

APPROVED

**AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
8th Floor Conference Room
October 12, 2017, 5:00 PM**

<u>Board Member</u>	<u>Attendance</u>	<u>Cumulative Attendance</u> 10/1/17 – 9/30/18	
		<u>Present</u>	<u>Absent</u>
Martin Kurtz, Chair	P	1	0
D. Keith Cobb	P	1	0
Paul Czerwonka	P	1	0
Thomas Bradley	P	1	0

Staff Present

Linda Logan-Short, CFO and Deputy Director, Finance
Averill Dorsett, Director, Human Resources
Anthony Fajardo, Director, Sustainable Development
Alfred Battle, Deputy Director, Sustainable Development
Marco Hausy, Assistant City Auditor III
Laura Garcia, Controller, Finance
Pamela Winston, Senior Accountant, Finance
Stacy Spates, Administrative Assistant II, Parks
Sherrilynn Chess, Business Manager, DSD
Aukela Holloway, Management Analyst, Sustainable Development
Linda Picciolo, Board Liaison

Other Attendees

Michelle Blackstock, Crowe Horwath
John Weber, Crowe Horwath

Call to Order

Chairman Kurtz called the meeting to order at 5:01PM.

Roll Call

At the time of roll call, four (4) appointed members to the Board were present, allowing for a quorum.

Introduction and Welcome New Board Members

Chairman Kurtz noted that he has attempted to communicate with Commissioner McKenzie regarding the final vacancy on the board. At the last meeting, the Board was down to two members since Richard Owen had tendered his resignation at the end of his term. Two members were not enough to constitute a quorum, so Chairman Kurtz is happy to introduce two new members. He asked Paul Czerwonka, who is with Bank United, to say a few words. Paul was previously with Landmark Bank, now Centennial Bank. His former boss recruited him to Bank United after the Landmark sale was final. He started at Bank United in Fort Lauderdale last January. Chairman Kurtz welcomed Paul to the Board and introduced Thomas Bradley. Tom used to be the Senior Partner in charge of the City of Fort Lauderdale external audit for Ernst & Young. Tom Bradley took the floor and described himself as a recently retired CPA, having been in the business for about forty years. He was first with Arthur Andersen and then Ernst & Young. He ran the public sector practice with them for the Florida region and audited many large corporations. He was also the auditor to the City of Fort Lauderdale for over twenty years. Chairman Kurtz welcomed Tom to the Board and asked all present to introduce themselves for the benefit of the new Board members.

Keith Cobb has served on several Boards for the City. He was in public accounting with KPMG for thirty-two years and used to work in conjunction with the City many years ago. He used to handle the external audit for the City and was one of the folks responsible for implementing the current accounting system. Marty Kurtz is the Chairman of the Audit Advisory Board. He served on the Downtown Development Board back in the 1990's. He is also a CPA but worked more as a generalist with Peat Marwick.

Chairman Kurtz then requested the rest of the room make introductions, which they did.

Review of Meeting Minutes for Approval

Chairman Kurtz directed the review of the previous meeting minutes.

Chairman Kurtz asked for a motion to approve the July 27, 2017 meeting minutes. Keith Cobb made the motion to approve the minutes and Martin Kurtz seconded the motion. The meeting minutes passed unanimously in a voice vote as presented.

Floor Open for Public Input

Chairman Kurtz opened the floor for public input. No members of the public came forward.

Quarterly Audit Compliance Report – September 2017 - ACTS Update

Chairman Kurtz opened the discussion of the Quarterly Audit Compliance Report. He requested that several of the departments be present for this portion of the meeting. The ACTS Open Audit Findings came into play about three years ago. Prior to this report and tracking system, it was difficult to stay abreast of outstanding and open audit

findings. Once entered in the system, findings remain there until fully implemented and approved.

When the system was first set-up, the external audit findings totaled over thirty. Today they are down to zero. Only internal audit findings remain. Chairman Kurtz credits the ACTS system, the Audit Advisory Board, City Management, and the Finance Department for making such an effort and understanding the importance of dealing with the open audit findings.

The Audit Advisory Board gets a copy of the report each quarter and is able to discuss any of the items with the Department Heads or representatives.

Finance (FIN) – Chairman Kurtz asked to start with Finance. Linda Logan-Short, CFO and Deputy Director, began by explaining that Finance received an additional finding from the Cemetery audit conducted by the City Auditor's office. The City Treasurer is creating an internal control guide for investments to be complete by the end of the calendar year.

The other finding from last year is for the temporary staffing services. The policy went to upper management for review. Approved, it now needs implementation. The City Manager will be signing off in the next few weeks. Once it is in place, we will notify the City Auditor's office. They will confirm and mark the item as implemented.

Human Resources (HRD) – Chairman Kurtz asked the status of the Class & Compensation Study. Averill Dorsett, Director of Human Resources, was on-hand. She stated that it is about seventy-five to eighty percent complete. The market study is complete. Based on Department Directors' needs, they identified approximately one hundred different jobs. The classification re-structure is with the City Manager's office. The finalized report and complete study will not be ready until the very end of the calendar year or beginning of the New Year. For the benefit of the new Board members, Averill explained that the last class and compensation study was completed at least seventeen years ago for professional and management categories and close to twenty years ago for the collectively bargained groups. Approximately 450 job classifications needed updating and modernizing. There were jobs that still referred to "personnel" rather than "human resources" which has been the standard terminology for close to twenty years. HR is updating classifications by name, by job duties and by core competencies. It will fold into annual performance evaluations based on core competencies. After completion of the report, the results will take time for implementation. This could include wage increases or decreases, merges, or other changes. Currently, job classifications determine wages. Any changes will need review.

Keith Cobb asked how many employees are in the HR Department. Averill has forty-two full time employees. The number has fluctuated since 2004. The HR department consists of the following divisions: Recruitment and Assessment; Employee Relations; Risk Management, which includes the property and casualty side as well as benefits and worker's compensation; and Compensation and Classification. HR does

recruitment, onboarding, training, employee discipline, EEOC complaints, and some investigations. The Office of Professional Standards from the City Manager's office handles most. Finance processes payroll, but HR does have a small portion of it.

Tom Bradley asked about the September date of completion on the ACTS finding. Averill and Chairman Kurtz advised it was an estimated date and needs updating. Averill explained that the first piece of the Comp and Class study was for the Fair Labor Standards Act because President Obama had indicated they would raise the threshold for non-exempt employees.

Chairman Kurtz asked about the ACTS finding regarding training. The HR Department conducts supervisory training, compliance training which includes workplace violence, and sexual harassment and customer service training. A survey has been prepared for internal and external customers to find out their training needs. Once results are in, HR will structure additional training.

The policy for employee drivers has had some revision. At their anniversary, supervisors can check the employee driver's license online to make sure it is valid. Averill knows that Police and Fire follow this policy however, there is no mechanism to make sure the other departments follow suite. HR is purchasing a new performance evaluation system and will see about incorporating some type of verification process. The procedure will go to Structural Innovation with proposed changes and then for review by senior management for approval.

Chairman Kurtz asked about finding #5 on page 21 regarding ethics training. There has been no update. Averill stated that "values" training is scheduled but specific ethics training has not. The finding lists 2018 as the timeframe for completion. The year just started so there is time to address. Chairman Kurtz noted that the finding was from October 2015, so there needs to be a plan in place.

Cemetery System / Parks and Recreation (PKR) – Chairman Kurtz requested Stacy Spates, Administrative Assistant II, who oversees the cemetery system, come forward to give her update. Stacy came on board one and one-half years ago. Keith Cobb noted that many of the findings have completion dates in the next month or two. He asked if that is realistic. Stacy replied that most are however, a few are aggressive. She has been waiting for the final report from the procedures audit to support the operational audit. Hired through an informal bid process, Anthony Bronson is conducting the procedures audit. He has done work for the City in the past and will present the final report to the Cemetery Board on October 24, 2017.

Keith Cobb asked about Stacy's relationship with the Cemetery Board. He recalled that the Board tended to regard itself as a separate entity rather than part of the City. Stacy replied that the Cemetery Board is passionate about their responsibility. She believes there was some misinformation in the past that gave them the impression they could do things without City Commission approval. The City Attorney's office is now coming to every meeting to educate the Board on the formal processes of what they can and

cannot do. The Board appreciates the information and their intent is to do the right thing. At a recent meeting, the City Manager spelled out his role and Stacy's role. Keith Cobb asked about the make-up of the Board. There are ten members. The majority have been on the Board for at least three years. Some have served off and on for ten or more years. Each Commissioner has two appointments.

Tom Bradley asked about investments. The Cemetery fund has \$29 million invested with the outside investment advisers, SunTrust. SunTrust had been the advisor for about five years. Tom was curious about the investment training for the Board members. Linda Logan-Short explained that SunTrust is doing the investing however, by Florida Statutes, anyone on the Board who oversees investment activities must take a minimum eight hours of investment training annually. She was tasked this year of insuring that the Cemetery Board attended training. At this time, only four of the ten have complied. The Board is setting guidelines and SunTrust is doing the actual investing. The City does not oversee or guide those investments. The Board has the fiduciary responsibility, not the City. Stacy added that they do have an Investment Policy that outlines targets that the Board must follow. Chairman Kurtz inquired if it gave a balance between the types of investments and Stacy confirmed. Tom Bradley added that the Board set the policy with no oversight by the City. Stacy agreed. Linda added that the Board has always set the policy and it does not go to Commission. It is supposed to have an annual review. Stacy advised this came up in the operational audit, in the definitions of revenue and expenditures. The Investment Policy and the Cemetery Rules and Regulations terminology are consistent however; it is slightly different in the ordinance. SunTrust is willing to assist the Board if tasked with revising the Investment Policy.

Keith Cobb asked if Stacy had investigated any national standards. Stacy still has it on her agenda. When meeting at the joint workshop with the City Commission, they indicated they wanted all investments to be passive and not actively managed. The Board wants to continue to follow the established guidelines. The Mayor would like to hear from some industry experts. Stacy is at a standstill and SunTrust is waiting for direction. Keith mentioned that there have been abuses at other cemetery associations. It is a sensitive area and appropriate for the CFO and City Commission to be concerned. The Auditor's office also questioned the adequacy of the trust fund, if it will remain for the long term.

Linda Logan-Short wanted to correct the record and advise that the Investment Policy does go to Commission however, the last time was thirteen years ago. Stacy mentioned that the last changes made were in 2004. Chairman Kurtz asked if a review and possible revisions were under consideration. Stacy confirmed they were. The more she investigates the more work needs to be done. Language needs cleaned up; new products have come into the industry and need defined, etc.

