APPROVED

AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
7th Floor Conference Room
Thursday, August 22, 2019, 5:00 PM

		Cumulative Attendance 10/1/18 – 9/30/19	
Board Member	**Attendance**	**Present**	**Absent**
D. Keith Cobb, Chairman	A	4	2
Paul Czerwonka	P	6	0
Thomas Bradley	P	6	0
Lane Hacker	P	1	0

Staff Present

Linda Short, Chief Financial Officer
Laura Garcia, Acting Deputy Director, Finance
Devin Carter, Acting Controller, Finance
John Herbst, City Auditor
Laura Reece, Director, Budget
Jerome Post, Deputy Director, Human Resources
Tarlesha Smith, Director, Human Resources
Ashley Feely, Management Analyst, Finance
Yvette Matthews, Senior Budget & Management Analyst
Kerry Arthurs, Administrative Supervisor, Human Resources
Debra Conyers, Board Liaison

Other Attendees

John Weber, Crowe, LLP

Unfinished Business

Paul Czerwonka made a motion to move Audit Advisory Board to Thursday, August 22, 2019. Lane Hacker seconded the motion. All in favor to reschedule meeting was approved unanimously in a voice vote.

Call to Order

Thomas Bradley called the meeting to order at 5:05 PM.

Roll Call

At the time of roll call, three appointed members to the Board were present, allowing for a quorum.

Review of Meeting Minutes for Approval

Tom Bradley directed the review of the previous meeting minutes.

He asked for a motion to approve the May 16, 2019 meeting minutes. Paul Czerwonka made the motion and Lane Hacker seconded. The meeting minutes were approved unanimously in a voice vote.

Floor Open for Public Input

Tom Bradley opened the floor for public input. No members of the public came forward.

Communication of FY 2020 Proposed Budget and Revenue Estimates

Laura Reece gave a brief overview of the FY2020 proposed budget process which started off in January. The Budget Office was challenged by the City Commission to reduce the revenues about 10 million dollars. Laura Reece discussed a few changes for FY2020.

Further discussion ensued between Laura Reece and Board members.

Quarterly Audit Compliance Report

Laura Reece started by explaining the process of the audits for new Board member Lane Hacker. She stated different audit types, which included external auditor, commission auditor, and grant auditors.

Linda Short stated to the Board that the City Auditor issued an audit report about the City's P-Card operations which will be documented in next Quarterly Audit Report. Each finding will be listed individually under one heading.

Further discussion regarding the Quarterly Audit Compliance Report ensued between Laura Reece, Board members, and City staff. (see attached handout)

FY2019 Financial Audit Tentative Timeline

John Weber stated the goal is for the City to provide them with a draft of the CAFR by February 21, 2020. Linda Short stated that the City will be doing the CAFR this year.

John Weber further spoke on the Fiscal Year 2019 Audit Timeline. (see handout)

City Auditor Update

John Herbst spoke about the P-Card audit and the two reasons of why the audit took so long. The P-Card audit was initially started by the previous Finance Director and was then expanded into a full-blown P-Card audit. The second reason was the discovery of fraudulent activity.

Linda Short explained how previous administration wanted everyone to get a P-Card to obtain and collect a rebate. She also spoke about how the program grew to issuing an estimated 700 cards to City employees. Ms. Short stated the P-card program has now scaled back the number of issued cards, lowered the limit to a thousand dollars, and receipt images are now loaded into our SunTrust approval system.

Further discussion ensued between John Herbst, Board members and City staff. (see attached handout)

ERP Update

Linda Short stated that ERP is moving along despite challenges with the City's financial system being down for five weeks and not having a back-up system. ERP is not ready to go live in its entirety. The focus is mainly on the core financial processes, which includes the general ledgers, account receivables, accounts payable and procurement aspects. Ms. Short still expects to meet the go live date of October 1, 2019. The deadline to decide if the City is ready to implement ERP is September 25, 2019. Finance is actively testing the ERP system.

John Herbst stated he has a different perspective on the ERP. He advised the City Manager of the risks of rushing the ERP and was not highly confident of the go live date. Mr. Herbst also stated the City is late in the project and over budget.

Other Business

Paul Czerwonka made a motion to move Audit Advisory Board to Thursday, November 7, 2019. Lane Hacker seconded the motion. All in favor to revise meeting was approved unanimously in a voice vote.

Communication to the City Commission

Motion made by Paul Czerwonka, seconded by Lane Hacker: The Audit Advisory Board is uncomfortable with the delays in the production of City financial statements due to the extremely late delivery of reports from the pension boards' actuaries. This has been a recurring problem for the past several years and the Audit Advisory Board requests the City Commission take some action to accelerate delivery of those actuarial reports. In a voice vote, the motion passed unanimously.

Adjournment

The next regular meeting of the Audit Advisory Board is November 7, 2019.

The meeting adjourned at 6:23 PM
[Minutes prepared by Debra Conyers, Board Liaison]

CITY OF FORT LAUDERDALE

STATUS OF OPEN AUDIT FINDINGS

(Single Audit, Programmatic Audit, and City Commission Audit)

As of June 30, 2019

WE BUILD COMMUNITY

All-America City

CITY OF FORT LAUDERDALE

OPEN AUDIT FINDINGS STATUS REPORT

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

There are currently 13 open audit findings, including observations. As departments implement the corrective action plans and upload supporting documentation into the Audit Compliance Tracking System (ACTS), they are required to notify the City Auditor that they believe a finding has been resolved. The City 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.

This quarter, two (2) new findings were added, both were identified as material weaknesses in the Fiscal Year (FY) 2018 Comprehensive Annual Financial Report. In addition, five (5) audit findings were closed, one (1) in the City Manager's Office, one (1) in the Human Resources Department and three (3) in the Parks and Recreation Department. The finding in the City Manager's Office was from the FY 2017 Single Audit, all other closed findings were associated with Commission Audits. The last status update related to the closed findings can be found in the "Finding Closed This Quarter" section of this report.

Department staff are 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.

The department breakdown is shown in the table below.

Number of Open Findings

DEPARTMENT	June 2015	June 2016	June 2017	June 2018	September 2018	December 2018	March 2019	June 2019
City Manager's Office	0	1	1	3 *	3 *	3 *	3 *	2 *
Community Redevelopment Agency	0	5	1	1	1	1	1	1
Finance	3	9	1	0	0	0	0	2 **
Fire-Rescue	9	0	0	0	0	0	0	0
Human Resources	8	7	7	7	7	5	5	4
Information Technology Services	3	2	0	0	0	0	0	0
Parks and Recreation	1	0	11	6	6	6	5	2
Public Works	8	1	0	0	0	0	0	0
Sustainable Development Department	8	7	4	2	2	2	2	2
Transportation and Mobility	0	0	0	0	0	0	0	0
TOTAL	**40**	**32**	**25**	**19**	**19**	**17**	**16**	**13**

** The two (2) open findings within the City Manager's Office come from a programmatic audit of the Consolidated Annual Performance and Evaluation Report submitted to the US Department of Housing and Urban Development (HUD).*
***The two (2) open findings within the Finance Department come from the Independent Auditor's Report of the financial statements in the FY 2018 Comprehensive Annual Financial Report.*
All other open findings/observations come from reports issued by the City Commission's Auditor.

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STATUS OF OPEN AUDIT FINDINGS
as of June 30, 2019
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Findings Closed This Quarter

Single Audit - Schedule of Expenditures of Federal Awards

Issue No:	414			
Date of Finding:	05/08/2018			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	lreece	Laura Reece	Budget Director	City Manager
Responsible Person 2	ymatthews	Yvette Matthews	Senior Budget & Management Analyst	City Manager
Correction Plan Status:	Implemented		Finding Type: Material Weakness	
Next Milestone	Approval of the updated Centralized Grants Policy.			
Milestone Date of Completion	09/30/2019			
Department:	City Manager			
Audit Initiator	Single Audit			
Title:	Single Audit - Schedule of Expenditures of Federal Awards			

Issue / Observation

We reviewed the state grant agreements associated with the state major programs and noted that the SEFA included the incorrect Catalog of State Financial Assistance (CSFA) number for the grant program identified above.

- Cause: The current review process to identify all grant programs and the related CSFA numbers failed to detect that the incorrect grant identification number from the grant agreement was used on the SEFA.
- Criteria or specific requirement: Controls should be in place and operating effectively to ensure accurate
and complete data on the SEFA.
- Condition: The incorrect Catalog of State Financial Assistance (CSFA) number was reported on the SEFA for the Chronic Homelessness Housing Collaborative grant program.
- Effect: Established controls were not followed and resulted in an incorrect CSFA number reported on the SEFA.

Recommendation:

Grant award information should be reviewed and updated on a regular and timely basis to ensure that the SEFA contains accurate information.

Correction Plan:

The CSFA number was incorrect on the original grant agreement, thus the CSFA number used on the SEFA was wrong. Subsequent to issuing the SEFA, the granting agency did advise the City that the CSFA number was inaccurate and that information was not remitted to the proper City officials to make sure that the changes were put into the City's systems. To make certain that future reporting incorporates all changes and corrections, the City will be updating its centralized grants administration policy to direct that the City Manager should be the centralized point of contact for all grant awards. The Budget/CIP and Grants Division will also be providing training on this topic to grants managers to ensure that all staff is aware of the policy update. This change to a central point of contact will ensure that future notifications related to grant awards will be handled timely and reported to the appropriate City officials.

Current Status:

The Fiscal Year 2018 Single Audit listed this issue as resolved.

To resolve the matter, the Finance Department and Budget/CIP and Grants Division hosted a joint training session on the Finance Process for Grant Managers on August 16, 2018. The training discussed the procedure for sharing updated award notices and articulated the responsibilities associated with ensuring the accuracy of the Schedule of Expenditures of Federal Awards (SEFA). In addition, the Centralized Grants Policy was updated to designate the City Manager as the centralized point of contact for grant award notices and modifications.

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			
Final Date of Completion	06/28/2019			
		Name	Title	Department
Responsible Person 1	tasmith	Tarlesha Smith	Director of Human Resources	Human Resources
Responsible Person 2	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources
Correction Plan Status:	Implemented		Finding Type:	Deficiency
Next Milestone	Determine Responsible Party for Ethics Training Implementation			
Milestone Date of Completion	03/29/2019			
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:

HR recommends this finding to be closed. HR has implemented ethics training for all new employees during new employee orientation through HR's Organizational and Development Division.

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

Issue No:	309			
Date of Finding:	06/29/2016			
Final Date of Completion	06/30/2019			
		Name	Title	Department
Responsible Person 1	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
Responsible Person 2	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation
Correction Plan Status:	Implemented		Finding Type:	Deficiency
Next Milestone	Obtain the City Auditor's approval to close the finding.			
Milestone Date of Completion	04/01/2019			
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:

The City has received the accounts receivable report from the former Cemetery contractor back in October/ November. The City is aware of the outstanding receivables (accounts) and is receiving payments on those accounts based on the contractual agreement entered into. The City will continue to collect installment payments for the duration of the payment terms.

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

Issue No:	313			
Date of Finding:	06/29/2016			
Final Date of Completion	06/30/2019			
		Name	Title	Department
Responsible Person 1	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
Responsible Person 2	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation
Correction Plan Status:	Implemented		Finding Type:	Deficiency
Next Milestone	Present Updated Cemetery Rules and Regulations to Commission			
Milestone Date of Completion	06/30/2019			
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 03/08/2019, the Cemetery Board completed its review of amendments to the Cemetery Rules and Regulations at their meeting on 03/06/2019. The Cemetery Board anticipates recommending changes to the Commission by June 2019.

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

Issue No:	318			
Date of Finding:	06/29/2016			
Final Date of Completion	06/30/2019			
		Name	Title	Department
Responsible Person 1	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
Responsible Person 2	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation
Correction Plan Status:	Implemented		Finding Type:	Deficiency
Next Milestone	Master Plan Implementation			
Milestone Date of Completion	06/30/2019			
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:

The Cemetary Master Plan Study was presented and accepted by the City Commission on April 16, 2019.

PROGRAMMATIC FINDINGS

City Manger's Office

FY2016 Consolidated Annual Performance and Evaluation Report (CAPER) - Quarterly Reports

Issue No:	412			
Date of Finding:	04/05/2018			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	rwilliams	Rachel Williams	HCD Manager	City Manager
Responsible Person 2	dcorcoran	Donna Corcoran	Accountant	City Manager
Correction Plan Status:	Implemented		Finding Type:	Deficiency
Next Milestone	Obtain an updated CAPER			
Milestone Date of Completion	09/30/2019			
Department:	City Manager			
Audit Initiator	3rd Party Auditor			
Title:	FY2016 Consolidated Annual Performance and Evaluation Report (CAPER) - Quarterly Reports			

Issue / Observation

A review of the City's Quarterly Performance Report (QPR) submittals revealed that QPRs have not been submitted for two or more consecutive reporting periods as noted below.
- NSP 1: QPR due dates: July 30, 2017; October 30, 2017; January 30, 2018
- NSP 3: QPR due dates: July 30, 2017; October 30, 2017; January 30, 2018

Criteria - The City is not in compliance with federal requirements as per Federal Register Nol.73 No. 194 dated October 6, 2008 §(11)(0) Page 58341, which states, that " ... each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter ... ".

Cause - Staff did not submit the QPR's in DRGR in a timely manner.

Effect- The City is in noncompliance with the regulations of the NSP programs.

Recommendation:

Corrective Action - In order to resolve this finding, the City must submit all outstanding QPRs and establish an internal system to ensure that QPR's are submitted no later than 30 days following the end of each quarter to avoid limitation on funds access. Please note that once QPRs are submitted, they must be prominently on the City's official website. Please submit systems in place within 30 days from receipt of this letter.

Correction Plan:

The Housing and Community Development (HCD) Division Financial Administrator (Laurie Conver) retired. A new Accountant (Donna Corcoran) and IDIS Officer (Kenyatta York) received DRGR Training in November 2017. The City has made several requests (exhibit 17) to HUD's Miami Field Office to reset access to the DRGR reporting system for the Housing and Community Development staff. Once the City receives notice of the DRGR reset, the City will submit the three (3) outstanding DRGR reports within 30 days of HUD's notification of the DRGR reset.

