

INTERNAL AUDIT DEPARTMENT
Memorandum 24-01



Date: March 4, 2024
To: The Honorable City Commission
From: Deusdedit C (DC) Kiyemba, Internal Auditor *DCK*
Re: Internal Audit Activity Report – February 2023 through February 2024

Internal Audit's Activity Report covers a 13-month period from February 2023 through February 2024. This report includes 3 completed audit projects (\$84,207,446), [including 13 technical assistance assignments, (\$1,638,254)], with 8 current/future projects that are in progress (\$61,096,926), and follow ups (\$507,347,153), for a final total of \$652,651,525 that Internal Audit worked with. Our assistance to the outside external auditor on the annual audit (FY 23) is not included in the completed projects; it is planned to be completed by the end of March 2024.

In the report, (Attachment I) the Activity Dashboard, provides a summarized account of all audit projects and gives the risk ranking and current status for each project. Attachment II provides the summary and certain project detail for each audit project or technical assistance provided.

The Activity Report contains completed audit projects, audits currently in progress, and the follow-up status for recommendations from previously completed audit projects. The dates referenced for this report cover a period of several months. This is due to months of fieldwork for each audit from beginning to end, testing of selected samples, drafting the report, management's research on Internal Audit (IA) recommendations, return of responses from management, implementation discussion with management, exit meetings to finalize the audit, and the final report being completed and issued to the respective department heads.

When management begins to implement the recommendation(s), budget dollars may need to be requested and approved prior to the target date(s) of implementation. System changes, upgrades, research and testing may take several months. Internal Audit follows up with management after the implementation target dates. Internal Audit confirms the recommendations were implemented as intended, or reports the updated status of recommendations that are still outstanding, then includes the updated status in the next Activity Report.

After your review of the activity report, we welcome and encourage your comments and feedback. The Activity Report is scheduled to be presented at the City Commission Meeting on March 12, 2024.

If you have any comments, concerns, or questions, you may reach me at (954) 786-4691.

Copy: Gregory P. Harrison, City Manager
Earl F. Bosworth, Assistant City Manager
Brian J. Donovan, Assistant City Manager
Suzette Sibble, Assistant City Manager
Mark E. Berman, City Attorney
Kervin Alfred, City Clerk
Mark A. Beaudreau, Recreation Programs Administrator
Randy Brown, Utilities Director
Allison Feurtado, Finance Director
Steve Hudson, Fire Chief
Robert A. McCaughan, Public Works Director
Antonio Pucci, Acting General Services Director
Lisa Sonogo, Human Resources Director
Nguyen Tran, Community Redevelopment Agency Director
Patricia White, Comptroller
Steve Rocco, Pompano Beach Air Park Manager
Erica Simmons-Ahimah, Revenue Collections Manager

Attachments (I and II)

Section I. Activity Dashboard – Risk Ratings and Status - Internal Audit Activity Report

A. Completed Projects

#	Project Title	Risk Rating Before Recommendations	Risk Rating After Recommendations	# Findings	# Recommendations	Recommendations to be Implemented	Recommendation not to be implemented	Follow Up	Project \$	Page #
1	 Utility Billing Rates Review	Moderate	Low	3	3	3	0		\$63,441,000	19
2	 External Audit Assistance – Audit of Federal and State Grants	Low	Low	0	0	0	0		19,128,192	30
3	 Technical Assistance for City Departments: Review and Consulting for Professional, License, and Service Contracts/Agreements re: Language, Audit Rights, Procedures and Recordkeeping language/provisions for a total of 13 Agreements.	Moderate	Low	0	0	0	0		1,638,254	30
4	 IT Security - Identity and Access Management	Moderate	Low	5	5	5	0		N/A	30
5	 Review and revision of Internal Audit Administrative Policy 130.01; along with drafting Internal Audit Department Policies and Procedures	Low	Low	N/A	N/A	N/A	N/A		N/A	37
	Total # of Completed Projects [5] – Total Projects Dollars								\$84,207,446	

B. Prior Audit Follow-up

1. [Bank Accounts Reconciliation](#) [\$439,380,366]
2. [Utility Billing Rates](#) [\$63,441,000]
3. [Procurement Card \(PCARD\)](#) [\$3,193,647]
4. [Airpark Revenue Contracts](#) [\$1,33,140]
5. [IT – Identity and Access Management](#) [N/A]

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>1</p> 	<p>Audit of Bank Account Reconciliations (Total Bank Balances of \$439,380,366.49 as of December 31, 2021)</p>	<p>Moderate</p>	<p>2</p>	<p>1</p>	<p>Recommendation #1 We recommend Finance management develops and implements the use of comprehensive written bank account reconciliation policies and procedures. Such policies and procedures will increase the likelihood of continued timely and accurate reconciliations of the City’s bank accounts in the future; provide a valuable training resource for new employees of the Treasury; and help to ensure continuity of operations in the event of significant employee turnover, or other disruptive events affecting the Treasury.</p> <p>Management Response/Update: Recommendation has been implemented per management. Internal Audit has verified implementation of the recommendation.</p> <p>Recommendation #2 We recommend the City Manager’s Office, in collaboration with the Finance Department, Contract Management and the City Attorney’s Office, take the necessary actions to draft, and have executed, an</p>

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	<p>Audit of Bank Account Reconciliations (Total Bank Balances of \$439,380,366.49 as of December 31, 2021)</p>	<p>Moderate</p>			<p>appropriate service agreement between the COPB and the Shipwreck Park addressing the in-kind accounting services to be provided by the City. In addition to formalizing the relationship, a properly executed agreement would, among other things, provide for indemnification of the City; require the retention of contractual public records in accordance with Florida Statutes; and, establish the City's right to inspect and audit records pertaining to operations pursuant to the agreement.</p> <p>Management Response/Update:</p> <p>A draft contract has been drawn by the City Attorney's Office and submitted to management for review and approval. It is anticipated that the final contract will be signed by June 30, 2024.</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>2</p> 	<p>Audit of Utility Billing Rates (FY 2022 Total Billed Utility Charges of Approximately \$63,441,000)</p>	<p>Moderate</p>	<p>3</p>	<p>0</p>	<p>Recommendation #1 To minimize the risk of errors, we recommend Utility Billing management conducts enhanced training and supervisory oversight of customer service representatives to assist them in ensuring new utility accounts are accurately classified and the correct service deposit rates are assessed. We further recommend Finance management takes appropriate actions – consistent with the applicable City ordinances and subject to the technical limitations of the system - to correct the cited discrepancies relating to the accuracy and completeness of the utility service deposit rates on Naviline.</p> <p>Management Response/Update: Recommendation has been implemented. New documents have been presented. Internal Audit will follow up in 30-90 days to verify the completed recommendation is working as intended.</p> <p>Finding #2 Identified certain discrepancies between the miscellaneous utility charges on Naviline and the corresponding miscellaneous utility charges as approved by the City Commission. In addition, we identified multiple instances of unused/unneeded or redundant miscellaneous charges on Naviline.</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
	<p>Audit of Utility Billing Rates (FY 2022 Total Billed Utility Charges of Approximately \$63,441,000)</p>	<p>Moderate</p>	<p>3</p>	<p>0</p>	<p>Recommendation #2 We recommend Finance management take the necessary actions - consistent with the applicable City ordinances - to correct the cited discrepancies on the Naviline system. In addition, we recommend management conduct an appropriate analysis to identify any instances where customers may have been materially overcharged or undercharged as result of the indicated rate discrepancies, and if deemed necessary, take measures to correct the overcharges/undercharges.</p> <p>Management Response/Update: Recommendation has been implemented. Internal Audit will follow up in 30-90 days to verify completion.</p> <p>Recommendation #3 We recommend Finance management develops and implements the use of comprehensive written utility rate change procedures, and, in addition, train and designate an alternate employee with the responsibility for updating the utility rates on the system in the absence of the Customer Service Manager. The procedures will increase the likelihood of accurate future rate changes; provide a valuable training resource for new employees of Utility Billing; and help to ensure continuity of operations in the event of significant employee turnover, or other disruptive events affecting the division. Additionally, the availability of a back-up employee for the Customer Service Manager will help to mitigate the risk of untimely rate changes on</p>