An RFP for the new maintenance contract is with Procurement. The cemetery master plan went out last week.

Tom Bradley asked about a projection for the future of the \$29 million in the fund. Stacy is working with SunTrust. A recommendation of the audit was to bring in someone from outside. There are four properties; only three are active.

Stacy has eight findings left; three are material weaknesses. She is hoping to have more direction after the special meeting to discuss the audit on October 24.

Keith Cobb thanked Stacy for all of her efforts and the progress she is making. Chairman Kurtz noted she is focusing on the things noted as material weaknesses.

Tom Bradley asked about the money in the fund and noted it was a trust fund and not for use by the City. It came from people that purchased plots and grew as invested. The City owns the property. Stacy confirmed the Cemetery Board, City Manager, and Parks Management approved the plan. The Board had quite a bit of input and decided to fund the master plan out of the trust fund. The master plan covers expansion, development of property, the long-term plan, products, features, sea level rise, defining the character of each property, historical context, digital mapping, and other issues.

Chairman Kurtz asked about the updated monthly report for the inventory from earlier this year. Carriage Services did the inventory in May 2017 and is providing interment reports. There is some conflicting information and issues have come up from family members stating they had purchased plots. Carriage Services may have some internal control issues. She plans to address in the meeting on the 24th.

Sustainable Development (DSD) – Chairman Kurtz requested a representative from Sustainable Development come forward. Anthony Fajardo, Director, Sustainable Development, Alfred Battle, Deputy Director, and Sherrilynn Chess, Business Manager were available to answer questions. Chairman Kurtz asked about the lien process, which were the first two findings. Anthony Fajardo explained that the current system, Community Plus, is unable to provide the lien process system the department requires. In the interim, they have been using Laserfiche. The ultimate goal is to use Accela, which is currently in the implementation stage. With full implementation by October 2018, Accela is land management software that is very robust and scalable. Many departments are involved. Community Plus is a database that can run reports however, it is failing and no longer supported as a platform. Sherrilynn Chess noted that Accela has many features, including custom reporting and the ability to track multiple code violations on one property.

Chairman Kurtz mentioned that the Board was anxious to see this implemented since the finding was from 2011. Anthony agreed, but not at the expense of the project.

Tom Bradley noted that a report specified there are code liens receivable of \$153 million and wondered if that was a real number and if they were collectable. Linda Logan-Short commented that it is real however, some of the liens are close to twenty years old. Anthony replied that they would be mapping the data into the new software. Linda

explained that the old system was not able to do calculations, so the old info would need adjustment to reflect current amounts due. The amount may be even higher.

Keith Cobb asked for an explanation on how the lien occurs. Anthony explained that if it is an overgrown lawn violation, the City incurs the cost to correct the violation and then liens the property for that amount. That goes into the system. They do lien foreclosures on property that does not have homestead exemption. There is also a process for lien reductions. Some have liens that are higher than the property is worth. The number recorded does not always reflect the amount collected. Chairman Kurtz asked if the collection process would become timelier once the conversion to Accela is complete. Most liens remain uncollected until the property is sold.

Keith asked about the lien reduction process. Held in front of a special magistrate, he/she decides if they agree with the requested reduction, an alternative reduction, or no reduction. Many years ago, the City offered an amnesty program. Reported quarterly, liens tie into the property records. Fines and fees begin to build 24 to 48 hours after citing a property and can be from \$200 to \$1,000 per day until the owner comes into compliance. It goes up exponentially due to fines and interest. The number is real but hard to calculate. Linda could not put the amount on the books because it was difficult to get a substantiated real number. Once Accela is in place, it will be easier.

There is no periodic billing. When negotiating liens, recovering the cost to the City is the most important. There are specific notification requirements; however, it is possible that an owner could have forgotten about a lien.

Al Battle, Deputy Director, Sustainable Development, commented that they are seeing more voluntary recovery of funds now that the housing market has made a comeback. Paul Czerwonka noted that when refinancing a property, the bank ensures all liens are paid. Marco Hausy, Assistant City Auditor, added that in a down market when the banks have many foreclosures, the homes and liens sit.

To clarify, Linda Logan-Short explained that none of the \$153 million is on the books. A very high number is uncollectable, so it would show a high receivable as well as a high uncollectable number. Once the new system is in place, she should be able to audit.

Chairman Kurtz asked about the temporary staffing finding. A new written policy addresses temporary staffing contracts. The new policy requires more detail approval from Procurement and the City Manager's office. DSD will write a policy once the new policy is in place. The temporary staff came on as temporary City employees. All temporary employees converted to full time staff or no longer work for the City. DSD still uses contract employees for building permitting and plans examination. This is supplemental staff when out of compliance with Florida Statutes.

Chairman Kurtz asked if it was less expensive to hire staff rather than use temporary staffing. Linda Logan-Short explained it had to do with the contract rate charged by Albion verses the rate negotiated.

City Auditor Work Plan for F/Y 2018

Marco Hausy explained that John Herbst, City Auditor, was still in the process of finalizing the plan but had a family emergency. John would email the information to the Board as soon as possible. Chairman Kurtz asked if they were able to get to priorities because the Commission has them working on other items. Marco explained that they create their own audit plan each year. Because they are City auditors, they report to the Mayor and Commission and often given with special projects. There were a couple of years that they conducted no audits because of these projects, for example South Side School. They had to go back over ten to fifteen years of records. This year they completed two special projects.

For the benefit of the two new Board members, Chairman Kurtz confirmed that they had recently hired a construction auditor and an outside firm for some of the bigger projects.

External Audit Work Plan

Chairman Kurtz called on Michelle Blackstock and John Weber from Crowe Horwath to present their work plan. John and Michelle handed out their work plans and John directed everyone to page two, listing the Client Service Team. John is the Audit Partner, Michelle is the Senior Manager, Mischa is the In Charge Manager, and Craig is the Information Systems Partner.

On page three, Crowe would like to make sure the City is receiving exceptional service. A direct line is available for any issues.

John reviewed the Services and Deliverables on page four. Keith Cobb questioned the computation for the large-user wastewater treatment rate. This is to fulfill state requirements. Certain other cities also purchase wastewater from the City. The audit timeline is on page five. Keith noted that we have had problems with the GERS statements in the past. Linda Logan-Short believes it will be a problem this year as well. They switched over to a new custodial for investments and we are having a challenge reconciling those statements. To date we have only reconciled through May and have statements through June. All dates are critical with the GASB 67 presentation on January 8, 2018. Keith is an advocate for early delivery because as items lay around, more questions come up. Linda clarified we delivered everything on time however, it was stressful. GERS did a good thing by hiring Crowe as their auditor and it should be a quicker process. The effective date is the same date as the year-end, so it adds pressure to close out the year and get the information to Crowe. The final CAFR is due February 12, 2018. CAFR is the Comprehensive Annual Financial Report, which are financial statements from the City with an introductory section and statistical section.

The City received the Government Financial Officer Association CAFR award for the 40th straight year.

John then reviewed the required communication on page six and questioned the Board members regarding any fraud risk factors on page seven. All responses were negative.

Keith asked how long Crowe had been the auditor for the City. This is the first year of the second contract. The first contract was three years with two one-year extensions. The second contract is five years plus two one-year extensions to prevent a change during the implementation of the ERP. Keith asked if there are any restrictions on how long a partner can serve a public entity. There are no restrictions and John would be open to making a change if the City requested.

Tom Bradley asked about an IT auditor and cybersecurity. The City Auditor's office does not have an IT auditor however; IT has hired three security analysts. Alexandria who used to work in the Auditor's office is one of the security analysts. Linda noted that it is a challenging position to keep because of demand and pay scales in the marketplace. They report to the IT Director. Paul Czerwonka mentioned the City's systems being hacked. Linda explained the system was not hacked, but Anonymous tried to drop our website with too many hits. Crowe Horwath is looking at password protections, input and output controls, change management controls, and terminated employees in the IT audit. There were zero findings last year and nothing substantial has come up in the preliminary work.

Linda Logan-Short's only area of concern for the upcoming audit may be the single audit. There was some transition in personnel.

ERP Update

Linda Logan-Short provided the ERP update. Over two years ago, the City set out to upgrade the forty-year-old financial system that uses many manual processes. It decided on an Enterprise Resource Planning Solution. The hardware arrived and we were ready to start the test environment when we discovered the need for additional hardware. It will be two to three months, but once the test environment is up and running, the real work will begin. The ERP Manager recently left and a new project manager started this week. The challenge with IT employees is that they are in great demand and go where they pay the most. The three-month delay allows Finance time to complete the year-end audit. Finance will bring in some temporary staffing while setting up the ERP. The only stand-alone software installed is our investment software, SymPro. It will feed data into the ERP, but is a separate system. Laura Garcia, Controller, is the official project manager for the Finance side. Initially, the test environment was to take twelve months, running dual systems for a time until we go live. It will go into the following fiscal year. The Accela system will also tie-in and is in the final stages of implementation. They have done all of the mapping, loaded the land database, and are in the process of developing the G/L. Finance will be assisting to make sure they have a uniform chart of accounts for the State of Florida. Finance spends a lot of time performing manual processes, which leaves less time for analytic work on a regular basis. A new ERP will give us this time.

Chairman Kurtz opened the floor for additional questions. Tom Bradley asked about the FEMA reimbursement for FY 2017. Hourly employees will be reimbursed; salaried will not. Our estimate is close to \$30 million, with close to eighty percent reimbursed by FEMA. The President increased some of the reimbursements, and the State chips in, thereby reducing the cost to the City. Approximately \$26.5 million was put in the budget amendment earlier this year. Of that, \$3 million came from General Fund. Right now, we do PW's to FEMA with an account for each one we submit. We are tracking for the debris, supplies, and certain types of supplies, sewage, extra gasoline, and the labor. Last year Hurricane Matthew came through and gave us a true activation that made us much more prepared this year.

Communication to the City Commission

There was no communication to the City Commission.

Adjournment

The Board noted the next meeting date of January 25, 2018. Chairman Kurtz had a scheduling conflict and a discussion ensued regarding the next best meeting date. Tom Bradley made the motion to move the next meeting date to February 1, 2018. Keith Cobb seconded the motion and it passed unanimously in a voice vote.

The next regular meeting of the Audit Advisory Board is February 1, 2018,

The meeting adjourned at 6:34PM.