Current Status:

Staff gained access to submit the required reports in the Integrated Disbursements and Information System (IDIS). All Neighborhood Stabilization Program (NSP) Quarterly Progress Reports have been submitted and approved by HUD.

The finding will be closed once the 2018 CAPER Evaluation is issued.

FY2016 Consolidated Annual Performance and Evaluation Report (CAPER) - Slow Moving Activities

Issue No:	413			
Date of Finding:	04/05/2018			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	rwilliams	Rachel Williams	HCD Manager	City Manager
Responsible Person 2	dcorcoran	Donna Corcoran	Accountant	City Manager
Correction Plan Status:	Implemented		Finding Type:	Observation
Next Milestone	Obtain an updated CAPER.			
Milestone Date of Completion	09/30/2019			
Department:	City Manager			
Audit Initiator	3rd Party Auditor			
Title:	FY2016 Consolidated Annual Performance and Evaluation Report (CAPER) - Slow Moving Activities			

Issue / Observation

A review of the City's reporting data (IDIS Report# RC04PR02) - List of activities by program year and project, in the Integrated Disbursement and information System (IDIS) are showing a number of old funded activities with large balances, no draws made, or activities incorrectly reported.

Recommendation:

It's recommended that the City, where appropriate, accurately report on open activities with $0 balance and old activities with balances, as soon as possible, but no later than 30 days from receipt of this letter. By doing so, it will aid to avoid erroneous reporting and will assist the City in meeting its timeliness test.

Correction Plan:

The City has reviewed the items listed on the chart. The first 4 IDIS activities have a program year date of 1994 and shows as a zero balance. The City is requesting technical assistance from HUD to close out 1994 HOME, CDBG, and HOPWA programs.

IDIS Activity# 2302 - 632 NW 15 Terrace (exhibit 11)
- This activity has one final draw. The activity will be completed and closed no later than September 30, 2018

IDIS Activity# 2307 - New Vision CDC (exhibit 12)
- This activity is in progress with an outstanding balance of $46,417.02. The City expects the outstanding balance to be expended no later than September 30, 2018.

IDIS Activity# 2298 - Lake Aire St. Improvements (exhibit 14)
- The activity will be completed and closed no later than September 30, 2018.

The remaining items have already been closed.

Current Status:

All the projects have been completed in the US Housing and Urban Development's Integrated Disbursement and Information System (IDIS).

This corrective action plan has now been implemented and the finding will be closed when the new CAPER is issued.

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EXTERNAL FINDINGS

Finance

Finding 2018-001 - Fort Lauderdale Community Redevelopment Agency

Issue No: 417

Date of Finding: 05/29/2019

Final Date of Completion 05/01/2020

		Name	Title	Department
Responsible Person 1	lgarcia	Laura Garcia	Controller	Finance
Responsible Person 2	aharrison	Ashley Feely	Management Analyst	Finance

Correction Plan Status: Implemented

Finding Type: Material Weakness

Next Milestone Clear finding through the Comprehensive Annual Financial Report - FYE 2019

Milestone Date of Completion 05/01/2020

Department: Finance

Audit Initiator Financial External

Title: Finding 2018-001 - Fort Lauderdale Community Redevelopment Agency

Issue / Observation

Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; that is measurable and available to finance the Agency's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Community Redevelopment Agency recorded approximately $7 million in revenue versus a deferred inflow of resources. This action resulted in an overstatement of revenue.

Cause: The Agency did not complete a detail review over revenue accounts to ensure that they had been
received and available for the current period.

Recommendation:

Crowe recommends the Agency complete a review over the fiscal year end revenue accounts in order to determine if all recorded revenues have been received within the Agency's recognition policy time period of 60 days.

Correction Plan:

On May 10, 2018, the City of Fort Lauderdale (City) terminated the Wave Streetcar project. The Agency paid approximately $7.5 million to fund the north loop of the project. The City sent a demand letter requesting the reimbursement of unused Agency funds on July 11, 2018. The Agency fully expected to receive the reimbursement in a timely manner. Unfortunately, the unwinding of the multi-agency agreements for this project took much longer than anticipated and the revenue was not received prior to the end of the recognition period. Moving forward, the Agency will evaluate the probability of collection of revenues, to ensure the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Current Status:

At fiscal year end, the City will do a review of all recorded revenues to ensure that they are in accordance with Generally Accepted Accounting Principles (GAAP).

Finding 2018-002 - City of Fort Lauderdale General Employees' Retirement System

Issue No: 418

Date of Finding: 05/29/2019

Final Date of Completion 05/01/2020

		Name	Title	Department
Responsible Person 1	lgarcia	Laura Garcia	Controller	Finance
Responsible Person 2	aharrison	Ashley Feely	Management Analyst	Finance

Correction Plan Status: Implemented

Finding Type:

Next Milestone Clear finding through the Comprehensive Annual Financial Report - FYE 2019

Milestone Date of Completion 05/01/2020

Department: Finance

Audit Initiator Financial External

Title: Finding 2018-002 - City of Fort Lauderdale General Employees' Retirement System

Issue / Observation An unsettled trade is a trade for which payment has not yet been received or paid and should be classified as either an asset or liability on the statement of fiduciary net position. The General Employees' Retirement System Plan did not correctly record unsettled trade liabilities, accounts receivable and cash at year end. As a result, cash and accounts receivable were understated by approximately $12.3 million and $7.8 million respectively and liabilities were understated by approximately $20.1 million.

Recommendation: Crowe recommends that the Plan implement a policy to ensure that there is a detail review over investment trades at fiscal year-end and that there is an independent review by an appropriate level of management.

Correction Plan: The original entry was recorded correctly. During a secondary review there was a misinterpretation of GASB Statement 67 and the entry was reversed. In the future the Plan will seek assistance from the external auditors when there is a difference
in the interpretation of a GASB statement.

Current Status: The City will consult with the external auditors and the plan administrator when there is a difference
in the interpretation of a Governmental Accounting Standards Board (GASB) statement.

All-America City

COMMISSION AUDITS

All-America City

Community Redevelopment Agency

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

Issue No:	335			
Date of Finding:	10/28/2016			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	martinv	Vanessa Martin	Business Manager	Community Redevelopment Agency
Responsible Person 2				
Correction Plan Status:	Partially Implemented	Finding Type:	Deficiency	
Next Milestone	Finalize property purchases			
Milestone Date of Completion	08/31/2019			
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:

The Community Redevelopment Agency (CRA) is working closely with the City Attorney's office to resolve the outstanding legal issues associated with the infill lots. Once the title issues and defects associated have been resolved, the CRA will provide an update on the disposal of properties.

All-America City

Human Resources

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

Issue No:	95			
Date of Finding:	12/29/2009			
Final Date of Completion	04/30/2020			
		Name	Title	Department
Responsible Person 1	tasmith	Tarlesha Smith	Director of Human Resources	Human Resources
Responsible Person 2	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	Final revision of job descriptions. Selection process improvement. Development of supporting learning resou			
Milestone Date of Completion	01/30/2020			
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 Succession Planning will be initiated and implemented by the Talent Management Team upon completion of Phase 2 of the ERP System. Succession Planning will be built using career ladders and job families that were developed in the Classification and Compensation Study.

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

Issue No:	100			
Date of Finding:	12/29/2009			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	tasmith	Tarlesha Smith	Director of Human Resources	Human Resources
Responsible Person 2	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	Initial Release of Customer Satisfaction Survey to Community Builders.			
Milestone Date of Completion	09/30/2019			
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 is conducting a final review of the Customer Satisfaction Survey, drafting communication to inform Staff and collaborating with the Manager's Office to determine a roll out date.

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

Issue No:	115			
Date of Finding:	10/15/2010			
Final Date of Completion	12/31/2019			
		Name	Title	Department
Responsible Person 1	tasmith	Tarlesha Smith	Director of Human Resources	Human Resources
Responsible Person 2	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	HR will review of Policy Standards Manual with CBLT for adoption of final revision.			
Milestone Date of Completion	08/30/2019			
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:

HR is collaborating with the Structural Innovation Division and Community Builder Leadership Team (CBLT) to revise the PSM.

HR is exploring assuming responsibility for monitoring driver history and licensing requirement for impacted Employees.

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

Issue No:	237			
Date of Finding:	12/29/2009			
Final Date of Completion	09/30/2019			
		Name	Title	Department
Responsible Person 1	tasmith	Tarlesha Smith	Director of Human Resources	Human Resources
Responsible Person 2	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources
Correction Plan Status:	Partially Implemented		Finding Type: Deficiency	
Next Milestone	The Draft of the Employee Handbook to be presented to City Manager for approval.			
Milestone Date of Completion	08/30/2019			
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 Employee Handbook has been updated by the new HR Deputy Director and is under review by the HR Director.

Parks and Recreation

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

Issue No:	314			
Date of Finding:	06/29/2016			
Final Date of Completion	08/21/2019			
		Name	Title	Department
Responsible Person 1	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
Responsible Person 2	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	Present Updated Cemetery Rules and Regulations to Commission			
Milestone Date of Completion	08/21/2019			
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 06/21/2019, the amendments to the Cemetery Rules and Regulations will undergo a final review by the City Attorney's Office before the document goes to the City Commission for a resolution. It is slated to go before the Commission at its meeting on August 20, 2019.

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

Issue No:	317			
Date of Finding:	06/29/2016			
Final Date of Completion	08/01/2019			
		Name	Title	Department
Responsible Person 1	sspates	Stacy Spates	Administrative Assistant II	Parks & Recreation
Responsible Person 2	sdaley	Stacey Daley	Administrative Assistant II	Parks & Recreation
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	Finalized Standard Operating Procedures			
Milestone Date of Completion	08/01/2019			
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 (SOP) 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 06/21/2019, The Cemetery System largely operates under the auspices of the Parks and Recreation Administration Policies and Procedures Manual and the Internal Controls and Operational Procedures Manual for Investments by Finance. Additionally, the cemetery has developed SOPs for day-to-day operations.

All-America City

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			
Final Date of Completion	10/31/2019			
		Name	Title	Department
Responsible Person 1	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
Responsible Person 2	schess	Sherrilynn Chess	Business Manager	Sustainable Development
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	ERP Implementation			
Milestone Date of Completion	09/30/2019			
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: The ordinance amending Chapter 11, Code Enforcement, Article II Section 11-3, Jurisdiction of Board and Special Magistrate, of the City's Code of Ordinances, has been amended to delegate authority to the Special Magistrate to reduce Code Enforcement fines, penalties and liens, completing correction plan request number three (3) of this finding, which required Commission recommendation for setting minimum acceptable levels for Code liens settlements. The mentioned Ordinance is attached to the finding. In regards to the other correction plan items, Sustainable Development (DSD) has moved the Accela go-live date and will not published a new one until issues with data conversion are resolved. The Accela platform will not be system of record to satisfy the audit finding. To successfully address the audit finding an interface between Accela and the ERP project is needed to take the data from Accela and compile a report generated from the Enterprise Resource Planning (ERP) system. DSD will work with ERP project team on interface development, with testing and confirmation of the audit finding to occur afterwards.

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

Issue No:	109			
Date of Finding:	10/24/2011			
Final Date of Completion	10/31/2019			
		Name	Title	Department
Responsible Person 1	abattle	Alfred Battle	Deputy Director Sustainable Development	Sustainable Development
Responsible Person 2	schess	Sherrilynn Chess	Business Manager	Sustainable Development
Correction Plan Status:	Partially Implemented		Finding Type:	Deficiency
Next Milestone	ERP Implementation			
Milestone Date of Completion	09/30/2019			
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:

Sustainable Development continues to work on building the Accela system; with system configuration complete the next data conversion is critical to successful system launch. After the system is launched the interface between Accela and the Enterprise Resource Planning System (ERP) will be completed to facilitate a report generated from the ERP system that will satisfy the audit finding.

City of Fort Lauderdale
Fiscal Year 2019 Audit Timeline
August 22, 2019

City of Fort Lauderdale:

Date	Activity
September 16, 2019	Interim audit fieldwork
October 21 and 28, 2019	IT audit fieldwork
December 31, 2019	Final Trial Balance and SEFA due to Crowe from City
January 13 – February 28, 2020	Year End Fieldwork
February 21, 2020	Complete Draft CAFR and Other Deliverables to be provided by Finance
TBD	City Draft CAFR and Other Deliverables to be presented to the Audit Advisory Board
TBD	Deliver Final Opinions and Other Deliverables
TBD	Presentation of CAFR and other Deliverables to City Commission

City of Fort Lauderdale Community Redevelopment Agency (CRA):

Date	Activity
September 16, 2019	Interim audit fieldwork
November 15, 2019	Final Trial Balance to Crowe from CRA
November 18 – December 20, 2019	Year End Fieldwork
February 7, 2020	Complete Draft Financial Statements and Other Deliverables to be provided to Finance
March 9, 2020	CRA Financial Statements and Other Deliverables to be provided to management
March 17, 2020	Presentation of CRA Financial Statements and other Deliverables to CRA Board

City of Fort Lauderdale General Employees' Retirement System (GERS):

Date	Activity
November 15, 2019	Final Trial Balance to Crowe from GERS
November 18 – December 20, 2019	Year End Fieldwork
December 11, 2019	GASB 72 investment information to be provided to Crowe from GERS
December 11, 2019	Statement of Fiduciary Net Position and Changes in Fiduciary Net Position and the 10/1/2017 – 9/30/2018 DROP reconciliation to actuary to complete GASB 67
January 7, 2020	Actuary to provide GASB 67 report
TBD	GERS draft Financial Statements and other Deliverables to be provided to management and Audit Committee
TBD	Presentation of final Financial Statements and other Deliverables to Board of Trustees

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Procurement Card (P-Card) Operational Audit

Report #18/19-05

March 1, 2019

Memorandum

Memo No: 18/19-05

Date: March 1, 2019

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Procurement Card (P-Card) Operational Audit - Executive Summary

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Based on our annual risk assessment, the City Auditor's Office (CAO) has performed an operational audit of the City of Fort Lauderdale's (City's) Procurement Card program. The audit covered the period of October 1, 2014 through April 30, 2017. During the audit period, the City's P-card program included two card issuers: SunTrust and CPS Payment Services LLC. (CPS). SunTrust issued the City approximately 780 active cards with an annual spend of $43M resulting in approximately $550k of rebate revenue earned by the City from SunTrust. CPS processed approximately $16M of spending earning the City rebate revenue of approximately $180K.

