



DEPARTMENT OF INSPECTOR GENERAL  
OKALOOSA COUNTY, FLORIDA  
JD PEACOCK II, CLERK OF CIRCUIT COURT AND COMPTROLLER



July 30, 2024

John Hofstad  
County Administrator  
Okaloosa County Administration Building  
1250 Eglin Parkway  
Shalimar, FL 32579

Mr. Hofstad,

Please find attached the report on our audit of the Dorcas Fire District.

Our work served as a review of the Dorcas Fire District's financial status and asset inventory as of June 13, 2024; pursuant to the signing of House Bill 897 by Governor DeSantis.

I want to thank you as well as Public Safety Director, Pat Maddox, and his staff for their help in securing the property and assets of the Dorcas Fire District while we concluded our audit. This could not have been accomplished as quickly and as efficiently without their professionalism and day-to-day involvement.

Respectfully,

*Renee F. Larkey*

Renee F. Larkey, Inspector General

CC: J.D. Peacock, Okaloosa County Clerk of Courts  
Pat Maddox, Public Safety Director

# OKALOOSA COUNTY CLERK OF CIRCUIT COURT



**DEPARTMENT OF INSPECTOR GENERAL**



## **REPORT ON THE AUDIT OF DORCAS FIRE DISTRICT**

**REPORT NO. BCC 24-02**

**REPORT ISSUED JULY 30, 2024**

**ISSUED BY: RENEE FENNELL LARKEY, INSPECTOR GENERAL**

## Background

Pursuant to Chapter 2024-288 Florida Law transitioning the Dorcas Fire District, Inc. (district) from an independent fire control district to a dependent fire control district under the Okaloosa County Board of County Commissioners or its appointees, the County Administrator, John Hofstad and the Director of Public Safety, Patrick Maddox requested an audit of the district's financial records.

## Objective

The audit objective is to determine the financial status of the district at the time of the transition, assess if the district maintained sufficient documentation of its expenses, evaluate the collection of impact fees and verify the existing capital assets.

## Scope and Methodology

The scope of our examination included review of the district's financial records during Fiscal Year 2023 (10-1-22 through 9-30-23) and Fiscal Year 2024 (10-1-23 through transition date 6-13-24). Examination methodology included review of the district's financial records, verification of County tax deposits with the Okaloosa County Tax Collector payment records, substantiating the collection of impact fees and confirming the district's Capital Assets.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to the objectives. This review was conducted in compliance with Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practice Framework issued by the Institute of Internal Auditors.

## Process

The Dorcas Fire District was initially created by section 2005-331, Laws of Florida. The district was an independent fire control district operating pursuant to the special act and the provisions of Chapter 191, Fl. Statutes. Dorcas Fire District operates as a local government entity (special District), and was organized in Okaloosa County, FL. under County Ordinance 84.39. The Organization provides volunteer fire and rescue support to the local community. The district collects ad valorem taxes from property owners who live within the boundaries of the district. The district also collects impact fees from residential and commercial new construction occurring within the district. The district boundaries include all sections east of the Shoal River and north of Eglin Air Force Base, on the north until the greater Almarante area, and on the west by Walton County. Chapter 2024-288 Florida Law transferred the district from an independent fire district to a dependent fire district on June 13, 2024.

## Testing

Testing included tracing each expense and deposit item recorded in the district's financial records to source documents to validate the correct posting of the entry and to ensure sufficient documentation regarding the expense and/or deposit was maintained by the district. Source documents included Okaloosa Tax Collector payment records, impact fee receipts, purchase receipts, invoices, deposit slips

and available check stubs. Confirmation of the district's capital assets included conducting a physical inventory of the two district locations, review of capital asset listings and depreciation schedules.

## Conclusion

In our opinion, Dorcas Fire District, Inc. was not well managed, well controlled, or effective at meeting its objectives. The district had documented operational and audit histories of insufficient or non-existent internal control policies. The district failed to timely submit required audit reports to the Florida Auditor General and remains at this time, non-compliant with Section 218.39(7), Florida Statutes. The district's Fire Chief, John Polinsky violated Section 112.3145(9)(c) {formerly Section 112.3145(B)(c)}, Florida Statutes by willfully failing to file a required CE Form 1, "Statement of Financial Interests". The State of Florida Commission on Ethics entered a Joint Stipulation of Fact, Law and Recommended Order, and a Final Order and Public Report consistent with the Stipulation recommending "removal from his public employment" on July 7, 2023.

