CITY OF
FORT LAUDERDALE
CITY AUDITOR'S OFFICE

Review of the Proposed Budget for Fiscal Year 2024/2025

Report #23/24-4

August 20, 2024

CITY OF FORT LAUDERDALE
CITY AUDITOR'S OFFICE

Memorandum

Memo No: 23/24-9

Date: 8/20/2024

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2024/2025

The City Auditor's Office (CAO) has performed a review of the FY 2024/2025 Proposed Budget. The budget is compiled by the City Manager of the City of Fort Lauderdale (City), pursuant to section 4.09 of the City Charter. Our evaluation consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions.

CONCLUSION

As per the line-item review of the budget for the current year, the CAO concludes that the proposed budget of the primary government represents a balanced budget as presented.

The "Areas of Concern" section, noted below, which is not all inclusive, but currently represents areas the CAO deemed important enough to be brought to the attention of the City Commission. These concerns are related to on-going events and may impact the budget and City resources going forward.

In addition, the priorities established in the Commission Annual Action Plan (CAAP) all show funding allocations in the coming year and the proposed millage is in compliance with Florida Statutes.

Objectives

The primary focus of our review was to ensure that the budget is balanced, revenue and expenditure estimates are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes. We did not attempt to identify operational areas where additional cost savings might be achieved; however, the CAO was involved in meetings as they pertained to forecasting revenues and expenses.

Scope

We analyzed the City Manager's Proposed Budget for FY 2024/2025 as presented to the City Commission. The documents reviewed included the Budget Message, Executive Summary including supporting tables and schedules, as well as revenue and expenditure detail reports from the City's SHERPA software system. The CAO further examined items of interest identified by the City Commission and Budget Advisory Board (BAB), and considered other issues that may impact the City and the City's obligations.

The CAO would like to recognize that the Office of Management and Budget (OMB) has continued its constructive dialogue with the BAB and that Revenue Estimating Committee discussions were had, in which all departments had an opportunity to discuss their respective budgets and potential changes for the upcoming year.

As in the past several years, the CAO currently considers the review of the Budget and OMB's work compiling the Budget to be a low-risk engagement due to the following criteria; however, concerns do remain as noted below in "Areas of Concern":

- The CAO budget review is performed every year.
- Ongoing communication occurs frequently between Management, the BAB, the CAO, and the City Commission.
- OMB has had continuity of senior staff within the department.
- No significant errors were noted on previous reviews.

Methodology

The CAO performed various analytical procedures, reviewed budget support worksheets and made inquiries to OMB as needed. Additionally, the CAO compared the line-item detail from the Proposed Budget to the projections of actual expenditures through 9/30/2024. Furthermore, the CAO analyzed trends and variances of the three prior fiscal years' budget vs. actual to gain a historical perspective to identify opportunities to improve the accuracy of revenue and expenditure estimates.

Finally, as part of our audit work, the CAO attended all Budget meetings, and any relevant meetings as they related to the development of the new Budget. This participation provided further insight into potential future operating conditions and budget requests. By coordinating with staff during the preparation of the budget, rather than after its presentation to the City Commission, the CAO continues to implement a continuous audit approach. This results in a deeper understanding of the departmental budget requests and service level enhancements.

Areas of Concern:

Enterprise Resource Planning (ERP)

- Upgrades and updates are a normal part of Information Technology Operations (IT), and even though ERP funding seems appropriately budgeted, the CAO believes this is still an area of concern as there are associated costs to enhancing other software applications that work in conjunction with ERP. These upgrades/enhancements are not budgeted within ERP, but instead are budgeted in other areas, therefore not providing the consolidated true cost of ERP implementation.

For Example:

- More employees have been hired full time to address ERP concerns and implementation issues, which further adds to the overall cost.
- Continued issues with the payroll module remain, including, but not limited to, vacation and sick time tracking and accrual accuracy.
- Other shortcomings include the late production of financial statements for external audit

Overtime

- The CAO notes a significant amount of City funds being allocated to overtime. In our review, overtime is consistently understated when compared to actual overtime incurred. To fill the actual overtime expense, what seems to be occurring is that budgeted vacancies, which are funded unfilled positions, and have been relatively unchanged over the years, are being used to pay for the increase in overtime. The overtime budgeted numbers should more accurately reflect what is needed.

