

APPROVED

**VIRTUAL AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE**

City Hall Closed to the Public- Virtual Meeting

Thursday, October 29, 2020, 11:00 AM

<u>Board Member</u>	<u>Attendance</u>	Cumulative Attendance	
		<u>Present</u>	<u>Absent</u>
D. Keith Cobb, Chairman	P	1	0
Paul Czerwonka	P	1	0
Thomas Bradley	P	1	0
Lane Hacker	P	1	0

Staff Present

Susan Grant, Director, Finance
Linda Short, Deputy Director, Finance
Laura Garcia, Controller, Finance
John Herbst, City Auditor
Debra Conyers, Board Liaison

Other Attendees

John Weber, Crowe, LLP
Michele Blackstock, Crowe, LLP

Call to Order

Chairman Keith Cobb called the meeting to order at 11:00 AM.

Roll Call

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

Floor Open for Public Input

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

Client Service Plan

John Weber thoroughly discussed the Client Service Plan for September 30, 2020.

Discussion ensued between Crowe LLP, Board Members, and City Officials.
(refer to attached handout)

Quarterly Audit Compliance Report- September 2020

Chairman Keith Cobb asked if anyone had questions regarding the Quarterly Audit Compliance Report. Susan Grant spoke regarding the six open items that the Finance Department has remaining. Ms. Grant explained that four of the items will be cleared when ERP is implemented. The other two items are being worked on by the Finance department and the Auditor's office.

Further discussion ensued between Board Members and City Officials.
(refer to attached handout)

City Auditor Update

John Herbst discussed revisions in his office and how COVID-19 has impacted much needed data in his office. Due to City staff working remotely the Auditor's Office has concentrated mainly on the Procurement Division. They want to ensure that Purchasing Card fraud doesn't occur.

Susan Grant expressed how the Finance department is closely monitoring P-card transactions and that a couple of employees have had their accounts suspended.

ERP Update

Susan Grant stated that a third party and a project manager has been hired to assist in the ERP implementation. Ms. Grant expressed the City does not have a timeline for the implementation but is working closely with another City that has completed the ERP implementation. Chairman Keith Cobb inquired about why the ERP implementation was taking so long. Ms. Grant stated that the ERP project will be done in phases and that the approach will take slightly longer than originally expected.

Further discussion ensued between Board Members and City Officials.

Other Business

N/A

Communication to the City Commission

N/A

Adjournment

The next scheduled Audit Advisory Board meeting will be January 28th, 2021.

The meeting adjourned at 11:47 AM

[Minutes prepared by Debra Conyers, Board Liaison]



Client Service Plan

September 30, 2020

City of Fort Lauderdale, Florida



Table of Contents

Letter to Management	1
The Crowe Audit Engagement	
Crowe Client Service Team	2
Client Experience.....	3
Crowe’s Services and Deliverables	4
Audit Timeline	5
Audit Planning Discussions	
Required Communication	6
Fraud Risk Factors	7



Crowe LLP
Independent Member Crowe Global

City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

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

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

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

Sincerely,

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

John Weber
Crowe LLP

Crowe Client Service Team

Role	Name	Phone	Email	Definition of Role
Client Relations/Audit Partner	John Weber	813.209.2585	john.weber@crowe.com	John will work with our engagement team to understand your expectations and ensure that your needs are met through the delivery of our services. John is also the partner signing our reports on your financial statements.
Audit Senior Manager	Michelle Blackstock	954.202.2924	michelle.blackstock@crowe.com	Michelle will oversee the execution of the audit, focusing on overseeing engagement management and on accounting and financial reporting matters.
Senior Staff - In Charge	Alex Nhan	954.993.0779	alex.nhan@crowe.com	Alex will oversee the execution of the audit and accounting and financial reporting matters.
Information Systems Senior Manager	Robert Vittitow	502.420.4452	robert.vittitow@crowe.com	Robert will oversee the identification and testing of the information systems risks and controls related to the financial statements and internal control audits.

Client Experience

Why Do Our Clients Choose Crowe?