[Minutes prepared by Linda Picciolo, Board Liaison]



CITY OF FORT LAUDERDALE

STATUS OF OPEN AUDIT FINDINGS

**(Single Audit, Financial Audit, and
City Commission Audit)**

As of September 30, 2017



WE BUILD COMMUNITY





CITY OF FORT LAUDERDALE

OPEN AUDIT FINDINGS STATUS REPORT

The quarterly Status of Open Audit Finding Report is compiled by the City Manager's Office Budget/CIP and Grants Division based upon updates provided by departmental staff. This report provides the status of open audit findings from the external auditors and the City Commission Auditor's Office each quarter.

The External Auditor findings from the Single Audit and Financial Audit can only be closed once per year when the City's External Auditors conduct their review for the annual Comprehensive Annual Financial Report (CAFR).

The majority of the open audit findings are from the Commission Auditor's Office from prior year audits that were issued but not closed. The City Auditor has adopted a continuous audit approach utilizing the City's Audit Compliance Tracking System (ACTS) and quarterly report process. As departments implement the corrective action plans and upload supporting information and documentation into the ACTS system, they are required to notify the Commission Auditor that they believe a finding has been resolved. The Auditor's Office will continuously review these responses throughout the year and will notify the System Administrator in the Budget/CIP and Grants Division to close findings that have been cleared.

Department staff is required to review and update the status of each of their open findings on a quarterly basis. Following the update, a report is compiled and distributed to the City Manager and the Community Building Leadership Team. This report is presented to the Audit Advisory Board on a quarterly basis.



**STATUS OF OPEN AUDIT FINDINGS
AS OF SEPTEMBER 30, 2017
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COMMISSION AUDIT FINDINGS



City Manager's Office

Report #11/12-04 Compliance Review of the Bahia Mar Lease Agreement Observation 1

Issue No: 174

Date of Finding: 07/03/2012

Est. Completion Date: 07/23/2014

Responsible Person 1 rhenderson

Responsible Person 2

Correction Plan Status: Implemented

Next Milestone

Anticipated Date of Completion 10/30/2014

Final Date of Completion 03/31/2017

Department: City Manager

Audit Initiator Commission Audit

Title: Report #11/12-04 Compliance Review of the Bahia Mar Lease Agreement Observation 1

Issue / Observation While the lease agreement between the City of Fort Lauderdale and Bahia Mar has been in place since 1962, the City Auditor determined that during the years covered by our review there has essentially been no oversight of the lease terms by City staff. The complete lack of internal controls governing oversight and compliance with lease terms represents a material weakness.

Recommendation: No management response was included in the audit report.

Correction Plan: While it is clear that the City failed to administer the contract appropriately, it is also important to note that management made immediate changes to its oversight practices once it was brought to their attention.

Further, Bahia Mar staff have been extremely responsive in having their certified public accountant firm issue the required audited consolidated financial statements of Baton Holdco II L.L.C. and Subsidiaries, which includes the Bahia Mar Statement of Capital Improvement Reserve Account Balance and Rollforward of Carry-Over Capital Improvement Credit [see Exhibit D]. Based upon our review of these documents, we determined that Bahia Mar is operating in accordance with Article 15 as stated in the preceding paragraph. The CIRA has a carryover capital improvement credit balance in the amount of \$28,092,200, as of December 31, 2011.

Current Status: City staff has received from Rahn Bahia Mar LLC updated insurance information along with the financial statements and gross operating revenues as requested per the lease agreement. The tenant is current on all rent payments.

In addition, the City Manager's Office has created a Real Estate Policy and Procedure Guideline for contract (lease and licenses) administration purposes. The CMO has submitted all relevant documents to the City Auditor's Office for final review.

Review of the Proposed Budget for Fiscal Year 2017/2018

Issue No: 400
Date of Finding: 08/25/2017
Est. Completion Date: 09/06/2017
Responsible Person 1 bsmith
Responsible Person 2 lreece
Correction Plan Status: Implemented

Name	Title	Department
Barbara Smith	Administrative Assistant II	City Manager
Laura Reece	Budget Manager	City Manager

Finding Type: Observation

Next Milestone

Anticipated Date of Completion

Final Date of Completion 09/06/2017

Department: City Manager

Audit Initiator Commission Audit

Title: Review of the Proposed Budget for Fiscal Year 2017/2018

Issue / Observation

At this time we do not believe that the budget of the primary government is balanced. All known and determinable revenues and expenditures are reasonable and materially correct, except as otherwise described below. In addition, the priorities established in the Commission Annual Action Plan all show funding allocations in the coming year. Please note that Management's responses to our comments are included in the report. We have reviewed those responses and believe that they appropriately address the concerns raised by us. Section 129.03(3)(b) Florida Statutes requires that the taxing authority advertise the proposed Budget Summary as follows:
 An adjacent Budget Summary advertisement meeting the requirements of section 129.03(3)(b), F.S., must accompany all required TRIM advertisements. This summary will show for each budget and the total of all budgets the proposed tax millages; balances; and reserves and total of each major classification of receipts and expenditures, classified

Recommendation:

The current year's budget included estimated revenue of \$13 million from the issuance of parking revenue bonds to support the Las Olas Marina Garage construction project. Since those bonds were not issued, the project is presently underfunded and the shortfall will need to be made up from other sources before the fiscal yearend. Accordingly, the Capital Project Fund will have a reduced balance available to be carried over for future spending, as the revenue was never received.

Correction Plan:

Management Response – The September 6th consolidated budget amendment will include the appropriation of Parking Fund Balance and the temporary abandonment of projects funded in the Parking Fund to replace the proposed bond funds until such time financing can be secured.

Current Status:

The September 6th consolidated budget amendment included the appropriation of Parking Fund Balance and the temporary abandonment of projects funded in the Parking Fund to replace the proposed bond funds until such time financing can be secured.

Review of the Proposed Budget for Fiscal Year 2017/2018

Observation 2

Issue No: 402

Date of Finding: 08/25/2017

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	bsmith	Barbara Smith	Administrative Assistant II	City Manager
<u>Responsible Person 2</u>	lreece	Laura Reece	Budget Manager	City Manager

Correction Plan Status: Implemented Finding Type: Observation

Next Milestone

Anticipated Date of Completion

Final Date of Completion 09/30/2017

Department: City Manager

Audit Initiator Commission Audit

Title: Review of the Proposed Budget for Fiscal Year 2017/2018 Observation 2

Issue / Observation Funding for Police and Fire Department salaries may be insufficient, depending on the outcome of collective bargaining for those contracts ending September 30, 2017.

Recommendation:

Correction Plan: Management Response – Management agrees. If the outcome of collective bargaining results in salaries higher than amounts budgeted than the City would likely still be able to maintain a structurally balanced budget as many of the FY 2018 expenditures are one-time in nature and the proposed General Fund budget is balanced without the use of fund balance. The FY 2018 proposed budget includes known salary increases and estimates for future salary increases based upon historical information.

Current Status: The Budget CIP/Grants Division will closely monitor the outcome of collective bargaining results and if salaries are higher than amounts budgeted the City will still be able to maintain a structurally balanced budget.

Review of the Proposed Budget for Fiscal Year 2017/2018

Observation 3

Issue No: 403

Date of Finding: 08/25/2017

Est. Completion Date: 09/06/2017

		Name	Title	Department
<u>Responsible Person 1</u>	bsmith	Barbara Smith	Administrative Assistant II	City Manager
<u>Responsible Person 2</u>	lreece	Laura Reece	Budget Manager	City Manager

Correction Plan Status: Implemented

Finding Type: Observation

Next Milestone

Anticipated Date of Completion

Final Date of Completion 09/06/2017

Department: City Manager

Audit Initiator Commission Audit

Title: Review of the Proposed Budget for Fiscal Year 2017/2018 Observation 3

Issue / Observation Inconsistency: FY 2018 reclassified the Pension Special Obligation Bonds Debt Service as an operating expenditure vs. FY 2017 Adopted Budget that still reflects it as a transfer out.

Recommendation: The City Manager should consider highlighting those changes to enhance comparability between years.

Correction Plan: Management Response – Management agrees. Management will add a footnote to the budget schedule to explain this change. It is important to note that this change was made at the request of the Budget Advisory Board (BAB). The Budget Advisory Board opined that showing a pension related cost as a fund level transfer misrepresented the true cost of personal services, especially for the Police Department and Fire Department and argued that it was important for the budget document to transparently reflect the full cost of service in each department.

Current Status: A footnote was added to the FY 2018 Final All Funds Budget schedule explaining the change in reporting of the Pension Special Obligation Bonds Debt Service.

Community Redevelopment Agency

Operational Audit of the City of Fort Lauderdale CRA - Observation 3

Issue No: 335

Date of Finding: 10/28/2016

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	martinv	Vanessa Martin	Business Manager	Community Redevelopment Agency
<u>Responsible Person 2</u>				

Correction Plan Status: Partially Implemented

Finding Type: Deficiency

Next Milestone 6/30/2017

Anticipated Date of Completion 08/01/2017

Final Date of Completion 09/30/2017

Department: Community Redevelopment Agency

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale CRA - Observation 3

Issue / Observation Condition
In the past three years the North West Progresso (NWP) Community Redevelopment Agency (CRA) did not meet their established benchmarks as it applies to the disposal of properties.

Criteria

The 2013 5-Year Program "Strategic Objectives, Goals and Measurements" states:
Strategically redevelop all vacant, underutilized sites to be compatible with the overall vision of the CRA.
Agency goal – Dispose of 20% of city-owned and CRA owned properties within the NWP CRA each year.
Measure – success to be measured by the number of properties disposed of with CRA Board or City Commission approval.

Cause

There was a lack of monitoring, measurement, and corrective action of the aforementioned goal.

Impact

Holding onto property without a plan for timely redevelopment is not in furtherance of the NWP CRA goals of fostering economic development. Additionally, TIF revenue for the CRA is lost as long as the property stays off the tax roll.

Recommendation: The CRA Executive Director should require CRA management to develop an action plan to assure benchmarks are being met.

Correction Plan:

Staff agrees with the City Auditor's opinion that holding onto property without a plan for timely redevelopment is not a goal of the CRA. As a result, staff believes that the best way to ensure that the properties are on the tax role is via a competitive process. The competitive process should require that all respondents to the Request for Proposal (RFP) to present a project that would be consistent with the vision of the CRA and is the highest and best use for the property.

