



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 implemented	Follow Up	Project \$	Page #
1	Strategic Plan – FY20 – Audit of Long-Term Debt Service Compliance (Payments of \$14,984,737 for FY19) Memorandum 20-04	Moderate	Low	1	1	1	0	0	\$14,984,737	5
2	Strategic Plan: External Audit Assistance in FY21 re: FY20 Single Audit - Expenditures of: \$1,989,123 – Community Development Block Grants/Neighborhood Stabilization Program; \$3,431,764 – Water Treatment Facility Construction (State Project); \$396,907 – State Housing Initiative Partnership (SHIP) Program; and, \$5,409,766 – NW and East Community Redevelopment Fund Expenditures Total Expenditures for applicable Grant/Community Redevelopment Agency Funding for FY20 - \$11,227,560.	Low	Low	n/a	n/a	n/a	n/a	n/a	\$11,227,560	7
3	Strategic Plan – FY21 – Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20) Memorandum 21-01	Moderate	Low	4	4	4	0	0	\$3,193,647	8
4	Technical Assistance for City Departments: Review and Consulting of Professional, License, and Service Contracts/Agreements re: Language, Audit Rights, Procedures and Recordkeeping language/provisions for a total of 52 Agreements.	Low	Low	n/a	n/a	n/a	n/a	n/a	\$9,888,394	15
4	Total # Completed Projects – Total Project Dollars			5	5	5	0	0	\$39,294,338	


B. Prior Audit Follow-up

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>1</p> 	<p>Ad Valorem Tax - Homestead Exemption Eligibility Review - Review of Utilities for COPB Residences Compared to Broward County Homesteaders - 335 Properties Tax Roll Valuation was \$14,000,000 - FY19 See page 16</p>	<p>Low</p>	<p>1</p>	<p>1</p>	<p>Internal Audit (IA) conducted an audit of the Ad Valorem Real Property Tax Roll - Eligibility Review re: Review of Utilities for COPB Residences Compared to Broward County Homesteaders.</p> <p>After consultation with the City Manager's Office, Internal Audit (IA) concluded that it would be beneficial to pursue a utility bill/homestead exemption review. To assist in this process, IA completed an initial review that compared the city's utility account holders to the legal owners of residential properties within the city with full or partial statutory homestead exemptions in order to identify mismatches between the utility account holders and the property owners. IA's analysis identified a total of 335 such properties. The City Manager contacted the BCPA Office, and transmitted the file to BCPA Office for further review of possible discrepancies. The implementation reduced the risk from Moderate (Yellow) to Low (Green).</p> <p>Conclusion: Based on the information provided by the City Manager, the BCPA initiated a total of 243 investigative cases. The investigation concluded with 22 properties having their exemptions removed, 18 properties of those properties being back-taxed a total of \$176,288.54, and \$1,767,410 of taxable property value being added to the 2020 tax roll.</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
2	 Strategic Plan 2.5.1: Audit of Standard Operating Procedures of One Major Division of Selected Department: Public Works - Fleet Division (FY17 Budget \$2,927,000) - FY14, FY15, and FY16 Budget Totals \$8,256,684 Memorandum 18-01 - Total \$11,183,684 See Page 17	Low	11	0	Follow up was completed in FY20 for all outstanding recommendations. Recommendations were implemented over a two-year FY period due to approval process, funding the needed budget request in FY19 and installations in FY20. Implementation of new fuel tanks, tracking system required additional time for completion.

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

#	Project Title	Project \$	Page #
1	 Information Technology – Cloud Computing/Cybersecurity, IT Controls (FY20/FY21) - Ongoing	TBD	19
2	 Cultural Arts Center – Ticketmaster Revenue Reconciliation - Policies & Procedures (FY20/FY21 Review postponed due to COVID-19)	TBD	19
3	 G. O. Bonds Projects – Specific Projects – TBD	TBD	19
4	 Revenue or Expenditures over \$500,000 – planning to schedule review of Airpark Revenue contracts	\$500,000	19
5	 Federal and State Grants Audit – External Auditor Assistance re: FY21 Single Audit	TBD	19
6	 Review - Update on the Local Business Program – Local Vendors' Preference/Total Payments (2019) Vendor Payments by City Commission District (Ongoing due to COVID - 19)	\$13,808,460	20

