, banking, procurement, and human resource management.

- Examined minutes of Town Council meetings held during the audit period to determine the propriety and sufficiency of actions taken relative to the programs, activities, and functions included in the scope of this audit.
- Requested records necessary to assess the Town's financial condition as of March 2023.
- Determined whether the Town maintained, as of March 2023, an unrestricted budgetary fund balance within the General Fund and a target amount of working capital within the Enterprise Fund, as recommended by GFOA best practices.
- Determined whether the Town had implemented GFOA best practices related to financial statement preparation.
- Determined whether the Town had submitted the 2018-19 and 2019-20 fiscal year financial audit reports and annual financial reports (AFRs) to our Office and the Florida Department of Financial Services (DFS) in accordance with Sections 218.39(1)(b) and 218.32(1)(a), Florida Statutes, respectively. In addition, determined the amounts of shared revenues withheld by the Florida Department of Revenue and the DFS resulting from the untimely audit reports and AFRs.
- Examined selected financial reports and related records, including details of activity for the period October 2019 through March 2023, the March 2023 and May 2023 balance sheets for the various funds, and corresponding general ledger and detailed subsidiary records, to determine whether the Town's accounting records and reports were complete and accurate.
- Inquired of Town personnel and examined Town records to determine whether adequate internal controls and records had been established to promote accountability for the Town's transactions and events.
- Examined Town records to determine whether the Town had maintained banking agreements for all bank accounts and whether bank account reconciliations were promptly prepared and contained evidence of review and approval. In addition, we examined Town records to determine whether identified reconciling differences were promptly investigated and posted to the Town's accounting records.
- Determined whether the Town prepared and adopted budgets for the 2021-22 and 2022-23 fiscal years and whether the budgets appropriately included all prior fiscal year ending fund balances and net position balances, as applicable, in accordance with Section 166.241(2), Florida Statutes.
- Examined Town records to determine whether the legally adopted budgets for the 2021-22 and 2022-23 fiscal years were input into the Town's accounting system to effectively regulate expenditures and expenses.
- Compared the final approved budget for the 2021-22 fiscal year expenditures reported in the Town's accounting records to determine whether expenditures were kept within authorized limits and inquired of Town personnel the causes for any budget over-expenditures.
- Determined whether Town personnel periodically provided budget-to-actual information and other financial information to the Town Council in accordance with the Town Charter and GFOA best practices.
- From the population of 474 water meters read during the month of December 2022, examined records of billings and collections for 30 accounts, to determine whether utility customers were accurately charged for water, sewer, and solid waste services.
- From the population of non-payroll expenditures for the Town totaling \$1.3 million for the period October 2021 through December 2022, examined supporting documentation for 16 selected



payments totaling \$94,878 to 16 vendors, to which the Town paid \$431,540 during that period, to determine whether:

- Town personnel followed applicable competitive selection requirements in Town procedures.
- The approval of the purchase of the goods and services was documented by an approved purchase order or contract, and payments complied with purchase order or contract provisions.
- Town records evidenced that services and goods were satisfactorily received prior to payment.
- Payments were supported by detailed invoices that adequately described services or goods provided.
- Reviewed records supporting the acquisition of the Town's 2018-19 and 2019-20 fiscal year audits to determine whether audit services were procured in accordance with State law and the associated billings and payments complied with the engagement letter terms and conditions.
- Examined Town records and inquired of Town personnel to determine whether key controls over employee hiring and compensation were properly designed and operating effectively to specify duties and requirements for positions, ensure positions were filled in accordance with a Town Council-approved compensation and pay plan, promote the hiring of qualified employees, and ensure the maintenance of personnel records, including approved personnel action forms or similar records evidencing authorization for Town personnel decisions.
- Examined Town records supporting 14 payroll transactions totaling \$10,064 selected from the 511 payroll transactions totaling \$376,133 during the period October 2021 through December 2022, to determine whether employee compensation payments were correctly calculated, were reviewed by supervisory personnel, and employee leave was earned and used in accordance with Town policies and procedures.
- Inquired of Town personnel and examined Town records to determine whether adequate controls and records had been established to ensure and document all public records requests were timely completed by the Town records custodian in accordance with Section 286.011, Florida Statutes.
- Examined Town records and inquired of Town personnel to determine whether the Town had developed a comprehensive method for codifying Town ordinances and retaining Town ordinances and had made such records available for public review.
- Determined if the Town had developed anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.
- Inquired of Town personnel to determine whether the Town entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period.
- Examined Town records, including Town Council meeting minutes, for the period October 2021 through December 2022, and inquired of Town personnel to determine if any construction or electrical projects with estimated or actual costs exceeding the thresholds specified in Section 255.20, Florida Statutes, were performed using Town services, employees, and equipment.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, stylized initial 'S'.

Sherrill F. Norman, CPA  
Auditor General



## TOWN OF WHITE SPRINGS

*"On the Banks of the Suwannee River"*

October 21, 2023

Sherrill F. Norman, CPA  
Auditor General of Florida  
111 West Madison Street  
Tallahassee, FL 32399

Dear Ms. Norman:

In April of this year, the Auditor General office began an operational audit of the Town of White Springs (Town) that focused on selected Town processes and administrative activities.

Pursuant to Section 11.45(4)(d), Florida Statutes, please accept this letter in response to the 16 preliminary and tentative findings audit findings. If addition clarification or explanation is needed, please don't hesitate to contact me by either email or phone.

Best Regards,

A handwritten signature in black ink, appearing to read "Vanessa George".