In order to ensure success, the CRA will need to secure City-owned lots (that are within the NWPF CRA) and establish a process that would be consistent with the goals of redevelopment and the CRA Plan. Staff has completed the appraisals on the City-owned lots that are within the NWPF CRA and will schedule an item for City Commission discussion in November or December 2016. At that time, staff will request that certain City-owned lots be donated to the CRA, in furtherance of redevelopment.

Lastly, staff has begun visioning discussions with the CRA Advisory Board. The discussions are centered on the types of industries and businesses to attract to the CRA and the best locations in the CRA for those businesses. Through these discussions, staff will develop a marketing plan that will address our planned use for each CRA-owned and City-owned lot and identify the types of businesses and developers which to target our marketing.

Current Status:

Resolutions were approved by the City and the CRA.

The Title Company provided final drafts of the Quit Claim Deeds which are pending signatures and legal recordings.

Review of the Proposed Budget for Fiscal Year 2017/2018

Observation 1

Issue No: 401

Date of Finding: 08/25/2017

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	martinv	Vanessa Martin	Business Manager	Community Redevelopment Agency
<u>Responsible Person 2</u>				

Correction Plan Status: Partially Implemented

Finding Type: Observation

Next Milestone Hire CPA

Anticipated Date of Completion 09/30/2018

Final Date of Completion 09/30/2018

Department: Community Redevelopment Agency

Audit Initiator Commission Audit

Title: Review of the Proposed Budget for Fiscal Year 2017/2018 Observation 1

Issue / Observation The CRA hired a third party Real Estate Appraiser, Harry Newstreet, to verify the CRA tax rolls as accurate. In an email from him:
 "The steps taken included a review of the enabling resolutions and ordinances, a review of applicable maps and section sheets and a spot check of the rolls as provided by your office."

Recommendation: His review did not ascertain whether all new construction completed during the year, based upon certificates of occupancy, were included on the appropriate tax roll with credit to the CRA.

Correction Plan: Management Response – Management agrees. The Community Redevelopment Agency (CRA) will engage the services of a Certified Public Accountant for a full review of CRA properties on the tax roll each year to ensure that new properties are appropriately classified as CRA properties in lieu of the more limited scope of review performed for the 2017 tax roll.

Current Status: The Community Redevelopment Agency (CRA) will solicit services of a CPA firm prior to June 1, 2018 to review tax rolls for Central Beach, North West CRA and Central City CRA.

Finance

Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 - Ob 1

Issue No: 285
Date of Finding: 10/26/2015

Est. Completion Date: 09/30/2016

		Name	Title	Department
<u>Responsible Person 1</u>	jalvarez	Jennifer Alvarez	Procurement Manager	Finance
<u>Responsible Person 2</u>	aharrison	Ashley Harrison	Management Analyst	Finance

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone policy

Anticipated Date of Completion 09/30/2017

Final Date of Completion

Department: Finance

Audit Initiator Commission Audit

Title: Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 - Ob 1

Issue / Observation Condition:
 No written policies or procedures exist for the procurement of temporary services.

Criteria:
 Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
 58. Establishes policies and procedure to support deployment of management's directives.
 59. Establishes responsibilities and accountability for executing policies and procedures.
 60. Performs in a timely manner.
 61. Takes corrective action.

Cause:
 Written policies or procedures have not been developed for managing temporary services.

Impact:
 Lacking effective oversight, DSD took it upon themselves to create their own method of operating, leading to inappropriate position classification and excessive rates of pay.

Recommendation: The City Auditor's Office (CAO) recommends that the City Manager assign responsibility for the development of policies and procedures applicable to the procurement of temporary services, and training to develop additional awareness for adhering to contract terms.

Correction Plan: Management agrees with this recommendation. Management believes that outside agency temporary services should be used in very narrow and prescribed circumstances. Management would prefer that the majority of temporary assignments be filled by the use of a City administered temporary assignment. The Finance and Human Resources Departments will collaborate in developing organizational policies to be followed when it is deemed necessary and appropriate to engage an external temporary services provider. The estimated time frame to complete this objective is 90 days.

Current Status: The drafted policy was presented to management at the September 25, 2017 meeting. Staff will have time to make comments and a second discussion will take place at the October 9, 2017 meeting.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 8

Issue No: 316

Date of Finding: 06/29/2016

Est. Completion Date: 10/31/2017

Responsible Person 1

aharrison

Name	Title	Department
Ashley Harrison	Management Analyst	Finance

Responsible Person 2

Correction Plan Status: Partially Implemented

Finding Type: Deficiency

Next Milestone Finance

Anticipated Date of Completion 09/30/2018

Final Date of Completion 09/30/2018

Department: Finance

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 8

Issue / Observation Condition

Florida Statutes and the Cemetery System's Investment Policy require internal control procedures for the Trust Fund. Neither the Finance nor the Parks Departments were able to provide the internal control procedures for the CAO's review.

Criteria

Section 218.415 (13) of Florida Statutes states: "Internal Controls. – The investment policy shall provide for a system of internal controls and operational procedures. The unit of local government's officials responsible for making investment decisions or chief financial officer shall establish a system of internal controls which shall be in writing and made a part of the governmental entity's operational procedures. The investment policy shall provide for review of such controls by independent auditors as part of any financial audit periodically required of the unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, and misrepresentation by

Recommendation:

The City Manager should require that the Finance Department establish a system of internal controls and related procedures for the Trust Fund as stated in Florida Statue 218.415; Subsection 13, and the Cemetery Perpetual Care Trust Fund Investment Policies; Section XII, Internal Controls; Subsection A.

Correction Plan:

Management concurs with the finding and recommendation.

The Finance Department will lead the efforts of developing a system of internal controls and related procedures for the Trust Fund.

Current Status:

As of September 22, 2017, the Budget/CIP and Grants Division recommends that this audit finding be reassigned to the Finance Department. After an in depth review the Finance Department will lead the efforts to comply with Florida Statute 218.415, Subsection 13. The Cemetery Liaison will work cooperatively with Finance on these efforts.

Human Resources

Report #09/10-01 Audit of the Human Resources Department Finding 8 - Job Descriptions

Issue No: 94
Date of Finding: 12/29/2009
Est. Completion Date: 09/29/2017

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Study

Anticipated Date of Completion 08/31/2017

Final Date of Completion 09/30/2017

Department: Human Resources

Audit Initiator Commission Audit

Title: Report #09/10-01 Audit of the Human Resources Department Finding 8 - Job Descriptions

Issue / Observation Condition:
 The City Auditors Office (CAO) found during the examination of employee job descriptions that Human Resources Department (HRD) is not actively reviewing and revising job descriptions to accurately reflect actual job functions. Of the 10 job descriptions reviewed, 8 (80%) had not been updated in the past 7 years. Moreover, 6 out of 10 (60%) had not been updated in more than 18 years. Additionally, CAO found that few job descriptions properly describe the essential functions of the position.

Criteria:
 Under the Committee of Sponsoring Organizations (COSO) framework Internal or Control Environment component 1.2 "Commitment to competence" the analysis of required skills and job descriptions are a standard element of the internal control system. Accurate and up to date job descriptions are necessary to provide prospective and existing employees with a correct depiction of their duties and functions. Job descriptions should include those essential functions.

Recommendation: The City Manager should require the Director of HRD to initiate a project to review job descriptions to assure they accurately reflect the actual position as well as include a correct statement of essential job functions. Additionally, the CAO recommends that the Director of HRD institute a new policy whereby all job descriptions will be reviewed and updated by department directors and recruitment staff before a new personnel requisition is issued.

Correction Plan: The City has approximately 550 job classifications. Due to staffing restrictions, HRD is not equipped to take on the task of updating all the job descriptions as one project. HRD is currently updating the job descriptions when a requisition for new personnel is received and when a request for reclassification of a position is made. The revisions that are being made include separating the examples of duties into "essential job duties" and "additional job duties". They will also include the physical requirements of the job and working conditions. As time permits, HRD staff will continue to revise the job descriptions as part of an ongoing long-term project.

Current Status: The Classification and Compensation Study is under review by the City Manager's Office before implementation.

Report #09/10-01 Audit of the Human Resources Department Finding 9 - Succession Planning

Issue No: 95
Date of Finding: 12/29/2009

Est. Completion Date: 09/29/2017

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Study

Anticipated Date of Completion 07/31/2017

Final Date of Completion 09/30/2017

Department: Human Resources

Audit Initiator Commission Audit

Title: Report #09/10-01 Audit of the Human Resources Department Finding 9 - Succession Planning

Issue / Observation Condition:
 The City does not actively engage in employee succession planning and mentoring for key functions/positions throughout the City and many such positions lack written policies and detailed procedures. Under the Committee of Sponsoring Organizations (COSO) framework Internal Control Environment component 1.2 "Commitment to Competence", succession planning is a standard element of the internal control environment. It helps to ensure a smooth transition, minimize disruption and mitigate costs resulting from the loss of institutional knowledge when long-term employees leave the organization.

Cause:
 Management has not mandated succession planning and the development of standard operating procedures for all departments.

Impact:
 Without formal succession planning and mentoring, the City risks decreased efficiency, effectiveness and quality of service delivery as new employees attempt to gain sufficient knowledge to perform the key aspects of their jobs.

Recommendation: The City Manager should instruct all department directors to develop a comprehensive employee succession/mentoring plan for key functions/positions within their respective departments. Moreover, a significant component of a successful employee succession/mentoring plan is a having a regularly updated set of written policies and procedures for each of these key functions/positions. This recommendation is further emphasized in Finding 1.

Correction Plan: Succession planning in its truest sense may be difficult to accomplish in the public sector given Personnel Rules, seniority considerations among bargaining units, etc; however, the human resources department (HRD) will continue to work with City departments on workforce planning and identification of key skills that must be maintained within the department.

One of HRD's future initiatives is to develop a comprehensive succession planning program. However other foundational components are required before implementation, such as: the development of Citywide Values and Competencies aligned with career ladders. Once these components are in place, HRD can develop a robust succession planning program.

Current Status:

The Classification and Compensation Study is under review by the City Manager's Office before implementation.

Report #09/10-01 Audit of the Human Resources Department Auditor Comment 3 - Training

Issue No: 100

Date of Finding: 12/29/2009

Est. Completion Date: 12/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Survey

Anticipated Date of Completion 12/31/2017

Final Date of Completion 12/31/2017

Department: Human Resources

Audit Initiator Commission Audit

Title: Report #09/10-01 Audit of the Human Resources Department Auditor Comment 3 - Training

Issue / Observation Condition:
 The City Auditors Office's (CAO's) review of the Human Resources Department's (HRD's) efforts to meet stakeholder needs and expectations revealed that they are not proactively seeking input from either internal or external customers to gauge user satisfaction with the quality and effectiveness of the services HRD provides. Furthermore, HRD staff is not currently receiving customer service training, which is of paramount importance for a department that primarily exists to provide services to other departments within the government.