Based on our audit, we concluded that the City lacked adequately designed controls to prevent and detect errors and fraud within its P-card program. Moreover, fraud was detected during our audit. It is my conclusion that the failures identified represent material weaknesses.

The CAO recommends, at a minimum;

- enhancement of program policies,
- improvement and possible automation over quality of reviews over P-card spending,
- restriction of IT system access controls and program authority,
- re-evaluation of P-card termination timeliness,
- improvement to verification of rebate revenue,
- compliance with state law regarding record-keeping practices, and
- continuous employee training.

Subsequent events included providing our findings to the Police Department, as it relates to fraud, and disclosing audit findings to the Legal and Risk Management departments. Individuals participating in the fraud had been arrested and convicted. In addition, based on our audit findings, SunTrust remitted $27k in unpaid rebates to the City for fiscal years 2016 & 2017 and is still considering fiscal year 2015. All findings had been brought to the attention of the external auditors.

The full report is attached.

Scope and Objectives

The purpose of the audit was to evaluate the organization's P-card program effectiveness, efficiency and economy of P-card operations under management's control as well as compliance with terms and conditions of contracts and agreements, applicable Florida statutes, and the City's policies, procedures, and code of ordinances.

Findings and Conclusions

1. ***Fraud and Abuse:*** Heavy P-card purchasing departments, Public Works and Parks & Recreation, charging $11M and $8M for the audit period, respectively, both experienced P-card fraud discovered during the audit. The extent of the fraud was between $20k-$100k for Public Works and over $100k for Parks & Recreation.

2. ***Program policies and guidelines are unclear, inadequate, not in-line with current practices and not reviewed periodically***:
    - The PSM doesn't establish clear roles, duties, and qualifications for P-card administrators, including the Program Manager.
    - The PSM does not expressly require supervisors to have adequate knowledge and track purchases they approve nor establishes levels of approval authority.
    - The definition of inventoriable "sensitive items" allows for wide-range interpretation and enables fraud and abuse.
    - There are no controls in place to mitigate contract overspending via P-cards.
    - There are no controls in place to prevent duplicate payments.
    - Previously identified PSM enhancements were not implemented timely or at all.
    - One department implemented P-card policy and practices without prior approval by Finance or the City Manager.
    - A Management Letter had been issued that includes several deficiencies with the current Policy and Standards Manual (PSM).

3. ***Transaction reviews are inadequate, including missing and untimely supervisor and director reviews, which resulted in undetected split transactions, prohibited purchases, and miscoding of expenditures/expenses to the General Ledger (GL):***
    - 16 of 168 receipts (10%) had prohibited purchases, such as gasoline/fuel/oil ($10.5K) and vehicle repairs ($40k).
    - 7 out of 50 (14%) statements were missing the supervisory signature.
    - 25 out of 66 (38%) statements reviewed circumvented the dual-level review process.

- 37 out of 70 (53%) statements were missing signature of Department/Division/Group Activity Director review.
- 8 out of 73 (11%) statements were approved between 32 to 70 days after purchase and in 23 out of 73 (32%) statements approval timeliness was undeterminable.
- Alcoholic beverage purchases were not in line with City Manager's Office/City Policy.
- 29 out of 243 (12%) purchases were split transactions. This practice either circumvents the purchase order requirement process or the p-card spending limits.
- Violations of procurement requirements of competitive bid and Purchase Order usage.
- 45 out of 165 (27%) expenditures/expenses had mis-coded accounts (sub-objects).

4. ***There are no clear procedures for cancelation, deactivation and/or suspension of P-cards***:
    - 52 out of 275 (19%) of terminated employee cards were not timely cancelled. The average cancellation was 64 days and the maximum was 312 days, excluding one outlier overdue for cancellation by more than 1,000 days.
    - P-cards were occasionally placed into a suspended status with an average duration of 44 days and later reactivated without documented business reasoning. The PSM does not address this practice or maximum time limits.

5. ***High extent of record-keeping failure in terms of record completeness, authorization and record retention***:
    - A sample of 60 out of 235 card applications had a significant deviation rate for inadequate record keeping, such as no card applications, incomplete applications, and no approval date.
    - City's inventory procedures and records were not in compliance with State Law (Section 274.-2, Florida Statues; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of $1,000 or more and a projected useful life of 1 year."
    - Inadequate receipt retention by two departments limited the scope of the audit and impacted the fraud investigation by the Police Department.

6. ***Failure to adequately verify rebate revenue, and recognize rebate underpayment:***
    - SunTrust rebate calculation was underreported and underpaid since inception of the contract in FY2015.
    - Mid-year estimates for expected revenue prepared by Finance does not include the review of the large transaction portion of the rebate for accuracy. The rebate paid was not validated to the underlying data, and the rebate estimate calculation was not verified.

7. ***Lack of adequate controls over IT system access controls and program authority:***
    - 2 of 15 Program Administrator removal forms were not retained or provided by the City or SunTrust.
    - Due to lack of documentation, audit could not verify whether all card changes were made by authorized Program Administrators. Based on available evidence, at least one card change was made prior to the person ordering the change becoming a Program Administrator.
    - Sensitive administrative rights to SunTrust's ESP system, including changes to administrator and user accounts as well as card details, were granted to six (6) employees outside of the p-card program. Two of them were terminated employees.

Recommendations

- City Management should consider establishing an annual review of the PSM policy, clarifying terms, responsibilities, approval thresholds, timeliness of review, and consequences for non-compliance. Finance should establish a formal monitoring program to ensure compliance with the policy.
- The quality of P-card statement reviews should be improved, ensuring that prohibited purchases, split transactions, alcohol purchases, and purchases that should have gone through a competitive bid process are not allowed. Missing receipts should be questioned and documented. An escalation process should be established for all exceptions and purchases over established thresholds (based on the City's Signature Authority). All approvals should be evidenced in writing and dated. In addition, coding to the appropriate GL accounts should be reviewed by the department head or designee to ensure accuracy.
- Terminated employee P-cards should be deactivated and destroyed at the time of termination. If management determines that P-card suspension is an operational need, controls should be implemented to limit re-activation and document a legitimate business purpose. The policy should be revised accordingly.
- All departments should be educated and adhere to document retention requirements. All exceptions should be reported to the appropriate departments (e.g., Legal, Risk Management).
- Rebate revenue should be monitored on an on-going basis to ensure accurate and complete revenue is recorded and funds are received timely.

- Access controls to P-card Program Administrator roles with SunTrust and sensitive administrative systems rights should be documented and users are reviewed at least annually.
- Controls should be established to prevent duplicate payments between physical cards and e-payments. Such controls would include criteria of usage of each card and periodic reconciliation.
- Management should leverage the new ERP (Enterprise Resource Planning) system's functionality to improve controls, such as escalation process for approvals, electronic signatures/dates where applicable, prevention of duplicate payments, and reporting on rebates. The new ERP could also track job costs, thus reducing the risk of fraud.

A complete description of all findings, observations and Management's responses are included in the body of the report. We did not audit management's responses and accordingly, we express no opinion on them.

We would like to thank the staff of all City departments that were part of the P-Card audit for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations and has already begun to implement a number of them.

cc: Chris Lagerbloom, City Manager
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CITY OF FORT LAUDERDALE
CITY AUDITOR
Procurement Card (P-card) Operational Audit

PURPOSE

Based on our annual risk assessment, the City Auditor's Office (CAO) has performed an operational audit of the City of Fort Lauderdale's (City's) Procurement Card program. The audit covered the period of October 1, 2014 through April 30, 2017. During the audit period, the City's P-card program included two card issuers: SunTrust and CPS Payment Services LLC. (CPS). SunTrust issued the City approximately 780 active cards with an annual spend of $43M resulting in approximately $550k of rebate revenue earned by the City from SunTrust. CPS processed approximately $16M of spending earning the City rebate revenue of approximately $180K.

We conducted this operational audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and observations based on our audit objectives. We believe that our audit provides a reasonable basis for our conclusions. We limited our work to those areas specified in the "Audit Objectives, Scope, and Methodology" section of this report.

CONCLUSION

Based on our audit, we concluded that the City lacked adequately designed controls to prevent and detect errors and fraud within its P-card program. Moreover, fraud was detected during our audit. It is our conclusion that the failures identified represent material weaknesses.

The CAO has identified both Findings and Observations during the course of the audit. A Finding results from a failure to comply with policies and procedures, rules, regulations, contracts and fundamental internal control practices. An Observation represents an opportunity to improve on design or functionality of an existing internal control.

FINDINGS

1. Lack of timely P-card cancelation after employee terminates employment.

2. Inadequate record-keeping of P-card applications, such as missing, incompleteness or no approval date.

3. The P-card Program Manager may subsequently reactivate a card that he/she previously put in suspended status with no policy limiting the time duration.

4. Not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.

5. P-card statements lacked first-level supervisory review and/or included purchases of prohibited items.

6. P-card statements were missing evidence of second-level Department/Division/Group Activity Directors review on 37 of 70 statements (53%).

7. City personnel did not follow the directive of the City Manager's Office or City policy as it applies to the purchase of alcoholic beverages with the City issued P-card.

8. Controls failed to detect or prevent transaction splitting.

9. P-card transactions violated Procurement requirements of competitive bid and purchase order usage.

10. The City's fixed asset inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of $1,000 or more and a projected useful life of 1 year."

11. SunTrust's rebate calculation was underreported and underpaid since the inception of the fiscal year 2015 contract. Finance does not verify the accuracy of the rebate calculation in relation to spending data nor verify completeness of the rebate collection in relation to the rebate calculation.

12. There is no control system in place to prevent or detect duplicate card payments of invoices processed by both Accounts Payable and the respective departments. Invoices may be paid by physical card and e-payment.

13. While the City's Fixed Assets PSM assigns the responsibility of inventory control over P-Card purchased items to the departments, it does not require an independent verification of these controls. Per PSM, the Finance Director has the right to verify adherence to the policy, but no such review occurred during the audit period. Additionally, Finance did not provide a central definition for inventoriable "sensitive items" that allows for wide-range interpretation and enables fraud and abuse.

14. Two departments with heavy P-card spending during the audit period Public Works ($11M) and Parks & Recreation ($8M), each <u>experienced P-card fraud discovered during the audit</u>.

15. Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.

16. One of the two credit card payment service providers, under contract with the City, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

17. The Director of Finance did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.

18. Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

OBSERVATIONS

1. Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.

2. The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools. The first-level supervisory review of P-card statements was circumvented as either non-existent or assigned to an inappropriate authority on 25 out of 66 statements (38%).

3. Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).

4. Untimely authorization of P-card statement transactions by either first or second-level approver.

5. To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.

6. Transactions were inadequately reviewed by supervisors resulting in erroneous sub-object coding in the City's financial records, which can obscure the actual nature of transactions.

We consider Findings number 1, 5, 8, 12, 13, 14, 15, and 17 to be material weaknesses, as defined below:

- A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis.
- A *significant deficiency* in internal control over compliance is a deficiency, or a

combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

- A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis.

STATEMENT OF OBJECTTIVES

The objectives of our audit were to determine the;

1. adequacy of program administration regarding policies, procedures, and staffing
2. effectiveness of program controls regarding card issuance and cancellation
3. effectiveness of controls regarding card usage and activity
4. effectiveness of controls regarding accounting processes and information security

BACKGROUND

The City's purchasing card program was administered by the Finance Department, and its goal was to earn interchange ("rebate") revenue while controlling transaction activity and improving the City's procurement process efficiency via decentralization for transactions under a given threshold and simplification for higher value transactions processed electronically.

The City's purchasing card program was primarily governed by the controls written in Chapter 9, Section 13, Subject 1 of the Policy and Standards Manual (P-card PSM), issued August 26, 2005, and the City of Fort Lauderdale *Procurement Manual*. The program was primarily administered by a P-card Program Manager and 2 other employees within the Finance department. Within each department that was issued P-cards, directors, supervisors, and subordinates designated as P-card Coordinators further administered the program.

Physical P-cards were issued to City employees upon approval by their respective directors and supervisors for payment of point-of-sale and internet/phone purchases below the City's purchase order threshold. The majority of these cards were issued to the employees of two departments: Public Works and Parks and Recreation. Virtual P-cards were issued to merchants that enrolled in the City's e-payment program and were used to pay these vendors' generally high value charges primarily transacted through the City's BuySpeed purchase order system. All P-cards have hard-coded controls: monthly limits, single transactions limits, and purchase category restrictions that vary by type of card. Payment processors provided monthly transaction statements and data for review and approval by City authorities.

The City earned its P-card spending rebate revenue from merchants that accepted P-card as a payment method. These merchants paid a portion of each sales amount, called interchange fee, to risk-bears within the electronic payment card network: the merchants' banks, the City's card-issuing bank, and the network provider (Visa or Mastercard). A portion of this fee was subsequently shared with the City by its respective card-issuing bank.

The underwriting and card-issuing bank for the City's primary P-card program was SunTrust, which issued primarily Visa and has serviced the City's competitively bid program continuously for over 15 years at no cost to the City. Revenue earned was based on an agreed rate schedule applied to the City's annual volume of P-card and electronic purchases. During fiscal year 2016, the City's SunTrust P-card program included approximately 780 active cards of 3 types: P-card, Travel Card, and E-payables, producing an annual spend volume of approximately $43M and resulting in approximately $550K of rebate revenue. No balance was carried, and no interest was paid by the City on the card charges during the audit period.