#	Project Title	Project \$	Page #
7 	Review of Fixed Asset Totals/Usage – Citywide, beginning with Public Works	\$8,168,537	20
	7: Total Amount <u>Current & Future Audit Projects Total</u> – \$ Amount TBD	22,476,997	n/a
	13: Total Number of <u>all Completed Audit Projects</u> with Follow Up and Current Projects with Project Dollar Amount Listed	\$86,955,019	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 – FY20 – Audit of Long-Term Debt Service Compliance (Payments of \$14,984,737 for FY19)****Summary**

As part of the FY20 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) has performed an audit of the City's long-term debt service compliance to determine whether the City's long-term debt principal and interest payments for FY 2019 were properly recorded, supported, and approved; adequately budgeted; accurate; and, made timely.

Audit procedures performed included, but were not limited to, reviews of applicable rules, regulations, policies, procedures, and practices; and inquiry of appropriate Finance Department personnel. To achieve the audit objective, all of the City's long-term debt service payments pertaining to FY 2019 – a total of \$14,984,737 - were vouched and compared to the applicable debt amortization schedules.

Results/Conclusion: One Finding Resulted in an Overall Risk Rating of Moderate (Yellow). Implementing the Audit Recommendation Below Would Reduce the Risk Rating to Low (Green).

Based on tests performed and resulting observations, it is our opinion that the City was in general compliance with its long-term debt service obligations for FY 2019. However, we identified isolated instances where capital lease principal/interest payments were not made by the due dates.

An overall Moderate (Yellow) risk rating was assigned to the audit results based on the relatively low difficulty of addressing the identified issues. Full implementation of the recommendation that follows later in the report would reduce the risk rating to Low (Green).

Background

The City of Pompano Beach (COPB) has established a Capital Improvement Plan (CIP), a five-year financial plan for funding the construction, acquisition, and rehabilitation of the City's facilities, infrastructure, and equipment. Although the CIP covers five years, it is prepared annually, and previously approved projects are carried forward and their completion schedules are adjusted accordingly.

Debt financing for capital projects and improvements is an important method to develop the City's long-term infrastructure. According to the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending 9/30/19, outstanding long-term debt principal of \$153,422,588 comprised the following:

- \$120,339,049 for government activities comprising:
 - General obligation bonds (Series 2018) of \$102,865,880;
 - Tax increment bonds (Series 2013) of \$10,045,000 for the East Community Redevelopment Area;
 - Notes payable of \$1,103,439 to Chase Equipment Finance for the purchase of energy efficient equipment for various City facilities;
 - U.S. Department of Housing and Urban Development (HUD) Section 108 interim long-term loan of \$3,920,000; and,

- Capital leases payable of \$2,404,730 for the lease of equipment and vehicles.
- \$33,083,539 for business activities comprising:
 - Taxable certificates of participation of \$23,875,000 to finance the acquisition, construction, and installation of a new parking garage structure and surrounding public improvements;
 - Water and sewer revenue bonds of \$2,990,000;
 - Notes payable of \$3,995,185 to Chase Equipment Finance for the purchase of energy efficient equipment for various City facilities;
 - Capital leases payable of \$304,978 for the lease of equipment and vehicles; and,
 - A construction loan with an outstanding balance of \$1,918,376 funded from the State of Florida Department of Environmental Protection Clean Water State Revolving Fund Program.

In 2015, the City received a loan commitment of \$4,308,000 from the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program for the purpose of financing various road improvement projects. As of 9/30/19, the City had received \$4,308,000 in interim financing related to this loan commitment from HUD. As of 9/30/19, the interim loan balance was \$3,920,000 and the permanent loan balance was \$0. The interest rate on the loan amount is variable until the date HUD converts it into a permanent loan or the redemption date, whichever is earlier. During the interim period, interest will be billed on the first day of each February, May, August, and November, and an annual principal payment will be made. A payment schedule of the principal and interest will be provided by HUD after conversion of the loan.

