



Audit of Disbursements, OSS (26-01)

City of Delray Beach
100 NW 1st Avenue
Delray Beach, FL 33444

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Executive Summary

Why we performed the audit?

In August 2025, the City Commission directed the Office of the Internal Auditor to conduct a limited-scope audit of the Downtown Development Authority's (DDA) disbursements related to its management of the Old School Square (OSS) campus, focusing on internal controls over the disbursement cycle and determining whether those disbursements were authorized, accurate, properly supported, and served a valid public purpose.

Why this audit matters?

This audit matters because the DDA manages City-funded operations and activities at the Old School Square (OSS) campus, and its disbursements must be supported by strong internal controls to ensure that public funds are used appropriately, accurately recorded, and consistent with the purposes defined in the Interlocal Agreement and OSS contracts. Reviewing the DDA's disbursement practices is important for determining whether current policies, procedures, and documentation standards provide a sufficient framework for consistent decision-making, transparency, and accountability in the administration of City-supported OSS cultural programs and events.

What we recommend?

To strengthen internal controls, the audit recommends:

- **Clarify Purchasing Policy:** Define procurement thresholds and review vendor exemptions from competitive selection.
- **Formalize Agreements:** Require written contracts for recurring or professional services with supporting procedures and checklists.
- **Strengthen Disbursement Controls:** Improve documentation retention, coding accuracy, and ensure OSS charges comply with agreements.
- **Enhance Segregation of Duties:** Clearly assign and document distinct roles for preparation, approval, and review of transactions.
- **Credit Card Oversight:** Implement a concise policy for allowable purchases, approvals, receipts, and limits; monitor and reinforce compliance periodically.

What happens next?

The Downtown Development Authority agreed with the recommendations and has committed to implementing them.

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Table of Contents

Background	5
Interlocal Agreement.....	5
Scope	6
Objective	6
Methodology	6
Authority.....	6
 Compliance with Generally Accepted Government Auditing Standards (GAGAS)	 6
Findings.....	7
Finding #1 – Opportunity to Strengthen the Purchasing Policy and Practices	9
Finding #2 – Opportunity to Strengthen Documentation and Expense Coding for Disbursements	11
Finding #3 - Opportunity to Strengthen Credit Card Controls.....	13
Appendix.....	15
Responses.....	17

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Background

The Delray Beach Downtown Development Authority (DDA) is a dependent special district of the City of Delray Beach (City), established by the Florida Legislature in 1971 (House Bill 1250, later codified as House Bill 2003-314). The DDA was created to promote and enhance the economic vitality of the City's downtown area through business development, marketing, place making, and community engagement initiatives.

As a dependent agency, the DDA operates within the governance and oversight framework of the City. Its seven-member Board of Directors is appointed by the City Commission, and its taxing authority and budget are subject to City approval. The DDA's primary funding source is an ad valorem tax levy of up to one mill on properties located within the Downtown District, with additional revenues generated from events, sponsorships, and partnerships.

Interlocal Agreement and Amendments

The City and the DDA entered an Interlocal Agreement on February 27, 2023, for the management and operation of the Old School Square (OSS) Campus. Under the Agreement, the City retained ownership of its property, oversight of its use, and responsibility for major structural and capital improvements. The DDA was granted a license to use the OSS Campus and assumed responsibility for day-to-day operations, event programming, rentals, marketing, and routine maintenance.

Amendment No. 1, approved in March 2023, removed the option for either party to terminate the agreement without cause during the initial term ending September 30, 2024. Amendment No. 2, approved in October 2023, excluded the Crest Theater from the licensed area, and set the annual management fee at \$1,000,000 payable in quarterly installments. Amendment No. 3, approved in October 2024, reduced the annual management fee to \$800,000 and clarified that the DDA must remit ten percent of its net revenues from OSS activities to the City to support OSS programming costs.

The City contributed a total of \$2,600,000 to the DDA in the period February 27, 2023, to June 30, 2025.

Source	FY 2023 (from 02/27/23, onward)	FY 2024	FY 2025 (through 06/30/25)	Total
City of Delray Beach	\$1,000,000	\$1,000,000	\$600,000	\$2,600,000

Source: Tyler New World

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Scope

This audit focused on disbursements made on behalf of OSS in the period February 27, 2023 to June 30, 2025.

Objectives

The overall objective of the audit included examining the internal controls over the disbursement cycle and verifying that disbursements were authorized, accurate, properly supported, and serve a valid public purpose.