The City's P-card program was also aided by a second service provider, CPS Payment Services, LLC which is not a financial institution and utilized primarily Mastercard. This program, commencing in 2012, solely processed electronic payments to a few of the City's vendors, largely for the City's high value purchases of electricity and waste disposal. These services also earned the City a share of interchange revenue. No physical credit cards were issued for this program, and all transactions processed were pre-funded, so interest could not accrue. Revenue earned was all of the interchange revenue supplied to CPS from its card-issuing bank generated from the City's processed transactions, less fees imposed by CPS and merchants. Fiscal year 2016 transactions processed totaled approximately $15.5M, earning the City approximately $150K in revenue, net of fees.

The above conditions continued through the date of this report.

SCOPE & METHODOLOGY

The CAO conducted this audit in accordance with generally accepted government auditing standards. We obtained an understanding of P-card industry practices and audit techniques from various training materials, obtained an understanding of the City's P-card policies and activities by inquiry of City personnel and review of City policies, and performed a risk assessment of the P-card program. For significant risks, we assessed the design adequacy of controls within City policies and tested P-card purchase transactions and administration control activities against criteria for the 31-month period of October 1, 2014 through April 30, 2017.

The CAO conducted its assessment of internal controls using the May 2013 updated Internal Control—Integrated Framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework defines internal control, describes the components of internal control and underlying principles, and provides direction for all levels of management in designing and implementing internal control and assessing its effectiveness. The five components of the COSO framework are: control environment, risk assessment, control activities, information and communication, and monitoring activities.

Objective 1:

- Because the Finance department generally lacked formal and informal control documentation relevant to its administrative roles, duties, and activities, no testing was performed for risks under this objective other than an adequacy review of the P-card PSM and *Procurement Manual*.

Objective 2:

- The audit program included inquiry, 100% testing of card data, and sample-based testing of documentation inspection.

Objective 3:

- The audit program included inquiry, sample-based reperformance of controls, 100% testing of card data, and sample-based testing of documentation inspection.

Objective 4:

- The audit program included inquiry, recalculation, 100% data analysis, and sample-based documentation inspection.

MANAGEMENT RESPONSE

Management responses, for each finding and observation, had been received by the City Auditor on May 10, 2019. The memorandum is enclosed with this report (Memorandum No: 19-06).

Objective 1

To determine adequacy of program administration regarding policies, procedures, and staffing

Observation 1

Condition:

Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.

Criteria:

Under the COSO framework, Control Environment,

- Principle 1: The organization demonstrates a commitment to integrity and ethical values. Points of focus:
  - 1. Sets the tone at the top
  - 2. Establishes standards of conduct
  - 3. Evaluates adherence to standards of conduct
  - 4. Addresses deviations in a timely manner

- Principle 3: Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. Points of focus:
  - 11. Defines, assigns, and limits authorities and responsibilities

- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
  - 16. Enforces accountability through structures, authorities, and responsibilities

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:
  - 59. Establishes responsibility and accountability for executing policies and procedures
  - 62. Performs using competent personnel

Cause:

Finance lacked a program governance implementation process.

Impact:

A lack of P-card Program administrator qualifications could result in non-existent, inadequate, or inconsistent centralized governance and control over the Program, which could result in inadequate policies, non-compliance with policies, including questionable or fraudulent purchases occurring, and goal/objective inadequacies or failure.

Recommendation

The City Manager should require the Director of Finance to establish

- a formal set of minimum desired qualifications for the personnel it assigns to the P-card Program administrator roles and formally determine with HR that an employee meets these qualifications prior to, and during, their assignment to the Program
- a formal set of control-centric duties and responsibilities that includes respective periodicity and deadlines of tasks for each administrative role within the P-card Program
- an independent oversight role to assess and ensure Program administrators are complying with these duties and responsibilities.

Management Response:
In November 2018, with the adoption of the City's Class and Compensation study, the job description for the Management Analyst position in Finance was updated to reflect the minimum qualifications for the P-card Administrator ("Program Manager"). The job description is attached as Exhibit 1.

Objective 2

To determine effectiveness of program controls regarding card issuance and cancellation

Finding 1

Condition:

Audit analysis of SunTrust cards data revealed 52 cards, of an estimated 275 cardholders, departing employment during the audit period of October 1, 2014 – March 31, 2017, were not timely canceled.

- Seven cards were still active during the performance of the audit. One of these cardholders was apparently off the radar, classified in the card issuer's system as "non-cardholder" with a departure date of April 26, 2013 (>1,000 days overdue for cancellation). The average duration overdue for cancellation for the remaining exceptions was 64 days, with the maximum being 314 days.

Criteria:

P-card PSM section A (3) specifies that for departing employees who do not return their P-cards, card cancellation should be handled "expeditiously" with notification of the P-card Program Manager the same day as the employee's departure; however, if the P-card is returned, the PSM does not specify a deadline for the respective supervisor to destroy the card and notify the P-card Program Manager.

- Within testing, the audit provided a one-day grace period; that is, two days after the employee's departure, cards not canceled become delinquent for cancellation.

Cause:

Primarily, the cause of this condition was attributed to an internally developed, employee termination notification system, where the P-card Program Manager is notified of departing employees; however, the system does not indicate whether the employee is a cardholder. This means the P-card Program Manager has to manually check each name in the card issuer's system to verify if a card was expected to be canceled. Currently, roughly 70% of employees are not

cardholders and with approximately 800 active cardholders currently, the P-card Program Manager's verification effort is extensive and unproductive.

Impact:
Cards overdue for cancellation may incur material unauthorized charges given the current default monthly card limit is $30,000, for which the City would not be indemnified due to poor internal controls per the card issuer's agreement (terms and conditions, provision 7) and City's commercial crime policy (exclusion AA).

Recommendation
The City Manager should ensure that Finance has adequately coordinated with IT to satisfy its concern of aiding timely identification and cancellation of cards belonging to departing employees.

> NOTE: The IT security team has made great efforts and created an application to inform HR and Finance when an employee is leaving; however, specifically regarding P-cards, some additional assistance may be needed.

Management Response:
Management takes the need for timely notification of terminated employees seriously and Information and Technology Department staff created a mechanism to notify all interested parties, including the Finance Department, of departing employees. When the P-card Program Manager receives the notification, the employee is immediately removed from the SunTrust Enterprise Spend Platform (ESP) system. Management will continue to enforce policies and processes in place to ensure timely notification of terminations. Management will also review the current process and make changes that may further mitigate risk.

Finding 2
Condition:
A random sample of 60 out of 235 card applications had a significant deviation rate for inadequate record-keeping, such as no card applications, incomplete applications, and no approval date.

- For 14 cards, no application was on file.
  - An additional application could not be located, but the card was closed a week after it was activated.
- Of the 45 applications on file:
  - 7 did not contain a date identifying when the respective department head approved the card for his/her direct report;
  - 16 were incomplete as to required signatures,
  - 13 were incomplete as to required content,
  - 3 contained the complete credit card number, which poses an information security risk

Criteria:
P-card PSM section A (1) indicates that new cards are issued upon request "by submitting a

completed Cardholder Information Form." Supervisor and department head signatures are required on the form.

Cause:
This concern was primarily attributed to the inherent weakness of paper filing systems. In general, files can go missing over time, especially in this case where it's estimated that more than 1,000 applications were filed based on the volume of cards issued over the 20-year life of the card issuer's continuous service with the City. A secondary cause was attributed to excessive turnover of the P-card Program Manager role, whereby redundantly retained files might have been lost upon each turnover.

Impact:
Card applications are necessary to ensure proper authorization and issuance of cards, which prevents to some extent unauthorized purchasing. Missing and incomplete records obstructs verification that cards were properly authorized and issued.

Recommendation
Because paper filing systems have become obsolete, the City Manager should ensure that Finance has adequately coordinated with IT to satisfy its concern of permanently and completely retaining card application information in a secure, web-based database with form-based entry.

Management Response:
The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for card applications over the audit period. Beginning in fiscal year 2016, the Finance Department appointed the current P-card Program Manager and implemented electronic storage of P-card applications and signed agreement forms. The implementation of the electronic card application storage will help mitigate against future risk related to this finding.

Objective 3

To determine effectiveness of controls regarding card usage and activity

Finding 3
Condition:
The P-card Program Manager has the discretion and ability to completely restrict the purchasing ability of a P-card by placing it into suspended status. This feature is enabled to allow lost cards sufficient time to be found without need for issuance of a replacement card, which is contrary to P-card PSM, requiring lost cards to be timely terminated. Cards can subsequently be reactivated out of suspended status. There is no policy to limit the duration a card can be held in suspended status. Audit determined reactivation of suspended cards occurred at a rate of roughly one card per 4 months with a maximum suspended duration of 815 days and median duration of 44 days.

Criteria:
P-card PSM

- Provision A(2)(a) - "If a purchasing card is lost, stolen, or misplaced, the cardholder must immediately notify the card issuer and the Purchasing Card Program Manager for the City. The cardholder is to advise the bank that the replacement card is to be sent to the Purchasing Division's Program Manager."

Cause:
Finance lacked a program governance implementation process.

Impact:
Lack of control over card suspensions and reactivation could expose the City to significant loss if suspended cards are improperly reactivated and abused by City employees or third parties.

Recommendation
The City Manager should eliminate the possibility of card reactivation abuse by requiring the Director of Finance to instruct SunTrust to disable temporary suspension card status (COV W000), meaning cards must be canceled as soon as there's doubt as to their risk of loss.

Management Response:
Effective immediately, the Finance Department will run a weekly report on cards in suspended status (W000) and ensure that cards are suspended no longer than 10 days. These guidelines will be added to the P-card Personnel Standards Manual (PSM) requirements.

Finding 4
Condition
Two departments included in audit testing of transaction receipts were noted throughout the audit, in multiple instances, as failing to retain and/or provide requested P-card records, which was not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.

- Public Affairs:
  - 4 receipts not provided upon audit request relating to potentially anomalous transactions;
  - 2 receipts not provided upon audit request relating to potentially split transactions;
  - 1 receipt not provided upon audit request relating to potentially prohibited purchase of capital over $5,000
- Parks & Recreation:
  - P-card statements and receipts prior to 2017 were found filed in a disorganized fashion, resulting in;
    - 1 instance of archived file boxes from 2012 (#804-808) containing some original P-card documents being destroyed prior to their scheduled, legally authorized destruction date;
    - The efficiency of the Police Department's investigation of P-card fraud being impacted by missing and/or misfiled P-card statements due to disorganization.

Subsequent event: Parks and Recreation began properly organizing their P-card statements in 2017, though prior years' archived boxes are still in disarray and of unknown completeness. The

City Clerk was informed of the trouble CAO experienced with P-card receipt retention, in relation to its legally required annual reporting to the State.

Criteria
Section 1B-24.003(1)(a), Florida Administrative Code provides a record retention schedule that requires a 5 fiscal year retention period for "…records documenting specific expenditures or transfers of agency moneys for the procurement of commodities and services and other purposes. This series may include…purchasing card (p-card) receipts…."
P-card PSM section C (1) requires receipts: "The charge slip will be retained either by the cardholder or by the cardholder's supervisor. Section C (5) requires the use of a missing receipt form:

> "If for some reason the cardholder does not have receipts or other documentation of the transactions to send with the statement to his/her Purchasing Card Representative, he/she must attach a description of the purchase. Continued incidents of missing receipts of supporting documentation may result in the cancellation of the employee's purchasing card."

Cause
This condition was attributed to carelessness with the City's purchasing records.

Impact
Missing support documents can be a sign of concealment of fraud, waste, or abuse.

Recommendation
The City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing support documents or uses of the missing receipt form by a cardholder.

Management Response:
The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and specify how enforcement of consequences will occur. The focus will be on card holder accountability and immediate cancellation of the employee's P-card if the policy is violated. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts.

Finding 5
Condition
Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements lacked supervisory review and/or included purchases of prohibited items. The occurrences noted were as follows:

- Missing supervisor signature on statement: 7 of 50 statements (14%)
- Prohibited item transactions: 16 of 158 receipts (10%)

Of these exceptions, the prohibited item categories of the P-card PSM were

- Use of the P-card by a person other than the cardholder (B1)

- Gasoline, fuel, or oil (B5a)
- Telephone charges (B5e)
- Contract Services (B5f), including but not limited to 3 exceptions for services not currently under contract but better suited to contract for child transportation, security, and art production (photography & videography).
- Capital Outlay (B5i)
- And pertaining to Procurement Manual chapter 12.2, Use of the P-card to pay grant expenses

Further, audit analysis of SunTrust transactions data determined that the City's P-cards issued to employees charged the following approximate amounts to merchant category codes that should have been restricted during the audit period October 1, 2014 – March 31, 2017:

- Categories prohibited by P-card PSM
  - B(5)(a) – Gasoline, fuel or oil (with the exception of Police Motorcycles) - $10,500
  - B(5)(b) – Vehicle repairs - $40,000
  - B(5)(e) – Telephone charges - $2.1M
    - 98% of this amount was with three large telecommunications vendors, one of which developed a six-figure past due balance with the City from a billing dispute that included approximately $40,000 in late fees and went unresolved for more than two years because the department charging the services on its P-card decided to handle the dispute internally. Upon last update in late November of 2017, it was determined that Legal was notified, and though the vendor waived the late fees, approximately $19,000 of the balance would need to be paid.
  - B(5)(f) – Contract services - $6.4M, excluding telecom (B(5)(e), above)
    - Within this sum for fiscal years 2016 and 2015, respectively, analysis determined the following figures were charged on individual's P-cards for vendors with City transactions totaling more than $25,000 annually:
      - services suited to contract but currently without City contract: $211,000 and $171,000
      - services currently with City contract, excluding telecom: $304,000 and $638,000
  - B(5)(i) – Capital Outlay - $450,000
    - P-card purchases by individuals coded to capital sub-objects was determined by analysis to total $480,000, of which sample testing determined virtually all of it to be accurately coded.
- Categories in addition to PSM prohibitions deemed by the audit to be generally unnecessary for official City business - $28,000

Criteria

PSM 9.13.1.5 section C, "Procedures for Making and Paying for Purchases" as follows:

6. Payment and Invoice Procedures,

b. …The statement will then be reviewed and signed by the employee's supervisor. By signing the statement, the employee's supervisor is

certifying that all charges are appropriate and have been authorized and are evidenced by attached receipts….