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	<p>Audit of Utility Billing Rates (FY 2022 Total Billed Utility Charges of Approximately \$63,441,000)</p>				<p>the system.</p> <p>Management Response/Update:</p> <p>Implementation pending.</p> <p>The expected implementation date is April 30, 2024.</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>3</p> 	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20)</p>	<p>Moderate</p>	<p>4</p>	<p>2</p>	<p>Recommendation #1 To maintain accountability and mitigate the risk of unauthorized expenditures, we recommend General Services ensure all newly issued P-cards, as well as credit limit changes to existing P-cards, are supported by appropriate management approvals (and those approvals are) maintained on file. We further recommend General Services consider adding a field to the Procurement Card Employee Agreement for cardholders to sign and date to acknowledge receipt of their P-cards.</p> <p>Management Response/Update: Implemented.</p> <p>The purchasing card increase request form has a place for the department approver and the General Services/Purchasing approver. The signed form is scanned and kept on the G-drive, as well as kept in hard copy.</p> <p>Internal Audit will follow up with relevant tests to confirm recommendation is working as intended.</p> <p>Recommendation #2 Delays in canceling a P-card account increase the risk that the card could be misused by unauthorized persons (internally and/or externally). We recommend management take appropriate measures to ensure P-card accounts are closed on the Smartdata system prior to the</p>

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	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20)</p>				<p>termination of the cardholder’s employment with the City. Options could include collaboration with the Human Resources (HR) Department to ensure General Services is promptly notified of all terminating employees, as well as the addition to the Exit interview Checklist of a requirement for the supervisor to return the employee’s P-card to General Services, as applicable.</p> <p>Management Response/Update: Implemented per Management.</p> <p>The Exit Interview Checklist has a check-off for the credit card where manager/supervisor may indicate collection/retrieval of the card when/where necessary.</p> <p>Internal Audit will follow up in the next 60-90 days to confirm the process is working as intended.</p> <p>Recommendation #3 To prevent and detect errors and irregularities in a timely manner, we recommend management remind cardholders to promptly approve (initial/sign) their purchase receipts, and departments fulfill their responsibility to complete and submit their monthly cardholder Payment Request/Authorization Procurement Card Order Logs - signed and dated by the cardholder, department coordinator, and department head - to Finance no later than 10 days after month-end in accordance with current policy.</p>

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	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20)</p>				<p>Management Response/Update The implementation date has been extended to April 30, 2024</p> <p>Recommendation #4 We recommend Finance take the steps necessary to help ensure all approved P-card transactions are timely posted to the GL, including the continuation of its targeted follow-up efforts with the tardy departments, and the sending of periodic general reminders to all departments with cardholders to timely submit their monthly P-card order logs. To facilitate efficiency and save time, we further recommend management consider the feasibility of having departments electronically sign-off and submit their logs and supporting documents to Finance each month.</p> <p>Management Response/Update: The implementation date has been extended to April 30, 2024.</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>4</p> 	<p>Audit of Pompano Beach Air Park’s Revenue-Generating Contracts (Operating Revenues of \$1,332,140 for the Audit Period of Calendar Year 2020)</p>	<p>Moderate</p>	<p>5</p>	<p>3</p>	<p>Recommendation #1 To mitigate potential liability for the City, we recommend Air Park management implements a tickler system to monitor the expiration dates of the requisite insurance coverage and follow-ups with the lessees to obtain, review, and retain copies of their current insurance certificates. In addition, we recommend Air Park management consults with the Risk Management Division for guidance in evaluating the propriety of the insurance certificates received from the tenants. All the requisite certificates of insurance should be obtained by the lessees unless there is documented evidence that they have met and complied with any statutory and/or contractual requirements for exemption from carrying a particular type of insurance.</p> <p>Management Response/Update Implemented per Management.</p> <p>A tickler file has been established to keep track of the required insurance due dates.</p> <p>Internal Audit will schedule a follow up to review the file and the certificates of insurance within the next 60 to 90 days.</p> <p>Recommendation #2 To promote uniformity and efficiency, we recommend Air Park management in collaboration with Contract Management and the City Attorney’s Office, and input from current Air Park tenants:</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
	<p>Audit of Pompano Beach Air Park’s Revenue-Generating Contracts (Operating Revenues of \$1,332,140 for the Audit Period of Calendar Year 2020)</p>				<ul style="list-style-type: none"> • Use industry best practices to develop pre-approved standard lease templates for use by tenants when subleasing Air Park property to specialized aviation service operators (SASOs) and renters of hangar space for aircraft storage only. Alternatively, the City Attorney’s Office could be asked to formally review and approve (after any necessary edits) the current sublease templates being used by the Air Park’s tenants. Appropriate amendment of tenants’ contracts to require the use of City-approved sublease templates would eliminate the need for City Commission approval of subleases executed between tenants and their subtenants; and, • Standardize the contract language regarding the requirement for the tenant and their subtenants to provide an annual list of their respective owners and parties holding security interests in their businesses. The revised language could be incorporated via addenda to the current lease agreements with all Air Park tenants. <p>Management Response/Update The City Attorney’s Office is working on a template to present to the major tenants to review and approve.</p> <p>Internal Audit will follow up to check on the progress by the end of September 2024</p>

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	<p>Audit of Pompano Beach Air Park’s Revenue-Generating Contracts (Operating Revenues of \$1,332,140 for the Audit Period of Calendar Year 2020)</p>				<p>Recommendation #3 We recommend the Air Park Manager or designee periodically verify and document that tenants are in possession of current requisite licenses, permits, and/or certificates necessary for their operations, and such documents are appropriately displayed in public areas of their businesses, if required.</p> <p>Management Response/Update Not implemented at this time.</p> <p>In collaboration with Airpark Management, Code Enforcement and Fire Inspections will, at least once a year, verify the presence of the required certificates for at least the six (6) primary tenants, and preferably the other sub-tenants, especially those engaged in business.</p> <p>Recommendation #4 We recommend Air Park management implements appropriate monitoring procedures to ensure its tenants timely meet their contractual capital improvement obligations in terms of spending the requisite amount of funds to construct or improve the designated facilities within the specified time periods.</p> <p>Management Response/Update Implemented.</p> <p>Going forward, in lieu of obtaining financial records,</p>