In the fall of FY 2017, the City Commission approved the General Obligation (G.O.) Bond Referendum (with a date of 3/13/18) to finance components of the City's unfunded general capital projects. The referendum was approved by a two-thirds majority vote of the City's residents. The G.O. Bonds have been and will be sold in two phases. The first bonds (Series 2018) were sold at a par value of \$99,375,000 on 10/2/18 to finance the design of 25 G.O. Bond projects, and construction of the "Phase I" projects. By the fall of 2021, the City will be selling the remaining G.O. Bonds in order to finance the construction costs for the "Phase II" projects.

Scope and Objectives

The primary objective of the audit was to determine whether the City's long-term debt principal and interest payments for FY 2019 were properly recorded, supported, and approved; adequately budgeted; accurate; and, made timely.

Standards

- City's Code of Ordinances Chapter 36 – Taxation and Finance – City Bonds (§36.040 - §36.057);
- City's Debt Management Policy;
- Finance Department's Accounting Procedures Manual – 11-B – Debt Management – Processing Debt Service Payments; and,
- Debt covenants and amortization schedules for outstanding bonds and other long-term debt obligations.

Finding #1 – Risk Rating Moderate (Yellow)

As a result of test work performed on all 47 long-term debt principal/interest/capital lease payments (21 checks and 26 electronic transfers) for FY 2019, we determined they were

generally properly recorded, supported, and approved; adequately budgeted; accurate; and made timely. However, we noted the following isolated exceptions:


- The monthly payments of \$6,863.35 for 10/18 and 11/18 to Pompano Property Investments for the Pompano Beach CRA's lease of property located at 11 NE 1st Street in Pompano Beach were not made timely, i.e., by 10/1/18 and 11/1/18 respectively. The rental invoices for 10/18 and 11/18 (dated 9/5/18 and 10/5/18 respectively) were not paid until 10/24/18 (23 days late) & 11/14/18 (13 days late) respectively, and nominal late payment fees totaling \$686.34 were assessed by the lessor. It should be noted that the Pompano Beach CRA purchased the aforementioned leased property from the lessor on 9/26/19 for the price of \$1,200,000.

Recommendation #1

To ensure compliance with debt covenants, we recommend the Finance Department makes all periodic long-term debt service payments by the contractual due dates. We encourage management's continued use of debt payment due date schedules, Outlook calendar reminders, and pre-authorized automated debits, where applicable, to facilitate timely payment of the obligations.

Management Response – Implemented 8/5/2020

The oversight took place during the transitional period for a new employee who was not fully aware of our processes at the beginning of the fiscal year. Going forward management will ensure that new employees are fully trained on meeting debt service obligations.

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|  | <p>2. Strategic Plan: External Audit Assistance in FY21 re: FY20 Single Audit - Expenditures of:
 \$1,989,123 – Community Development Block Grants/Neighborhood Stabilization Program;
 \$3,431,764 – Water Treatment Facility Construction (State Project);
 \$396,907 – State Housing Initiative Partnership (SHIP) Program; and,
 \$5,409,766 – NW and East Community Redevelopment Fund Expenditures
 Total Expenditures \$11,227,560.</p> |
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Summary and Background

Each year as part of the City's agreement with the External Auditors, Internal Audit (IA) provides 100 hours (or more when needed) of assistance and contribution during the Single Audit for the Fiscal Year. In FY21 Internal Audit staff provided annual assistance to external auditors for their FY20 audit and review of Federal Awards and State Grants Financial Assistance. Testing of the controls for compliance was accomplished.

Results/Conclusion: Risk Rating – Low (Green)

Low (Green) risk rating was assigned for compliance during the FY20 Federal Awards and State Grants Financial Assistance audit.

Conclusion

Both State and Federal programs were in full compliance.

Scope and Objectives

- Community Development Block Grants/Neighborhood Stabilization Program expenditures of \$823,819.60 were vouched for compliance and effectiveness of controls;


- Water Treatment Facility Construction (State Project-State of Florida) expenditures of \$3,359,226.26 were tested for compliance and vouched;
- State Housing Initiative Partnership (SHIP) Program expenditures of \$378,416.90 were tested for compliance and vouched; and,
- NW and East Community Redevelopment Fund expenditures of \$148,134.52 were tested and vouched.