The district did not have sufficient Board members to conduct district business or hold required meetings and only operational expenses were paid during the audit timeframe. The district's books were maintained on a fee-based schedule by one of the district's Board members. The authorized signatory on the district's bank accounts was her husband, who was also a Board member of the district. Our office was able to balance the district's books for the PNC Bank Impact Fee account # 5958 with the amount of funds remitted to the Okaloosa Clerk's Finance office (Clerk). We were unable to substantiate the accurate collection and deposit of the impact fees by the district due to a lack of documentation regarding the make-up of the impact fee deposits and incomplete impact fee receipt information. We were able to balance the district's operational account for PNC Bank account # 5819 with the district's books for FY 2023 and through May 31, 2024, in FY 2024. The district's books reflected a \$781.03 difference with the amount of funds provided the Clerk upon closure of the bank account.

Because our office was not provided with a final bank statement, and the districts books did not reflect all transactions that occurred in June 2024 we were unable to ascertain the origin of the difference. Many expense payments did not have accurate source documentation, this was mitigated by the fact that most of the payments were recurring monthly bills being paid automatically from the operations account. The district's books contained stale dated checks that did not clear the bank before the account was closed and contained double booked expense entries that were carried from FY 2023 to FY 2024 before being corrected. Voided checks found in the district's records had previously been signed by the check signatory before the checks were completed. Our office was not able to locate all the listed Capital assets during our physical inventory and a large percentage of the equipment, supplies and assets were outdated, unserviceable or in disrepair. An independent CPA firm was contracted by the district to conduct an audit of their FY 2022 financial information which is still ongoing. The results of that audit will yield numerous journal entries to the districts books at the end of FY 2022 which precludes this office from providing accurate FY 2023 and FY 2024 financial statements. The district's income for the period is reflected in the table below.

	FY 2023	FY2024
<b>INCOME</b>		
Impact Fee Income	\$45,364.40	\$52,656.90
County Tax Assessment Income	\$279,716.94	\$267,837.84
Request for Return of Funds	-\$59.30	
<b>Total Income</b>	<b>\$325,022.04</b>	<b>\$320,494.74</b>

**Finding 1:** The district could not conduct business as it lacked the required number of Directors.

**Criteria:** In order to effectively manage the district, the Fire District Board should maintain 5 Directors.

**Condition:** The current Fire District Board has only two members.

**Effect:** The district could not conduct business, approve budgets, hold meetings or make decisions meeting statutory requirements.

**Recommendation:** The district should maintain the required number of Fire District Board members.

**Finding 2:** The district did not maintain sufficient documentation of the impact fees collected.

**Criteria:** Deposits of impact fees should be supported by a reconciliation of the individual makeup of the deposit, not just the total amount of the deposit and impact fee receipts should be used in sequence.

**Condition:** Deposits made into the impact fee account did not provide a list of the individual amounts that made up the deposit total. Impact fee receipts were used out of sequence and not fully accounted for.

**Effect:** The impact fee deposits could not be matched with the impact fee receipts to verify the accuracy of the impact fee collections.

**Recommendation:** Impact fee collection and deposit documentation should include a listing of the individual amounts that comprise the total deposit amount and should be supported by sequenced receipt information.

**Finding 3:** The district's financial records were inaccurate and were not maintained in compliance with applicable laws and regulations.

**Criteria:** The district should maintain financial records that adhere to applicable laws and regulations.

**Condition:** The district's financial records had double booked entries, stale dated uncleared checks, lack of expense supporting documentation and required numerous adjusting and closing entries to provide accurate financial statements.

**Effect:** The district performs basic bookkeeping, which contained errors, and is not compliant with applicable laws and regulations.

**Recommendation:** The district should maintain financial records that comply with applicable laws, regulations and accounting standards.

**Finding 4:** Operational Risk existed due to the reliance on a bookkeeper who was also a Fire District Board member to maintain the books of the district.

**Criteria:** There should be a segregation of duties between management and those involved in entering financial transaction in the district's books and records.

**Condition:** A Fire District Board member was also the paid bookkeeper for the district.

**Effect:** Opportunity for fraudulent activity exists without appropriate segregation of duties.

**Recommendation:** A bookkeeper independent of a management role should be responsible for entering financial transactions.

**Finding 5:** Financial risk existed because the check signatory was the husband of the bookkeeper who paid the district's bills, and both were the only remaining board members.

**Criteria:** Individuals who maintain the district's books should not be able to influence those who authorize expenditures or sign the district's checks.

**Condition:** The district bookkeeper was married to the authorized signatory on the district's bank accounts, and both were board members.

**Effect:** The opportunity for either party to exercise undue influence over the other party existed due to the family relationship of the parties.

**Recommendation:** Authorized signatories on the district's bank accounts should be unrelated to those charged with the day-to-day bookkeeping and check preparation of the district.

## Management Response

The Dorcas Fire District Board during the timeframe of this audit was no longer operational and was not presented with the findings of the audit as they no longer maintained oversight of the district due to its transition to a dependent Fire District.