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	<p>Audit of Pompano Beach Air Park’s Revenue-Generating Contracts (Operating Revenues of \$1,332,140 for the Audit Period of Calendar Year 2020)</p>				<p>Airpark Management will periodically take and retain/file pictures of the leased property sites as a means of showing progress or lack thereof with respect to required facility improvements.</p> <p>Recommendation #5</p> <p>We recommend management requests, receives, and reviews the annual statements from Pompano Aviation, Pompano Aviation II, and the Aviation Center of Pompano each year in order to evaluate their financial condition and ability to continue to meet their obligations under the lease. In addition, to promote uniformity and equity, we recommend Air Park management in collaboration with Contract Management and the City Attorney’s Office consider standardizing the contract language to require annual financial statements of lease operations from all Air Park tenants. The revised language could be incorporated via addenda to the current lease agreements with the Air Park’s tenants.</p> <p>Management Response/Update</p> <p>The Pompano Aviation Group has been hesitant to share its airpark operations financial statements, given its competition with other primary tenants, who are not required to present/share theirs.</p> <p>Internal Audit has been in consultation with the City Attorney’s Office, regarding the possibility of the City mutually amending the contracts with the other primary tenants, to require them to provide annual financial</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
					statements of their respective airpark operations.
<p>5</p> 	<p>Information Technology (IT) - Audit of Identity and Access Management (IAM) Process</p>	<p>Moderate</p>	<p>5</p>	<p>1</p>	<p>Recommendation #1 As soon as practical, IT should begin the process of considering the appropriate framework to adopt in order to satisfy the State requirement, and meet the required deadline. It should be noted that the City, through its current policy, processes and procedures is meeting many of the requirements in any of the aforementioned IS frameworks. This would be a formal adoption as mandated by State statute.</p> <p>Management Response/Update Partially implemented The City has adopted the NIST Standard. Internal Audit will follow up to verify the changes in the new IT Policy publication.</p> <p>Recommendation #2 As soon as practical, revise the IT policy to include the new State statute requirements, along with the new policies, edits, and other changes that have been discussed with IT staff. It is duly noted that certain changes have already been implemented.</p> <p>Management Response/Update</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
	<p>Information Technology (IT) - Audit of Identity and Access Management (IAM) Process</p>				<p>Implemented.</p> <p>IT Management has made the requested changes; and as usual will continue to make the necessary changes as conditions warrant.</p> <p>Recommendation #3 To facilitate the contract management automation process, the CCC (Cloud Computing Contracts) inventory list should be updated biannually – at the same time the other security reviews are completed, by the respective administrators/contract managers, to provide the necessary information as indicated on the respective columns in the spreadsheet, e.g., application name, service provider/vendor, purpose, contract/agreement on hand, contact person within the City, etc. That information would form the basis for updating the contract management system (CMS – Agiloft).</p> <p>Management Response/Update</p> <p>Implemented.</p> <p>Starting from the last security update (September 2023), the IT Department started to send out a request to update the CCC list with the security updates.</p> <p>Internal Audit will revisit the issue after the next round of updates, sometime in 2024.</p> <p>Recommendation #4</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
	<p>Information Technology (IT) - Audit of Identity and Access Management (IAM) Process</p>				<p>With the help of the users and Department/Division Heads, the City should develop a process (as part of a Cloud Computing Strategy) where a consistent approach can be established to conform with the current purchasing guidelines; assist in the proper management of SaaS contracts; and meet the requisite security and retention standards. Any developed process should address the relatively new State cybersecurity act requirements.</p> <p>Management Response/Update</p> <p>Implemented.</p> <p>IT sent out a reminder to all Departments regarding the appropriate process to follow when acquiring cloud computing resources. And cloud computing resources access review is now part of the semi-annual security updates.</p> <p>Recommendation #5</p> <p>Working collaboratively, HR, IT, and relevant Department/Division Heads, should initiate a review to revise and enhance the process for deprovisioning users. An appropriate enhancement would serve to significantly reduce insider attack risks posed by terminated employees, who may still have access to computing and physical assets.</p> <p>Management Response/Update</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
					HR proposed designating supervisors as another source/contact point during the termination process, since they are closest to the respective employees. They – the supervisors – will also be sources of information to IT to remove/disable access in instances of termination.

C. Current and Future Audit Projects – Risk Ratings to be Determined

#	Project Title	Project \$	Page #
<p>1</p> 	<p>Budget Adjustments Process /Improvement Review – Number/Count [518 in 2023; 531 in 2022] and dollar amount of Budget Adjustments</p>	<p>\$ 20,736,000</p>	<p>38</p>
<p>2</p> 	<p>Information Technology – Cloud Computing/Cybersecurity, IT Controls — SOC 2 Reports review for high risk applications; Passwords' Verification, and System Configuration Review</p>	<p>16,559,166</p>	<p>38</p>
<p>3</p> 	<p>G. O. Bonds Construction Audit – Specific Projects – Fire Station 114, North Pompano Park, and Senior Activity Center</p>	<p>14,592,545</p>	<p>38</p>

#	Project Title	Project \$	Page #
4 	Federal and State Grants Audit – External Auditor Assistance re: FY23 Single Audit. CDBG (Community Development Block Grants) Home Investment Partnership Program Wastewater Treatment Facility Construction Loan SHIP (State Housing Initiative Partnership)	4,801,420	38
5 	Process Improvement re: Department procedures – Management request	3,907,795	39
6 	Revenues of greater than \$500K – Management Request	500,000	39
7 	Information Technology – IT Controls, Cybersecurity – Systems Configuration , Passwords Rules Verification	N/A	39
8 	Internal Audit Department Policies and Procedures Documentation and Publication	N/A	39
	Total Number of all Completed Audit Projects (_5_) with Follow Up (_4_) and Current Projects (8) with Project Dollar Amount Listed	61,096,926	n/a

Internal Audit Risk Ranking Key:

High (Red) - Immediate attention is required to reduce/mitigate the risk to acceptable levels
 Moderate (Yellow) – Intermediate action is required to mitigate the risk to acceptable levels
 Low (Green) - No further action required; the risk has been effectively mitigated

Section II. Summary and Project Detail - Completed Projects**1.  Strategic Plan – FY23 – Audit of Utility Billing Rates Review (\$63,441,000)****I. Summary**

As part of the FY23 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) has performed an audit of the City's utility billing rates. The audit period was the second quarter of fiscal year 2023.

The primary objectives of the audit were to:

- Determine the adequacy and effectiveness of internal controls in place to ensure the City's utilities customers were being billed based on City Commission-approved utility rates; and,
- Verify the accuracy of the utility billing rates in use during the audit period via reconciliation to the City Commission-approved utility rates and recalculation of the charges on a representative sample of customers' utility bills.

Utility rates included flat rates, metered rates, miscellaneous charges, and service deposits. Among other things, new account processing, utility bill payment receipt processing, meter reading verifications, customer rate adjustments, and collection of past due payments were not included in the scope of this audit.

Audit procedures performed included, but were not limited to, reviews of applicable City ordinances and available relevant policies, procedures, and practices; inquiry of Utility Billing (Customer Service) personnel; comparisons of utility rates on the Naviline system with City Commission-approved utility rates; and, compliance tests of samples of customers' monthly utility bills, and service deposits required when opening new accounts.

Conclusion – Moderate (Yellow)

Compliance testing of monthly utility bills - issued during the audit period - for a judgmentally selected sample of 85 customer accounts indicated they were accurate with no identified exceptions. In addition, the flat and metered utility rates on the Utilities application of the Naviline system were generally in agreement with the corresponding rates as approved by the City Commission, with no material differences noted.

However, compliance testing of utility service deposits – assessed and paid during the period 10/1/2022 - 3/31/2023 - for a judgmentally selected sample of 40 customer accounts, resulted in three instances where customers were overcharged for their irrigation service deposits. In addition, we identified certain exceptions relating to the accuracy and completeness of the miscellaneous utility charges and service deposit rates programmed into the Naviline system when compared with the corresponding City Commission-approved rates. Further, we recognized an opportunity for management to enhance controls by developing and implementing the use of written departmental procedures pertaining to the periodic update and day-to-day application of utility billing rates on Naviline; and, authorizing and training a second (back-up) departmental employee to update the utility rates on the system.

An overall Moderate (Yellow) risk rating was assigned to the audit results based on the high likelihood management will be able to address the identified issues. Full implementation of the recommendations that follow later in the report would reduce the risk rating to Low (Green).

Internal Audit would like to thank personnel of the Utility Billing Division of the Finance Department for their cooperation and assistance throughout the audit.