Vanessa George  
Town Manager

10363 Bridge Street, White Springs, FL 32096 Ph. 386.397.2310 | Fax 386.397.1542 |

[manager@whitespringsfl.us](mailto:manager@whitespringsfl.us)



# TOWN OF WHITE SPRINGS

*"On the Banks of the Suwannee River"*

## **Finding 1 - Financial Condition**

The Town is making concerted efforts to bring its financial records up to date as well as its annual audits. We are confident that this will show improved financial condition for both of its funds which will reverse the Town's deteriorating financial condition.

## **Finding 2 - Fund Balance Policy**

Although this is not a requirement of law, the Town will develop guidelines for unrestricted reserves in both the General and Enterprise Funds for the next fiscal year and ensuing year budgets. The Town has retained a CPA consulting firm to provide comprehensive accounting services for the Town. This firm will assist and direct the Town in developing these guidelines.

## **Finding 3 - Financial Audits**

The Town acknowledges it has been delinquent in having completed its annual audits for the past several fiscal years. This has been due to the Town not having its records prepared and ready for audit, and the prior contracted audit firm not following through to see that the audits were completed. Our contracted accounting firm is now working on preparing the records for the 9/30/2022 audit as well as the 9/30/2023 audit. The Town has contracted with a CPA firm to perform these audits promptly, which will at last bring the Town in compliance with this important requirement.

## **Finding 4 - Financial Statement Preparation**

The Town acknowledges that its prior contracted accounting firm did not perform sufficient and timely accounting services to maintain the Town's accounting records in an up to date and timely manner. The Town has recently retained a CPA consulting firm to perform comprehensive accounting services for the Town. This should fully correct this finding.

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# TOWN OF WHITE SPRINGS

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## **Finding 5 - Inaccurate Accounting Records**

This finding will be fully addressed and corrected in conjunction with Finding 4 above.

## **Finding 6 - Bank Reconciliations**

This finding will be fully addressed and corrected in conjunction with Findings 4 and 5 above.

## **Finding 7 - Budgetary Process**

Through a combination of improved timely financial records and assistance from our contracted CPA consulting firm, the Town will have the ability to prepare accurate budgets in compliance with state and local requirements. The budgets will be entered into Quickbooks and a monthly budget vs. actual reports will be prepared for the Town Council.

## **Finding 8 - Utility Billing Administration**

The Town is in the process of creating written procedures that appropriately design applications be completed prior to accounts being set up in the utility billing system. The procedures will ensure that completed applications are maintained to support the fees charged for the services provided, all properties requiring connection to the water and sewer systems are connected, accounts are properly set up in the utility billing system, and all accounts are charged the required fees per Town ordinances.

Investigations have been conducted for meters with no recorded water consumption. These meters have been pulled from the premises.

Town personnel will reconcile the garbage contractor's invoices monthly to the active billing system account records to ensure that the Town is billing all customers receiving garbage services.

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## **Finding 9 - Incompatible Accounting Duties**

The Town will separate utility billing, collection, and recordkeeping duties to the greatest extent possible by realigning position duties among available administrative staff and the contracted CPA consulting firm.

## **Finding 10 - Controls Over Procurement of Goods and Services**

The Town will strictly follow established procedures regarding the procurement of goods and services. Written procedures will be developed regarding the proper documentation required prior to payment of invoices for goods and services and internal processes will be implemented to assure that these procedures are fully and consistently followed.

## **Finding 11 - Auditor Selection**

Based upon a proper RFP process the Town Council selected an audit firm for the 2018-2019 fiscal year audit and four subsequent years. Subsequently the audit firm delivered the 2019 audit late and was not responsive to committing to complete the audit for 2019-2020. This delinquent audit came to the attention of the Joint Legislative Auditing Committee (JLAC). Considering this issue an emergency and with the knowledge of JLAC, the Town approached the second ranked firm, Powell & Jones to fulfill the remaining contract term. This firm agreed to complete the remaining years of the audit term under the fee structure originally proposed. The Town recently selected this firm for subsequent audits under the RFP process prescribed in Florida Statutes.

## **Finding 12 - Personnel Policies and Procedures**

The Town Manager will conduct a study into the Town's personnel policies and procedures. The Council may establish a classification and pay plan to establish minimum and maximum salary ranges for all authorized Town positions, establish

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detailed position descriptions for all Town positions, and use Personnel Action Forms to document all personnel actions.

## **Finding 13 - Time and Attendance Records for Salaried Employees**

The Town Manager will provide monthly financial statements and reports that detail work activities that are consistent with Town Council expectations. In addition, this finding will be fully addressed and corrected in conjunction with Finding 12 above.

## **Finding 14 - Sunshine Law - Public records Request**

The Town will establish written policies and procedures to ensure that public records requests are completed in compliance with the Sunshine Law and Public Records Act. Such policies and procedures will establish a log documenting the date and time each public records request received, acknowledged, the time frame it took to fulfill the request, and who made and received the requested information.

## **Finding 15 - Records Retention**

The Town is making concerted efforts to find all the ordinance and resolutions of the Town prior to this current administration. With the records that the Town does possess, the Town will maintain an up-to-date and organized repository of ordinances and resolutions, periodically codify the ordinances, and make available for public inspection comprehensive records of ordinances enacted and resolutions adopted by the Town Council as required by State law and the Town Charter.

## **Finding 16 - Anti-Fraud Policies and Procedure**

The Town will develop and implement anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

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End of explanations and/or responses to the preliminary and audit findings.

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