Methodology

The audit methodology included, but was not limited to:

- Reviewing prior and or/related audits
- Reviewing applicable laws and regulations
- Reviewing contracts
- Reviewing policies and procedures
- Reviewing records and reports
- Interviewing appropriate personnel
- Performing process walk-throughs and conducting a review of internal controls
- Performing detailed testing on selected activities and/or records

Authority

The Office of the Internal Auditor operates with both administrative and operational independence from the activities it reviews. In accordance with Sections 4.10–4.11 of the City Charter, the Internal Auditor is accountable directly to the Delray Beach City Commission. Although the Internal Auditor reports exclusively to the City Commission, the position may review any matter related to City business at the request of a majority of the Commission or the City Manager.

Compliance with Generally Accepted Government Auditing Standards (GAGAS)

This audit was conducted 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.

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Findings

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Finding #1 – Opportunity to Strengthen the Purchasing Policy and Practices

Public-sector best practices require transparent, well-documented procurement processes for all publicly funded expenditures. § 287.057, Fla. Stat. (2025) further outlines competitive procurement requirements for contractual services and establishes an expectation that public entities maintain clear, defensible purchasing procedures.

The DDA's 2014 Purchasing Policy provides general guidance for purchasing; however, it lacks sufficient clarity to ensure consistent application. The Policy establishes procurement thresholds but does not specify whether these thresholds apply to individual transactions or aggregate vendor spending. Management currently applies the thresholds on a per-event basis, which differs from the aggregate approach commonly used in public-sector procurement.

The Policy also encourages the use of competitive procurement methods when price is not the determining factor, yet simultaneously exempts several categories of vendors, including artistic, hospitality, and seasonal and recreational service providers, from competitive selection requirements. Because many of the DDA's expenditures fall within these categories, staff has broad discretion in vendor selection.

Additionally, the Policy does not establish when written agreements are required for recurring, professional, or service-based engagements. As a result, some vendor relationships are not supported by formal contracts. For example, the DDA pays a local business a \$5,000 monthly retainer to secure performers for events without a formal agreement outlining the scope of services, deliverables, payment terms, etc.

The DDA's operational scope, particularly in event management, has expanded in recent years, but administrative procedures have not evolved accordingly. The 2014 Purchasing Policy has not been amended or supplemented with written procedures or checklists to guide daily implementation.

As a result, incomplete or ambiguous policy guidance reduces transparency, accountability, and the consistency of procurement decisions. The absence of written agreements for recurring or professional services further increases the risk of unclear expectations, disputed payments, or misunderstandings about deliverables.

Recommendation(s)

1. Clarify purchasing thresholds within the Purchasing Policy to define whether limits apply to individual transactions or aggregate vendor spending.
2. Reassess the categories of vendors currently excluded from competitive purchasing to ensure that exceptions are limited, justified, and well documented.
3. Require written agreements for all recurring, professional, or service-based relationships, clearly outlining scope, deliverables, payment terms, and authorization.
4. Create simple written procedures or checklists to support consistent documentation of vendor selection, approvals, etc.
5. Provide periodic training and clear communication of purchasing and documentation standards.

DDA Management Response

☒ *Agree*

☐ *Disagree*

Response:

1. Clarifying Purchasing Thresholds

The DDA agrees that the current 2014 Purchasing Policy does not clearly specify whether procurement thresholds apply to individual transactions or aggregate vendor spending. We will revise the Policy to provide guidance on threshold application, ensuring consistency across all purchasing activities.

2. Vendor Selection and Competitive Procurement

The DDA will conduct a full review of the current exemptions for artistic, hospitality, seasonal, and recreational service providers to determine whether these exceptions remain appropriate. The DDA will review and narrow these exemptions to ensure competitive procurement is used whenever feasible, with clear documentation justifying any exceptions.

3. Written Agreements for Recurring or Professional Services

The DDA acknowledges the need for formal agreements for recurring or professional service engagements. Going forward, contracts outlining scope, deliverables, payment terms, and approval requirements will and have begun to be implemented. Existing service arrangements, including those for event performers, will be formalized into written agreements.

4. Procedures, Checklists, and Training

To support consistent application of the updated Policy, the DDA will develop written procedures and checklists for daily procurement activities, vendor selection, and approvals. Staff will receive periodic training to reinforce procurement standards and documentation requirements.

Implementation Date: March 2026

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Finding #2 – Opportunity to Strengthen Documentation and Expense Coding for Disbursements

Public-sector best practices require that all disbursements be supported by complete and accurate documentation, properly coded to the correct account, and approved in accordance with policy. Effective segregation of duties, including separating preparation, approval, and review functions, is essential to ensure proper oversight and reduce the risk of errors.