COPB Reuse Water Office Building



COPB Reuse Water Pumps and Tank



COPB Reuse Water Influent Pumps

Source: COPB Utilities Department Stock Photos

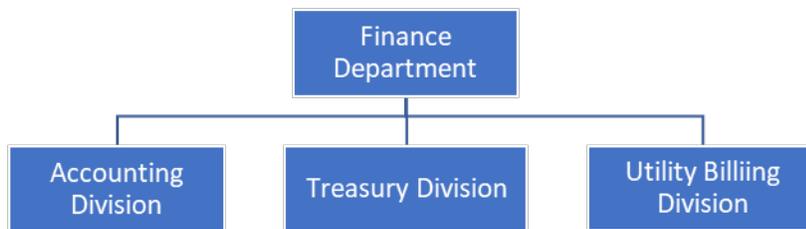
Background

The City of Pompano Beach (COPB) Utilities Department provides water, wastewater, stormwater (where applicable), and reuse water (where available) services to the City of Pompano Beach. In addition, the COPB Utilities Department provides water and wastewater services to the Town of Lauderdale-By-The-Sea, and water and reuse water (where available) services to certain customers within the City of Lighthouse Point. COPB residents in the Pompano Beach Highlands area (within the City’s District 2) have their water, wastewater, and reuse water (where available) services provided by Broward County.

The COPB Environmental Services Department has contracted with Coastal Waste & Recycling, Inc. to provide the City’s residential and commercial customers with solid waste pickup services. The City’s Utility Billing Division is responsible for directly billing the residential customers, while Coastal Waste & Recycling bills the commercial customers and remits a franchise fee to the City based on the type and frequency of the commercial pickup service.

The Utility Billing Division provides customer service, meter reading, and utility billing to the general public. Services provided include, but are not limited to, assisting in new utility connections; handling customer inquiries and issues; initiation of service disconnections; and monthly utility billing. The division is responsible for the monthly billing of residential and commercial customers for water, wastewater, stormwater, and reuse water services, and a municipal utility tax on water services; and, COPB residential customers for garbage collection services and a garbage collection administrative fee. The Customer Service Manager has been authorized to update the utility rates programmed into Naviline based on rate changes recommended by Utilities Department/Environmental Services Department management and approved by the City Commission via ordinance.

Although the operations of the Utility Billing Division are funded through the Utility Fund, the division is a unit of the Finance Department and reports to the Finance Director as indicated below:



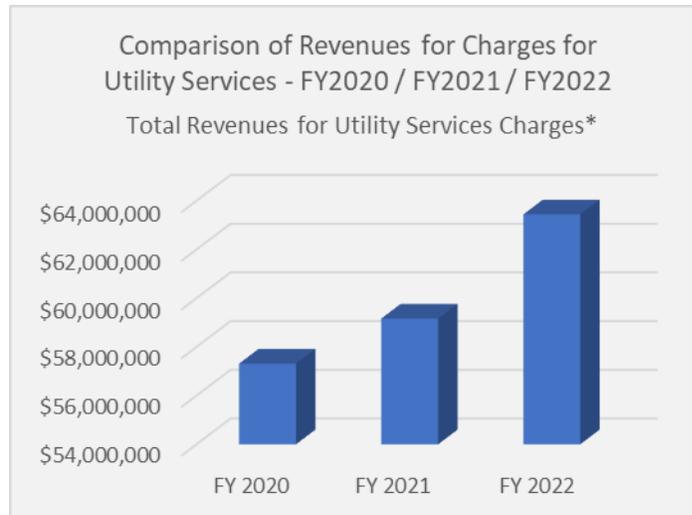
As of March 2023, Utility Billing was responsible for servicing the following estimated active utility accounts (by service type):

Active Utility Accounts as of March 2023

SERVICE TYPE	# OF ACCOUNTS
WATER (WA)	18,164
SEWER (WW)	17,040
STORMWATER (SW)	16,314
RESIDENTIAL GARBAGE (GB)	13,770
REUSE WATER (RW)	1,775
IRRIGATION (IR)	727
DEDICATED FIRE LINE (FL)	393

Source: Naviline System.

For fiscal years 2020, 2021, and 2022, the City recognized revenues from charges for utility services of approximately \$57,314,000, \$59,163,000, and \$63,441,000 respectively, as indicated below:



*Includes charges for domestic water, wastewater, reuse water, stormwater, and residential garbage services billed by Utility Billing.

Source: Naviline System (As of 6/2023)

Scope and Objectives

The primary objectives of the audit were to:

- Determine the adequacy and effectiveness of internal controls in place to ensure the City's utilities customers were being billed based on City Commission-approved utility rates; and,
- Verify the accuracy of the utility billing rates in use during the audit period via reconciliation to the City Commission-approved utility rates and recalculation of the charges on a representative sample of customers' utility bills.

Standards

- Florida Statutes § 180.13 Administration of utility; rate fixing and collection of charges;
- COPB Code of Ordinances § 32.37 Service Fees for Dishonored Checks;
- COPB Code of Ordinances § 36.004 Public Utilities;
- Applicable sections of COPB Code of Ordinances Chapter 50: Water;
- Applicable sections of COPB Code of Ordinances Chapter 51: Sewer;
- Applicable sections of COPB Code of Ordinances Chapter 53: Stormwater Management
- COPB Code of Ordinances § 54.05 Connection Charges and Rates;
- COPB Code of Ordinances § 96.13 Service Charges; and,
- COPB Environmental Services Department – Solid Waste Collection & Disposal Rate Schedule 2022 -2023 – Effective October 1, 2022.

Results: Three Findings Resulted in an Overall Risk Rating of Moderate (Yellow)

1. For three of 40 customer accounts tested, the irrigation service deposits assessed to, and paid by the customers, were inaccurate. In addition, we identified certain discrepancies between the service deposit rates on Naviline and the corresponding service deposit rates as approved by the City Commission;
2. Identified certain discrepancies between the miscellaneous utility charges on Naviline and the corresponding miscellaneous utility charges as approved by the City Commission. In addition, we identified multiple instances of unused/unneeded or redundant miscellaneous charges on Naviline; and,
3. Recognized an opportunity for management to enhance controls by developing and implementing the use of written departmental procedures for utility billing rates. In addition, there was a need for a back-up employee to be authorized and trained to update utility rates on Naviline given there was currently only one departmental employee (Customer Service Manager) capable of performing this duty.

Implementing the Audit Recommendations Below Would Reduce the Risk Rating to Low (Green).

II. Detailed Findings and Recommendations

Finding #1

Any person wishing to open a utility account with the COPB is required to pay a service deposit for domestic water, wastewater, and irrigation services. COPB Code of Ordinances § 50.4 Initial Fees and Deposits for New Water Service, establishes the deposit rates for domestic water and irrigation services, while COPB Code of Ordinances § 51.05 Wastewater Tariff, establishes the deposit rates for wastewater services. Meter sizes are not assigned to wastewater services on Naviline, and as a result, the wastewater deposit rates per COPB Code of Ordinances Section 51.05: Wastewater Tariff, vary according to the corresponding domestic water service meter size for the location (single-family and commercial accounts) or the number of dwelling units (multi-family accounts).

The deposit rates to be assessed are determined at the time of account opening and are based on the type of utility service (domestic water, wastewater, or irrigation), the account class (single-family, multi-family, or commercial), the meter size (applicable for single-family and commercial account classes only), and the service location (inside or outside the City limits). Service deposit rates for multi-family accounts are not based on meter size but are instead based on the number of dwelling units. Per Code of Ordinances § 50.04 Initial Fees and Deposits for New Water Service, the deposits for domestic water service, and irrigation service, for multi-family accounts are \$35 per dwelling unit (inside City limits) and \$44 per dwelling unit (outside City limits). COPB Code of Ordinances § 51.05 Wastewater Tariff, establishes service deposits for wastewater service for multi-family accounts as \$60 per dwelling unit (inside City limits) and \$75 per dwelling unit (outside City limits).

Per Code of Ordinances § 50.04 Initial Fees and Deposits for New Water Service, irrigation service deposits are billed based on the deposit rates applicable to the account that provides domestic water service to the customer. If there is no other account which provides domestic

water service to the customer, the irrigation service will be viewed as a recreational account and be billed at the appropriate domestic water service commercial deposit rate.