Clients tell us when our technical expertise, industry knowledge, and applied technology come together, exceptional service and value result. At Crowe LLP, we take pride in our relationships with our clients. Our vision is that our people come to work every day motivated to provide our clients with an exceptional experience in every interaction and to help our professionals maintain objectivity in the delivery of our services. We are proud to report Crowe is one of the 2020 “*Fortune 100 Best Companies to Work For*”.



How Do We Do This?

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

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

Exceptional Client Experience

Our 2020 client feedback survey results* impressively show:

96% { 96% of respondents said they would recommend Crowe to a colleague.

94% { 94% of respondents agreed that Crowe helps them to make smart decisions.

60% { Nearly 60% of respondents recognized someone from Crowe for delivering above & beyond service.

*Based upon nearly 2,000 surveys completed in Crowe's fiscal year 2020.

Crowe's Services and Deliverables

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

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

Audit Timeline

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

City of Fort Lauderdale

Date	Activity
September 8, 2020	Interim fieldwork
November 9, 2020	IT audit fieldwork
December 14, 2020	Final Trial Balance and SEFA due to Crowe from City
January 11 – February 26, 2021	Year End Fieldwork
February 22, 2021	Complete CAFR and Other Deliverables to be provided by Finance
TBD	City Final CAFR and other Deliverables to be provided to Audit Advisory Board
TBD	Presentation of CAFR and other Deliverables to City Commission

City of Fort Lauderdale Community Redevelopment Agency (CRA):

Date	Activity
September 14, 2020	Interim fieldwork
November 6, 2020	Final Trial Balance to Crowe from CRA
November 9 – December 21, 2020	Year End Fieldwork
February 5, 2021	Complete Financial Statements and Other Deliverables to be provided by Finance
TBD	City Final CAFR and other Deliverables to be provided to management and Audit Advisory Board
TBD	Presentation of CAFR and other Deliverables to City Commission

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

Date	Activity
December 18, 2020	Final Trial Balance to Crowe from GERS
December 21, 2020	Year End Fieldwork
January 8, 2021	GASB 72 investment information to be provided to Crowe from GERS
January 15, 2021	Statement of Fiduciary Net Position and Changes in Fiduciary Net Position and the 10/1/2018 – 9/30/2019 DROP reconciliation to actuary to complete GASB 67
February 15, 2021	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

Required Communication

Auditor's responsibilities under Generally Accepted Auditing Standards

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

Fraud Risk Factors

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

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

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

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

Discussion Regarding the Risk of Material Misstatement Due to Fraud:

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



CITY OF FORT LAUDERDALE

STATUS OF OPEN AUDIT FINDINGS

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

As of September 30, 2020



WE BUILD COMMUNITY



CITY OF FORT LAUDERDALE

OPEN AUDIT FINDINGS STATUS REPORT

The Structural Innovation Division of the Office of Management and Budget compiles the quarterly Open Audit Findings Status Report. The report is based upon updates provided by departmental staff. It provides the status of open audit findings from external auditors and the City Commission 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 Commission Auditor that they believe a finding has been resolved. The Auditor’s Office will continuously review these responses throughout the year and will notify the System Administrator in the Structural Innovation Division to close findings that have been cleared.

This quarter one (1) audit finding was closed in the City Manager’s Office that was associated with a programmatic finding in the Consolidated Annual Performance and Evaluation Report (CAPER).

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 can be found in the table below.

Number of Open Findings

DEPARTMENT	September 2016	September 2017	September 2018	September 2019	December 2019	March 2020	June 2020	September 2020
City Manager’s Office	2	4	3*	2*	1*	1*	1*	0
Community Redevelopment Agency	5	2	1	1	0	0	0	0
Finance	2	2	0	26**	8**	8**	6	6
Human Resources	7	7	7	4	4	3	3	3
Information Technology Services	1	0	0	0	0	0	1**	1**
Parks and Recreation	15	9	6	1	1	1	1	1
Public Works	0	0	0	0	0	0	0	0
Sustainable Development Department	6	4	2	2	2	2	2	2
TOTAL	38	28	19	36	16	15	14	13

***One (1) open finding within the Information Technology Services Department come from the Independent Auditor’s Report of the financial statements in the FY 2019 Comprehensive Annual Financial Report.
All other open findings/observations come from reports issued by the Office of the City Auditor.*