  - See **Exhibit 1:** Police
  - See **Exhibit 2:** Fire
  - See **Exhibit 3:** All Departments

Community Investment Plan (CIP)

- Regarding all construction projects in the CIP, it should be noted that the continued increase in inflation will also have an impact on the cost of materials and labor as the City proceeds with current and new projects. The potential increase is difficult to quantify; however, it should be strongly considered as a high likelihood of occurring. Hence, if current projects are delayed or there is a delay in new projects starting, this could potentially have a significant impact on City resources.

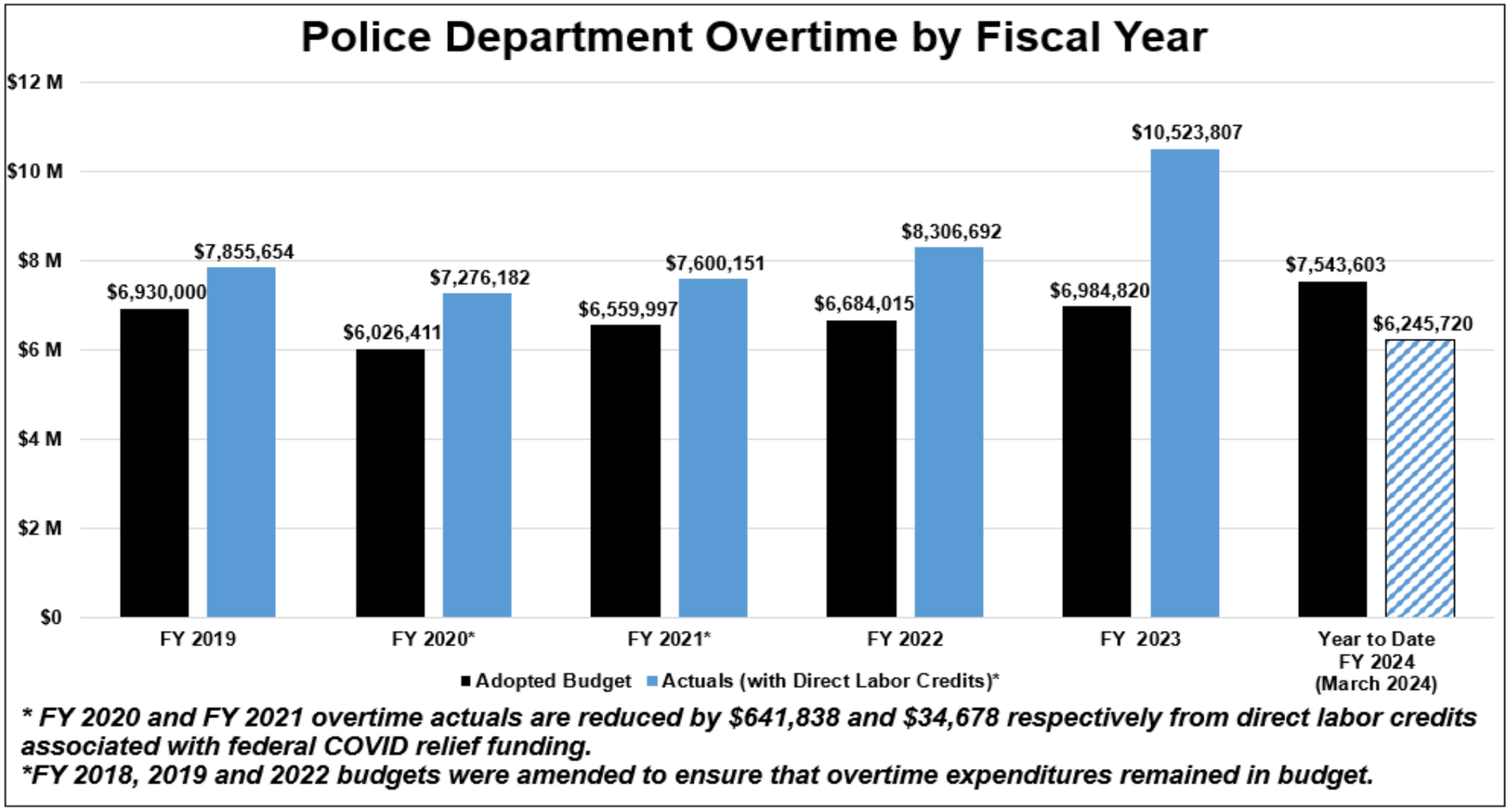
  Some examples include, but are not limited to:

  - Police Station
  - Water Treatment Plant and Associated City Enabling Work

cc: Susan Grant, Acting City Manager
Thomas Ansbro, City Attorney
David Soloman, City Clerk
Anthony Fajardo, Assistant City Manager
Laura Reece, Acting Assistant City Manager
Ben Rogers, Acting Assistant City Manager
Chris Cooper, Acting Assistant City Manager
Yvette Matthews, Acting Director of the Office of Management and Budget

Office of Management and Budget

Police Overtime Funding Snapshot



FY 2025 Budget

$8,147,100

(FY 2024 + 8%)

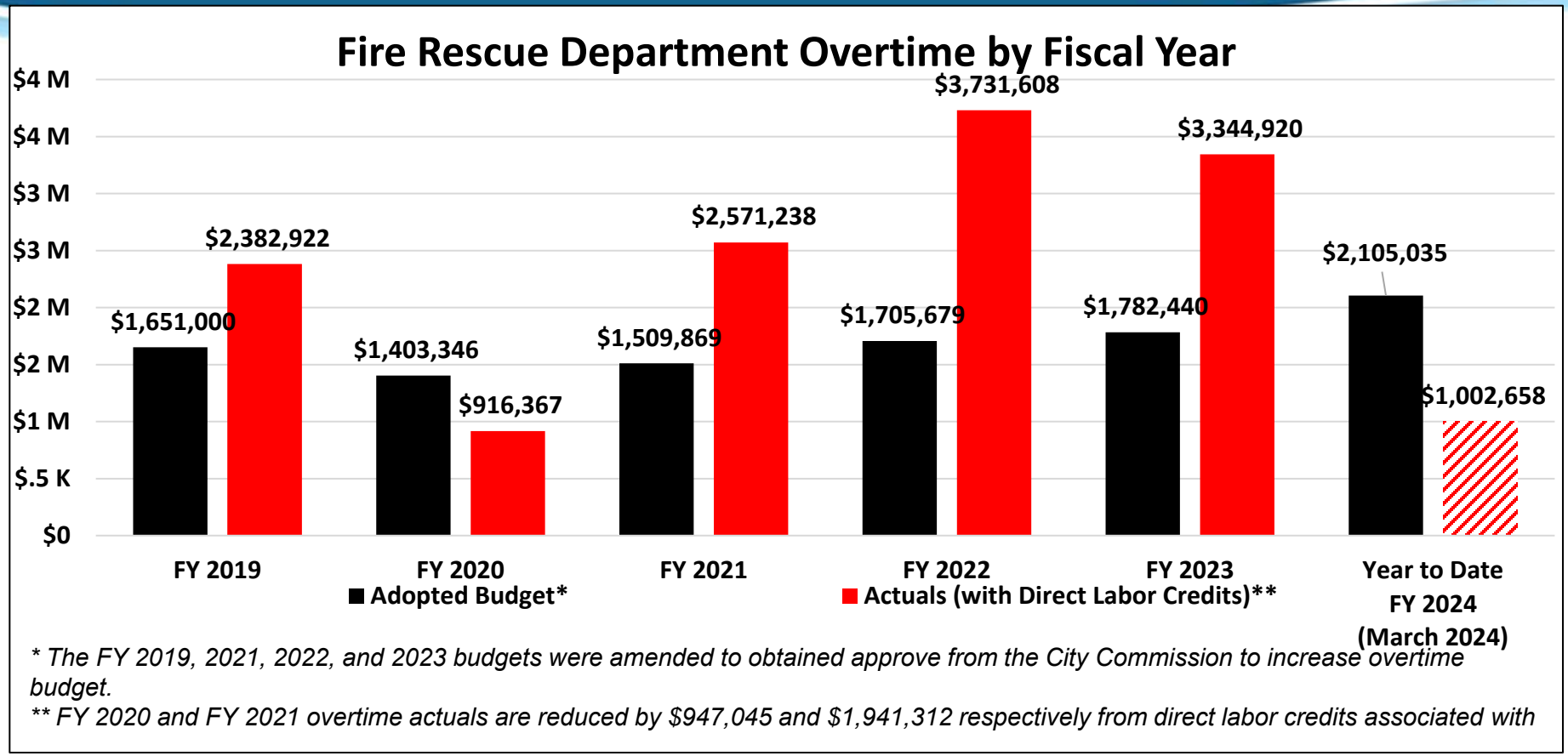
The Police Department has historically used salary savings to offset overtime overages.