Standards

- State and Federal grants program requirements.
- Specific State and Federal grant agreements and/or respective amendments.

Findings/Recommendations

No audit findings or recommendations are anticipated.

 3. Strategic Plan – FY21 – Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20)

Summary

As part of the FY21 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) has performed an audit of the City's procurement card (P-card) program. The audit assessed the degree of compliance with key requirements of the City's procurement card policies and procedures. The audit period for the test of P-card transactions was 1/1/2019 – 4/14/2020. Samples of active and closed P-card accounts as of 5/21/2020 were selected for compliance test work. Audit procedures performed included, but were not limited to, reviews of applicable policies, procedures, and practices; inquiry of appropriate General Services and Finance Department personnel; and, tests of transactions.

Results/Conclusion: Four Findings Resulted in an Overall Risk Rating of Moderate (Yellow).

Based on tests performed and resulting observations, it is our opinion that the City was not always in compliance with its procurement card policies, procedures, and practices. We identified instances of non-compliance pertaining to P-card purchases, the issuance of new cards, deactivation of P-card accounts for terminated employees, and timeliness of posting of P-card transactions to the General Ledger. Notwithstanding the aforementioned issues, all P-card purchases tested were deemed to have been authorized and made for legitimate business purposes.

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).

Background

The City of Pompano Beach Procurement Card (P-card) Program is designed to improve efficiency in processing purchases from any merchant that accepts MasterCard. This program allows the cardholder to purchase approved commodities and services directly from merchants. Each P-card is issued to a named individual and the City of Pompano is clearly shown on the card as the governmental buyer of goods and services. Participation in the P-card program is a privilege offered by the City. The General Services Department is responsible for monitoring the performance of the program.

The success of the City's Procurement Card Program relies on the cooperation and professionalism of all personnel associated with this initiative. The most important participant is the cardholder. The cardholder is a key element in making this program successful. The City has established P-card policies and procedures as the minimum standards for departments. Departments may establish additional controls if necessary, but cannot alter the City's authorized policies and procedures governing the P-card program.

The P-card Program is intended to simplify the procurement/disbursement process. The responsibility is delegated to the ordering department enabling authorized cardholders to place orders directly with merchants. The authorization process occurs through the electronic system (Smartdata) that supports the P-card processing services under the City of Pompano's agreement with JP Morgan Chase.

At the point of sale (POS) when the merchant requests a purchase authorization, the MasterCard merchant network validates the transaction against pre-authorized limits established by the cardholder's department. All transactions are approved or declined electronically based on the pre-authorized limits.

Pre-authorized limits per cardholder may be as follows:

1. Daily purchase dollar limits set per individual's responsibilities.
2. Monthly spending dollar limits set per individual's responsibilities.
3. Approved merchant category codes (MCCs).

The cardholder's pre-authorized limits may be changed with the approval of the department head and the P-card program administrator.

During calendar years 2018 and 2019, and the period 1/1 – 4/14/2020, there were Citywide P-card purchases totaling \$1,479,591.29 (CY18), \$2,311,823.91 (CY19), and \$881,823.51 (CY20 - YTD).

Scope and Objectives

The primary objectives of the audit were to ensure:

- Cardholders had been appropriately authorized and trained, and had a properly completed and approved Procurement Card Employee Agreement on file;
- P-card accounts of terminated cardholders were deactivated prior to their termination dates;
- P-cards were only used for City-authorized purchases made within authorized spending limits; transactions were supported by receipts approved by cardholders; and receipts were submitted timely, and promptly input, approved, and reconciled on the Smartdata (P-card) system; and,
- On a monthly basis, the Finance Department timely uploaded P-card transaction data from the Smartdata system to the GMBA (Naviline) system; and performed a post-upload reconciliation to verify accurate posting of the transactions.

Standards

- City of Pompano Beach and Pompano Beach Community Redevelopment Agency – Administrative Policy No. 905.07 – Procurement Card Policies and Procedures (Revised 8/9/17);

- City of Pompano Beach – Administrative Policy No. 905.08 – Procurement Card Policies and Procedures (Effective 1/1/19); and,
- City of Pompano Beach – General Services Procedures Manual.