**Status of Open Audit Findings
as of September 30, 2020
Table of Contents**

Issue No:	Audit Finding Title	Status reported by Staff	Page
Closed Audit Findings			
City Manager's Office			
413	FY2016 Consolidated Annual Performance and Evaluation Report (CAPER) - Slow Moving Activities	Implemented	2
External Findings			
Information Technology Services Department			
449	Finding 2019-001 User Access	Partially Implemented	4
City Auditor's Office Findings			
Finance Department			
429	Finding #12: Duplicate P-Card Detection	Not Implemented	7
430	Finding #13: P-Card Inventory Control	Partially Implemented	8
431	Finding #14: P-Card Spending Issues with Public Works and Parks and Rec	Partially Implemented	9
435	Finding #10: P-Card Fixed Asset Inventory Procedure	Partially Implemented	10
436	Finding #11: Accuracy of P-Card Rebates	Implemented	11
437	Finding #15: P-Card Access Rights	Partially Implemented	12
Human Resources Department			
95	Report #09/10-01 Audit of the Human Resources Department Finding 9 - Succession Planning	Partially Implemented	14
100	Report #09/10-01 Audit of the Human Resources Department Auditor Comment 3 - Training	Partially Implemented	16
237	Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9	Partially Implemented	17
Parks and Recreation Department			
314	Operational Audit of the Cemetery System - Finding 7	Partially Implemented	19
Department of Sustainable Development			
108	Report #10/11-06 Audit of the Code Enforcement Lien Process - Finding 2	Partially Implemented	22
109	Report #10/11-06 Audit of the Code Enforcement Lien Process - Finding 3	Partially Implemented	24

Findings Closed This Quarter

City Manager's Office



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

Issue No: 413

Date of Finding: 04/05/2018

Final Date of Completion 09/30/2020

		Name	Title	Department
<u>Responsible Person 1</u>	rwilliams	Rachel Williams	HCD Manager	City Manager
<u>Responsible Person 2</u>	dcorcoran	Donna Corcoran	Accountant	City Manager

Correction Plan Status: Implemented Finding Type: Observation

Next Milestone

Milestone Date of Completion

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: Activities 2302, 2307, and 2298 that were identified in the correction plan have been completed and closed.

A review of Community Development Block Grant (CDBG) Activities at Risk dashboard is conducted by City staff monthly to track and monitor the progress of the activities. HUD provided a written statement that they do not have any issues with slow moving activities, allowing for this finding to be closed.

External Findings

Information Technology Services Department



Finding 2019-001 User Access

Issue No: 449
Date of Finding: 05/15/2020
Final Date of Completion 05/14/2021

		Name	Title	Department
<u>Responsible Person 1</u>	crodholm	Charles Rodholm	Division Manager ITS Security	Information Services
<u>Responsible Person 2</u>	vflorestal	Valerie Florestal	Financial Administrator	Information Services

Correction Plan Status: Partially Implemented Finding Type: Significant Deficiency

Next Milestone Finalize review of proposed policies and procedures revisions

Milestone Date of Completion 12/31/2020

Department: Information Services

Audit Initiator Financial External

Title: Finding 2019-001 User Access

Issue / Observation The City did not remove access to a server after an employee termination. A terminated employee with administrative access continued to have access to a server after the employee's termination date. Effect: Potential unauthorized server access.

Administrator level access to servers should be removed and/or login credentials changed immediately upon termination of employees. If access is unable to be removed within a reasonable period of time after termination, ongoing monitoring should be performed to identify any suspicious activity.

Recommendation: Crowe recommends the City follow best practices of immediately removing access or changing login credentials for terminated employees. The City should also monitor activity of all servers and financially significant systems for unusual activity on an ongoing basis.

Correction Plan: The City has updated an internal policy to clearly dictate that service accounts should not be associated with a person and should not be used by any person except for troubleshooting and initial testing purposes. This control will prevent the City from leaving system administrator accounts open due to account tie-in with critical services.

Current Status: The user account has been deleted. The ITS Security team has provided recommendations of revisions to existing policies and procedures for review and evaluation by ITS management.