Compliance testing of a judgmentally selected sample of 40 customer accounts for which 82 service deposits were made (during the period 10/1/2022 – 3/31/2023) for water/sewer/irrigation services (as applicable), resulted in the following exceptions:

- For one account, the service location was built in 2022 and the irrigation meter (1") was acquired when the account class was BQ (Business - Temporary Construction), and the correct irrigation (IR) service deposit of \$160 was paid by the property owner. However, although the account class was subsequently changed to single-family when the certificate of occupancy was issued for the single-family property, the IR service deposit rate was never adjusted to the single-family domestic water service deposit rate of \$135 for the 1"-meter size. A tenant leased the property in 2/2023 and was erroneously charged and paid an IR service deposit of \$160 for the 1" meter (commercial rate) instead of the correct IR service deposit of \$135 (single-family rate);
- For a second account, the service location was built in 2022 and the irrigation meter (1") was acquired when the account class was BQ (Business - Temporary Construction), and the correct irrigation (IR) service deposit of \$160 was paid by the property owner. However, although the account class was subsequently changed to single-family when the certificate of occupancy was issued for the single-family property, the IR service deposit was never adjusted to the single-family domestic water service deposit rate of \$135 for the 1"-meter size. A new owner acquired the property in 10/2022 and was erroneously charged and paid an IR service deposit of \$160 for the 1" meter (commercial rate) instead of the correct IR service deposit of \$135 (single-family rate); and,
- For a third account, the deposit for the 1" irrigation meter – paid by the customer in 11/2022 - was incorrectly charged at the domestic water service commercial deposit rate of \$160 although the property was a single-family house built in 1964. We noted the customer (tenant) had a domestic water service account that was classified as single-family and, as such, the deposit amount paid should have been the single-family rate of \$135 for the 1" meter size.

In addition to the above testing, we performed testwork to compare the service deposit rates programmed into Naviline to the corresponding City Commission-approved service deposit rates to determine accuracy and completeness. Detailed test results (classified by service type) were as follows:

Domestic Water Service Deposit Rates

- Deposit rates for *single-family* domestic water service customers in unincorporated Broward County (BC) were listed in Naviline although these services were not offered by the COPB in BC. The only domestic water service offered by the COPB in BC was the ¾" meter size for *business* customers, for

which the deposit rate was not listed in Naviline;

- Lauderdale-By-The-Sea (LB) customers were offered business class domestic water services (for 3/4", 1", 1.5", 2", & 4" meters); and, business class - temporary construction domestic water services (for 3/4", 1", 1.5", & 2" meters), but the deposit rates were not listed in Naviline; and,
- Lighthouse Point (LH) customers were offered business class domestic water services (for 3/4", 1", 1.5", 2", 3" & 4" meters); and, business class - temporary construction domestic water services (for 3/4", 1", 1.5", & 2" meters), but the deposit rates were not listed in Naviline.

Wastewater Service Deposit Rates

- Deposit rates (minimum and maximum amounts) for business, business – temporary construction, and single-family wastewater services in unincorporated Broward County were listed in Naviline, but these services were not offered by the COPB in BC; and,
- Lauderdale-By-The-Sea customers were offered business wastewater services for which the deposit rates (minimum and maximum amounts) were not listed in Naviline.

Irrigation Service Deposit Rates

- Deposit rates for irrigation services (3/4", 1", 1.5", & 2" meters) offered by the COPB to Lauderdale-By-The-Sea customers for single-family & commercial accounts were not listed in Naviline;
- Deposit rates were listed in Naviline for irrigation services to unincorporated Broward County - 3/4", 1", 1.5", & 2" meters for outside City limits single-family accounts and a 3" meter for outside City limits commercial accounts – that were not offered by the COPB to BC customers;
- Lighthouse Point commercial customers were offered irrigation services (3/4", 1", 1.5", & 2" meters) for which the deposit rates were not listed in Naviline; and,
- The deposit rates for irrigation services (3/4", 1", 1.5", 2", 3", 4", 6", 8", & 10" meters) offered to (inside COPB City limits) single-family account customers were not listed in Naviline.

Risk Rating: Moderate (Yellow)

Recommendation #1

To minimize the risk of errors, we recommend Utility Billing management conducts enhanced training and supervisory oversight of customer service representatives to assist them in ensuring new utility accounts are accurately classified and the correct service deposit rates are

assessed. We further recommend Finance management takes appropriate actions – consistent with the applicable City ordinances and subject to the technical limitations of the system - to correct the cited discrepancies relating to the accuracy and completeness of the utility service deposit rates on Naviline.

Management Response:

Finance Director and Customer Service Manager agree to the recommendation and have outlined corrective actions below.

Immediate Action: All staff have been counseled on the limitations of the deposit inquiry screen concerning irrigation deposits. They are advised to check the service type (in the General Location Inquiry screen) to determine the rate class, i.e., SF = Single Family, MF = Multi Family, B = Commercial/Business. After determining the rate class, they are to look up the size of the meter to calculate the correct deposit from the new account application.

Final Action: After the IT Department has located where the deposits are set for irrigation in the Central Square system (Naviline), the Customer Service Manager will change the rates to reflect all classes so that the screen will display the correct deposits. This will be conducted with the next rate increase. Anticipated date of January 1, 2024.

To correct the three accounts each charged an inaccurate deposit for irrigation totaling \$25.00 in excess, would require refunding the deposit back to the account and then billing the correct deposit to the account. This would cause confusion to the customers as they would see the billed deposit on their next bill. If any customers specifically question and ask for the refund we will proceed with the aforementioned steps; otherwise, their deposits will be refunded after the four-year anniversary date has passed, or when they close their account if before that date.

Implementation Date:

January 1, 2024.

Staff Assigned:

Whitney Walsh, Customer Service Manager.

Finding #2

In addition to metered rates, flat rates, and service deposit rates, the COPB has established certain miscellaneous utility charges via ordinances approved by the City Commission. Examples of such charges include the meter connection fee, termination charge, meter test charge, returned check charge, and tapping fees.

Testwork performed to compare the miscellaneous utility charges on Naviline to the corresponding City Commission-approved miscellaneous utility charges to determine accuracy and completeness, resulted in the following exceptions:

- The meter test charge (\$60) indicated on Naviline to test meters 5/8" - 3/4" through 2" in size was incorrect. Per COPB Code of Ordinances Section 50.02 Water Distribution, the cost (refundable depending on the test results) to test meters 5/8" - 3/4" through 2" was \$200 with a required deposit of \$100. Per the ordinance, the required deposit to test meters larger than 2" was the actual cost of testing (refundable depending on the test results) as determined by the Utilities

Department at the time the test was required;

- Although the service installation charge for a customer to upgrade from a ¾” to a 1” meter (\$410) was indicated as a charge code on Naviline, the charges specified in the COPB Code of Ordinances Section 50.12 Change Service Installation Costs, for other meter upgrades, were not indicated as charge codes on Naviline (Management has been made aware of the details of the other upgrade charges). Per the ordinance, the customer would be billed for the actual installation cost in those instances where there was an increase in meter size to greater than 2”;
- Based on inquiry of the Customer Service Manager, we identified a total of 27 miscellaneous charge codes on Naviline that were either no longer in use or unneeded. Management was aware of the specific charge codes in question;
- The 2” meter set fee (\$443) indicated on Naviline for customers connecting to the City’s reclaimed water system differed from the 2” meter set fee (\$433) per COPB Code of Ordinances Section 54.05 Connection Charges and Rates; and,
- We identified several instances of redundant miscellaneous charge codes on Naviline as follows:
 1. The returned check charge of \$15 was listed twice on Naviline as the charge code NS (“Returned Check Charge”) and the charge code RC (“Returned Check”);
 2. The “Termination Charge” of \$20 was listed twice on Naviline as the charge codes CO and UC;
 3. The “Connect Meter Fee” (CM) and the “Administrative Fee” (UA) charge codes on Naviline – each \$20 – were the same;
 4. The “Reinstall Meter Fee” (UR) and the “Reinstall Mtr” (RE) charge codes on Naviline – each \$60 – were the same service; and,
 5. The “Tapping Fee” (UT) and the “Tapping Fee ¾” (TO) charge codes on Naviline – each \$680 – were the same service.