Criteria:
 Under the Committee of Sponsoring Organizations (COSO) framework Information and Communication component 4.1 "Mechanisms that support information flow inside the organization", internal survey processes and component 4.2 "Mechanisms that support information flow outside the organization", external surveys are a standard element of the internal control system.

Recommendation: The City Manager should require the Director of HRD to:
 1. Develop and conduct an annual survey of job applicants and City employees to inquire about their level of satisfaction with the array of services provided by HRD. The survey results should be analyzed and used as a planning tool to promote and prioritize service delivery improvements.
 2. Provide HRD staff with annual customer service training to ensure that staff responds to service requests with a customer focused approach.

Correction Plan: HRD will explore the possibility of conducting an annual customer service survey. Staff will receive customer service training budget permitting.

Current Status: HR Survey questions are under review by the division managers and department director. The rollout of the survey should be no later than 12/31/2017

Report #10/11-01 Audit of Controlled Substances of the Fire Rescue Department Observation 3

Issue No: 115

Date of Finding: 10/15/2010

Est. Completion Date: 12/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone PSM Review

Anticipated Date of Completion 08/31/2017

Final Date of Completion 12/31/2017

Department: Human Resources

Audit Initiator Commission Audit

Title: Report #10/11-01 Audit of Controlled Substances of the Fire Rescue Department Observation 3

Issue / Observation Condition
 The City Auditors Office (CAO) found that new employee drivers licenses and driving history requirements, per the policy standard manual (PSM) 6.16.1.1, do not account for the number of citations issued to potential City drivers.

Criteria:
 Under the Committee of Sponsoring Organizations (COSO) framework Internal or Control Environment component 1.2 "Commitment to competence", analysis of skills required and job descriptions are fundamental elements of an effective internal control environment.

Recommendation: The CAO recommends that the City Manager require the Director of Human Resources to revise the PSM regarding driver history and licensing requirements to include language regarding the number of traffic citations received/issued to potential City drivers as exists with current employee drivers.

Correction Plan: The Fire-Rescue Department (FRD) checks the status of each firefighters once a year and does a 7 year history for tickets and validity. The state has changed their policy and now charges for ticket history. To adapt to this, the FRD checks twice a year to see if FRD employees possess a current license (this is at no charge vs. \$5 per license for a 7 year history).

Current Status: The Human Resources (HR) staff has made recommendations for the PSM revisions that are currently under review by the HR Director. Once the revisions are approved the PSM will go before the City Manager's Office for review and approval prior to implementation.

Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9

Issue No: 237

Date of Finding: 12/29/2009

Est. Completion Date: 09/28/2018

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Manual

Anticipated Date of Completion 03/30/2018

Final Date of Completion 09/28/2018

Department: Human Resources

Audit Initiator Commission Audit

Title: Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9

Issue / Observation Condition
 The City Auditor's Office (CAO) found that Human Resources Department (HRD) does not publish a comprehensive employee handbook. Instead, HRD relies on the combined information contained in the specific union contracts, the policy standard manual (PSM), and the Personnel Rules. These combined documents serve to provide information on many of the topics typically covered in the sample of employee handbooks reviewed by the CAO as well as best practice literature. However, the CAO noted that it was difficult and time consuming to research specific items from among the various sources, which collectively substitute for a traditional employee handbook. This is not a user-friendly method and can leave staff confused and without complete and accurate information.

Recommendation: The City Manager should require the Director of HRD to:

1. Create and publish an employee handbook and/or,
2. Create a matrix by employee-type and include hyperlinks on the HRD website that would serve to centralize and guide both union and non-union employees to pertinent information pertaining to the City's various policies and procedures as well as other important employee information.

Correction Plan: Employee handbooks typically contain various policies, including standards of conduct, such as workplace violence, discrimination, anti harassment, and benefits. While the City does not have one official document entitled "Employee Handbook", the previously described information can be found in the City's Personnel Rules, Policy and Standards Manual, Pay Plan Ordinance and the various collective bargaining agreements. The compilation of such information into one document would require a significant outlay of staff resources. Additionally, because an employee handbook is often the focus of employment related litigation, any compilation or drafting of a citywide employment manual would require the involvement of the City Attorney's office and/or outside counsel for constant review and updating. In light of the above, HRD does not agree with the CAO's recommendation.

REBUTTAL

The CAO feels strongly that employee handbooks are such an important resource as to be almost universal in their use. We are unaware of any organization of our size that fails to have a comprehensive handbook to educate and inform employees of their rights, benefits and obligations. While the production of such a resource may be time consuming and detailed, the benefits to the employees far outweighs the cost to the City.

Current Status:

The creation of an Employee Handbook has been temporarily delayed due to a recent initiative led by the Structural Innovation Division to update and revise the City's Policy and Standards Manual - (PSM). The Human Resources Department is also recommending to the Civil Service Board, and ultimately the City Commission, substantial changes to the Personnel Rules. Once the revisions have been approved, the PSM and Personnel Rules will be user-friendly and accessible to employees, which should correct the initial concerns raised in this finding. To resolve concerns that employees may be unaware of the rules and regulations governing their positions, the Human Resources Department has links available on its website and has continued to advertise, through various trainings, the availability of this information is on the City's intranet Lauderlink.

Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 5

Issue No: 294

Date of Finding: 10/26/2015

Est. Completion Date: 09/28/2018

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Curriculum

Anticipated Date of Completion 03/30/2018

Final Date of Completion 09/28/2018

Department: Human Resources

Audit Initiator Commission Audit

Title: Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 5

Issue / Observation DSD's agenda item, CAM 15-1040 dated August 18, 2015 (See Exhibit C), seeking ratification of the overspending and increased budget for additional temporary staffing, provided misleading information regarding the reasons for the overspending.

Recommendation: The City Auditor's Office (CAO) recommends that the City Manager require senior management to:

Memorandum No: 15-25 Page 7

- Ensure that accurate and complete information is provided to the City Commission.
- Hold staff accountable for misrepresentation and perpetuation of problems.
- Conduct ethics training to focus on adherence to the City's core values
- Work to change the culture to promote "results with integrity".

Correction Plan: Management agrees with this recommendation. Human Resources (HR) has been tasked with developing ethics training for all City employees commencing this fiscal year with a one-time mandatory training session and continuing in the future as part of annual compliance training sessions; the training will include a discussion of transparency in information dissemination. However, it should be noted that the CAM approval process is a collaborative process, which includes many different levels of review. This particular CAM had not been fully reviewed by all necessary parties. Upon review it was determined that additional critical information was missing. The CAM was pulled from the review process prior to being submitted to the Commission. Additionally, it was DSD and Procurement staff which initially identified the potential overspending issue, and brought it to management's attention. The projected time frame from commencement to completion of the one-time mandatory training of employees is the first 120 to 180 days of 2016.

Current Status: Human Resources in conjunction with the Office of Professional Standards and Attorney's Office will develop the curriculum for Ethics Training. This may require assistance from an outside source for implementation. The rollout will be in FY2018.

Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 1

Issue No: 298
Date of Finding: 10/26/2015

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	adorsett	Averill Dorsett	Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	kdavis	Keela Black Davis	Administrative Assistant II	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone RFP

Anticipated Date of Completion 05/31/2016

Final Date of Completion 09/30/2017

Department: Human Resources

Audit Initiator Commission Audit

Title: Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 1

Issue / Observation The official position classification system is being undermined by DSD through the use of "working titles".

Recommendation: The City Auditor's Office (CAO) recommends that the City Manager require the DSD Director to utilize approved titles only. If the creation of a new position is deemed necessary after a desk audit by Human Resources, an ordinance change establishing the position must be enacted.

Correction Plan: Management agrees with this recommendation. The use of working titles is being minimized to the extent possible across the City organization, and is no longer used by DSD. Additionally, a selection has recently been made for the vacant Classification and Compensation Manager in the Human Resources Department. One of the first priorities for this new manager is to facilitate the process for the hiring of a professional firm to conduct a comprehensive classification study of job titles, job responsibilities and classifications throughout the organization. This study will assist in identifying and aligning job titles to work being performed.

Current Status: The Classification and Compensation Study is under review by the City Manager's Office before implementation.

Parks and Recreation

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 4

Issue No: 309
Date of Finding: 06/29/2016

Est. Completion Date: 11/01/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Report

Anticipated Date of Completion 11/01/2017

Final Date of Completion 11/01/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 4

Issue / Observation Condition

The Finance Department did not properly account for the total revenues and expenditures of the Trust Fund in accordance with generally accepted accounting principles (GAAP). The management fees to Carriage were netted against the revenue due to the City from the sale of plots, crypts, niches, internments, entombments, inurnments, and merchandise. In addition, Carriage failed to remit to the Trust Fund 19% of the revenue from finance charges and from sales of second rights and double depth plots.

Auditor's Note:

For example, Carriage contributes 19% of net sales of each lot or plot and mausoleum crypt to the Trust Fund. The net sale here does not include revenue from finance charges and sales of second rights or double depth. Based on the City Auditor's Office (CAO) understanding of City Ordinance – Section 10-47, 19% should come from gross sales, including revenue from finance charges and sales of second rights and double depth.

Recommendation: The City Manager should require the Finance Department to review applicable accounting standards and to account for all the money Carriage collected for the sales of plots, crypts, niches, internments, entombments, inurnments, merchandise, as well as amounts paid to Carriage for all services rendered by the company. Those revenues and expenditures should be included in the Comprehensive Annual Financial Report (CAFR).

The City Manager should require the Finance and Parks Departments to obtain accounts receivable information from Carriage in order to provide effective monitoring of the collections and related contribution to the Trust Fund.

In addition, the Finance and Parks Departments should work with Carriage to recover the amount not collected for the Trust Fund since the renewal of the last contract. The Parks Department should enhance its monitoring procedure to ensure that the Trust Fund receives all the money required under Section 10-47 of the City's Code of Ordinances.

Correction Plan:

Management concurs with the finding and recommendation related to the City receiving revenue from finance charges and obtaining accounts receivable information from Carriage.

(1) "Carriage failed to remit to the Trust Fund 19% of the revenue from finance charges and from sales of second rights and double depth plots." Staff will work with Carriage Services to ensure that the City received 19% on all revenue. Estimated date of implementation is December 1, 2016.