Source: Office of Management and Budget presentation to the Budget Advisory Board on 4/17/2024.
Auditor's Note: The Overtime on 9/30/2024 is estimated to be $12.3M.

Exhibit 1

Office of Management and Budget

Fire Rescue Overtime Funding Snapshot



** The FY 2019, 2021, 2022, and 2023 budgets were amended to obtained approve from the City Commission to increase overtime budget.*

*** FY 2020 and FY 2021 overtime actuals are reduced by $947,045 and $1,941,312 respectively from direct labor credits associated with*

FY 2025 Budget

$2,775,800

(FY 2024 Amended + 8%)

The Fire Rescue Department's budget was amended each year in FY 2018 through FY 2022 except for FY 2020 to obtain approval from the City Commission to increase the overtime budget.

Source: Office of Management and Budget presentation to the Budget Advisory Board on 4/17/2024.

Auditor's Note: The Overtime on 9/30/2024 is estimated to be $2.1M.

Overtime Expenses By Department

Department Name Merged	Fund	FY 2018 Actuals	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Actuals
City Attorney's Office	001	8.00	43.00	-	-	-	-
City Clerk's Office	001	2,986.00	2,294.00	1,927.00	2,542.00	4,613.00	3,597.88
City Manager's Office	001	11,725.00	11,279.00	792.00	170.00	511.00	6,397.14
Development Services Department	001	120,200.00	159,302.00	80,976.00	104,037.00	124,948.00	95,964.59
Finance Department	001	9,205.00	4,686.00	1,205.00	4,331.00	1,520.00	4,493.50
Fire Rescue Department	001	1,398,977.00	2,382,925.00	1,863,410.00	4,512,553.00	3,731,611.00	3,274,921.11
Human Resources Department	001	3,524.00	13,064.00	7,809.00	3,355.00	6,321.00	5,378.77
Office of the Mayor and City Commission	001	223.00	-	-	163.00	-	-
Parks and Recreation Department	001	233,810.00	264,643.00	158,203.00	189,735.00	301,297.00	713,651.21
Police Department	001	6,966,065.00	7,855,648.00	7,918,022.00	7,634,843.00	8,306,710.00	10,292,553.04
Public Works Department	001	39,455.00	139,415.00	118,351.00	180,599.00	257,505.00	344,390.67
Transportation and Mobility Department	001	2,626.00	1,125.00	228.00	-	30.00	1,144.71
Development Services Department	108	-	57.00	106.00	-	-	413.28
Development Services Department	140	624,192.00	803,324.00	780,236.00	783,693.00	751,145.00	670,634.43
Parks and Recreation Department	409	185,538.00	119,295.00	64,432.00	105,153.00	125,983.00	165,317.81
Public Works Department	409	1,028.00	1,125.00	563.00	571.00	372.00	6,367.24
Parks and Recreation Department	430	-	14,278.00	17,573.00	31,319.00	94,885.00	156,110.26
Finance Department	450	7,749.00	3,840.00	1,719.00	2,889.00	11,248.00	10,633.07
Public Works Department	450	2,494,793.00	2,006,273.00	2,362,318.00	2,123,204.00	1,995,224.00	1,887,707.85
Public Works Department	451	106,550.00	106,715.00	149,484.00	250,946.00	177,436.00	137,431.93
Transportation and Mobility Department	461	74,729.00	99,071.00	46,659.00	40,654.00	76,350.00	90,953.64
City Manager's Office	468	24,951.00	37,423.00	28,532.00	25,531.00	18,402.00	24,022.09
Public Works Department	470	239,472.00	288,067.00	290,506.00	305,586.00	173,066.00	324,480.11
Public Works Department	530	-	-	44,212.00	30,729.00	11,520.00	3,689.69
Human Resources Department	543	-	120.00	336.00	304.00	199.00	16.55
Human Resources Department	545	18,592.00	46,867.00	33,690.00	30,778.00	632.00	302.94
Information Technology Services Department	581	31,329.00	20,843.00	17,725.00	15,041.00	12,237.00	21,297.29
Development Services Department	582	-	-	-	-	-	-
Public Works Department	583	469.00	2,051.00	177.00	-	64.00	8.80
Transportation and Mobility Department	643	1,351.00	1,695.00	921.00	8.00	1,584.00	1,256.20
		12,599,547.00	**14,385,468.00**	**13,990,112.00**	**16,378,734.00**	**16,185,413.00**	**18,243,135.80**