PSM 9.13.1.2-3 section B, "Cardholder Use of Purchasing Card", as follows:

1. Cardholder Use Only
   The purchasing card may only be used by the employee whose name is embossed on the card. No other person is authorized to use the card. The cardholder is responsible and accountable for all transactions that occur on his/her card.

5. Prohibited Uses of Purchasing Cards

The following types of items may not be purchased with a purchasing card, regardless of the dollar amount:

a. Gasoline, fuel or oil (with the exception of Police Motorcycles).
b. Vehicle repairs
c. Travel expenses such as hotels, food, and airline tickets (unless approved by the City Travel Officer).
d. Cash advances
e. Telephone charges
f. Contract services
g. Registration fees (unless approved by the City's Travel Officer)
h. Goods specifically restricted by the Procurement Services Department or the City of Fort Lauderdale Code of Ordinances.
i. Capital Outlay purchases of $1,000.00 or more.

Cause

A lack of compliance with the Procurement Card (P-card) Policies and Standards Manual (PSM) due to one or more of the following:

- Disregard of the policy
- To facilitate possible wrong doing
- The Travel Allowance and Subsidence Policy PSM 9.4.1. does not address the use of City funds towards networking events

Impact

P-cards may be used for questionable/restricted purchases which can lead to financial and reputational loss to the City.

Recommendation

The City Manager should adopt a limited tolerance policy within the PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing supervisory review and prohibited transactions. In addition, the activity on those statements should be researched in more depth for possible wrongdoing.

The City Manager should require Finance to analyze the restricted merchant category codes in its P-card control profiles and ensure their completeness and implement an override procedure that documents when purchases in these categories are deemed appropriate by City authorities.

Management Response:

The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand

segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.

Finding 6

Condition

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements were missing evidence of Department/Division/Group Activity Directors review on 37 of 70 statements (53%).

Criteria

PSM 9.13.1 Use of City Issued Procurement Card, section E, "Review of Purchases by Department/Division/Group Activity Directors" as follows:

- Because of the knowledge of Department/Division/Group Activity Directors with respect to job responsibilities, they are required to review each purchasing card expenditure (item purchased, amount and vendor) to ensure the goods purchased were necessary, and for official use.

Cause

If the required secondary level of review did take place, but the Department/Division/Group Activity Director did not sign the statement, the vagueness of the P-card PSM, section E.1, could be the reason. It requires the Department/Division/Group Activity Director to review the P-card expenditures, but it does not specify that they are to sign the statement as evidence of that review.

The statements may not have the required secondary review by the Department/Division/Group Activity Director because the departments may have been instructed differently at the Procurement hosted P-card instructional meetings.

Impact

P-cards may be used for questionable/restricted purchases, which can lead to financial and reputational loss to the City.

Recommendation

The City Manager should require Finance to remove any ambiguity within the P-card PSM regarding the requirement of a Director's signature upon his/her review of the P-card statement. Additionally, the City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing Director signatures.

Management Response:

The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions

requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.

Finding 7

Condition

City personnel used P-cards to make unauthorized purchases of alcoholic beverages. Several items contravened the directive of the City Manager's Office and/or City policy.

Criteria

PSM 9.2.3. Food/Beverage and Gift Guidelines, dated 01/12/2017, section 3. "Details"
Food Purchase Authorization

1. As a general rule, City funds should not be used for:
2. Food and alcoholic beverage purchases except as approved by the City Manager.

Interoffice memorandum, dated 9/14/2016, from the Parks and Recreation Deputy Director to the City Manager, as approved by the Assistant City Manager states:
The Parks and Recreation Department is requesting permission to purchase beer and/or wine for the noted events below on a yearly basis. Other events that may come up during the year will be requested case by case.

- New Year's Eve
- Great American Beach Party
- July 4th Spectacular
- Legends Reception at Carter Park
- Employee Picnic
- Light Up Sistrunk

Cause

After the event planning person in the Public Information Office (aka Strategic Communications) left the employment of the City, the Parks and Recreation Department was asked to assist with the events and as such continued what was historically done, which was the provision of certain alcoholic beverages.

Impact

Improper controls over purchased product, which could lead to misappropriation of those products.

Recommendation

To improve internal controls, the City Manager' Office should consider updating the P-card PSM to include using approved vendors for all alcohol purchases. Potential restriction on type and value of alcoholic beverage purchases should be also clarified.

Management Response:

The purchase of alcoholic beverages for special events is allowed, with express approval of the City Manager. As special events grew, the department responsible for coordinating the events

did not add two events to the list that was previously approved by the City Manager. The events were added to the list after the audit period. Attached as Exhibit 2 is the approved list dated July 12, 2018. The purchase of alcoholic beverages is suspended while the policy is being reviewed and any future purchases will only be through a contracted vendor.

Finding 8

Condition:

Sample testing of 243 transactions within a population of suspected split transactions for the audit period October 1, 2014 – March 31, 2017 revealed 29 instances of transaction splitting, which is an unacceptable sample deviation rate of 12%. Controls failed to detect or prevent transaction splitting.

- For 13 of the 29 instances the supervisor of the respective purchaser concurred that the transaction was split; the remainder of instances the audit deemed split by the weight of documentation against the supervisors' responses.

Criteria:

The City has two positions within policy on P-card transaction splitting:

- P-card PSM Section B(3)(c) states, "Purchases over the cardholders [single transaction] limit must be made by purchase order…. Charges for purchases shall not, under any circumstances, be split to stay within the single purchase limit. Splitting charges will be considered abuse of the purchasing card program."
    - The City's threshold for purchase order use was $5,000. The default P-card single transaction limit was $5,000.
    - Within P-card PSM Section B(3)(b)—directly above the restriction against splitting—a work-around with authority of the Procurement Department is described: "Requests for spending limit changes shall be initiated through a written request to the designated Procurement Specialist by the employee's supervisor."
- Procurement Manual Chapter 16.1 defines an unauthorized purchase as "an item that is splitting orders of the same or like materials/requirements into two or more individual purchases with the intention of circumventing the bid requirements (avoiding bids)."
    - The City's threshold for formal competitive bid process was $25,000.
    - This position is in accordance with Section 287.057(9), Florida Statutes.
    - Given a split transaction test exception would have been noted by the audit at the lower threshold of $5,000, this higher threshold was not applied to audit testing.

Cause:

This condition was attributed in general to purchasers and/or supervisors

- Lacking awareness of the option to request a spending limit increase; and/or
- Perceiving a need for the purchased items that outweighed the perceived need to comply with policy.

Impact:

Splitting transactions enables purchasing frauds, including theft and misappropriation, for significant value transactions given the absence of a purchase order would reduce separation of

incompatible duties. Additionally, significant value transactions may lose the benefits of competitive bid.

Recommendation

The City Manager should require Finance to analyze P-card spending data to determine which departments and/or vendors are most likely to engage in splitting transactions and implement special control activities in those areas.

Management Response:

The Finance Department is using a financial system that does not detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning (ERP) system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.

Finding 9

Condition:

P-card transactions violated Procurement requirements of competitive bid and purchase order usage.

Audit analysis of SunTrust transactions data determined $3M of spending of 22 vendors that each accumulated City business of more than $25K per year for two consecutive years (fiscal years 2016 and 2015) but were not under contract. That is, these purchases appear to have not been subjected to the City's competitive procurement process, which was not in compliance with the City's procurement ordinance.

- Of these vendors, apparently only two were of a purchase category (electrical supplies) that was previously subjected to competitive bid and awarded to one particular vendor. That is, purchases from these two vendors appear to have been off-contract. Though all City contracts are non-exclusive, this practice should be discouraged because it could subject the City to higher costs. Totals for these two vendors were $176K for the two years.
- Of the remaining vendors, 10 could be organized into three purchasing categories qualifying for competitive bid, each category with average annual spending over $100K. Though the categories would be better specified by the Procurement department, this audit identified them as follows, with the two-year spending indicated:
    - Tools, Hardware, general MRO - $1,554,687.73
    - HVAC Supplies - $295,159.31
    - Signage - $216,637.31

Additionally, random sample testing of 30 P-card transactions over $5K each, during the audit period October 1, 2014 – March 31, 2017, found 4 that did not use a purchase order when required by the Procurement Manual (Chapter 10.1), representing an unacceptable sample deviation level.

Criteria:
Competitive Bid:

- Fort Lauderdale Code of Ordinance Chapter 2, Article V, Division 2, sections
  - 2-178 "All contracts of the city shall be awarded by competitive bidding except as otherwise provided for in this division."
  - 2-180 "All supplies and services, except as otherwise provided in this division, when the estimated cost shall exceed twenty-five thousand dollars ($25,000.00), shall be purchased by written and sealed bids, proposals, reverse auction, or other competitive solicitation as provided for in this division, and awarded to the lowest and best responsible, responsive bidder, after due notice inviting proposals…"

Competitive Bid and Purchase Order Requirement:

- Procurement Manual 10.1
  - *Materials and Services $5,000 - $25,000*
    - *Under Contract* "USE A PURCHASE REQUISITION / PO."
    - *Not Under Contract* "Department Coordinator will process a Requisition/PO along approval path."
  - *Materials and Services Over $25,000 to $50,000* "Contact your Procurement Specialist. Procurement must issue a formal bid."

Cause:

- The lack of competitive bidding condition was attributed to lack of P-card transaction data analysis.
- The lack of purchase order use was attributed to lack of awareness of a need to use a purchase order, and this lack of awareness was in some cases due to inconsistencies and/or confusion caused by a reservation of rights provision in the Procurement Manual stating that Procurement has subjective discretion to waive purchasing requirements. In fiscal year 2017, the Procurement Manual was updated to, in part, remove this provision.

Impact:
Procurement controls were circumvented due to the distributed purchasing process of the P-card program.

Recommendation
The City Manager should require Finance to periodically analyze P-card data in search of applicable purchase categories for competitive bid and transactions that circumvented purchase order requirements.

Management Response:
The Finance Department is using a financial system that does not afford the capabilities of reviewing spending to detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning ("ERP") system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.

Finding 12

Condition:

There current internal control system does not prevent or detect duplicate P-card payments of invoices processed by both Accounts Payable and the respective departments.

Criteria:

Under the COSO framework, Risk Assessment,

- Principle 7: The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. Points of focus:
  - 40. Determines how to respond to risks

Under the COSO framework, Control Activities,

- Principle 11: The organization selects and develops general control activities over technology to support the achievement of objectives. Points of focus:
  - 55. Establishes relevant technology infrastructure 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 procedures to support deployment of management's directives
  - 59. Establishes responsibility and accountability for executing policies and procedures

Cause:

Finance lacked software that would enable and facilitate a control over a high volume of transactions.

Impact:

Material waste could occur as uncorrected duplicate payments of the same transaction.

Recommendation

Finance should enhance internal controls to prevent and detect duplicate payments of P-card invoices.

Management Response:

With the implementation of the new ERP in fiscal year 2020, P-Card charges will be approved by the Department and routed through Accounts Payable ("AP") for processing. Part of this process will include uploading the P-card charge directly to the corresponding AP vendor file, which will help identify duplicate invoices. This will aide Management by identifying duplicate payments.

Finding 13

Condition:

The City's Fixed Assets PSM distributes the responsibility of control over inventories purchased via P-card to the departments making the purchases but does not require an independent

verification of these departments' controls. Further, even though, per PSM, the Finance Director has the right to verify adherence to the policy, no such review occurred during the audit period.
Additionally, Finance did not provide a central definition for "sensitive items" and did not approve each department's respective definition; therefore, Finance did not properly control departments' identification of sensitive items.

Criteria:
Fixed Assets PSM defers to each department stewardship of inventory items referred to but not defined as "sensitive items," which are below capitalization threshold but by their nature require Finance to control them.
Under the COSO framework, Control Environment,

- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
    - 16. Enforces accountability through structures, authorities, and responsibilities

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 procedures to support deployment of management's directives
    - 59. Establishes responsibility and accountability for executing policies and procedures

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. Points of focus:
    - 80. Establishes baseline understanding
    - 82. Integrates with business processes
    - 83. Adjusts scope and frequency
    - 84. Objectively evaluates

Cause:
Though Finance perceived a need for enhanced governance of the P-card Program, this objective was not achieved due to either a lack of resources or a reduction of priority.

Impact:
A lack of periodic, independent monitoring of departments' inventory control could lead to misappropriation of City assets and consumable goods. The impact would be exacerbated in departments where proper purchasing reviews and segregation of duties do not exist.
Without proper control over the definition(s) of the City's sensitive items, Finance could not ensure their identification, tracking, and safeguarding by departments. Additionally, if misappropriation of sensitive items were to occur, persons within departments responsible for recording and tracking sensitive items could avoid accountability by claiming after-the-fact that the missing items were not considered by the department to be "sensitive items."

Sensitive items were lost to theft in the frauds discovered in Public Works and Parks & Recreation at the time of this audit.

Recommendation

The City Manager should update the Fixed Assets PSM to require the Director of Finance to

- periodically assess all departments' control over inventories from P-card purchasing, and
- either centrally define "sensitive item" inventory or review and approve all departments' individual definitions of "sensitive item" inventory.

Management Response:

The Finance Department will update the Fixed Assets PSM within the next 120 days to require the Finance Director to periodically assess all Departmental control over inventories and further define sensitive items, as delineated in the Governmental Finance Officers Association definitions of best practices.

Finding 14

Condition:

Two departments with heavy P-card spending during the audit period Public Works ($11M) and Parks & Recreation ($8M), each experienced P-card fraud discovered during the audit.

The extent of fraud discovered was $25K-$100K for Public Works and over $100K for Parks & Recreation.

Subsequent event: Both of these fraud events involved multiple individuals within and outside of the City. Arrests were made in both cases, resulting in convictions.