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

1. Newly-issued P-cards, and any credit limit changes thereto, were not always supported by appropriate management approvals;
2. P-card accounts were not being consistently closed on the Smartdata system prior to the termination of the cardholder's employment with the City;
3. The supporting documentation and administrative actions for P-card purchases were not always compliant with established policies and procedures; and,
4. P-card transactions posted on the Smartdata system were not being timely uploaded to the General Ledger.

Detailed Findings and Recommendations:

Finding #1 – Risk Rating: Moderate (Yellow)

Department heads that require P-cards for their employees must have them complete and submit a JPMorgan Chase U.S. Commercial Card Application to the General Services Department. The P-Card Program Administrator is responsible for signing (approving) the completed application and submitting it to the card issuer. Upon receipt of the inactivated card from the card issuer, the P-Card Program Administrator or his/her designee will issue it to the employee after he/she attends a briefing regarding the P-card policies and procedures, and submits a completed Procurement Card Employee Agreement signed and dated by the cardholder and his/her department head. The standard monthly and daily credit limits for newly issued P-cards are \$5,000 and \$1,000 respectively.

Compliance testing of a judgmentally selected sample of 45 of 167 (27%) active P-cards on the Smartdata system as of 5/21/2020 resulted in the following exceptions;

- General Services was unable to locate a completed JPMorgan Chase U.S. Commercial Card Application – signed-off by the P-Card Program Administrator – for five (11%) of the 45 P-card accounts tested. As such, there was no documented evidence on file indicating the P-Card Program Administrator had approved the issuance of the P-cards to these cardholders;
- Although we reviewed a completed Procurement Card Employee Agreement signed and dated by the cardholder and his/her department head for 43 (95%) of the 45 P-card accounts tested, the cardholder was not required to, and did not sign and date to acknowledge receipt of the card from General Services;
- General Services was unable to locate a Procurement Card Employee Agreement signed and dated by the cardholder and the department head for one P-card account. As such, there was no documented evidence on file that the department head had approved the request for the card, and the cardholder had attended training and acknowledged the rules on the use of the card;
- The Procurement Card Employee Agreement on file for one P-card account was signed and dated by the cardholder but was not signed by the department head. As such, there was no documented evidence the department head had approved the request for the card;

- General Services was unable to locate a written request from the cardholder's department head for the current higher monthly and daily credit limits for *two* (12%) of 17 P-card accounts in our sample with current non-standard credit limits; and,
- The written request on file in General Services from the cardholder's department head for higher monthly and daily credit limits for four (24%) of 17 P-card accounts in our sample with current non-standard credit limits, differed from the cardholder's current monthly and/or daily credit limits.

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.

Management Response:

General Services will scan all P-card applications that get submitted and put them in the purchasing file in the g/drive.

Suggest the same to be done with all emails that come through, from the department head, for increases and decreases of P-card limits. Folder created in the "G"/drive.

Two forms have been created to be filled out by the Department Heads to attach to their email when requesting a P-card application and an increase or decrease of a P-card limit.

NEW FORMS CREATED

- *Request a P-card for an employee
- *Request for an Increase on a P-card

IA suggested to add an "Expired" box and delete "Replacement" from the P-Card Maintenance Form and added information to be filled out by individual handling the transaction at the bottom of the form (To be sent to Bobby Bush of Human Resources to put in policy & procedure).

A monthly outreach to department coordinators with a list of P-card users in their department to ensure that the employee is still in the department. **Implementation Date:** January 21, 2021.

Finding #2 - Risk Rating: Moderate (Yellow)

The City's procurement card policies and procedures require the department coordinators to notify the P-Card Program Administrator whenever an employee's P-card account needs to be closed because of termination or transfer. The department coordinator is responsible for retrieving the P-card from the cardholder and submitting it to the P-Card Program Administrator along with a properly completed P-Card Maintenance Form approved by the cardholder's department head prior to the employee's termination/transfer date. The P-Card Program Administrator or his/her designee is responsible for ensuring the P-card account is timely closed on the Smartdata system and the card is physically destroyed.