Source: Prepared by Office of Management and Budget

Auditor's Note: The estimated Overtime on 9/30/2024 is expected to be over $20M.

Exhibit 3

CITY OF FORT LAUDERDALE

Memorandum

Memorandum No: 24-17

Date: August 13, 2024

To: Patrick Reilly, City Auditor

From: Susan Grant, Acting City Manager *Susan Grant*

Re: Management Response - Review of the Proposed Budget for Fiscal Year 2024/2025

This memo is in response to the City Auditor's Office (CAO) review of the FY 2025 Proposed Budget. We would like to thank the City Auditor and his team for the important work that they do to validate that the budget is balanced, and that the City's millage rate follows Florida Statutes. Management has reviewed the areas of concern identified by the City Auditor and has provided responses to the concerns identified below:

Areas of Concern

The "Areas of Concern" are the items that do not impact our overall conclusion; however, they are important to consider for both the proposed budget and how it may impact the City in the next few years.

1. Enterprise Resource Planning (ERP)
    - Upgrades and updates are a normal part of Information Technology Operations (IT), and even though ERP funding seems appropriately budgeted, the CAO believes this is still an area of concern as there are associated costs to enhancing other software applications that work in conjunction with ERP. These upgrades/enhancements are not budgeted within ERP, but instead are budgeted in other areas, therefore not providing the consolidated true cost of ERP implementation.

      For Example:

        - More employees have been hired full time to address ERP concerns and implementation issues, which further adds to the overall cost.
        - Continued issues with the payroll module remain, including, but not limited to, vacation and sick time tracking and accrual accuracy.
        - Other shortcomings include the late production of financial statements for external audit

Management Response:

As the City transitions from ERP implementation to ERP optimization, the cost of

ad-hoc optimization services and the staffing adjustments needed to operationalize the system have become part of the City's regular operating budget. Budgeting for these items within the implementing departments ensures that resources remain dedicated to the need identified and that the department can easily manage the contracts from a financial and contractual perspective.

Management concurs that there have been additional costs outside of the original ERP budget due to unforeseen circumstances and complexities with the implementation phase. As issues are identified, management creates a strategic roadmap for how to address them. On a monthly basis, through the Executive Steering Committee meetings, management discusses issues with any project and addresses them accordingly.