Testing of disbursements, including checks and wires, identified inconsistencies in supporting documentation in sixteen (16) percent of the sample, and improper expense coding in six (6) percent of the sample. Improper coding included DDA expenses recorded to OSS, as well as costs assigned to OSS that were not responsibilities defined in the applicable contracts.

In addition, although certain duties are separated (e.g., preparation by the bookkeeper and approval by the Executive Director and a Board member), review and oversight of documentation and coding rely heavily on the same individuals. The absence of written review procedures contributes to inconsistent application of these roles.

Management indicated that recent inconsistencies stemmed from changes in Board member roles during the review and approval process, as well as variations in how receipts were handled.

Missing or incomplete documentation limits the ability to verify the appropriateness and business purpose of expenditures, and incorrect coding leads to misstated financial records and OSS being charged for costs outside its contractual obligations. Limited segregation of duties in the review process increases the risk that documentation or coding errors may not be detected through routine monitoring.

Recommendation(s)

1. Establish written procedures for documenting, reviewing, and retaining support for all disbursements.
2. Implement a review process to verify accurate expense coding and ensure that charges to OSS comply with the Interlocal Agreement and OSS contracts.
3. Strengthen segregation of duties by defining and documenting distinct roles for preparation, coding, approval, and secondary review, and ensuring that no single individual is responsible for all stages of the disbursement process.
4. Provide training to staff responsible for payment processing on documentation expectations, review requirements, and OSS/DDA coding distinctions.
5. Conduct periodic monitoring to assess compliance with documentation, coding, and review procedures, and address any recurring issues promptly.

DDA Management Response

☒ *Agree*

☐ *Disagree*

Response:

1. Inconsistencies in Documentation and Expense Coding

The DDA acknowledges the documentation gaps and miscoded transactions identified in the sample review. While these issues were unintentional and stemmed from brief oversight during periods of specific timing of activity associated with OSS programming, we recognize the need for stronger safeguards. The DDA will implement more detailed review standards and reinforce documentation requirements to ensure that every disbursement payment is fully supported.

2. Strengthening Segregation of Duties and Oversight

Although certain approval and payment roles are already separated, the DDA agrees that additional structure is necessary. We will formalize written review procedures that more clearly define roles and responsibilities. This will better support the checks and balances appropriate for a public-sector organization.

3. Enhancing Accuracy of OSS-Related Financial Reporting

Accurately distinguishing between DDA and OSS expenditures to prevent misstatements and ensure compliance with OSS operating agreements is essential and has always been a part of the internal process. There has been a process in place since the beginning of the agreement, however due to the fast-paced environment and quick growth, enhancements are needed. Implementing enhanced processes will help ensure that OSS is billed only for expenses authorized under existing contracts.

4. Improving Documentation Standards

To support more consistent and complete documentation, the DDA will improve the procedures which may include:

- Clear documentation checklists for recurring transactions.
- Mandatory attachment requirements for all disbursements.
- Standardized electronic filing practices to ensure documentation is accessible.

5. Training and Ongoing Oversight

Training will be provided to all staff involved in payment processing to reinforce expectations regarding documentation, review standards, and the proper coding distinctions between DDA and Old School Square expenses. These sessions will be incorporated into onboarding and periodic refresher training.

Implementation Date: March 2026

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Finding #3 - Opportunity to Strengthen Credit Card Controls

Good financial management practices, such as those recommended by the Government Finance Officers Association (GFOA), call for written policies and procedures governing credit card issuance, use, documentation, and reconciliation to ensure proper authorization, accountability, and safeguarding of public funds. Sound internal control principles also require that all disbursements be supported by sufficient documentation and reviewed for appropriateness and accuracy.

The DDA maintains a single credit card, in the Executive Director's name, which is shared by multiple employees for agency-related purchases. Although a centralized folder exists, receipts are retained by individual staff members, making it difficult to obtain complete supporting documentation. Audit testing of credit card transactions identified missing or insufficient documentation in nineteen (19) percent of the sample, and improper expense coding in fifteen (15) percent of the sample.

The sample also included several food and beverage transactions that, when evaluated against the City's Food and Beverage Policy (used as audit criteria in the absence of a DDA policy), did not meet the established requirements for allowable expenditures.

The DDA does not have a formal written policy governing the use of its credit card, maintaining supporting documentation, reviewing credit card receipts, or verifying account coding; as a result, practices for card use, documentation, and review have developed informally.

The absence of a formal policy increases the risk of unauthorized or inadequately supported expenditures, weakens accountability, and limits management's ability to ensure accurate financial reporting and compliance with sound internal control principles.

