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CLERK OF THE CIRCUIT COURT & COMPTROLLER
SANTA ROSA COUNTY, FLORIDA

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May 4, 2023

Donald C. Spencer
Clerk of the Circuit Court and Comptroller
6495 Caroline Street
Milton, Florida 32570

Re: Jay Volunteer Fire Department Review
FYE 2021 and 2022

Please find enclosed the report on our review of the Jay Volunteer Fire Department's use of MSBU funds for the period October 1, 2020 through September 30, 2022. The objective of the review was to evaluate expenditures by the VFD from the MSBU allocation. Expenditures were evaluated to determine whether they were an appropriate use of MSBU funds as delineated in the budget adopted by Santa Rosa County.

During my review, I worked with the treasurer of the Jay VFD who was helpful to me.

The report was generally good. Expenditures were properly supported and appropriate.

Observations regarding internal controls have been addressed with the management of the VFD. Please contact me should you have any questions.

Respectfully,

/s

Teresa Garber, Internal Auditor
Santa Rosa County Clerk of Courts

CC: Jay Volunteer Fire Department
Jason English, Chief Deputy, Clerk of Court
DeVann Cook, County Administrator
Brad Baker, Assistant County Administrator
Tom Lloyd, Public Safety Director
Ginny Palmer, Administrative Supervisor, Emergency Management

**SANTA ROSA COUNTY
CLERK OF THE CIRCUIT COURT AND
COMPTROLLER**

INTERNAL AUDIT DEPARTMENT

**REPORT ON REVIEW OF JAY VOLUNTEER FIRE
DEPARTMENT USE OF MSBU FUNDS
FISCAL YEARS ENDING 2021 & 2022**

REPORT NUMBER BCC 22-08

REPORT ISSUED MAY 4, 2023

ISSUED BY: TERESA GARBER, INTERNAL AUDITOR

Report on Review of Jay Volunteer Fire Department Use of MSBU Funds Fiscal Years 2021 & 2022

We have conducted a limited scope review of the Jay Volunteer Fire Department. Our work stems from language contained in Ordinance 2007-36 providing for an audit of expenditures of MSBU funds to confirm proper expenditure of those funds. Our review was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Background

The Jay Volunteer Fire Department (VFD) is a Florida not-for-profit corporation incorporated under the rules of Florida. Its corporate status is current.

Jay VFD was included in the Santa Rosa County Fire Protection Municipal Service Benefit Unit (MSBU) on May 24, 1990 in accordance with County Ordinance 90-23, which was repealed by and replaced with County Ordinance 2007-36. Each year, Jay VFD submits a budget request to the County. The final adopted budget for Jay is advanced to the VFD in twelve monthly payments. Funds budgeted to Jay VFD for the 2020-21 and 2021-22 fiscal years were \$198,300 and \$207,885, respectively. An additional \$12,000 were disbursed under the American Rescue Plan in March of 2022.

Objectives and Scope

The objective of our audit was to evaluate expenditures by Jay VFD from the MSBU allocation to determine whether they were an appropriate use of MSBU funds as delineated in the budget adopted by Santa Rosa County. The review period covers debits and checks issued and dated between October 1, 2020 and September 30, 2022.

This was a limited scope audit. Our work is not an audit of financial statements of Jay VFD the purpose of which is to issue an opinion on those financial statements, and accordingly we have not issued such an opinion.

Methodology

We obtained relevant accounting records and supporting documentation from the treasurer for Jay VFD for the period under review. We selected a random sample of expenditures for examination. We observed images of the cancelled check to confirm the payee. We examined supporting documentation for sufficiency and whether the expenditure was an appropriate use of MSBU funds. In addition, we traced payments made by Santa Rosa County to bank statements provided by the VFD.

While not part of our review, and to the extent we encounter them, we assessed internal controls in place for design and effectiveness. Observations and recommendations to strengthen those controls, where appropriate, were provided to County management and to Jay VFD.

Findings

Construction

During the audit period Jay VFD purchased a metal building and employed the services of Keith Caraway Construction, LLC to construct a sub-station. Jay coordinated and paid for the sitework and bought the materials while Caraway provided the labor.

The transaction between Jay VFD and Caraway was not an arm's length transaction. The treasurer of the Jay VFD is also listed as a manager of Keith Caraway Construction, LLC in the annual report filed with the Department of State. The board voted to hire Caraway at an estimated cost of \$250,000 to construct the sub-station in January 2021. The board meeting minutes do not specify those present, nor does it identify the officers who participated in the vote. Documentation necessary to determine whether the treasurer recused himself when the vote took place was not provided.

In addition, Jay did not produce documentation that evidenced bids were solicited from other construction companies to ensure quality services were obtained at the best possible price.

When we reviewed all of the payments to Keith Caraway Construction, LLC we noted that all were signed by someone other than the treasurer. In addition, the Jay VFD Fire Chief produced a signed statement that, "the treasurer did not vote on matters concerning the building." The Fire Chief went on to say that the decision to employ the services of Keith Caraway Construction, LLC was due, in part, because Caraway had re-built their main station sixteen years ago after the previous building had been destroyed by a hurricane. Jay has not had any issues to date with the construction of that building.

We recommend that Jay VFD attempt to obtain at least three (3) bids for board evaluation prior to awarding work for future capital projects. Any board member with an actual or perceived conflict of interest should recuse themselves from any activity associated with the bid process, including the vote. The meeting minutes should clearly and fully document the conflict of interest, deliberations, and the outcome of the vote to award the capital project. The meeting minutes and the bids submitted must be maintained for at least 3 years after the completion of the capital project.

Firefighter Compensation

Stipends are monthly compensation paid to firefighters at a fixed rate for the position held. Firefighters earn a monthly stipend for responding to at least 40% of the monthly calls and attending at least 50% of the meetings.

The treasurer prepares a monthly stipend report that documents the number of call responses, the response rate as a percentage of total calls, the meetings attended, and payment information for each firefighter. While most reports reviewed documented all the above listed information, some only documented the payment issued to each firefighter. In these instances, we were not able to confirm that the minimum requirements to earn a stipend were met, and payment was due.

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We recommend that Jay establish and follow monthly written procedures to ensure the monthly stipend reports correctly document, at a minimum, the total calls for the month and each firefighter's name, position or title, number of call responses, response rate, and number of meetings attended prior to issuing payment. Furthermore, as the bylaws require all checks to be signed by two board members, we recommend that the completed monthly stipend report accompany the checks presented to the 2nd endorser for signature. The 2nd endorser should review the monthly report before endorsing the checks to ensure the report is complete and correct and the check is written for the amount documented on the report.

Bank Reconciliation

Monthly bank reconciliations serve several purposes. They are used to compare the fire department's check book balance to that reported by the bank. In this way the person conducting the reconciliation can identify any bookkeeping errors, bank errors, and stale dated checks that have not been cashed.

As discussed in previous years, the treasurer for the Jay VFD did not perform monthly bank reconciliations. During our review of the check register/stubs, the ending balance is at times unknown and unverified. Running checkbook balances were not always recorded and some check amounts were either unrecorded or incorrectly recorded.

We recommend that the treasurer reconcile the check register/stubs monthly to ensure the account balance is correct prior to reporting the financial position of the VFD monthly to the board.

Conclusions

Based on our work we have concluded that the Jay Volunteer Fire Department expended all funds received from the County pursuant to the budget approved by the County. While most of the expenditures examined were properly supported and appropriate, evidence that stipend payments were earned was not always maintained.

All County MSBU distributions to the VFD were deposited in the Jay Volunteer Fire Department bank account at United Bank.

Work papers are available for further review.

End of Report