2. Overtime
    - The CAO notes a significant amount of City funds being allocated to overtime. In our review, overtime is consistently understated when compared to actual overtime incurred. To fill the actual overtime expense, what seems to be occurring is that budgeted vacancies, which are funded unfilled positions, and have been relatively unchanged over the years, are being used to pay for the increase in overtime. The overtime budgeted numbers should more accurately reflect what is needed.

        - See Exhibit 1: Police
        - See Exhibit 2: Fire
        - See Exhibit 3: All Departments

Management Response:

The City's overtime budget reflects the programmed level of overtime (e.g., spring break, holidays, summertime break, normal leave, etc.) with the assumption of budgeted positions being filled. In recent years, overtime expenditures have exceeded the budgetary allocation for a host of reasons including sustained vacancies, unanticipated retirements, deployment time of new recruits due to training, and unanticipated disasters like COVID and hurricanes. Since the primary driver of overtime has been staffing shortages, the City maintains the existing programmed level of overtime to prevent from inflating the operating budget by budgeting for both filled positions as well as vacancy driven overtime.

City Management in conjunction with the Police and Fire Rescue Departments monitors overtime on a quarterly basis. This quarterly review includes year-to-date actuals, five-year historic trends, current fiscal year projections, vacancies, and monthly overtime drivers - such staffing shortages, special events, and top earning employees. This targeted strategy has been effective with the Fire Rescue Department which is projected to end fiscal year 2024 within its overtime budget due to strategic efforts to fill vacancies and the deployments of the additional positions that were added over the last three years.

In FY 2025, the City will continue to prioritize filling vacancies through signing bonuses, advertising campaigns, and leasing a recruitment office for the Police Department. The Police Department has seen success this year in its recruitment strategies moving from 50 vacancies in sworn officers down to only 20. There is a lag in the time between hiring an officer and a reduction of overtime due to the extensive training required (police academy and on the job field training). However, with continued focus on offering competitive wages and benefits and removing barriers to hiring officers the City's Police Department is making great strides towards its goal of being fully staffed.

For ad-hoc occurrences, like watermain breaks, management evaluates the personnel services budget to see if it can be absorbed within current budgetary allocations; if the expenses cannot be absorbed, then management will communicate the necessary amount needed via a budget amendment clearly articulating the reason and issue that caused additional overtime.

3. Community Investment Plan (CIP)

    - Regarding all construction projects in the CIP, it should be noted that the continued increase in inflation will also have an impact on the cost of materials and labor as the City proceeds with current and new projects. The potential increase is difficult to quantify; however, it should be strongly considered as a high likelihood of occurring. Hence, if current projects are delayed or there is a delay in new projects starting, this could potentially have a significant impact on City resources.

      Some examples include, but are not limited to:
        - Police Station
        - Water Treatment Plant and Associated City Enabling Work

Management Response:

Management concurs that inflationary considerations will disproportionately impact capital projects as there is a timing delay between the initial project approval and the completion of the procurement process. Project managers carefully reviewed all existing CIP budgetary requests as a part of the budget development process and adjusted budgets, as needed, for any known - or anticipated - inflationary factors. The updated cost estimates represent the best estimation the City currently has, and these estimated costs have been included as part of the Proposed Community Investment Plan. This approach was shared in the FY 2025 Preliminary Budget Memo and the FY 2025 City Manager's Budget Message.

Management concurs that in the coming fiscal year, additional cost increases and project modifications are likely, but the impact will not be seen until projects are in the procurement stage. The City maintains a healthy fund balance, which staff will rely on, as needed, to fund costs beyond those incorporated into our CIP.

We will continue to support a comprehensive and transparent budget process in partnership with the City Auditor's Office and we look forward to the budget hearings scheduled for September 3rd and 12th, 2024.

c: Anthony G. Fajardo, Assistant City Manager
Laura Reece, Acting Assistant City Manager
Ben Rogers, Acting Assistant City Manager
Christopher Cooper, Acting Assistant City Manager
Yvette W. Matthews, Acting Director of the Office of Management and Budget

CM Memo 24-121 Management Response - Review of the Proposed Budget for Fiscal Year 2024 - 2025

Final Audit Report 2024-08-13

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