Reports issued by the Office of the City Auditor



Finance Department



Finding #12: Duplicate P-Card Detection

Issue No: 429
Date of Finding: 03/01/2019
Final Date of Completion 12/31/2020

Responsible Person 1 lgarcia
Responsible Person 2 dcarter

Name	Title	Department
Laura Garcia	Controller	Finance
Devin Carter	Assistant Controller	Finance

Correction Plan Status: Not Implemented Finding Type: Material Weakness

Next Milestone Explore purchase of forensic accounting software

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #12: Duplicate P-Card Detection

Issue / Observation 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.

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.

Correction Plan: 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.

Current Status: With the delay in the implementation of the ERP, Finance is exploring the purchase of a forensic software to analyze accounts payable (AP) invoices prior to payment, which will help to identify duplicate payments.

Finding #13: P-Card Inventory Control

Issue No: 430
Date of Finding: 03/31/2019

Final Date of Completion 12/31/2020

		Name	Title	Department
<u>Responsible Person 1</u>	lgarcia	Laura Garcia	Controller	Finance
<u>Responsible Person 2</u>	dcarter	Devin Carter	Assistant Controller	Finance

Correction Plan Status: Partially Implemented Finding Type: Material Weakness

Next Milestone Update Fixed Assets Policy

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #13: P-Card Inventory Control

Issue / Observation 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 did not verify or review adherence to the policy. 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. 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.

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.

Correction Plan: 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.

Current Status: The Fixed Assets Policy has been updated to incorporate the recommendation suggested by the City Auditor's Office and is under review by Management.

Finding #14: P-Card Spending Issues with Public Works and Parks and Rec

Issue No: 431

Date of Finding: 03/01/2019

Final Date of Completion 12/31/2020

		Name	Title	Department
<u>Responsible Person 1</u>	lgarcia	Laura Garcia	Controller	Finance
<u>Responsible Person 2</u>	dcarter	Devin Carter	Assistant Controller	Finance

Correction Plan Status: Partially Implemented Finding Type: Material Weakness

Next Milestone The City is evaluating ways to improve the process.

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #14: P-Card Spending Issues with Public Works and Parks and Rec

Issue / Observation 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. 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 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.

Correction Plan: 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.

Current Status: To mitigate future risk of fraud, the Public Works Department reduced the card-in-hand segment of the department to 39 from 173. The Parks and Recreation Department is reduced to 57 from 140. The City's P-Card Policy now includes a section that includes noting the work order or job number on every receipt. The City is evaluating ways to improve the process.

Finding #10: P-Card Fixed Asset Inventory Procedure

Issue No: 435
Date of Finding: 03/01/2019

Final Date of Completion 12/31/2020

	Name	Title	Department
<u>Responsible Person 1</u>	Laura Garcia	Controller	Finance
<u>Responsible Person 2</u>	Devin Carter	Assistant Controller	Finance

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Finalize current fixed asset inventory process.

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #10: P-Card Fixed Asset Inventory Procedure

Issue / Observation 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." The audit found a significant (40%) level of inaccurate sub-object coding for inventoriable purchases. Additionally, the review of property inventory was not conducted by the Director of Finance. In addition, departments were in violation of having no track of inventoriable purchases. Cause: This condition was attributed to the prolonged lack of enforcement, which can encourage noncompliance. 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.

Correction Plan: 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.

Current Status: Fixed asset inventory process has been implemented for FY20 and is under review by management.

Finding #11: Accuracy of P-Card Rebates

Issue No: 436
Date of Finding: 03/01/2019
Final Date of Completion 12/31/2020

Responsible Person 1 lgarcia
Responsible Person 2 dcarter

Name	Title	Department
Laura Garcia	Controller	Finance
Devin Carter	Assistant Controller	Finance

Correction Plan Status: Implemented

Finding Type: Deficiency

Next Milestone Reconciliation

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #11: Accuracy of P-Card Rebates

Issue / Observation 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.

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.

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

Correction Plan: 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.

Current Status: The rebate for FY19 was reconciled and completed in January 2020. The Finance Department is currently working with the City Auditor's Office to close this finding.