(2) "The City Manager should require the Finance and Parks Departments to obtain accounts receivable information from Carriage in order to provide effective monitoring of the collections and related contribution to the Trust Fund."

The Parks and Recreation Department will work with the Finance Department to obtain accounts receivable information from Carriage Services in order to provide effective monitoring of the collections and related contribution to the Trust Fund. Estimated date of implementation is August 30, 2016.

Current Status:

As of September 22, 2017, the Agreed Upon Procedures Audit (AUP) examined accounts receivable information 2015 and 2016 to determine whether payments from Carriage are accurate. The preliminary draft report is being reviewed by the City Auditor's office for an opinion. The scope of the audit may lead to examining a wider timeframe.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 6

Issue No: 313
Date of Finding: 06/29/2016
Est. Completion Date: 10/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Agenda
Anticipated Date of Completion 10/31/2017

Final Date of Completion 10/31/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 6

Issue / Observation Condition
 CAO noted two large sales of more than six grave spaces to an individual or an entity. Two of thirty contracts were signed with the purchase of six grave sites or more. One purchaser paid for twelve grave spaces utilizing a City resident discount, and another paid the full price for ten graves spaces.

Criteria
 Sec. 6-2. Of City's Cemetery Rules & Regulations (page 16) states that "an individual or entity may purchase no more than six (6) internment rights and internment services".

Cause
 Carriage is not following the City's Cemetery Rules and Regulations.

Impact
 By not enforcing the purchase limit rules, the plots could be sold out sooner than anticipated. In addition, residents and entities of Fort Lauderdale could purchase plots at a 25% discount and possibly resell them at a higher amount.

Recommendation: The City Manager should require that the Parks Department monitor the sales contracts to ensure that Carriage adheres to the City's Cemetery Rules and Regulations and put in place a system of accountability to prevent the sale of more than six plots in the future.

Correction Plan:

Management concurs with the finding and recommendation.

Under Section II of the City's Cemetery Rules and Regulation, Private Family Estates are defined as a multi-space structure, either wholly or partially aboveground, located in designated areas only, and used solely for the entombment of the owner and others designated by the owner. Private Family Estates enable the City to have the ability to market the cemeteries as premiere properties since these estate sites are offered at other competitor cemeteries. A contract for the sale of a private family estate is subject to approval by the Cemetery Board of Trustees.

Due to Private Family Estates not being defined by ordinance, staff will propose an amendment of the Rules and Regulations, exempting Private Family Estates from Sec. 6-2. The proposed amendment to the Rules and Regulations will be brought before the Cemetery Board of Trustees and the City Commission for approval. Estimated date of implementation is October 1, 2016.

Additionally, the Cemetery Liaison will continue to conduct a monthly audit of all sales contracts to ensure that Carriage adheres to the City's Cemetery Rules and Regulations.

Current Status:

As of September 22, 2017, the Cemetery Liaison continues to monitor sales contracts to ensure that Carriage adheres to the Cemetery's Rules and Regulations to prevent the sale of more than six plots. This excludes private estate mausoleums.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 7

Issue No: 314
Date of Finding: 06/29/2016

Est. Completion Date: 10/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone policy

Anticipated Date of Completion 10/31/2017

Final Date of Completion 10/31/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 7

Issue / Observation Condition
 The Cemetery Board improperly determined that 19% of the total amount received from the sale of each lot or plot, crypts, and niches belongs to the corpus of the Trust Fund.
 Note: The Trust Fund has built up to more than \$25 million.

Criteria

- (1): Code of Ordinance Sec. 10-47. Municipal Cemetery System Fund.
 - (a) Perpetual care trust. There shall be a perpetual care trust comprised of the following income sources and authorized expenditures:
 - (1) Income. There shall be set aside and deposited in the perpetual care trust:
 - a. Nineteen (19) percent of the total amount received from the sale of each lot or plot, columbarium niche and mausoleum crypt; and
 - b. For each memorial, monument, marker or bench sold or installed or both in the cemetery system, twenty cents (\$.20) per square inch of the top surface of bronze markers and the top surface of the base of stone monuments.
 - (2) Expenditure. The income of the perpetual care trust shall be used only for the following purp

Recommendation: The City Manager should revise and update the Cemetery Rules and Regulations and related Investment Policy to accurately represent the intent of the City Ordinance or change the City Ordinance to accurately reflect the Rules and Regulations and related Investment Policy.

Auditor Note:

The City Ordinance was adopted in 1986, amended and updated in 2004. The Rules and Regulations and Investment Policy were adopted in 1990, amended and updated in 2004.

Correction Plan: Management concurs in principle with the finding and recommendation. Staff will bring the investment policy and the Cemetery Rules and Regulations to Cemetery Board of Trustees for further discussion and determine the need to accurately define the corpus consistently throughout all documents. Management will proceed with bringing this issue to the City Commission as a conference item.

Current Status: As of September 22, 2017, staff will consult with the City Manager on the best course of action for revisions.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 9

Issue No: 317

Date of Finding: 06/29/2016

Est. Completion Date: 11/01/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Policy

Anticipated Date of Completion 11/01/2017

Final Date of Completion 11/01/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 9

Issue / Observation Condition

In regard to SOPs and training, the CAO noted the following:

1. The Parks Department has not established SOPs for effective and consistent monitoring of contracts between the City and Carriage.
2. The Cemetery Liaison does not have the required eight hours of investment training.
3. The members of the Cemetery Board have not received investment training for the purpose of overseeing public fund investments.

Criteria

Section 218.415 (14) of Florida Statutes requires continuing education for government officials and states "The investment policy shall provide for the continuing education of the unit of local government's officials responsible for making investment decisions or chief financial officer. Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products."

Recommendation: The City Manager should require that the Parks Department develop SOPs and related training manuals for the operation of the Cemetery System. In addition, the Cemetery Liaison and Cemetery Board members must receive the required eight (8) hours of public fund investment training related to investment practices and products.

Correction Plan: Management concurs with the finding and recommendation.

The Parks and Recreation Department will develop standard operating procedures and related training manuals for the continuity of operations of the Cemetery System. Estimated date of implementation is August 1, 2017.

As stated in the Investment Policy, the Cemetery Board of Trustees is designated as trustor of the Perpetual Care Trust Fund and is responsible for administering the investment program. The Cemetery Board of Trustees should consider training in public fund investments. Estimated date of implementation is August 10, 2017.

Current Status:

As of September 22, 2017, the process of developing Standard Operating Procedures (SOPs) is still in process.

The Cemetery Liaison and 4 out of 10 Cemetery Board members received the required eight hours of public fund investment training.

Operational Audit of the City of Fort Lauderdale Cemetery System - Observation 4

Issue No: 318
Date of Finding: 06/29/2016

Est. Completion Date: 12/01/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Study

Anticipated Date of Completion 12/01/2017

Final Date of Completion 12/01/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Observation 4

Issue / Observation Condition

Regarding a long term study of the adequacy of the Trust Fund for perpetual maintenance and of the Trust Fund's investment strategy, we noted the following:

- The Trust Fund balance for the period ending 9/30/2014 is approximate \$25 million, which seems excessive considering the lack of maintenance and the visual appearance of the cemeteries. The current repair and maintenance costs are approximately \$500,000 annually and there is no analysis to review the appropriate level of the corpus.
- SunTrust's quarterly investment statement does not describe the investment styles of the funds in the portfolio.
- The Trust Fund investment portfolio managed by SunTrust underperformed vs. policy benchmarks, blended benchmarks or S&P 500 in every period and in each category from year-to-date or from inception-to-date for the period ending June 30, 2015.
- The City has not conducted a study to evaluate the adequacy of the Trust Fund.
- The Parks Department has not conducted a study

Recommendation: The City Manager should consider hiring an independent consultant with knowledge of cemetery operations to conduct a study for the best long-term course of action concerning the management of the Trust Fund and the desired level of funds needed to provide for perpetual care.

The City Manager and Parks Department should request that SunTrust provide full descriptions for each investment in their quarterly portfolio presentation.

Finally, the City Manager should consider retaining an independent consultant to conduct a review of the current investment strategy. More specifically, the review should compare the current active strategy with a passive investment strategy to determine whether a passive investment strategy with lower fees can better meet the goals and objectives of the Trust Fund.

Auditor Note: A Request for Proposal (RFP) was issued for a comprehensive cemetery master plan; however it has been placed on hold at the direction of the Cemetery Board of Trustees.

Correction Plan: Management concurs with the recommendation and will proceed as directed by the City Manager. Staff will place this item on the Cemetery Board of Trustees agenda for further consideration.

Current Status:

As of September 22, 2017, a Request for Proposal (RFP) for a comprehensive cemetery master plan is scheduled to be released by Procurement on September 28, 2017.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 10

Issue No: 319

Date of Finding: 06/29/2016

Est. Completion Date: 12/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone RFP

Anticipated Date of Completion 12/31/2017

Final Date of Completion 12/31/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 10

Issue / Observation Condition

The RFP and contract for cemetery management did not include a requirement for a “Standards for Attestation Engagement (SSAE) 16 Report - Reporting on Controls at a Service Organization”.

Criteria

All outsourced functions that delegate the processing of financial information, utilize personally identifiable information or contain healthcare details covered by HIPPA, are required to have an SSAE 16 report.

SSAE 16, SOC 1 - Report on controls at a service organization relevant to a user entity's internal control over financial reporting. A type 1 report focuses on a description of a service organization's system and on the suitability of the design of its controls to achieve the related control objectives included in the description, as of a specified date. A type 2 report contains the same opinions as a type 1 report with the addition of an opinion on the operating effectiveness of the controls to achieve the related control objectives included in the description thr

Recommendation: The City Manager should amend the current contract to include a requirement for an SSAE 16 - “Reporting on Controls at a Service Organization” SOC 1, type 2 report.

Correction Plan: Management concurs with the finding and recommendation. The Parks and Recreation Department will address this recommendation in the next RFP for Cemetery Management Services requiring the future contractor to provide the SSAE 16 - “Reporting on Controls at a Service Organization” SOC 1, type 2 report. Estimated date of implementation is December 31, 2017.

Current Status: As of September 22, 2017, the Parks and Recreation Department will address this finding in the next Request For Proposal (RFP) for Cemetery Management Services requiring the future contractor to provide the SSAE 16 - Reporting on Controls at a Service Organization SOC 1, type 2 report.

The Cemetery Management Services RFP is completed and with Procurement for processing.