Criteria:

Under the COSO framework, Information and Communication,

- Principle 13: The organization obtains or generates and uses relevant, quality information to support the functioning of internal controls. Points of focus:
    - 64. Identifies information requirements
    - 66. Processes relevant data into information

Under the COSO framework, Risk Assessment,

- Principle 8: The organization considers the potential for fraud in assessing risks to the achievement of objectives. Points of focus:
    - 41. Considers various types of fraud

Cause:

Internal controls over P-card Program administration were inadequate to ensure that departments with expectedly significant P-card spending volume have the capacity and understanding of adequate controls over decentralized purchasing. In part, frauds were due to these departments lacking work order systems capable of and/or used to completely and consistently track job costs, i.e. systematic means of detecting fraud, waste, and abuse. In the case of Public Works, its system wasn't capable of tracking job costs at all.

Impact:
Departments lacking job costing systems are more susceptible to fraud, waste, and abuse, which is what actually occurred.

Recommendation
The City Manager should implement effective job cost tracking systems and subsequently monitor their appropriate use in departments that are work-order oriented. In addition, pensions of those involved with the fraud should be revoked.

Management Response:

Management takes the theft of public funds seriously. The employees who committed these fraudulent transactions were terminated and have been prosecuted criminally. In addition, pension revocation is complete in one case and currently sought in the other. To mitigate future risk of fraud, the Public Works Department is reducing the card-in-hand segment of the department to 11 from 173.The Parks and Recreation Department is reducing to 50 from 140.

Observation 2
Condition:
The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools.

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that the first-level supervisory review of P-card statements was circumvented as either non-existent or assigned to an inappropriate authority on 25 out of 66 statements (38%).

Criteria:
P-card PSM provision C (6)b indicates, "The statement will then be reviewed and signed by the employee's supervisor. By signing the statement, the employee's supervisor is certifying that all charges are appropriate and have been authorized and are evidenced by attached receipts."

Under the COSO framework, Control Environment,

- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
    - 16. Enforces accountability through structures, authorities, and responsibilities

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. Points of focus:
    - 51. Evaluates a mix of control activity types
    - 52. Considers at what level activities are applied
    - 53. Addresses segregation of duties

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
    - 62. Performs using competent personnel

Under the COSO framework, Information and Communication,

- Principle 13: The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. Points of focus:
    - 65. Captures internal and external sources of data
    - 67. Maintains quality throughout processing

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
    - 81. Uses knowledgeable personnel
    - 84. Objectively evaluates

Cause:
Finance lacked a program governance implementation process.

Regarding circumvention of first level review, the reviewer either:

- had little or no relevance to the understanding of the purchases being made and/or being at a level with limited responsibility or accountability or
- was the Director/Division Head and the sole level of review without another level of accountability

Impact:
With a P-card program as expansive as the City has, there may exist conditions in departments where cardholders are asked by non-cardholders to make purchases on their behalf, i.e. where the cardholders' supervisors would not be in a capacity to understand the appropriateness or necessity of the purchases. As well, there may be other conditions where even if all purchases are for direct use by the cardholder, the supervisor in general is lax in monitoring operations (e.g. during high volume of work orders, projects, etc.) and this laxity would transfer to purchase review.

In either case, without adequate knowledge of the purchases, the responsibility of supervisor review becomes a rubberstamp rather than a control. All review responsibility would then be put on the fewer department/division directors to have adequate knowledge to properly exercise their second-level review per P-card PSM, which, however, in some cases either may not exist (despite the PSM's presumption of it being a default condition) or may exist, but an adequate review effort would fail, because it is too overwhelming in terms of high purchasing volume and limited review time.

Knowledge of purchasing without tracking documentation would be un-auditable.
Lastly, without established authority thresholds, first-level review of P-card purchasing could be delegated to inconsequential personnel, which could circumvent this primary review control,

which would be especially problematic for departments with a high quantity of cardholders and/or high volume of transactions per period.

Recommendation

The City Manager should update the P-card PSM to indicate that

- the supervisor reviewing the receipts and statements should be in a position to have direct knowledge of the reason and necessity of reviewed purchases.
- the Director of Finance must establish and periodically review for effectiveness purchasing thresholds by which supervisors in consequential positions may delegate their P-card review responsibilities to lower level employees.
- when there is only one level of P-card statement review, the Director of Finance/Procurement include in P-card audits data-mining techniques, looking for anomalous transactions.

Management Response:

The Finance Department will include in the P-card Policy update appropriate responsibilities for reviewing the transactions made via P-card. Until the update is complete, review and approval will be conducted by Department Heads, Assistant City Managers or the City Manager.

Observation 3

Condition:

Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).

- 2 of 15 Program Administrator removal forms were not retained or provided by the City and SunTrust, causing doubt as to whether Program Administrators were properly controlled by authorization forms supplied by Suntrust.
- Because neither the City nor Suntrust retained all details and documentation of orders by Program Administrators for changes to card restrictions, a scope limitation resulted, and the audit could not effectively verify if card changes were made only by authorized Program Administrators. Based on the evidence available at least one card change was made prior to the person ordering the change becoming a Program Administrator.

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. Points of focus:
    - 51. Evaluates a mix of control activity types
    - 53. Addresses segregation of duties

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. Points of focus:
    - 80. Establishes baseline understanding
    - 84. Objectively evaluates

Cause:
Finance lacked a program governance implementation process.

Impact:
Lack of control over authorized Program Administrators could allow unintended changes within the P-card Program that facilitate the occurrence of errors or fraud.

Recommendation
The City Manager should require the Director of Finance to

- restrict SunTrust Program Administrator status solely to the P-card Program Manager and P-card Program Manager Backup roles and to Finance executives deemed necessary
- retain all Program Manager and COV change request documentation, and
- periodically monitor changes to the Program Administrator listing to detect and correct any unauthorized status changes.

Management Response:
The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. With the change in personnel, files were not always transferred appropriately. The Finance Department has created a centralized repository in the Finance shared drive for all P-Card program records, to prevent any future loss of data.

Observation 4
Condition
Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined untimely authorization of P-card statement transactions by either first or second-level approver. Because the P-card PSM does not require a date for the supervisory signature requirement, the audit determined a reasonable standard that an approval was considered delinquent 30 days beyond the end of the prior statement cutoff. If a signature was not dated it was a test exception by default given timeliness could not be assessed.

- Untimely statement approval: 8 of 73 statements
    - This condition ranged from 32 to 70 days after statement cutoff date
- Timeliness undeterminable: 23 of 73 statements

Criteria
P-card statement review dates are significant because City liability shifts according to dates of discovery/notification per the SunTrust (proposer) agreement, page 22 (02.) Mandatory Elements (7):

> "Liability - Purchasing Card, The City will be liable for charges made by authorized users that are in accordance with Cities Policies and Procedures, however,
> • Proposer agrees to assume responsibility for all charges, without a deductible, incurred after notification of lost, stolen or compromised/fraudulently used card/account."

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.
  - 60. Performs in a timely manner

Cause

A couple of causes are noted, but not limited to the following:

- Not understanding the importance of a timely P-card transaction review process
- Not putting priority on reviewing the P-card statement before the monthly payment is made to the P-card program provider

Impact

Untimely notification of prohibited P-card transactions can lead to a greater financial loss to the City.

Recommendation

The City Manager should update the P-card PSM to establish a deadline for completion of the review process and require all review signatures be dated. Additionally, the City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of untimely signatures.

Management Response:

The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts to begin electronic storage of all receipts. The P-Card Policy will require a signature and a date.

Objective 4

To determine effectiveness of controls regarding accounting processes and information security

Finding 10

Condition:

The City's inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of $1,000 or more and a projected useful life of 1 year."

- Fixed Assets PSM under the heading *Property Control* distributes inventory responsibility to the respective purchasing departments for "closely controlled items" which have a value above $0 and below $5,000, and specifically include inventoriable property per State law with value above $1,000 and "sensitive items," which may be below $1,000 in value.
    - This section also establishes that the Director of Finance has the option to review departments' adherence to this policy. As of the time of this audit, the Director of Finance had not performed this review.

- CAO performed this review for a judgmental sample of the top five departments of applicable P-card spending for the audit period October 1, 2014 – March 31, 2017 and found the following:
    - Two of the top five departments did not track inventoriable purchases, i.e. they have no inventory records originating from P-card transactions. One of these departments experienced a five figure P-card fraud during the audit that was directly attributable to its lack of inventory tracking.
        - Of the three departments tracking inventoriable P-card purchases,
            - all three departments exhibited significant control gaps in their purchasing and inventory procedures, largely relating to lack of separation of incompatible duties, lack of physical controls, and lack of IT general controls.
            - one department did not record item details within its purchase inventory, precluding it from performing an efficient physical count of inventory.
                - This represents non-compliance with the Fixed Assets PSM, which concerning inventory requires under *Property Control* that "data elements are to include asset description, location, make, model, serial number, and other information that assists control…."
            - one department exhibited a substantially incomplete inventory schedule, including the absence of "sensitive items" (below $1,000) entirely.

- CAO also assessed for all City departments the sub-object coding of inventoriable P-card purchases, which establishes the foundation of verifying completeness of independent inventory systems each department may have. The audit found a significant (40%) level of inaccurate sub-object coding for inventoriable purchases, precluding Finance from performing an efficient physical count of inventory.

Criteria:
Fixed Assets PSM, based in part on Section 274.02, Florida Statutes and 69I-73.002, Florida Administrative Code, requires inventory controls for items of value above $0 (especially above $1,000) and below $5,000, the City's capitalization threshold.

Fixed Assets PSM *Property Control* excerpt:

"Assets below the capitalization threshold of $5,000 on a unit basis but warranting

> 'control' shall be inventoried at the department level and an appropriate list shall be maintained by the department.
>
> ...Stewardship of these minor but sensitive items is the express responsibility of the departments utilizing these properties. The Finance Director has the right to...periodically review the information and adherence to policy.
>
> Assets with a value between $0 and $4,999 are not considered capital assets and are called "Closely-Controlled Items". These assets are expensed in the period which they are incurred. However, due to State of Florida guidelines, all assets with a cost exceeding $1,000 and a useful life in excess of one year shall be tracked and inventoried by the department that purchased the assets."

Florida Statute Section 69I-73.002, FAC:
"All property with a value or cost of $1,000 or more and a projected useful life of 1 year or more shall be recorded in the local government's financial system as property for inventory purposes."

Property is defined in Section 274.02, FS as "fixtures and other tangible personal property of a no consumable nature."

Cause:
This condition was attributed to the prolonged lack of enforcement, which can encourage non-compliance.

Impact:
Untracked inventory allows for the possibility of theft. Projection of the sub-object coding error estimates a range of $2.6M to $3.5M of merchandise within transactions each costing more than $1,000 purchased during the audit period was untracked and susceptible to theft.

Recommendation
The City Manager should require the Director of Finance to review and ensure the City is in compliance with State law regarding inventory by requiring a periodic review of departmental inventory controls and records.

Management Response:
The Finance Department will institute periodic required departmental reviews of tangible items purchased from $1,000-$5,000, as a part of their fixed assets inventory process.

Finding 11
Condition:
SunTrust, the City's card issuer, pays the City rebate revenue on a few aspects of the City's annual volume of spending, including spending of participants on the City's program known as piggyback. SunTrust's rebate calculation was underreported and underpaid regarding the piggyback aspect since the inception of the fiscal year 2015 contract.

Subsequent event: SunTrust paid the amount due on the piggyback aspect in late 2017 as approximately $27K.

Criteria:
By including the detailed method of SunTrust's rebate calculation and acknowledging that rebate payment errors may need to be corrected, the P-card agreement with SunTrust creates an implicit obligation on the City to review and ensure SunTrust rebate revenues are calculated accurate and collected completely.

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.
    - 51. Evaluates a mix of control activity types

Cause:
The current rebate review process did not reconcile the rebate amount received from SunTrust to the contract terms to ensure completeness of rebates.

Impact:
With a reputable card issuer, the likelihood of an erroneously or fraudulently deficient rebate is slim; however, because rebate revenue is cumulative and has recently exceeded $500K annually, the magnitude is significant.

The City did not collect approximately $27,000+ in revenue due; however, had this error not been detected by the audit, the amount lost could have accumulated to a significant sum, considering this vendor's 20-year history with the City.

Recommendation
The City Manager should implement policy controls for verification of complete rebate collection, and any other non-exchange revenue source.

Management Response:
The Finance Department annually reconciles SunTrust's rebate report to SunTrust ESP data for accuracy. A small portion of the rebate was missed. Finance will review more closely the rebate received and compare it to the contract. Finance will also ask the bank to provide more detailed information on large ticket items, which prevents Finance from conducting a straightforward calculation.

Finding 15
Condition:
Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.

Subsequent event: All identified inappropriate access was resolved during the audit.

Criteria:
Under the COSO framework, Control Activities,

- Principle 11: The organization selects and develops general control activities over technology to support the achievement of objectives. Points of focus:
    - 56. Establishes relevant security management process control activities

Cause:
This condition was attributed to a lack of formal, significant control activities for the P-card Program Manager role.

Impact:
Inadequate control over administrative access within the card issuer's IT system could enable and/or conceal fraud and cause other significant problems.

Recommendation
The City Manager should require the Director of Finance to establish the following:

1) a comprehensive, formal set of control-centric duties and responsibilities that includes respective periodicity and deadlines of tasks for each administrative role within the P-card Program;
2) an independent oversight role to assess and ensure Program administrators are complying with these duties and responsibilities.

Management Response:
The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. The Finance Department updated the SunTrust ESP system removing access for the P-card Program Managers who are no longer are in that role. Finance will create a formal set of duties and responsibilities for the P-card Program Manager and P-card Administrators, that include a periodic review of all administrative access rights.