Finding #15: P-Card Access Rights

Issue No: 437
Date of Finding: 03/01/2019

Final Date of Completion 12/31/2020

	Name	Title	Department
<u>Responsible Person 1</u>	lgarcia Laura Garcia	Controller	Finance
<u>Responsible Person 2</u>	dcarter Devin Carter	Assistant Controller	Finance

Correction Plan Status: Partially Implemented Finding Type: Material Weakness

Next Milestone Create a formal set of duties & responsibilities for the P-Card Administrators.

Milestone Date of Completion 12/31/2020

Department: Finance

Audit Initiator Commission Audit

Title: Finding #15: P-Card Access Rights

Issue / Observation 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 Pcard 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.

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.

Correction Plan: 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.

Current Status: A draft set of duties and responsibilities for the P-card manager and P-card Administrators has been submitted for management review.

Human Resources Department



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 01/01/2021

		Name	Title	Department
<u>Responsible Person 1</u>	tasmith	Tarlesha Smith	Asst. City Manager/ Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Implementation of a succession planning process in absence of ERP. Complete revision of job descriptions.

Milestone Date of Completion 12/31/2020

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:

Succession Planning was targeted for Phase II of ERP implementation, but the project has been delayed. Staff continues to carry out support work which includes the refinement of processes to improve recruitment and promotion practices; develop learning resources to support professional growth; create equity in the selection process to improve retention; and maintain a competitive classification and compensation plan. Due to ERP project delays, staff is currently exploring the possibility of implementing succession planning independent of the system.

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 12/31/2020

		Name	Title	Department
<u>Responsible Person 1</u>	tasmith	Tarlesha Smith	Asst. City Manager/ Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Design and execution along with a launch date

Milestone Date of Completion 12/31/2020

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: Due to competing priorities, the Customer Satisfaction Survey was not released but discussion will resume with ITS for the complete design and execution of the survey using an appropriate platform. A launch date will be determined as soon as the online portal is completed.

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 12/31/2020

		Name	Title	Department
<u>Responsible Person 1</u>	tasmith	Tarlesha Smith	Asst. City Manager/ Director of Human Resources	Human Resources
<u>Responsible Person 2</u>	karthurs	Kerry Arthurs	Administrative Supervisor	Human Resources

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone City Manager's sign-off of the Employee Handbook and approving of a roll-out platform and date

Milestone Date of Completion 12/31/2020

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: Strategic Communications submitted an updated version of the handbook for a final review. 17

Parks & Recreation Department



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 01/05/2021

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

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Present Updated Investment Policy to Commission after review by the Investment Advisory Board.

Milestone Date of Completion 01/05/2021

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 June 30, 2020, the revisions to the Cemetery Investment Policy was reviewed and approved by the Cemetery System Board of Trustees at its meeting on September 10, 2020. The Board will approve these minutes at its next regular meeting on November 12, 2020. Once the minutes are approved, Parks and Recreation will prepare a CAM for resolution to adopt the revisions to Investment Policy by the Commission in December 2020 or January 2021.

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 12/31/2020

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

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Update records in Accela with corrected payment information that did not properly convert

Milestone Date of Completion 12/18/2020

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:

Community Enhancement and Compliance met with the Acceleration Team to discuss the audit findings and potential solutions. The division received a report of approximately 3,000 closed cases with improperly recorded payments. These cases were paid and closed in Community Plus, but the payment was not reflected when the records converted to Accela. Updates to these records are expected to be completed at the latest by October 18, 2020. Additionally, we received a second report of approximately 1,100 open cases that were paid in Community Plus. Once staff completes the updates for the first report, the 1,100 cases will be updated by December 18, 2020.

Next steps are:

1. Engage the Acceleration Team to have a report built with the date the lien is established, amounts accruing, and the date the payments are received.
2. Develop a policy to communicate the report to Finance as frequently as required (i.e. daily, monthly quarterly).
3. Work with Finance to determine the minimum amount acceptable for code lien settlements and amend the lien reduction ordinance (C-15-16) which delegates lien reduction authority to the special magistrate and establishes the criteria for the reduction.

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 12/31/2020

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

Correction Plan Status: Partially Implemented Finding Type: Deficiency

Next Milestone Correct the final steps of the data conversion to Accela

Milestone Date of Completion 12/31/2020

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: Records are fully implemented with the implementation of Accela; however, the data did not convert properly. The Acceleration team continues to work on the final steps.