Carriage Services contract expires September 30, 2018.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 11

Issue No: 320
Date of Finding: 06/29/2016

Est. Completion Date: 10/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Report

Anticipated Date of Completion 10/31/2017

Final Date of Completion 10/31/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 11

Issue / Observation Condition
 The Parks Department does not maintain document control of the "Cemetery Interment Rights Purchase/Security Agreement" forms known as the "contract". Carriage orders blank contracts from a print shop with sequential document numbers, and then assigns a limited number (normally ten copies at a time) of blank contracts to several of their sales agents. However, there is no inventory of the pre-numbered forms, with a log indicating what numbers are assigned to which salesperson, a record of voided forms, and a list of completed forms to permit a reconciliation and accounting of all contracts.

Criteria
 Under the COSO framework, Control Activities, Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Reconciliations, physical safeguarding and access control, and proper form design are fundamental elements of effective internal control.

Recommendation: The City Manager should require the Parks Department to maintain contracts in proper sequential order, accounting for any missing sequence contract number, and investigate any missing contract documents.

Correction Plan: Management concurs in principle with the finding and recommendation.

The Cemetery Liaison reviews all contracts on a monthly basis to ensure compliance. The Liaison can obtain access to Carriage's information system to account for any missing sequence contract numbers. Estimated date of implementation is May 31, 2017.

Current Status: As of September 22, 2017, the Agreed-Upon Procedures Audit (AUP) report exposed deficiencies with current internal control procedures in place for contract documents. The preliminary draft report is being reviewed by the City Auditor's office for an opinion on the next best course of action.

Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 12

Issue No: 321

Date of Finding: 06/29/2016

Est. Completion Date: 12/31/2017

		Name	Title	Department
<u>Responsible Person 1</u>	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
<u>Responsible Person 2</u>	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone RFP

Anticipated Date of Completion 12/31/2017

Final Date of Completion 12/31/2017

Department: Parks & Recreation

Audit Initiator Commission Audit

Title: Operational Audit of the City of Fort Lauderdale Cemetery System - Finding 12

Issue / Observation Condition

The Parks Department does not maintain proper plot inventory records.

Criteria

Under the Committee of Sponsoring Organizations (of the Treadway Commission COSO) framework, Control Activities, Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Reconciliations, physical safeguarding and access control, and annual inventories are fundamental elements of effective internal control.

Cause

Some of the causes include:

- The Parks Department has not performed land/plot inventory for many years.
- There seems to be a lack of understanding in the performance of job duties.
- There is a lack of formal training and Standard Operating Procedures (SOPs).
- There is a lack of internal controls over the accountability of plots.

Recommendation: The City Manager should require the Parks Department to maintain accurate plot inventory records, including beginning plot inventory, plots available for sale, plots sold during the year, and ending inventory.

Furthermore, the City Manager should consider requiring that the future contract include a provision that digital cemetery map systems be implemented in all city cemeteries.

Correction Plan: Management concurs with the finding and recommendation. The Parks and Recreation Department shall require the future contract include a provision for digital cemetery map systems. Estimated date of implementation is December 30, 2017.

Current Status: As of September 22, 2017, the Cemetery Management Services Request For Proposal is with Procurement for release.

Department of Sustainable Development

Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 2

Issue No: 108
Date of Finding: 10/24/2011
Est. Completion Date: 10/31/2018

		Name	Title	Department
<u>Responsible Person 1</u>	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
<u>Responsible Person 2</u>	schess	Sherrilynn Chess	Business Manager	Sustainable Development

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Timelines
Anticipated Date of Completion 10/31/2018
Final Date of Completion 10/31/2018

Department: Sustainable Development
Audit Initiator Commission Audit

Title: Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 2

Issue / Observation Condition
 The City of Fort Lauderdale is not reporting code liens in accordance with generally accepted accounting principles (GAAP), specifically Governmental Accounting Standards Board (GASB) 33.
 Auditor Note: The City Auditor's Office (CAO) has communicated the potential financial reporting issue to the external auditor for their consideration.

Criteria
 GASB Statement No. 33 establishes accounting and financial reporting standards for imposed nonexchange revenue transactions – governments are required to recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

Recommendation: The CAO recommends that the City Manager require the following:
 1. The Director of the Building Department work in conjunction with the Finance Director to determine the total outstanding code lien receivables owed to the City.
 2. The Director of the Building Department develop a policy to communicate to the Finance Department when liens are established, the amounts that are accruing, and payments received.
 3. The Director of the Building Department develop a policy for the City Commission's consideration to set the minimum acceptable level for code lien settlements to allow the Finance Department to determine the net collectible receivable to be recorded in the financial statements, in accordance with GASB 33.

Correction Plan:
 1) Management concurs. The Director will work with the Finance Department and Information Technology (IT) to enhance the current Community Plus software to provide the ability to determine the total outstanding code liens and fines owed to the City at any given time. If the current software is not capable of such enhancement, a replacement product will be sought.
 2) Management concurs. The Director will develop a policy to communicate to the Finance Department when liens are established, the amounts that are accruing, and payments received. The current software enhancement should include the ability to communicate and share this information with Finance. If that is not possible, an alternate software product should be sought as stated above.
 3) Management concurs. The Director will develop a policy and will make recommendations to the City Commission for setting minimum acceptable levels for Code lien settlements to allow the Finance Department to determine the net collectible receivable.

Current Status:

Building Services Division personnel were recently trained on a program called Laserfiche. The Laserfiche program is document management software that can be used to increase efficiency and streamline repetitive, manual processes. This software solution is an interim step towards electronic plan review and will provide electronic document storage. In addition to the above, Simeon Ivanov, our new project manager in charge of implementing our new Accela Land Management software, started with the City in October of last year. In the 6 months since the official launch of the City-wide land management system implementation strategy in December of last year, the project team has been busy covering initial system training, ongoing planning, and To-Be analysis working sessions. The team is excited to report that it has been able to decrease the overall project duration by one and a half months. Originally, the Go-Live date was forecasted to be December 2018, but the work thus so far has accelerated our expectations and our new projected Go-Live date is October 2018. A project newsletter has been submitted with images of work in progress and more detailed information.

Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 3

Issue No: 109
Date of Finding: 10/24/2011
Est. Completion Date: 10/31/2018

		Name	Title	Department
<u>Responsible Person 1</u>	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
<u>Responsible Person 2</u>	schess	Sherrilynn Chess	Business Manager	Sustainable Development

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Timelines
Anticipated Date of Completion 10/31/2018
Final Date of Completion 10/31/2018

Department: Sustainable Development
Audit Initiator Commission Audit

Title: Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 3

Issue / Observation Condition
 The current management information system, "Community Plus", does not appear to meet Code Enforcement's needs. For example, a complete listing of all outstanding code liens and their associated values cannot be produced.
 See also City Auditor's Office (CAO) Report #07/08-10, "Audit of the Code Enforcement Division", Condition/Cause, "Community Plus has the ability to generate custom reports however, Code Enforcement Division (CED) staff rarely use this functionality due to the lack of practical guidance materials. CED management personnel were given training on how to use Community Plus to generate custom reports but were not provided with a desk reference manual with step-by-step screenshots."
 Auditor Note: The Information Technology Department (IT) provided the CAO with a "Code Enforcement Fine Report" listing all outstanding liens and associated value on 10/3/2011. The report indicated 2,802 outstanding liens, with a fine and lien value of \$153,430,449.

Recommendation: The CAO recommends that the City Manager require the Director of the Building Department to work in cooperation with Finance, Information Technology, and the software service provider to evaluate Code Enforcement's management information needs and implement a system capable of meeting those requirements.
 Auditor Note: See also CAO Report #07/08-10 p.9, "Audit of the Code Enforcement Division", Management Response, "Generally reports directly available through Community Plus are not sufficient to meet division needs as they lack essential data."

Correction Plan: Management concurs. The Director will work in cooperation with Finance, Information Technology, and the software service provider to evaluate Code Enforcement's management information needs and implement a system capable of meeting those requirements, including reports with essential data sufficient to meet division needs.

Current Status:

Building Services Division personnel were recently trained on a program called Laserfiche. The Laserfiche program is document management software that can be used to increase efficiency and streamline repetitive, manual processes. This software solution is an interim step towards electronic plan review and will provide electronic document storage. In addition to the above, Simeon Ivanov, our new project manager in charge of implementing our new Accela Land Management software, started with the City in October of last year. In the 6 months since the official launch of the City-wide land management system implementation strategy in December of last year, the project team has been busy covering initial system training, ongoing planning, and To-Be analysis working sessions. The team is excited to report that it has been able to decrease the overall project duration by one and a half months. Originally, the Go-Live date was forecasted to be December 2018, but the work thus far has accelerated our expectations and our new projected Go-Live date is October 2018. A project newsletter has been submitted with images of work in progress and more detailed information.

Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 - Ob 6

Issue No: 291
Date of Finding: 10/26/2015

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
<u>Responsible Person 2</u>	schess	Sherrilynn Chess	Business Manager	Sustainable Development

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone hire staff

Anticipated Date of Completion 09/30/2017

Final Date of Completion 09/30/2017

Department: Sustainable Development

Audit Initiator Commission Audit

Title: Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 - Ob 6

Issue / Observation DSD lacked a clearly defined plan, other than the use of temporary staff, to meet increased departmental workloads. Temporary staffing was used for over 2 years, making them in effect an undisclosed permanent component of DSD's employee headcount.

Recommendation: The City Auditor's Office (CAO) recommends that the City Manager require the DSD Director to develop a clearly defined level of staffing needed to meet current and projected demands for service.

Correction Plan: Management agrees with this recommendation. Development trends are typically fluid with private investment responding to changing market conditions. These fluctuations can occur throughout the year and vary dramatically from one fiscal year to the next. DSD has responded to the cyclical spikes in permitting activity by requesting and receiving 35 new full-time regular positions in the FY 2015 and FY 2016 adopted budgets. Of these positions, 11 specific to the Building Division were requested and approved as a mid-year budget amendment in 2015 (Exhibit 2) demonstrating a proactive approach for meeting the increased demands for service .

Current Status: The Building Services Division has placed a renewed importance on curbing unlicensed contractor activity and cracking down on unpermitted work. By allowing these activities to continue in the south Florida market, construction costs increase and fraud exists, eroding public confidence in quality workmanship. These issues have a negative effect on the success of real estate development in the City of Fort Lauderdale. After re-evaluating operations, management has added eight (8) additional full-time positions to the FY 2018 adopted budget. These positions are needed to curb this activity while also completing the permitting process more efficiently.