Finding 16
Condition:
The City has two separate credit card payment service providers under contract, SunTrust and CPS Payment Services. CPS services agreement was signed in 2012, by the Procurement and Contracts Manager, currently the Director of Finance. Both vendors annually provide the City spending rebate revenue in the six-figure range at no cost to the City. The SunTrust agreement is periodically competitively bid by the City and approved by Commission. The CPS agreement, however, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

- Though the CPS services do not expose the City to expense above the Procurement Manual's threshold for competitive bidding, they do provide a contra-expense above threshold and expose the City to risks, such as the potential for significant financial loss due to embezzlement by the service provider, which should be mitigated by the terms and conditions of a contract award process.

Criteria:
Under the COSO framework, Risk Assessment,

- Principle 7: The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. Points of focus:
    - 37. Analyzes internal and external factors
    - 40. Determines how to respond to risks
- Principle 8: The organization considers the potential for fraud in assessing risks to the achievement of objectives. Points of focus:
    - 41. Considers various types of fraud

Cause:
Because the City incurs no expense for the services provided, i.e. the service fee is deducted from the revenue the City earns, the services were not subject to the City's usual requisition and procurement procedures.

Impact:
When procurement bypasses applicable competitive bidding it loses transparency and risks higher expenses (or lower revenue, in this case), lower quality of goods and services, and potentially increased liabilities.

Recommendation
The City Manager should ensure control activities exist that catch significant procurements not involving expense to subject them to competitive bidding, when applicable, and ensure that contracts have termination dates.

Management Response:
At the time that this contract was instituted, CPS was the only vendor to offer the service to pay electric bills via this method and considered a sole source purchase. This however, does not negate the need for an appropriately drafted contract that protects the City. The Finance Department will ensure that future purchases using this procurement method has a contract if one is required.

Finding 17
Condition:
The City Manager did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.

Criteria:
Under the COSO framework, Control Environment,

- Principle 2: The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal controls. Points of focus:
    - 8. Provides oversight for the system of internal controls

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:
    - 60. Performs in a timely manner
    - 61. Takes corrective action

Cause:
This condition was attributed to an apparent lack of resources and reduction of priority, given a P-card PSM update was evident as of January 2016, but its completion effort was postponed.

Impact:
Inadequate control design within the P-card PSM could lead to significant errors and frauds within the purchasing process, such as the misappropriation the City discovered during the performance of this audit.

Recommendation
The City Manager should implement control improvements within a timely fashion for the P-card PSM, based on P-card audit findings.

Management Response:
The Finance Department will continue to review the P-Card Policy on an annual basis and recommend updated language as necessary. Management will make changes as necessary.

Finding 18
Condition:
Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

- Contract spending limit specifications were not available on Procurement's City contract website (though "MB" there does indicate if one exists); determination of current remaining spending capacity is not readily/efficiently available (i.e. it requires a manual research effort into BuySpeed rather than being updated periodically and automatically posted for all to see).
- Because P-card spending largely occurs outside of BuySpeed and a data updating delay exists (i.e. City systems import all purchasing data slightly later than month-end, cardholders do not have timely access to information regarding remaining contract capacity. At most, a Procurement Specialist could inform a departmental Procurement Liaison whether a contract was known to have already exceeded its master blanket.

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.

- 51. Evaluates a mix of control activity types

Cause:
Finance lacked a program governance implementation process.

Impact:
P-card spending could exceed a contract's authorized spending limits.

Recommendation
The City Manager should require the Director of Finance to have Procurement develop a system of controls that mitigate the risk of P-card transactions exceeding authorized spending limits.

Management Response:
The Finance Department is developing a system to mitigate the risk of P-Card transactions exceeding spending limits by including Procurement Services in the approval path for all purchases in the ERP system. The expected go live date is October 1, 2019. In the interim, Procurement will periodically review and audit purchases to identify and eliminate overspending of contracts.

Observation 5
Condition:
To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.

Subsequent event: CAO and Finance reviewed these policies during the course of this audit.

Criteria:
Under the COSO framework, Control Environment,

- Principle 2: The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal controls. Points of focus:
  - 8. Provides oversight for the system of internal controls

Cause:
This condition was attributable to the absence of City policy on the development of supplemental, department-specific policies.

Impact:
Lack of oversight over internal control implementation can cause inefficiency, ineffectiveness, and non-compliance with broader policies and/or controls.

Recommendation
The City Manager should create a PSM that addresses creation and proper approval of department-specific policies that impact the Finance Department's processes.

Management Response:
The Finance Department reviewed and approved the departmental policy on September 1, 2017. The policy incorporated the City's P-card policy requirements and procurement procedures. Management will advise all departments that wish to have departmental policies to have them reviewed by the Finance Department.

Observation 6
Condition
Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined inadequate review of expenditure/expense coding for P-card purchases as follows:

- An erroneous sub-object was charged: 45 out of 165 transactions (27%)

Criteria
PSM 9.13.1. Use of City Issued Procurement Card, policy/procedure C. "Procedures for Making and Paying for Purchases"

5. Payment and Invoice Procedures

b. The cardholder must review the statement and note any errors or disputes. Account numbers for each item (or account numbers and total dollar amounts for groups of items) should be written on the transmittal form to be attached to the statement. The statement will then be reviewed and signed by the employee's supervisor. ***By signing the statement, the employee's supervisor is certifying that all charges are appropriate and have been authorized and are evidenced by attached receipts.*** Once the employee's supervisor has reviewed and signed all statements for which they are responsible, the statements must be forwarded to the departmental Accounts Payable Section or the "point person" designated by the department to receive the statements/receipts.

Cause
The verification of an accurate account number is not explicit in the above noted PSM.

Budgets are amended at the character level (i.e., services/material (30), non-operating (50), capital (60), etc.) not the sub-object level, thus 17 out of 23 departments (74%) did not put forth the emphasis on the accuracy of the subject.

Impact
Improper purchase account coding can lead to prohibited purchases being buried in accounts that may not get the appropriate level of review which may lead to financial loss to the City.

Recommendation

The City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of inaccurately coded purchases.

Management Response:

The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. The focus will be on card holder and supervisory accountability and immediate cancellation of the employee's P-card, if violated.

CITY OF
FORT LAUDERDALE

All-America City

Memorandum

Memorandum No: 19-06

Date: May 10, 2019

To: John C. Herbst, City Auditor

From: Chris Lagerbloom, ICMA-CM, City Manager

Re: Procurement Card Audit – Management Responses

Management appreciates the City Auditor making the Procurement Card (P-card) Program operational audit a priority. It is Management's understanding that in January 2017, the Finance Director requested that the City Auditor conduct an audit of the P-Card Program to earn points for the Achievement of Excellence in Procurement Award. The City Auditor's Office made it a priority audit because it was also identified on the annual risk assessment. The audit identified both Findings and Observations that will be addressed by Management. The audit also highlighted the need to tighten controls and reduce the risk of fraud. Within the next 15 days, the P-card Program's card-in-hand segment (currently 520 cards) will be reduced to minimum card holders per department. It is anticipated that card holders in the card-in-hand segment will be reduced by more than 70%.

Upon receipt of the draft audit in March 2019, the single transaction limit was reduced from $5,000 to $1,000 and mandatory receipt image upload was implemented and went live April 1, 2019. Also, 93 cards were cancelled for lack of usage. Other forthcoming enhancements will be an updated Procurement Card Policy which will include a zero-tolerance policy for violations and will focus on card holder and supervisory accountability.

The following are Management Responses to the audit Findings and Observations:

Objective 1

To determine adequacy of program administration regarding policies, procedures, and staffing

<u>Observation 1</u>

Condition:

Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.

Management Response
In November 2018, with the adoption of the City's Class and Compensation study, the job description for the Management Analyst position in Finance was updated to reflect the minimum qualifications for the P-card Administrator ("Program Manager"). The job description is attached as Exhibit 1.

Objective 2
To determine effectiveness of program controls regarding card issuance and cancellation

Finding 1
Condition:
Audit analysis of SunTrust cards data revealed 52 cards, of an estimated 275 cardholders, departing employment during the audit period of October 1, 2014 – March 31, 2017, were not timely canceled.

Management Response
Management takes the need for timely notification of terminated employees seriously and Information and Technology Department staff created a mechanism to notify all interested parties, including the Finance Department, of departing employees. When the P-card Program Manager receives the notification, the employee is immediately removed from the SunTrust Enterprise Spend Platform (ESP) system. Management will continue to enforce policies and processes in place to ensure timely notification of terminations. Management will also review the current process and make changes that may further mitigate risk.

Finding 2
Condition:
A random sample of 60 out of 235 card applications had a significant deviation rate for inadequate record-keeping, such as no card applications, incomplete applications, and no approval date.

Management Response
The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for card applications over the audit period. Beginning in fiscal year 2016, the Finance Department appointed the current P-card Program Manager and implemented electronic storage of P-card applications and signed agreement forms. The implementation of the electronic card application storage will help mitigate against future risk related to this finding.

Objective 3
To determine effectiveness of controls regarding card usage and activity

Finding 3
Condition:
The P-card Program Manager has the discretion and ability to completely restrict the purchasing ability of a P-card by placing it into suspended status. This feature is enabled

to allow lost cards sufficient time to be found without need for issuance of a replacement card, which is contrary to P-card PSM, requiring lost cards to be timely terminated. Cards can subsequently be reactivated out of suspended status. There is no policy to limit the duration a card can be held in suspended status. Audit determined reactivation of suspended cards occurred at a rate of roughly one card per 4 months with a maximum suspended duration of 815 days and median duration of 44 days.

Management Response

Effective immediately, the Finance Department will run a weekly report on cards in suspended status (W000) and ensure that cards are suspended no longer than 10 days. These guidelines will be added to the P-card Personnel Standards Manual (PSM) requirements.

Finding 4

Condition

Two departments included in audit testing of transaction receipts were noted throughout the audit, in multiple instances, as failing to retain and/or provide requested P-card records, which was not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.

Management Response

The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and specify how enforcement of consequences will occur. The focus will be on card holder accountability and immediate cancellation of the employee's P-card if the policy is violated. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts.

Finding 5

Condition

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements lacked supervisory review and/or included purchases of prohibited items. The occurrences noted were as follows:

- Missing supervisor signature on statement: 7 of 50 statements (14%)
- Prohibited item transactions: 16 of 158 receipts (10%)

Management Response

The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.

Finding 6

Condition

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements were missing evidence of Department/Division/Group Activity Directors review on 37 of 70 statements (53%).

Management Response

The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.

Finding 7

Condition

City personnel used P-cards to make unauthorized purchases of alcoholic beverages. Several items contravened the directive of the City Manager's Office and/or City policy.

Management Response

The purchase of alcoholic beverages for special events is allowed, with express approval of the City Manager. As special events grew, the department responsible for coordinating the events did not add two events to the list that was previously approved by the City Manager. The events were added to the list after the audit period. Attached as Exhibit 2 is the approved list dated July 12, 2018. The purchase of alcoholic beverages is suspended while the policy is being reviewed and any future purchases will only be through a contracted vendor.

Finding 8

Condition:

Sample testing of 243 transactions within a population of suspected split transactions for the audit period October 1, 2014 – March 31, 2017 revealed 29 instances of transaction splitting, which is an unacceptable sample deviation rate of 12%. Controls failed to detect or prevent transaction splitting.

Management Response

The Finance Department is using a financial system that does not detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning (ERP) system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.

Finding 9

Condition:

P-card transactions violated Procurement requirements of competitive bid and purchase order usage.

Management Response
The Finance Department is using a financial system that does not afford the capabilities of reviewing spending to detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning ("ERP") system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.

Finding 12
Condition:
The current internal control system does not prevent or detect duplicate P-card payments of invoices processed by both Accounts Payable and the respective departments.

Management Response
With the implementation of the new ERP in fiscal year 2020, P-Card charges will be approved by the Department and routed through Accounts Payable ("AP") for processing. Part of this process will include uploading the P-card charge directly to the corresponding AP vendor file, which will help identify duplicate invoices. This will aide Management by identifying duplicate payments.

Finding 13
Condition:
The City's Fixed Assets PSM distributes the responsibility of control over inventories purchased via P-card to the departments making the purchases but does not require an independent verification of these departments' controls. Further, even though, per PSM, the Finance Director has the right to verify adherence to the policy, no such review occurred during the audit period.

Additionally, Finance did not provide a central definition for "sensitive items" and did not approve each department's respective definition; therefore, Finance did not properly control departments' identification of sensitive items.

Management Response
The Finance Department will update the Fixed Assets PSM within the next 120 days to require the Finance Director to periodically assess all Departmental control over inventories and further define sensitive items, as delineated in the Governmental Finance Officers Association definitions of best practices.

Finding 14
Condition:
Two departments with heavy P-card spending during the audit period Public Works ($11M) and Parks & Recreation ($8M), each experienced P-card fraud discovered during the audit.

Management Response

Management takes the theft of public funds seriously. The employees who committed these fraudulent transactions were terminated and have been prosecuted criminally. In addition, pension revocation is complete in one case and currently sought in the other. To mitigate future risk of fraud, the Public Works Department is reducing the card-in-hand segment of the department to 11 from 173.The Parks and Recreation Department is reducing to 50 from 140.

Observation 2

Condition:

The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools.

Management Response

The Finance Department will include in the P-card Policy update appropriate responsibilities for reviewing the transactions made via P-card. Until the update is complete, review and approval will be conducted by Department Heads, Assistant City Managers or the City Manager.

Observation 3

Condition:

Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).

Management Response

The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. With the change in personnel, files were not always transferred appropriately. The Finance Department has created a centralized repository in the Finance shared drive for all P-Card program records, to prevent any future loss of data.

Observation 4

Condition

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined untimely authorization of P-card statement transactions by either first or second-level approver. Because the P-card PSM does not require a date for the supervisory signature requirement, the audit determined a reasonable standard that an approval was considered delinquent 30 days beyond the end of the prior statement cutoff. If a signature was not dated it was a test exception by default given timeliness could not be assessed.

Management Response

The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts to begin electronic storage of all receipts. The P-Card Policy will require a signature and a date.

Objective 4

To determine effectiveness of controls regarding accounting processes and information security

Finding 10

Condition:

The City's inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of $1,000 or more and a projected useful life of 1 year."

Management Response

The Finance Department will institute periodic required departmental reviews of tangible items purchased from $1,000-$5,000, as a part of their fixed assets inventory process.

