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audit problems also cited

Polk City Drowning In Debt

With deficit topping \$500,000, county is owed \$539,055 in fees on top of \$1.7 mil.



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THE LEDGER

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POLK CITY | Polk City has narrowly averted a cut-off of state revenues for missing the deadline to file its fiscal year 2008 audit by more than five months.

But that hardly ends the city's financial troubles, according to a Ledger review that uncovered numerous other problems with the city's finances and auditing procedures dating back several years.

The Ledger has discovered the city owes Polk County at least \$539,055 in impact fees collected on new construction since December 2006. That's in addition to a \$1.7 million note the city owes the county and in which it is now in default.

Polk City faces a deficit of more than \$500,000 in its current budget. Further investigation shows the city also had a \$2,688 deficit in fiscal year 2006, which ended Sept. 30, 2006, and a \$612,129 deficit in fiscal year 2007.

No figure is available for fiscal year 2008 because an independent audit has not been completed. Polk City's fiscal year 2009 audit is not due until Sept. 30 this year.

Polk City's 2007 audit, done by Brynjulfson CPA in Lakeland, reported the city owes the county \$539,055 as of Sept. 30, 2008, for its share of the impact fees collected.

The 2007 audit was completed June 8, 2009, more than eight months behind the deadline set by state law that requires annual audits be sent to the state Auditor General's Office within 12 months following the end of each fiscal year.

Although City Manager Cory Carrier's response to the 2007 audit noted the impact fee situation was "corrected," Assistant County Manager Lee Ann Thomas told The Ledger on Friday that Polk County has not received any impact fee payments from the city since December 2006.

It does not show any payment of \$539,055 since then, she said.

Carrier did not return phone calls and e-mails from The Ledger last week.

Polk City Councilman Joe LaCascia said he spoke with Carrier and Assistant City Manager Pam Peterson last week after speaking with The Ledger about the various financial problems identified in the audits.

They assured him all the problems were taken care of, he said.

LaCascia said he also looked at council minutes to see how the past two audits were handled.

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"The 2006 audit was presented to council by auditor Tierzo Nunez with little or no comment $i\frac{1}{2}$ on Dec. 11, 2007," LaCascia said in a Thursday e-mail.

"Deficiencies alluded to were dismissed as 'a technicality' by auditor Nunez and explained by Cory Carrier as a condition that was corrected."

Carrier also told council then that since fiscal year 2006 "all obligations have been paid on time," LaCascia said.

"Apparently they have not been remitted on a timely basis, according to your (The Ledger's) findings. This concerns me greatly," he said.

One county employee became aware of the impact fee situation in August, but he did not follow up on it before he retired soon afterward, Thomas said.

Thomas said that employee did not report nonpayment of impact fees to her and that she learned of the problem from The Ledger last week.

After learning of the nonpayment, Thomas said she spoke Thursday with Peterson, who promised to look into it this week. Peterson did not return a call from The Ledger.

The Joint Legislative Auditing Committee, which along with the Auditor General's Office oversees local government audits, had scheduled a sanctions vote against Polk City at its 4 p.m. meeting Monday in Tallahassee. The vote was delayed after Mike Brynjulfson of Brynjulfson CPA e-mailed the committee Thursday that he was wrapping up the audit.

"I plan on meeting with city management next week to review the draft, and if we find everything to be acceptable, I plan on finalizing it shortly thereafter," he said in the e-mail.

Brynjulfson did not return calls and e-mails last week regarding why the audit is late and other accounting issues raised in previous audits.

The committee was scheduled to vote on cutting off Polk City's share of state sales and fuel taxes until it submits the 2008 audit. City budget documents show it's scheduled to receive \$155,305 in those state revenues in the current budget. It had received only \$43,708 of that money as of Feb. 25.

The Polk City audits that are available for fiscal years 2006 and 2007 show many problems with municipal finances caused mostly by a lack of professional accounting procedures. In addition to the deficits and missed payments, the audits detail many bookkeeping failures, including as much as a 12-month delay in reconciling bank statements with the city's general ledger; failures to file audits to the state and federal governments by deadline; and violations of several bond covenants.

Polk City, which has an estimated population of 1,827 people in 662 households, has been late on audits for at least the past three years. The fiscal year 2006 audit done by G.T. Nunez & Associates in Haines City is dated Nov. 28, 2007, almost two months past the deadline. No reason is given for the delay.

The fiscal year 2007 audit done by Brynjulfson is dated June 8, 2009, more than eight months behind the deadline. It also notes the city's failure to file a required audit to the federal government within nine months of the end of the fiscal year and attributes that delay to the city not closing its accounting records on time.

In her written reply to the audit, Carrier acknowledged the audit delays "mainly had to do with bank reconciliations not being current."

She attributed the reconciliation problems to difficulties with its financial software.

The 2006 and 2007 audits show Polk City has repeatedly failed to correct deficiencies in its "internal controls," or how it accounts for money received and paid out.

"The result of our assessment indicates the city is experiencing an overall deterioration in its financial condition," the 2007 audit states.

"As a result of this cash shortage, the city was unable to restrict required amounts of cash for long-term debt covenants in both the general fund and the sewer fund."

The general fund pays for most city services. The city obtained bond financing in recent years to build the current City Hall, the new Cardinal Hill sewage treatment plant and other civic improvements. Bond covenants require the city to reserve money over other municipal spending to ensure payments are made.

"Other causes of this deteriorating financial condition include a lack of short-term and long-term financial plans to guide the city, a lack of cash analysis and forecasts and various control deficiencies as reported."

The audit lists 14 accounting deficiencies, many of them repeated from previous audits, including failure to comply with bond covenants and reconciliation delays.

The same problem was noted in the 2006 audit done by Nunez & Associates.

"The fact that management has not corrected any of our control deficiencies from the prior audit and, in some cases, from two audits ago, is a significant problem which in itself is a material weakness in internal control," Nunez states. "The failure to correct significant deficiencies in internal control must be addressed immediately."

In that audit, dated Nov. 27, 2007, Nunez noted city finance workers lacked the training and experience to ensure timely and effective oversight, and it recommended hiring a finance director. That was not done until Oct. 13, 2008, when Finance Administrator Pam Lawson joined the city.

LaCascia said Carrier has assured him Lawson will be "key in getting the financial reporting under control."

"I have told the city manager and staff that City Council must be briefed on a monthly basis as to the financial condition of the city until returned to an acceptable condition," he added.

Council's next regular monthly meeting is scheduled for 7:30 p.m. Tuesday.

A review of the city's finances is not on the agenda.

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