Also, the department utilizes two types of temporary employees contract staff through a private provider for technical positions in the permitting process, including engineering and landscaping, contract renewed for FY 2018. The other type of temporary employee is hired through the city's NeoGov process and assigned to the department on an annual basis, if funding is available. The department will be defining a policy and procedure outline for the use of temporary staffing.

Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 4

Issue No: 295

Date of Finding: 10/26/2015

Est. Completion Date: 09/30/2017

		Name	Title	Department
<u>Responsible Person 1</u>	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
<u>Responsible Person 2</u>	schess	Sherrilynn Chess	Business Manager	Sustainable Development

Correction Plan Status: Implemented Finding Type: Deficiency

Next Milestone training

Anticipated Date of Completion 09/30/2017

Final Date of Completion 09/30/2017

Department: Sustainable Development

Audit Initiator Commission Audit

Title: Review of Temporary Staffing within the Department of Sustainable Development (DSD) #15/16-02 Fin 4

Issue / Observation DSD used Building Permit funds for purposes other than included as allowable charges to enforce the Florida Building Code in accordance with the Florida Statute 553.80 (7)(a).

Recommendation: The City Auditor's Office (CAO) recommends that the City Manager require the DSD Director to:

- Train appropriate DSD personnel on the allowable uses of Building Permit funds in accordance with Florida Statute 553.80 (7)(a) and to establish processes that will prevent misuse.
- Reimburse the Building Permit Fund for any improper charges.

Correction Plan: Management agrees with this recommendation. During the creation of the FY 2016 Budget, DSD management recognized that most of the charges for temporary staffing services for FY 2015 were incorrectly charged to the Building Fund. After finding the error, staff worked with the Budget Office to estimate the anticipated charges and prepared an internal fund transfer to cover the charges that were eligible to be covered by the Building Fund. The expenditure transfer was completed on October 15, 2015 (Exhibit 3). Moving forward, DSD management will be charging the appropriate fund for the related staffing services. Also, as previously mentioned regarding the improvement of internal controls, the Deputy Director assigned to focus on internal operations is tasked to work with the Financial Administrator to implement internal controls, develop administrative policies and procedures, and identify and apply timely corrective actions throughout the department.

Current Status: The Department of Sustainable Development has approved and implemented the procedure to allocate the expenditure as well as the procedure to audit the allocation process. Documents have been submitted and an email notification has been sent to the City Auditor's office and to the Budget CIP/Grants Division.

Client Service Plan

September 30, 2017

City of Fort Lauderdale, Florida

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Crowe Horwath LLP
Independent Member Crowe Horwath International

City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

We appreciate the opportunity to discuss with you various issues related to planning our audit services, and gaining an understanding of your expectations of us as your independent public accountants.

We will discuss with you how we plan to assist you to meet your needs, share our proposed client service plan, and review other key issues related to the audit. It is our philosophy to continually improve the quality of our service. We look forward to any comments you or others may have on our service. This client service plan should be considered a working document which will be updated during our meeting. We welcome your recommendations for additions or changes so that we can best meet all of your needs. An engagement letter for our services will provide a complete description of the services to be provided with the related terms and conditions.

Thank you for the opportunity to discuss the client service plan. We look forward to assisting you.

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John Weber
Crowe Horwath LLP

Crowe Client Service Team

Role	Name	Phone	Email	Definition of Role
Client Relations/Audit Partner	John Weber	813.209.2585	john.weber@crowehorwath.com	John will work with our engagement team to understand your expectations and ensure that your needs are met through the delivery of our services. John is also the partner signing our reports on your financial statements.
Audit Senior Manager	Michelle Blackstock	954.202.2924	michelle.blackstock@crowehorwath.com	Michelle will oversee the execution of the audit, focusing on overseeing engagement management and on accounting and financial reporting matters.
In Charge	Mischa Freystaetter	954.202.8573	mischa.freystaetter@crowehorwath.com	Mischa will oversee the execution of the audit and accounting and financial reporting matters.
Information Systems Partner	Craig Sullivan	574.236.7618	craig.sullivan@crowehorwath.com	Craig will oversee the identification and testing of the information systems risks and controls related to the financial statements and internal control audits.

Client Experience

Why Do Our Clients Choose Crowe?

Clients tell us when our technical expertise, industry knowledge, and applied technology come together, exceptional service and value result. At Crowe Horwath LLP, we take pride in our relationships with our clients. Our vision is that our people come to work every day motivated to provide our clients with an exceptional experience in every interaction and to help our professionals maintain objectivity in the delivery of our services.



How Do We Do This?

We have learned from our clients that there are certain attributes important to their overall experience, and each client perceives value differently. To help us meet our clients' expectations, we conduct an engagement survey that allows our clients to evaluate our performance. Proof of this can be found in what our clients say about us, in our client engagement survey results, and through recognition we've received from client experience organizations.

In addition, if a client is faced with a challenge or issue that is unresolvable with their Crowe partner, we encourage clients to contact our dedicated client feedback manager by calling 877.430.3900, or emailing clientfeedback@crowehorwath.com. The client feedback manager works with our clients and Crowe leaders to understand the issue(s), and resolve the situation while ensuring that similar circumstances do not happen again.

Crowe's Services and Deliverables

We are committed to providing you with the highest level of professional service and to exceeding your expectations. We wish to ensure that we have an understanding of the services we are to perform and the deliverables that we are to provide.

Service	Deliverable
Audit of the City's basic financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City of Fort Lauderdale Community Redevelopment Agency	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City of Fort Lauderdale General Employees' Retirement System	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City's compliance with the requirements applicable to each major federal program and state project	<ul style="list-style-type: none"> Independent auditor's report on compliance for each major federal program and state project and report on internal control over compliance
Communication of internal control deficiencies and other matters	<ul style="list-style-type: none"> Independent auditor's report on internal control over financial reporting and on compliance and other matters Schedule of findings and questioned costs Management letter in accordance with the Rules of the Florida Auditor General Letter to those charged with governance
Audit of the schedule of large user wastewater treatment rate computation	<ul style="list-style-type: none"> Independent auditor's report on the schedule of large user wastewater treatment rate computation
Examination of the City's compliance with the requirements of Section 218.415, Florida Statutes	<ul style="list-style-type: none"> Independent accountant's report on compliance with Section 218.415, Florida Statutes

Audit Timeline

To ensure we appropriately understand your expectations regarding the time frames for delivery and completion of our services, we wish to discuss with you the following draft timeline we have prepared.

Date	Activity
July 31, 2017	IT interim fieldwork
September 18 and 25, 2017	Interim fieldwork
October 16, 2017	IT year end fieldwork
November 27 through December 11, 2017	Community Redevelopment Agency and General Employees' Retirement System (GERS) year end fieldwork
December 11, 2017	Preliminary GERS statements available for actuary
January 15 through February 26, 2018	Year-end fieldwork
January 8, 2018	Actuary to provide GASB 67 report
January 25, 2018	Draft GERS financial statements to Audit Committee
January 25, 2018	Draft CAFR due to Crowe
February 1, 2018	Final GERS financial statements to Board of Trustees
February 12, 2018	Final CAFR due to Crowe
March 1, 2018	Meeting with Audit Advisory Board
March 20, 2018	City Commission Acceptance Meeting

Required Communication

Auditor's responsibilities under Generally Accepted Auditing Standards

- The auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
- The auditor is responsible for performing the audit in accordance with:
 - Generally accepted auditing standards
 - The standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States
- The design of the audit is to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.
- The auditor is responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.
- When applicable, the auditor is also responsible for communicating particular matters required by laws or regulations, by agreement with the entity or by additional requirements applicable to the engagement.
- Certain information prepared by management that will accompany the audited financial statements will not be subjected to the auditing procedures applied in the audit of the basic financial statements and therefore we will express no opinion on this information. This includes the introductory section, required supplemental information, management's discussion and analysis of financial condition and results of operations, and statistical tables included in the statements after the notes to financial statements.
- We will review the concept of materiality in our planning and will consider the internal control structure in determining our amounts.
- We will address the significant risks of material misstatement, whether due to fraud or error during our planned testing procedures.
- Internal control and the results of internal control testing will be a factor in determining the substantive testing performed.
- Whenever Crowe has determined that there is evidence that fraud may exist, that matter will be brought to the attention of an appropriate level of management. Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements will be reported directly to those charged with governance.
- We will assist in the preparation of the draft financial statements for the City of Fort Lauderdale Community Redevelopment Agency. With respect to other services provided, management is responsible for making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

Fraud Risk Factors

During the course of our audit, we make assessments of various business, fraud, and IT controls risk factors and tailor our audit procedures such that areas representing higher risk receive appropriate audit emphasis.

Consideration of fraud risk factors is required by Statement on Auditing Standards No. 99 (SAS No. 99) "Consideration of Fraud in a Financial Statement Audit", which discusses three conditions that are generally present for fraud to occur:

1. Management or employees have incentives or feel pressure to commit fraud.
2. Opportunity exists through controls being absent, weak or overridden.
3. Rationalization due to attitudes or pressures.

SAS No. 99 requires specific information gathering procedures to be performed by the auditor. The audit team is required to brainstorm for areas where the organization is at risk of fraud. Additionally, specific inquiry of management and those charged with governance related to their knowledge of suspected fraud is also required as is inquiry and discussions with others in the organization regarding suspicion of fraud. Directly resulting from these information gathering procedures and discussions is the identification of material fraud risk factors, which require additional procedures to be performed by the auditor to address such identified risk factors.

Discussion Regarding the Risk of Material Misstatement Due to Fraud:

Discussion Topics	Notable Issues
<ul style="list-style-type: none"> • Do you have any knowledge of any fraud or suspected fraud affecting the City? 	
<ul style="list-style-type: none"> • Are you aware of any allegations of fraud affecting the City? 	
<ul style="list-style-type: none"> • What are your views about the risks of fraud and tone at the top regarding fraudulent activity? 	
<ul style="list-style-type: none"> • Do you feel those charged with governance (City Commissioners) or others with equivalent authority and responsibility exercise oversight activities with regard to the risks of fraud and the controls the City has established to mitigate these risks? 	
<ul style="list-style-type: none"> • Are you aware of any tips or complaints regarding the City's financial reporting and, if so, the City's responses to such tips and complaints? 	
<ul style="list-style-type: none"> • Are you aware of matters relevant to the audit including violations or possible violations or laws or regulations? 	
<ul style="list-style-type: none"> • Are there any other matters related to the audit you would like to discuss with us? 	