Compliance testing of a judgmentally selected sample of 18 (42%) of the 43 P-card accounts with a closed status on the Smartdata system as of 5/21/20 indicated that 11 (61%) of the P-card accounts tested were closed after the cardholder's termination date. Delays ranged from one to 174 days. Detailed test results were as follows:

- General Services was unable to locate a properly completed P-Card Maintenance Form signed by the cardholder's department head and the P-Card Program Administrator for four (22%) of the closed P-card accounts tested. As such, there was no record of the date of destruction of the cards. Moreover, two of the aforementioned four accounts were closed on the Smartdata system after the cardholder's termination date;
- The P-Card Maintenance Form (dated 9/9/16) on file for one closed P-card account was not signed by the cardholder's department head and was not signed by the P-Card Program Administrator until 9/6/2020. Moreover, the account was not closed on the Smartdata system until 9/9/16, i.e., after the cardholder's termination date of 8/31/16;
- Although the P-Card Maintenance Form on file for one closed P-card account was received by General Services *prior* to the cardholder's termination date, the account was not closed on the Smartdata system until after the cardholder's termination date;
- The P-Card Maintenance Forms on file for five closed P-card accounts were received by General Services after the cardholder's termination date. All five accounts were closed on the Smartdata system after the cardholder's termination date, and there was no record of the date of destruction for three of the cards;
- The P-Card Maintenance Form (dated 5/13/20) on file for one closed P-card account was not signed at all by the cardholder's department head and was signed by the P-Card Program Administrator on 5/14/20. Moreover, there was no record of the date on which the card was destroyed, and the account was not closed on the Smartdata system until 5/13/20, i.e., after the cardholder's termination date of 2/6/20; and,
- Although the P-Card Maintenance Form on file for one closed P-card account was received by General Services on the cardholder's termination date, the account was not closed on the Smartdata system until after the cardholder's termination date.

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 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.

Management Response:

Human Resources has added General Services to the notification distribution of employees that are terminating employment with the City. This will allow General Services to immediately close accounts for employees before or immediately upon separation from the City. It will also allow

General Services to immediately review the most recent P-Card transactions for such employees to identify and address any unauthorized purchases.

Additionally, the Procurement Card Policies and Procedures Administrative Policy was edited to reflect that the annual inventory of P-Cards will be conducted via outreach to department coordinators or by other reasonable means to identify cards that haven't been used within a one-year period to potentially deactivate such cards if future use isn't anticipated. **Implementation Date:** January 21, 2021.

Finding #3 - Risk Rating: Moderate (Yellow)

The City has established written policies and procedures governing the use of P-cards for purchases of goods and services, as well as the review, approval, and reconciliation of P-card transactions.

Compliance testing of the supporting documentation for a judgmentally selected sample of 125 (1.2%) of 10,751 P-card purchase transactions (the sample totaled \$152,626.16 (4.8%) of the total purchases of \$3,193,647.42) posted to the Smartdata system during the period 1/1/19 – 4/14/20 resulted in the following exceptions:

- The receipts for 59 (47%) of 125 P-card purchases tested had not been signed/initialed (approved) by the cardholder as required by the procurement card policies and procedures;
- 63 (52%) of 122 monthly cardholder Payment Request/Authorization Procurement Card Order Logs (and the requisite supporting records) documenting the departmental reconciliation of the 125 P-card purchases tested were not completed, signed-off, and submitted by the departments to the Finance Department within 10 days after month-end as required by established practice;
- Four (3%) of 122 monthly cardholder Payment Request/Authorization Procurement Card Order Logs reviewed were not signed by the cardholder; and,
- One of 122 monthly cardholder Payment Request/Authorization Procurement Card Order Logs reviewed was not signed by the department head or his/her designee.

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.

Management Response:

The requirement to sign purchase receipt is part of our procedures but it may be redundant and mitigated by the fact that the cardholder is signing the logs. We agree with the finding and we have revised the policy to not require the signing of receipts. **Implementation Date:** December 21, 2020.