Risk Rating: Moderate (Yellow)

Recommendation #2

We recommend Finance management take the necessary actions - consistent with the applicable City ordinances - to correct the cited discrepancies on the Naviline system. In addition, we recommend management conduct an appropriate analysis to identify any instances where customers may have been materially overcharged or undercharged as

result of the indicated rate discrepancies, and if deemed necessary, take measures to correct the overcharges/undercharges.

Management Response:

Finance Director and Customer Service Manager agree to the recommendation and have outlined corrective actions below.

Customer Service Manager will delete all redundant miscellaneous charges in the Naviline system, and update the reuse meter set fee from \$443 to the correct amount of \$433. Since the Manager and Assistant Manager need to approve all miscellaneous charges prior to the billing clerk posting to any customer's account, there is a control in place to catch any incorrect fees presented by the customer service representatives. The Customer Service Manager will change the meter set fee with the next Utility Billing rate change. Anticipated date of January 1, 2024.

Implementation Date:

January 1, 2024.

Staff Assigned:

Whitney Walsh, Customer Service Manager.

Finding #3

During the course of the audit, we determined Utility Billing had established practices relating to the periodic update of the City's utility rates on the Utilities application of the Naviline system. Among other things, these practices included:

- The retention of copies of applicable City ordinances authorizing the specific rate changes to be made;
- The completion of, and sign-off on, preprinted utility rate maintenance and review forms by authorized employees to document their input and review of the rate changes on the system; and,
- The retention of printouts from Naviline confirming the update of the rates on the system.

Notwithstanding the value of the abovementioned practices, we determined there were no formal written procedures in place. Moreover, we noted Utility Billing only had a single employee – the Customer Service Manager (CSM) - who had been trained and authorized to update the utility rates on Naviline. Without a backup employee, there was no assurance utility rate changes would be processed timely on the system in the event of the absence or unavailability of the CSM.

Among other things, the written procedures could include:

- The titles of the Customer Service employees authorized to request the appropriate temporary access from the Information Technologies (IT) Department to make the utility rate changes on Naviline;
- The step-by-step offline and online processes for the update of utility rates on the system, including the specific Naviline screens to be used;
- Identification of non-standard variable utility rates that have not been programmed into Naviline because of system limitations, and the Customer Service employees authorized to manually post these rates to individual customers' accounts on the system on a case-by-case basis; and,
- Identification of non-standard variable utility rates that have been programmed into Naviline as default amounts only, because of system limitations, and the Customer Service supervisors authorized to override the default charges and manually post the actual charges to individual customers' accounts on the system on a case-by-case basis.

Risk Rating: Moderate (Yellow)

Recommendation #3

We recommend Finance management develops and implements the use of comprehensive written utility rate change procedures, and, in addition, train and designate an alternate employee with the responsibility for updating the utility rates on the system in the absence of the Customer Service Manager. The procedures will increase the likelihood of accurate future rate changes; provide a valuable training resource for new employees of Utility Billing; and help to ensure continuity of operations in the event of significant employee turnover, or other disruptive events affecting the division. Additionally, the availability of a back-up employee for the Customer Service Manager will help to mitigate the risk of untimely rate changes on the system.

Management Response:

Finance Director and Customer Service Manager agree to the recommendation and have outlined corrective actions below.

Customer Service Manager has created a folder in the Customer Service Directory - G:\Customer Service\Rates\Adding or Changing rates in Central Square (Naviline) - addressing the procedures for adding a rate group, assigning consumption factors, and copying and building new rates in the system. Only the manager and assistant manager will be allowed access to the rates. The Customer Service Manager has drafted an internal procedure document which will be updated with screen captures with the next rate change, at which time the Assistant Customer Service Manager will be trained. Anticipated date of April 30, 2024.

Implementation Date:

April 30, 2024.

Staff Assigned:

Whitney Walsh, Customer Service Manager.

2.  External Audit Assistance – Single Audit Act - Audit of Federal and State Grants, (FY22)

Background

Every year Internal Audit is asked to assist the external auditor with the tasks of auditing the Federal and State grants. The external auditor determines which grants/projects/tasks to assign to Internal Audit.

Last reporting period Internal Audit worked on the following programs/projects funded by Federal and State grants:

American Rescue Plan Act (ARPA) Funds received during Covid-19 - \$16,233,442
 ARPA Funding – Lost Revenue Calculation Review - \$11,693,784
 Waste Water Treatment Facility Construction (Kendal Project) - \$2,128,337, and
 HUD Home Investment Partnership Program - \$766,413

Conclusion

No issues were identified; hence none were reported.

3.  Technical Assistance for City Departments
 Review and Consulting for Professional, License, and Service Contracts/Agreements re: Language, Audit Rights, Procedures and Recordkeeping language/provisions for a total of 13 agreements

Standards

- Records access, controls, internal controls;
- Financial recordkeeping, reporting compliance;
- Audit rights;
- Florida Statutes Records retention;
- Internal Audit Record Retention for Audit compliance; and
- Scope of work requirements

Technical Assistance included City Departments: City Attorney, City Manager, Finance, General Services/Procurement/Purchasing, Parks and Recreation, etc. A full list of the License, Service Agreements/contracts, or Requests for Opinion reviewed is available upon request.

4.  IT Security – Identity and Access Management

I. Summary

As part of the FY22 Strategic Plan for the Information Technology (IT) Cloud Computing/Cyber Security goal, Internal Audit (IA) has completed an audit of the IAM process.

Audit procedures performed included, but were not limited to, reviews of applicable policies, procedures, and practices; and inquiry of appropriate/select Department staff and designated personnel. The primary emphasis was to determine compliance with established policies and procedures; and adherence to sound business practices when granting access to users, and removing users from City Systems/Networks. As part of accomplishing the specific objectives established for this process, internal controls were evaluated to determine the degree to which such controls ensure compliance with applicable policies and procedures.

Risk Rating - Moderate (Yellow)

Conclusion

Based on tests performed and resulting observations, it is our opinion that the City's IAM process is adequate, and was designed appropriately, to provide the necessary protection of the City's information assets. That said, there are areas where nominal changes have been recommended and implemented to improve and update the IT policy document; and procedural changes have been suggested to improve the process of granting and removing user access.

An overall Moderate (Yellow) risk rating was assigned to the audit results based on the high likelihood management will be able to address the identified issues. Full implementation of the recommendations that follow later in the report would reduce the risk rating to Low (Green).

Internal Audit would like to thank personnel of the IT Department, Contract Management Office, and Human Resources for their cooperation and assistance throughout the audit.

Background

Per COBIT 5* (see next page), IAM is the set of procedures used to issue and manage digital identities (identifiers) of people and systems so that they can be uniquely authenticated (identified) to IT systems before being granted access to sensitive assets. Such assets include computer systems and facilities, digital information in structured or unstructured formats, databases, web and database servers, email and video systems, report generation capabilities, etc.

IAM processes involve the establishment (provisioning) and maintenance of user identities (IDs), associated authentication and monitoring processes, and user permissions, so as to provide assurance that only authorized users have access to sensitive business applications, information and operating environments. Unique user identities ensure that no user can repudiate a past transaction, i.e., the individual assigned to a particular user ID can be held accountable for the activity performed with that ID. Removing access (deprovisioning) is part of this process.