Finding 11

Condition:

SunTrust, the City's card issuer, pays the City rebate revenue on a few aspects of the City's annual volume of spending, including spending of participants on the City's program known as piggyback. SunTrust's rebate calculation was underreported and underpaid regarding the piggyback aspect since the inception of the fiscal year 2015 contract.

Subsequent event: SunTrust paid the amount due on the piggyback aspect in late 2017 as approximately $27K.

Management Response

The Finance Department annually reconciles SunTrust's rebate report to SunTrust ESP data for accuracy. A small portion of the rebate was missed. Finance will review more closely the rebate received and compare it to the contract. Finance will also ask the bank to provide more detailed information on large ticket items, which prevents Finance from conducting a straightforward calculation.

Finding 15

Condition:

Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.

Management Response
The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. The Finance Department updated the SunTrust ESP system removing access for the P-card Program Managers who are no longer are in that role. Finance will create a formal set of duties and responsibilities for the P-card Program Manager and P-card Administrators, that include a periodic review of all administrative access rights.

Finding 16
Condition:
The City has two separate credit card payment service providers under contract, SunTrust and CPS Payment Services. CPS services agreement was signed in 2012, by the Procurement and Contracts Manager, currently the Director of Finance. Both vendors annually provide the City spending rebate revenue in the six-figure range at no cost to the City. The SunTrust agreement is periodically competitively bid by the City and approved by Commission. The CPS agreement, however, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

Management Response
At the time that this contract was instituted, CPS was the only vendor to offer the service to pay electric bills via this method and considered a sole source purchase. This however, does not negate the need for an appropriately drafted contract that protects the City. The Finance Department will ensure that future purchases using this procurement method has a contract if one is required.

Finding 17
Condition:
The City Manager did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.

Management Response
The Finance Department will continue to review the P-Card Policy on an annual basis and recommend updated language as necessary. Management will make changes as necessary.

Finding 18
Condition:
Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

Management Response
The Finance Department is developing a system to mitigate the risk of P-Card transactions exceeding spending limits by including Procurement Services in the approval path for all purchases in the ERP system. The expected go live date is October 1, 2019.

In the interim, Procurement will periodically review and audit purchases to identify and eliminate overspending of contracts.

Observation 5

Condition:

To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.

Management Response

The Finance Department reviewed and approved the departmental policy on September 1, 2017. The policy incorporated the City's P-card policy requirements and procurement procedures. Management will advise all departments that wish to have departmental policies to have them reviewed by the Finance Department.

Observation 6

Condition

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined inadequate review of expenditure/expense coding for P-card purchases as follows:

- An erroneous sub-object was charged: 45 out of 165 transactions (27%)

Management Response

The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. The focus will be on card holder and supervisory accountability and immediate cancellation of the employee's P-card, if violated.

Attachments:

Exhibit 1 – Management Analyst Job Description
Exhibit 2 – Special Events List July 12, 2018

C: Linda Logan-Short, Interim Assistant City Manager
Rhoda Mae Kerr, Assistant City Manager
Kirk Buffington, Finance Director

powered by NEOGOV

Class Title: MANAGEMENT ANALYST

Bargaining Unit: Management

Class Code: NB132

Salary: $28.45 - $44.10 Hourly
$2,276.00 - $3,528.00 Biweekly
$4,931.33 - $7,644.00 Monthly
$59,176.00 - $91,728.00 Annually

POSITION SUMMARY | Benefits

GENERAL SUMMARY

The City of Fort Lauderdale community builders possess a passion for public service demonstrated by a high degree of enthusiasm, self-reliance, and job proficiency. They effectively convey the vision and mission of the organization and provide excellent service and satisfaction to our internal and external customers.

Supports a designated Department by performing statistical and research studies, drafting policies and procedures, preparing financial reports, and overseeing various programs.

ESSENTIAL JOB FUNCTIONS

Essential functions are the basic job duties that an employee must be able to perform, with or without reasonable accommodation. The list of essential functions, as outlined herein, is intended to be representative of the tasks performed within this classification. The omission of a function does not preclude management from assigning essential duties not listed herein if such duties relate to the position.

- Serves as the Purchasing Card (P-Card) Administrator; oversees the P-Card program for the City; reviews P-Card charges; audits the program to ensure charges being made are appropriate
- Drafts new policies based on the needs of the City; edits older City policies to update and include modern language and standards
- Coordinates meetings; processes appropriate paperwork; drafts memos
- Prepares monthly financial report; compiles the Finance Business Plan, including major accomplishments of the prior year and upcoming projects
- Tracks Performance Measures for the department
- Represents the department while serving on various City-wide committees
- Performs related work as required

MINIMUM JOB REQUIREMENTS

1. Bachelor's Degree in business related field and one (1) to three (3) years of experience reviewing data and analyzing reports. Additional qualifying experience or completion of coursework at an accredited college or university in a job related field, may substitute on a year-for-year basis for one year of the required experience or education.

Special Requirements:

Essential Employees may be required to work during a declared emergency. The employee's Department Head will determine who will be required to work.

Non-Essential Employees will not be required to work during a declared emergency but may be required to work in some capacity after the declared emergency. The employee's Department Head will determine when the employee will be required to work.

WORKING ENVIRONMENT:

Work EnvironmentFrequency Working in Designated Environment Office or similar indoor environmentFrequently or Often Outdoor environmentSeldom or Never Street environment (near moving traffic)Seldom or Never Construction siteSeldom or Never Confined SpaceSeldom or Never In the community (homes, businesses, etc.)Seldom or Never LabSeldom or Never Warehouse environmentSeldom or Never

PHYSICAL STANDARDS REQUIRED TO PERFORM ESSENTIAL JOB FUNCTIONS:

The position is generally sedentary. Employees sit most of the time, but may walk or stand for brief periods of time.

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

PERFORMANCE INDICATORS:

CORE COMPETENCIES

Passion for job: Maintains a high degree of enthusiasm, self-reliance, and self-starting approach to achieve and maintain higher levels of performance. Lead by example to inspire employee commitment and motivation to ensure that Community Builders (employees) and neighbors (customers) experience the highest level of service and satisfaction.

Commitment to Excellence/Continuous Improvement: Demonstrates a commitment to quality, takes pride in work, and strives to deliver the best possible results. Upholds the City's Quality Management System (QMS) through provision of consistent quality services that meet the needs and expectations of neighbors (customers) and other interested parties. Aims to enhance neighbor satisfaction with city services by looking for opportunities to improve performance, generating ideas for improving processes, and thoroughly reviews work. Resilience, determination and innovation are all qualities essential for success.

Job Knowledge: The demonstration of specialized knowledge required to perform the job. Takes initiative in learning and implementing new concepts, technologies, and/or methods.

Customer Service Orientation: Keeps internal and/or external customer(s) in mind at all times. Strives to proactively address customer concerns and needs. Assists business partners and neighbors to achieve their work goals via application of their own skills and knowledge; strives to provide consistent customer satisfaction and proactively seek customer feedback.

Personal Credibility: Projects self-control, confidence, and composure while managing emotions, time, energy, and performance.

Results Orientation: Demonstrates knowledge of what results are important, and focuses resources to achieve them.

Accountability: Takes personal responsibility for outcomes.

Engagement: Care about work assignments and meets expectations for work schedules and accomplishing assignments. Shows commitment to the organization and its goals.

Communication: Speaks, writes, and listens effectively in a variety of circumstances, shares information and ideas with others.

Ethics and Integrity: Degree of trustworthiness and ethical behavior of an individual with consideration for the knowledge one has of the impact and consequences when making a decision or taking action. All community builders should familiarize themselves with the *City's Policy and Standards Manual (PSM) Chapter 6, Section 10, Sub Section 8 (City Employee Code of Ethics).*

Teamwork: Works effectively with others to achieve business goals and objectives. Takes steps to promote cohesiveness, collaboration and synergy with associates throughout the organization. Bridges personal, business and cultural differences to work effectively in team settings.

SPECIFIC COMPETENCIES

Analytical Thinking: Builds a logical approach to address problems or opportunities or manage the situation at hand by drawing on own knowledge and experience base and calling on other references and resources as necessary.

Change Leadership: Pursues new directions and drives needed change.

Creativity & Innovation: Creating and identifying novel approaches to address challenging strategic, technical or business situations and problems. It is about coming up with new or different ideas, or adapting ideas from elsewhere in the organization or externally. It is concerned with moving the organization forward by applying new ideas or old ideas in a new way to generate solutions and approaches. At the higher levels it is about thinking laterally and creating new concepts.

Data Analysis: Monitors and collects research data to access accuracy, validity, and integrity.

Interpersonal Relations: Displaying understanding and sensitivity to needs and problems of others. Building rapport, establishing relationships and relating well to all kinds of people. Identifies with and cares for others. Shows respect and values people and their contributions.

Judgment: Analyzes problems by evaluating available information and resources; develops effective, viable solutions to problems which can help drive the effectiveness of the department or organization.

Problem Solving & Decision Making: Analyzing and diagnosing problems to resolve them or minimize their negative consequences. Isolating, defining and seeking solutions to problem areas. Analyzing problems or procedures, evaluate alternatives, and select best course of action. Adapting traditional approaches or devising new approaches, concepts, methods, designs, processes, technologies and systems.

Project Management: Demonstrates the ability to manage the course of a project in the most efficient and effective way.

SUPERVISORY / NON-SUPERVISORY COMPETENCIES

Continuous Learning: The extent to which one is able to independently determine the need for personal and professional growth, appropriately identify relevant learning opportunities, and willingly participate in such developmental opportunities.

Time Management: Ability to prioritize and organize own actions to achieve targeted objectives.

JOB REQUIREMENTS & WORK ENVIRONMENT:

Bachelor's Degree in business related field and one (1) to three (3) years of experience reviewing data and analyzing reports. Additional qualifying experience or completion of coursework at an accredited college or university in a job related field, may substitute on a year-for-year basis for one year of the required experience or education.

Special Requirements:

Essential Employees may be required to work during a declared emergency. The employee's Department Head will determine who will be required to work.

Non-Essential Employees will not be required to work during a declared emergency but may be required to work in some capacity after the declared emergency. The employee's Department Head will determine when the employee will be required to work.

EQUAL EMPLOYMENT OPPORTUNITY INFORMATION:

Established Date: 11/18/2018 Revised Date: N/A
Management Category: 4 Classification Level: Advanced
FLSA: Exempt EEO Code: 2 - Professional
Job Code: NB132 Pay Grade: G009

Gina Rizzuti-Smith

From: Phil Thornburg
Sent: Tuesday, April 30, 2019 11:40 AM
To: Chris Lagerbloom; Rhoda Mae Kerr; Linda Short; Kirk Buffington
Subject: FW: Alcohol Approval at City Events
Attachments: Memo - Beer and Wine (revised 7.12.18).doc

Here is the email chain on adding the two events to the approval memo for beer and wine at city events.

Let me know if you need any additional information on this one. I am working to get the contracts together regarding the alcohol for the entertainers at the events.

Phil

From: Phil Thornburg
Sent: Thursday, July 12, 2018 6:45 PM
To: Lee Feldman
Subject: Re: Alcohol Approval at City Events

Ok

On Jul 12, 2018, at 6:38 PM, Lee Feldman <LFeldman@fortlauderdale.gov> wrote:

> Just use this email. Thanks.
>
> Lee R. Feldman, ICMA-CM
> City Manager
> City of Fort Lauderdale, FL
> (iPad)
>
> On Jul 12, 2018, at 6:37 PM, Phil Thornburg <PThornburg@fortlauderdale.gov> wrote:
>
>> Thanks. Can you sign and send to me?
>>
>> On Jul 12, 2018, at 6:19 PM, Lee Feldman <LFeldman@fortlauderdale.gov> wrote:
>>
>>> Approved.
>>>
>>> Lee R. Feldman, ICMA-CM
>>> City Manager
>>> City of Fort Lauderdale, FL
>>> (iPad)
>>>
>>> On Jul 12, 2018, at 12:15 PM, Phil Thornburg <PThornburg@fortlauderdale.gov> wrote:
>>>
>>>> For your review and signature please.
>>>>
>>>> Thanks, Phil

From: Carl Williams
Sent: Wednesday, July 11, 2018 5:16 PM
To: Phil Thornburg
Subject: Alcohol Approval at City Events

Phil,

I am seeking approval to purchase beer and wine for the Legacy Tribute and Summer Jamz (both take place during David Deal Play Day Week).

- The Legacy Tribute recognizes individuals that helped make a difference in the community and Parks and Recreation. The anticipated attendance is 150-200 and will take place in Carter Park gym.

- The Summer Jamz event is live Blues and R&B bands/performances to pay a tribute to the Legacy honorees. This event is similar to Friday Night Tunes/Starlight's that we host at Carter and Holiday Park respectively. This event includes a stage, band, VIP area, tables and tents with an anticipated attendance of 500.

The first attachment provides additional details of what was approved last year…the second attachment is the updated memo. For your approval…..

<image003.png>

<mime-attachment>

<Memo - Beer and Wine (revised 7.12.18).doc>

CITY OF
FORT LAUDERDALE

Date: July 12, 2018

To: Lee R. Feldman, ICMA-CM, City Manager

From: Phil Thornburg, Parks & Recreation Director

RE: Beer and Wine at City Events

The Parks and Recreation Department is requesting permission to purchase beer and/or wine for the noted events below on a yearly basis. Additional events that may take place throughout the year will be requested on a case by case basis.

- New Year's Eve (Downtown Countdown)
- Saint Patrick's Parade &Festival
- Great American Beach Party
- July 4th Spectacular
- Get Lit Holiday Event on Riverwalk
- Light up the Beach
- Jazz Brunch
- Employee Picnic
- Light Up Sistrunk
- Sistrunk Parade & Festival
- MLK Parade & Celebration
- Relay for Life
- David Deal Play Day Event week (Legacy Tribute and Summerfest)

_____ ___Approved
City Manager ___Denied

Cc: Chris Lagerbloom, Assistant City Manager