Finding #4 – Risk Rating: Moderate (Yellow)

All approved P-card transactions for the month in the Smartdata system are required to be accurately and timely uploaded into the Naviline system after month-end. Testing of the applicable Finance Department monthly records relating to centralized processing of P-card transactions for the judgmentally selected months of February (\$215,840.05), March (\$297,334.20), and April 2020 (\$259,402.88) indicated the following exceptions:

Although all P-card transactions posted for the above-mentioned months to the Smartdata system were reconciled and uploaded to the General Ledger (GL), the transactions were not posted to the GL timely, i.e., within 30 days after month-end. The delays ranged from 96 to 115 days after month-end. Management has attributed the delay to the tardy submittal to Finance of the cardholders' monthly Payment Request/Authorization Procurement Card Order Logs by the departments confirming the reconciliation of their P-card transaction receipts. Another indicated factor was the time needed by Finance to verify that:

- Although all P-card transactions posted for the above-mentioned months to the Smartdata system were reconciled and uploaded to the General Ledger (GL), the transactions were not posted to the GL timely, i.e., within 30 days after month-end. The delays ranged from 96 to 115 days after month-end. Management has attributed the delay to the tardy submittal to Finance of the cardholders' monthly Payment Request/Authorization Procurement Card Order Logs by the departments confirming the reconciliation of their P-card transaction receipts. Another indicated factor was the time needed by Finance to verify that all transactions had been reviewed and approved in Smartdata, and follow-up on any unreviewed/unapproved transactions with the department coordinators/heads.

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.

Management Response:

We agree with finding. We are already providing targeted follow-up efforts. The follow-ups have been ineffective. At this point, we will have to escalate any non-compliance to the Finance Director, General Services Director and Internal Auditor in order to determine a better course of action to avoid punishing departments that continue to do this by stripping them of their P-Card privileges. We are hoping that this report will motivate departments to improve in this area.

We agree with the recommendation to consider the feasibility of having departments electronically sign-off and submit their logs and supporting documents to Finance each month. Finance staff will contact Chase by February 8, 2021 to explore this. At the time of P-card implementation, this was not provided as an option but during our last meeting with Chase, they communicated to us that this was possible if we switched to their other platform which has more customization. **Implementation Date:** February 8, 2021.

**4.  Parks and Recreation Department and Cultural Affairs Department (CAC-PAC):
Technical Assistance for 52 Professional, License, or Service
Agreements/Contracts – \$9,888,394**

Technical Assistance

The goal of Internal Audit (IA) is to provide technical assistance to City Departments by providing recommendations and guidance to increase accountability and transparency of City operations and to enhance internal controls. During the year, City departments request technical assistance and guidance as needed, at the time.

Internal Audit reviews and guidance, benefits and protects the City's interest by assessing the daily operations of the Contractors, Licensees or Service Providers as well as assess risks. The assistance contributes by assisting City Departments, to protect the City with controls and compliance. Language revisions for agreements/contracts are recommended as needed for each draft agreement before it is finalized and placed on the City Commission Meeting Agenda. Recommendations are made for policies and procedures which may include recordkeeping, payment receipt processing and disbursement procedures. Internal Audit's goal is to increase the transparency and accountability for each agreement. IA reviews the language to ensure that the City's audit rights are preserved. Follow up is done periodically by IA staff to verify that compliance is being monitored and the agreement/contract is being overseen as required.

Internal Audit staff provided technical assistance by reviewing 52 Professional, License, or Service agreements/contracts.

Results: Low (Green) Risk Rating After Recommendation(s) Are Implemented.

A Low (green) risk rating was assigned after review and consulting with departments for revisions as needed. Revisions to language for audit/inspection rights, sales tax, accounting/recordkeeping procedures, financial reporting and record retention have been included and revised as needed per Internal Audit Recommendations for each agreement before it is uploaded into Legistar for Agenda Item approval.

Standards

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

Technical Assistance included many City Departments: City Attorney, City Manager, Finance, General Services/Procurement/Purchasing, Parks and Recreation, Cultural Arts – Cultural Affairs, Public Works, etc. A few of the technical assistance projects are listed below. A full list of the 52 License or Service Agreements/contracts reviewed is available on request.