A closely associated process, known as access control, ensures that properly authenticated users may conduct only previously authorized transactions. This ensures the confidentiality of sensitive information by allowing only users with a genuine "need to know" to view or change such information. This is also critical for maintaining the privacy of sensitive personal information, e.g., an individual's financial records, medical history, or other nonpublic information that could be used to commit crimes, including blackmail, industrial espionage and identity fraud.

* COBIT 5 (Control Objectives for Information Technologies) is an ISACA® (Information Systems Audit and Control Association) framework for governance and management of enterprise IT resources.

Scope and Objectives

The audit focused on IAM standards, guidelines, and procedures as well as on the implementation and governance of these activities. Application-specific user access management—typically the task of the respective application and not that of the IAM system—was outside the scope of this review. The audited activities covered May through November 2022.

The primary objective of the audit was to provide management with an independent assessment relating to the effectiveness of identity management and its policies, procedures, and governance activities as they are managed by the IT Department.

Standards

IT policy (October 2021)

ISACA/COBIT 5 guidance

State of Florida Cyber Security standards/act

Results: Five Findings Resulted in an Overall Risk Rating of Moderate (Yellow)

1. The City, through the IT Department, has not yet adopted an Information Security framework, e.g. NIST SP 800-53, COBIT9, ISO 27001, etc. The City has until January 1, 2024, per State statute 282.3185, also known as the “Local Government Cybersecurity Act”, to comply.
2. At the start of the audit, the IT Policy document (October 2021 edition) required relevant updates to reflect the changes in State of Florida statutes, and other operational requirements, and to include current processes practiced/implemented by IT. The current IT Policy document (February 2023 edition) reflects many of the changes that were suggested during the audit; more changes – due to recommendations from this audit, and other discussions - are expected to be included in the next revision. The policy is a live document, subject to revisions as needed.
3. Per the cloud computing contracts (CCC) or software as a service (SaaS) list, there were 55 contracts – as of March 9, 2023 - but not all of them were included in the previous biannual security review process. 20 of the 55 contracts were designated by IT as “high risk” – interpreted to mean they dealt with sensitive information.

As of 3/9/23, 18 of 20 “high risk” vendors had submitted SOC (System and Organization Control) 2 reports for the calendar year 2022; and overall – including “low risk” vendors, there were 22 reports presented out of 55. SOC 2 reports may be the only window into the internal controls related to information security of the vendors/service providers. Per the AICPA (American Institute of Certified Public

Accountants), a SOC 2 Report “reports on controls at a service organization relevant to security, availability, processing integrity, confidentiality/privacy”.

Also, it has come to our attention that some vendors have requested non-disclosure agreements (NDAs) in order to provide the City with SOC 2 reports. The City Attorney’s Office has advised the City against signing such NDAs.

4. There are/were instances where SaaS contracts are/were signed or subscribed to without the involvement of IT. IT Policy requires in section 3.3 that “All software must be approved and vetted by the IT Department”.
5. All Departments were not always promptly informing Human Resources (HR) and/or IT about the departure/termination of employees, in order for IT to appropriately remove their access to City computing and physical assets.

Implementing the Audit Recommendations Below Would Reduce the Risk Rating to Low (Green).

II. Detailed Findings and Recommendations

Finding #1

The City, through the IT Department, has not yet adopted an Information Security (IS) framework, e.g., NIST SP 800-53, COBIT9, ISO 27001, etc. State statute 282.3185, also known as the “Local Government Cybersecurity Act” states “The cybersecurity standards must be consistent with generally accepted best practices for cybersecurity, including the National Institute of Standards and Technology Cybersecurity Framework.” The adoption date for a municipality with a population of 25,000 or more is January 1, 2024.

Risk Rating: Moderate (Yellow)

Recommendation #1

As soon as practical, IT should begin the process of considering the appropriate framework to adopt in order to satisfy the State requirement, and meet the required deadline. It should be noted that the City, through its current policy, processes and procedures is meeting many of the requirements in any of the aforementioned IS frameworks. This would be a formal adoption as mandated by State statute.

Management Response: We have requested an additional position of Cyber Security Officer. If approved, this position will help us become NIST compliant and satisfy the State requirement.

Implementation Date: December 2023 to adopt a cybersecurity framework, with implementation to follow throughout 2024.

Staff Assigned: Chief Information Officer or designee.

Finding #2

At the start of the audit, the IT Policy document (October 2021 edition) required relevant updates to reflect the changes in State of Florida statutes, and other operational

requirements, and to include current processes practiced/implemented by IT. The current IT Policy document (February 2023 edition) reflects many of the changes that were suggested during the audit; more changes – due to recommendations from this audit, and other discussions - are expected to be included in the next revision. The policy is a live document, subject to revisions as needed.

Risk Rating: Moderate/Yellow

Recommendation #2

As soon as practical, revise the IT policy to include the new State statute requirements, along with the new policies, edits, and other changes that have been discussed with IT staff. It is duly noted that certain changes have already been implemented.

Management Response: We have requested an additional position of Cyber Security Officer. If approved, this position will help us become NIST compliant and satisfy the State requirement.

Implementation Date: December 2023 to adopt a cybersecurity framework, with implementation to follow throughout 2024.

Staff Assigned: Chief Information Officer or designee.

Finding #3

Per the cloud computing contracts (CCC) or software as a service (SaaS) list, there were 55 contracts – as of March 9, 2023 - but not all of them were included in the previous biannual security review process. 20 of the 55 contracts were designated by IT as “high risk” – interpreted to mean they dealt with sensitive information.

As of 3/9/23, 18 of 20 “high risk” vendors had submitted SOC (System and Organization Control) 2 reports for the calendar year 2022; and overall – including “low risk” vendors, there were 22 reports presented out of 55. SOC 2 reports may be the only window into the internal controls related to information security of the vendors/service providers. Per the AICPA (American Institute of Certified Public Accountants), a SOC 2 Report “reports on controls at a service organization relevant to security, availability, processing integrity, confidentiality/privacy”.

Also, it has come to our attention that some vendors have requested non-disclosure agreements (NDAs) in order to provide the City with SOC 2 reports. The City Attorney’s Office has advised the City against signing such NDAs.

Risk Rating: Moderate/Yellow

Recommendation #3

To facilitate the contract management automation process, the CCC inventory list should be updated biannually – at the same time the other security reviews are completed, by the respective administrators/contract managers, to provide the necessary information as indicated on the respective columns in the spreadsheet, e.g., application name, service provider/vendor, purpose, contract/agreement on hand, contact person within the City, etc. That information would form the basis for updating the contract management system (CMS – Agiloft).

IT, as part of its bi-annual security check of Naviline and network access, should send out a request to all administrators of the respective SaaS contracts, to complete a review of the then current access, and report back to IT. IT should continue to independently review the respective high-risk SaaS configurations to verify they conform to the City's basic requirements. High-risk SaaS are currently defined/designated by IT.

Internal Audit volunteered to send out (in December 2022) the current SaaS inventory list to all Department/Division Heads, in a bid to collect more information – the full information – related to the known contracts with a request to update the list. As of the end of February 28, 2023, not all Departments/Divisions had responded to the request; and IT on 3/21/23 sent out the semi-annual security review email with a request to update the SaaS inventory list. An updated CCC list will be distributed to all the relevant parties by the end of August 2023.

Management Response - IT:

IT, starting with the last security update request, has included the update of the cloud computing contracts' inventory list as part of the security review process.

Implementation Date: March 2023.

Staff Assigned: Chief Information Officer or designee.

Management Response – Contract Management:

The person responsible for the contract management system (Agiloft) will update the system to facilitate the SOC 2 reports' requesting process. The goal is to create an automated reminder to the responsible parties to send requests for the relevant reports. The reminder will go to the contract administrator, the person s/he reports to, and the respective Assistant City Manager, in a bid to keep those parties informed.

