

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

INTERNAL AUDIT DEPARTMENT



**REPORT ON
REVIEW OF SKYLINE FIRE AND RESCUE DISTRICT, INC.
USE OF MSBU FUNDS
FYE SEPT 2021 AND 2022**

REPORT NUMBER BCC 20-6

REPORT ISSUED MARCH 30, 2022

ISSUED BY: TERESA GARBER, DIRECTOR, INTERNAL AUDIT



DONALD C. SPENCER
CLERK OF THE CIRCUIT COURT & COMPTROLLER
SANTA ROSA COUNTY, FLORIDA

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March 30, 2023

Donald C. Spencer
Clerk of the Circuit Court and Comptroller
6495 Caroline Street
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Re: Skyline Fire and Rescue District, Inc. Review

Please find enclosed the report on our review of Skyline Fire and Rescue District, Inc.'s use of MSBU funds for the period September 1, 2021 through September 30, 2022. The objective of the review was to evaluate expenditures by the fire department 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 our review, we worked with both the fire department administrator and treasurer of Skyline Fire and Rescue District, Inc. who were helpful to us during the review.

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

Please contact me should you have any questions.

Respectfully,

Teresa Garber, Acting Director, Internal Audit
Santa Rosa County Clerk of Courts

CC: Skyline Fire and Rescue District, Inc.
Don Spencer, Santa Rosa Clerk of Court and Comptroller
Teresa Garber, Acting Audit Director, Santa Rosa County Clerk of Court
Robert Miller, Finance Director, Santa Rosa County Clerk of Court
DeVann Cook, Santa Rosa County Administrator
Brad Baker, Assistant County Administrator
Tom Lloyd, Emergency Management Operations Chief

Report on Review of Skyline Fire and Rescue District, Inc. Use of MSBU Funds Fiscals Years Ending 2021 and 2022

We have conducted a limited scope review of the Skyline Fire and Rescue District, Inc. Our work flows from language contained in Ordinance 2007-36 providing for an audit of MSBU funded expenditures 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 Skyline Fire and Rescue District, Inc. (Skyline) is a professional fire department and is a Florida not-for-profit corporation incorporated under the rules of Florida. Its corporate status is current. The fire department employees both full and part-time staff. Volunteers receive a small stipend.

Skyline was included in the Santa Rosa County Fire Protection Municipal Service Benefit Unit (MSBU) on October 12, 1995, in accordance with County Ordinance 95-26. Each year, Skyline submits a budget request to the County. The final adopted budget is provided to them based on actual collections of MSBU funds collected by the Tax Collector and remitted to the Clerk of Courts. As such the payments vary in amount. Funds remitted directly to Skyline for fiscal years ending 2021 and 2022 were \$842,975.00 and \$944,455.00, respectively.

Objectives and Scope

The objective of our audit was to evaluate expenditures by Skyline from the MSBU allocation. The period covers debits to the checking account and checks issued and dated between October 1, 2020, and September 30, 2022.

This was a limited scope audit, the purpose of which was to determine whether Skyline expended MSBU funds in accordance with the budget adopted by Santa Rosa County and to ensure that expenditures were an appropriate use of MSBU funds. Our work is not an audit of financial statements of Skyline VFD the purpose of which is to issue an opinion on those financial statements and accordingly we have not issued such an opinion.

Methodology

For the period under review, we obtained relevant accounting records and supporting documentation from the administrator for Skyline. The fire department uses manual, handwritten ledgers. We examined 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 fire department.

While not part of our review, and to the extent we encounter them, we examined internal controls in place for design and effectiveness.

Findings

Governing Board

As discussed previously, the nature of small not-for-profit organizations is such that many times the business function is operated with limited oversight where decisions are made by a few. In such situations it becomes more important than ever that the governing board of the organization fulfill its oversight responsibilities.

The Articles of Incorporation for Skyline Fire and Rescue District, Inc. require a total of nine officers and directors (four officers and five directors). During our review we learned that the fire department operates with just four officers. There are no directors.

We recommend that the fire department enlist volunteers from the community to serve as directors of the fire department to bring the number of officers and directors up to the number authorized in the articles of the corporation. Essentially the organization is governed by four individuals. This small number of board members does not always allow for the level of independence required. Additionally, familiarity amongst board members reduces independence when voting.

Bylaws

As discussed previously, we reviewed the bylaws for Skyline Fire and Rescue District, Inc. and noted that they appear to be outdated (last revision is 2004). We confirmed this fact with the fire department administrator.

We noted that the bylaws define authority granted to the various officers of the corporation as well as control. Generally, bylaws establish spending levels over which such decisions require actions of the board of directors.

We recommend that Skyline Fire and Rescue District, Inc. consider revising their bylaws to bring them current. The board should address establishing spending level authorizations for the fire chief and dollar thresholds for checks and disbursements made by the treasurer and administrator. Provisions for emergency purchases should be addressed as well.

Pay for Directors

As discussed previously, we noted during our review of expenditures that officers of the corporation are paid for attending meetings. According to those we interviewed pay for directors was authorized by the board some years back. For transparency we recommend that such compensation should be presented to the board at a regularly scheduled meeting and approved with a record of such approval maintained.

Fire Chief and Treasurer Related

In previous years, we discussed a control weakness where the business administrator who performs most of the treasurer's duties, performs most of the financial duties, including issuing checks, making

deposits, maintaining the accounting records, and performing bank reconciliations. These are incompatible duties that should be separated between different individuals.

Further adding to this control weakness is the fact that the administrator (treasurer in fact) for the fire department is the spouse of the fire chief. By the very nature of his position, the fire chief is the chief operating officer for the fire department. He makes decisions daily that have financial implications to the department. Such business decisions are then carried out by the administrator, his spouse. While the fire chief is not a signer on the account, he does from time-to-time present invoices to the administrator for payment. Such a business relationship is not acceptable.

We recommend that the duties of the administrator be assigned to someone unrelated to the fire chief. We have commented on this matter numerous times in years past. There have been no changes made that we are aware of.

Conclusions

Skyline VFD has control weaknesses that have been brought to their attention for several years with no resolution. These weaknesses must be addressed.

Based on our work we have concluded that Skyline Fire and Rescue District, Inc. expended funds received from the County pursuant to the budget approved by the County. Expenditures examined were properly supported and appropriate.

All County MSBU distributions to the fire department were deposited in the Skyline bank account at South State Bank.

Work papers are available for further review.

End of Report