Recommendation(s)

1. Develop a concise written policy for credit card use that outlines allowable purchases, documentation and receipt requirements, and approval procedures. The policy should also establish clear standards for food and beverage purchases.
2. Provide brief guidance and reminders to staff on documentation expectations to ensure consistency and reduce administrative follow-up.
3. Review transactions charged to OSS to determine whether reimbursement, reclassification, or adjustment is appropriate.
4. Evaluate the feasibility of issuing separate credit cards to individual employees who routinely make purchases, each with defined spending limits and accountability for documentation, to improve oversight and traceability of transactions.

DDA Management Response

☒ Agree

☐ Disagree

Response:

1. Credit Card Usage and Documentation Practices

To address this, the DDA will implement a formal, written Credit Card Policy that aligns with recommendations and includes clear requirements for card use, documentation, and reconciliation.

2. Establishing a Formal Credit Card Policy

This policy will eliminate inconsistencies and ensure that all credit card transactions meet documentation and compliance standards.

The new policy will include such details as:

- Authorized users and approved purchase areas
- Required pre-approval and post-purchase form and documentation support
- Procedures for timely submission of receipts.
- Standards for coding, reconciliation, and supervisory review.

3. Strengthening Oversight and Controls

The DDA will enhance the centralized receipt retention and reimplement a standardized reconciliation process to ensure accurate coding and complete documentation. Additional internal review steps will be incorporated into monthly credit card activity verification to ensure accuracy and compliance.

4. Training and Implementation

The DDA will conduct training and communications to ensure a clear understanding of allowable transactions, documentation requirements, and review procedures.

Implementation Date: March 2026

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Response Report focused on the Internal Audit Old School Square Disbursements November 2025

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Background:

In 2022 and 2023 the DDA entered into an agreement with the city to operate and manage the Old School Square campus. Based on the ILA, the "DDA shall utilize its best efforts to assist the City in achieving its mission for the OSS campus to be the City's cultural and civic hub providing an artistic experience and to encourage economic development and promotion of the Downtown." Over the past three years, the DDA has been committed to **delivering high-quality cultural experiences that bring residents and visitors together through the arts and entertainment at Olds School Square in Downtown Delray Beach.**

Summary Response to Internal Audit focused on Old School Square Disbursements:

The Downtown Development Authority (DDA) appreciates the comprehensive review conducted by the internal auditor and acknowledges the findings and recommendations regarding purchasing policies, documentation and expense coding, and credit card controls. We recognize that these areas are essential to maintaining internal controls, accountability, and transparency in the management of public resources.

The DDA remains proud of the significant progress and impact of its operations, particularly in managing Old School Square and other downtown assets. Through thoughtful planning and dedicated execution, the DDA continues to deliver award-winning exhibitions, exceptional live entertainment events, and engaging community programming that enriches the lives of residents and visitors while fostering a vibrant downtown Delray Beach. All events, exhibitions, and activation programs produced at Old School Square have been consistently included in the DDA's annual business plans and quarterly reports to both the city and the DDA Board, ensuring inclusion and alignment with organizational goals.

In response to the audit findings, the DDA has already begun implementing corrective actions, including updating policies, formalizing agreements for services, improving financial administrative procedures, documentation and expense coding practices and establishing credit card controls. This document provides the responses to the Findings presented by the Internal Auditor as of November 24, 2025.

The DDA views these enhancements as an opportunity to reinforce best practices while continuing to advance its mission: creating meaningful cultural experiences, bringing people together, and sustaining a thriving, dynamic downtown. The DDA is committed to serving the public with both creativity and accountability.



RESPONSES TO FINDINGS:

Finding #1 – Opportunity to Strengthen the Purchasing Policy and Practices

The Downtown Development Authority (DDA) acknowledges the importance of clear, transparent, and well-documented procurement processes. As our operational scope—particularly in arts, culture, and event programming—has expanded, the DDA agrees to the need to update our Purchasing Policy.

Response to Key Areas Identified:

1. Clarifying Purchasing Thresholds

The DDA agrees that the current 2014 Purchasing Policy does not clearly specify whether procurement thresholds apply to individual transactions or aggregate vendor spending. We will revise the Policy to provide guidance on threshold application, ensuring consistency across all purchasing activities.

2. Vendor Selection and Competitive Procurement

The DDA will conduct a full review of the current exemptions for artistic, hospitality, seasonal, and recreational service providers to determine whether these exceptions remain appropriate. The DDA will review and narrow these exemptions to ensure competitive procurement is used whenever feasible, with clear documentation justifying any exceptions.