Implementation Date: December 2023

Staff Assigned: Contract Manager

Management Response – Assistant City Managers:

On receiving the reminder about the SOC 2 reports' due date, the respective Assistant City Manager will remind the respective personnel reporting to her/him, to remind their direct reports about the need to obtain SOC 2 reports, as a means of satisfying IT policy compliance requirements, and compliance with the State statute.

Implementation Date: December 31, 2023.

Staff Assigned: Assistant City Managers.

Finding #4

There are cases (at least four) where SaaS contracts were signed or subscribed to, without the involvement of IT, or the knowledge of Contract Management, i.e. they are not recorded in Agiloft – good contract management involves contract monitoring. IT Policy requires in section 3.3 that "All software must be approved and vetted by the IT Department". Another Identified gap is the fact that SaaS costs are not always high enough to require Commission approval,

hence a formal contract may not be necessary, which may very well mean Contract Management is not involved or notified at all.

Risk Rating: Moderate/Yellow

Recommendation #4

With the help of the users and Department/Division Heads, the City should develop a process (as part of a Cloud Computing Strategy) where a consistent approach can be established to conform with the current purchasing guidelines; assist in the proper management of SaaS contracts; and meet the requisite security and retention standards. Any developed process should address the relatively new State cybersecurity act requirements.

Management Response - IT:

IT, on April 4, 2023, sent out an email reminding all City employees who have access to the City Network, and have a need to acquire cloud computing services, what the appropriate process requires and directed the employees to the Intranet where the initial form may be found to start the process.

Implementation Date: April 4, 2023.

Staff Assigned: Chief Information Officer or his designee.

Management Response – Assistant City Managers:

On receiving the reminder about the SOC 2 reports' due date, the respective Assistant City Manager will remind the respective personnel reporting to her/him, to remind their direct reports about the need to obtain SOC 2 reports, as a means of satisfying IT policy compliance requirements, and compliance with the State statute.

Implementation Date: December 31, 2023

Staff Assigned: Assistant City Managers

Finding #5

All Departments were not always promptly informing Human Resources (HR) and/or IT about the departure/termination of employees, in order for IT to timely remove their access to City computing and physical assets. To address this deficiency, IT has implemented a process that generates a list of all terminated employees in each month, and compares that list to a list of employees that have been removed from access for that month. Any differences between the two lists are reviewed, and identified active users have their access immediately revoked.

Although this process helps, it leaves a gap in the *prompt* removal of access as soon as practical when an employee leaves/terminates. This is an unacceptable risk, especially if the terminating individual has administrative privileges.

Risk Rating: Moderate/Yellow

Recommendation #5

Working collaboratively, HR, IT, and relevant Department/Division Heads, should initiate a review to revise and enhance the process for deprovisioning users. An appropriate enhancement would serve to significantly reduce insider attack risks posed by terminated employees, who may still have access to computing and physical assets.

Management Response - IT: IT will run the terminated employee list once a week to improve the prompt removal of terminated employees. IT will also DISABLE any user network account, that has been inactive for 60 days. This will help when Departments do not promptly inform IT of terminated employees.

Implementation Date: June 2023.

Staff Assigned: Chief Information Officer or designee.

Management Response – Human Resources:

The role of informing HR and IT to terminate access for terminated employees, will be assigned to the time keepers – in addition to Supervisors, within the respective Departments/Divisions, as part of the off-boarding process. A review of the exit interview form may be necessary to reflect this change. HR will remind and/or retrain the time keepers and all concerned, to use the IT security request/change form on the Intranet to alert IT, Finance/Payroll, Pension Board, and Risk Management about the need to remove access as needed, instead of relying on the manual document/process.

Implementation Date: December 31, 2023.

Staff Assigned: Senior Human Resources Specialist.

5.  Administrative Policy 130.01 – Internal Audit Department Revision and Update; and Drafting Internal Audit Department Policies and Procedures

Background

As part of the 6th strategic goal (Process Excellence), City Departments were asked to revise and/or update their respective procedures. Internal Audit was one of them.

Conclusion

The task was completed and the administrative policy was approved and signed by the City Manager, and was made part of the City's Administrative Policy portfolio.

The Internal Audit Department Policies and Procedures will be the basis for running the Internal Audit Department, and training of new staff/personnel.

Section III. Current and Future Projects

1. Budget Adjustments Process Review – Number and amount of Budget Adjustments

All throughout the year, respective Departments request budget adjustments due to changing priorities. On average, there are two budget adjustments requests per working day – given a 4-days workweek. Review the current process in search of a more efficient and streamlined process. There were 394 requests in 2021 for \$ 250,996,134; 530 in 2022 for \$ 432,411,814; and 515 in 2023 for \$ 151,127,132.

2. Information Technology – IT Controls, Cybersecurity – SOC 2 Reports Review for Applications Considered High Risk

Internal Audit is presently completing this audit to verify the processes, compliance and controls in place to reduce and manage the risks related to cloud computing and/or cybersecurity. This audit is still ongoing and expected to be completed by the end of the 2nd quarter FY24.

As of the end of calendar year 2023, the City had on record, 63 cloud computing contracts, more than 20 of which were considered high risk. As part of the ongoing monitoring process, Internal Audit embarked on the task of reviewing all SOC 2 reports that will be collected from the current service providers. Internal Audit will be working with the City Attorney's Office and relevant Departments to make sure all legal requirements, related to the reports, are observed/met.

3. G. O. Bonds Projects – Construction Contracts in the CRA, Parks & Recreation, Public Works, and other Departments

Internal Audit is committed to reviewing/auditing a sample of projects that are part of the G. O. Bonds. The listed projects were selected for that purpose:

Fire Station 114,
North Pompano Park, and
Senior Activity Center

4. Federal and State Grants Audit – External Auditor Assistance re: FY23 Single Audit – US Housing and Urban Development (HUD) grants; and Florida Department of Environmental Protection, Florida Housing Finance Corporation

Internal Audit annually assists the external auditors with the audit of select Federal and State grants as part of the annual audit (Single Audit). This is a regular FY audit.

CDBG (Community Development Block Grants)
Home Investment Partnership Program
Wastewater Treatment Facility Construction Loan
SHIP (State Housing Initiative Partnership)

The external auditor is responsible for selecting the grants to be audited, and the respective transactions to be tested.

5.  Process Improvement re: Department procedures – Management request

There is a request from Management to look at the processes and procedures of the Parks and Recreation Department, with an eye on review for accuracy in documents [ordinances and resolutions – total of 24 in 2023] generated, efficiency in the review process related to those documents, and other procedures.

6.  Revenues or Expenditures Greater than \$500k – Management request

There is a request from Management to look at the revenues collected from various contracts that have been signed with various providers.

7.  Information Technology – IT Controls, Cybersecurity – Systems Configuration, Passwords Rules Verification

A separate project is planned to review the systems configuration process and current posture, in light of reducing exposure to cyber-attacks, and comparison with recommended standard configuration setups.

In addition, we are planning to review the passwords used by City employees in light of the numerous published data breaches.

8.  Internal Audit Department Policies and Procedures Documentation and Publication

As part of the preparation for a planned professional review of the Internal Audit Department, as part of the Professional Practice of Internal Auditing external review, we are documenting in writing our policies and procedures, which also fits in the City's push to have all City Departments' administrative policies review/revision and update.

Note: All Memoranda as well as a Technical Assistance Projects Detailed List are available upon request.

Internal Audit Risk Ranking Key:

High (red) - Immediate attention is required to reduce/mitigate the risk to acceptable levels.
Moderate (yellow) - Intermediate action is required to mitigate the risk to acceptable levels.
Low (green) - No further action required; the risk has been effectively mitigated.