3. Written Agreements for Recurring or Professional Services

The DDA acknowledges the need for formal agreements for recurring or professional service engagements. Going forward, contracts outlining scope, deliverables, payment terms, and approval requirements will and have begun to be implemented. Existing service arrangements, including those for event performers, will be formalized into written agreements.

4. Procedures, Checklists, and Training

To support consistent application of the updated Policy, the DDA will develop written procedures and checklists for daily procurement activities, vendor selection, and approvals. Staff will receive periodic training to reinforce procurement standards and documentation requirements.



RESPONSE:

Finding #2 – Opportunity to Strengthen Documentation and Expense Coding for Disbursements

The Downtown Development Authority (DDA) acknowledges the importance of strong financial controls, accurate documentation and expense allocation. The DDA appreciates the auditors' insights and view this feedback as an opportunity to strengthen our internal controls, reinforce accountability, and ensure proper financial stewardship of both DDA and Old School Square resources.

Response to Specific Areas Identified

1. Inconsistencies in Documentation and Expense Coding

The DDA acknowledges the documentation gaps and miscoded transactions identified in the sample review. While these issues were unintentional and stemmed from brief oversight during periods of specific timing of activity associated with OSS programming, we recognize the need for stronger safeguards. The DDA will implement more detailed review standards and reinforce documentation requirements to ensure that every disbursement payment is fully supported.

2. Strengthening Segregation of Duties and Oversight

Although certain approval and payment roles are already separated, the DDA agrees that additional structure is necessary. We will formalize written review procedures that more clearly define roles and responsibilities. This will better support the checks and balances appropriate for a public-sector organization.

3. Enhancing Accuracy of OSS-Related Financial Reporting

Accurately distinguishing between DDA and OSS expenditures to prevent misstatements and ensure compliance with OSS operating agreements is essential and has always been a part of the internal process. There has been a process in place since the beginning of the agreement, however due to the fast-paced environment and quick growth, enhancements are needed. Implementing enhanced processes will help ensure that OSS is billed only for expenses authorized under existing contracts.

4. Improving Documentation Standards

To support more consistent and complete documentation, the DDA will improve the procedures which may include:

- Clear documentation checklists for recurring transactions.
- Mandatory attachment requirements for all disbursements.
- Standardized electronic filing practices to ensure documentation is accessible.

5. Training and Ongoing Oversight

Training will be provided to all staff involved in payment processing to reinforce expectations regarding documentation, review standards, and the proper coding distinctions between DDA and Old School Square expenses. These sessions will be incorporated into onboarding and periodic refresher training.



RESPONSE - Finding #3 – Opportunity to Strengthen Credit Card Controls

The Downtown Development Authority truly understands the importance of credit card control. The DDA has already taken significant steps to address these concerns and strengthen internal controls. We recognize that as the DDA's operational responsibilities have increased and have diligently been working on a new policy to strengthen the safeguards. This will also ensure accountability, reduce risk, and ensure all is compliant with best practices. The DDA agrees with the recommendations provided with the audit findings and views this as an opportunity to modernize and formalize its credit card controls.

Response to Key Areas Identified:

1. Credit Card Usage and Documentation Practices

To address this, the DDA will implement a formal, written Credit Card Policy that aligns with recommendations and includes clear requirements for card use, documentation, and reconciliation.

2. Establishing a Formal Credit Card Policy

This policy will eliminate inconsistencies and ensure that all credit card transactions meet documentation and compliance standards.

The new policy will include such details as:

- Authorized users and approved purchase areas
- Required pre-approval and post-purchase form and documentation support
- Procedures for timely submission of receipts.
- Standards for coding, reconciliation, and supervisory review.

3. Strengthening Oversight and Controls

The DDA will enhance the centralized receipt retention and reimplement a standardized reconciliation process to ensure accurate coding and complete documentation. Additional internal review steps will be incorporated into monthly credit card activity verification to ensure accuracy and compliance.

4. Training and Implementation

The DDA will conduct training and communications to ensure a clear understanding of allowable transactions, documentation requirements, and review procedures.

Conclusion

The Downtown Development Authority appreciates the thoroughness and professionalism of the internal auditor and values the opportunity to strengthen our financial and administrative practices. The findings have provided important insight and have already prompted improvements throughout the organization. As the DDA continues to enhance its role in managing cultural arts programming, community events, and the Old School Square campus, we remain committed to aligning our internal processes with best practices. **We are confident that actions underway will reinforce accountability and support the effective stewardship of public resources while allowing us to continue delivering high-quality cultural experiences that bring residents and visitors together through the arts and entertainment at Olds School Square in Downtown Delray Beach.**