- Code Compliance Professional Services Agreement - Agreement & Terms Updated - New Ordinance (\$1,625,309 per year - 5 Year Contract) City Attorney
- Community Planning Technical Assistance Grants (CPTAG Grant) – City Attorney

- Debt Collection Services: RFP re Collections for Nuisance Abatement, Unsafe Structures, EMS Services, Parking, Loans - Code Compliance
- RFP Towing/Wrecker service - Annual Payment to City \$178,176

Technical Assistance – Parks & Recreation Department

- COPB Pier Management for Bait and Tackle Shop Agreement – \$67,701 6-Month Service Agreement and Long-Term Agreement
- Brazilian Festival Review of In-Kind Services (\$75,000) Expenditure Review (\$245,284) Total \$320,284
- Golf Driving Range Procedures for Transition to COPB Cashiers

Technical Assistance – Cultural Affairs

- Artist and Artwork Agreements
- Artist in Residency Program

Prior Audit Follow-Up – Additional Detail

1.  **Ad Valorem Tax - Homestead Exemption Eligibility Review - Review of Utilities for COPB Residences Compared to Broward County Homesteaders - 335 Properties Tax Roll Valuation is \$14,000,000**

Summary and Background

In March 2019, the City of Pompano Beach’s (COPB) Mayor was notified by the Mayor of the City of Hollywood (Hollywood) of a recent situation where Hollywood had partnered with the Broward County Property Appraiser’s (BCPA) Office to review the city’s utility account holders and compare them to the actual owners of residential properties with homestead exemptions. The BCPA Office investigated discrepancies and identified hundreds of instances where the property owners were ineligible for the homestead exemptions. Appropriate corrections were made which resulted in a significant property tax benefit to Hollywood. Further, the Mayor of Hollywood indicated that the BCPA had invited all Broward County city mayors to contact him to pursue a utility bill/homestead exemption review for their respective municipalities.

Results

After consultation with the City Manager’s Office, Internal Audit (IA) concluded that it would be beneficial for the COPB to pursue a utility bill/homestead exemption review. To assist in this process, IA has completed an initial review that compared the city’s utility account holders to the legal owners of residential properties within the city with full or partial statutory homestead exemptions, in order to identify mismatches between the utility account holders and the property owners. IA’s analysis identified a total of 335 such properties.

The City Manager contacted the BCPA Office, and transmitted the file to BCPA Office for further review of possible discrepancies. The implementation of this review has reduced the risk from Moderate (Yellow) to Low (Green).

Conclusion: Based on the information provided by the City Manager, the BCPA initiated a total of 243 investigative cases. The investigation concluded with 22 properties having their exemptions removed, 18 properties of those properties being back-taxed a total of \$176,288.54, and \$1,767,410 of taxable property value being added to the 2020 tax roll.

2.  Strategic Plan 2.5.1: Audit of Standard Operating Procedures of One Major Division of Selected Department: Public Works – Fleet Division (FY17 Budget \$2,927,000) - (FY 14, FY15 and FY16 Budget Totals \$8,256,684) Memorandum 18-01

Follow-Up Detail: Status of Outstanding Recommendations – Implemented

Fleet Division has worked diligently to complete and implement the six (6) outstanding Audit Recommendations to reduce the Risk Rating to Low (Green). Previously, Management agreed to implement ten (10) of the 11 Recommendations. One (1) Recommendation (See Note on #6 – Seat Belt Compliance) was to be enforced by each individual department(s). As of the last FY20 Activity Report there were six (6) remaining Audit Recommendations to be implemented in 2020 by Public Works – Fleet Division. As of March 2021, all six (6) have been implemented (see detail below).

Recommendation #1 – Implemented FY20 after Fuel Pumps Installed

Consider consolidating all or at least 8 of the City policies (regarding vehicle use) into one comprehensive document, and correct/remove currently irrelevant sections. Add language to reflect the recommendations from #6, 7, 10, and 11. The revised policies should include consequences for employees who fail to comply with the specific City policies related to equipment/vehicle operations.

Management Response #1 - Agree

There were Eight (8) Policies identified for review; six of which can be review from City Manager's Administrative Policies Handbook. The two remaining policies will be reviewed and consolidated.

Recommendation #2 – Implemented March 2020

Upgrade the current software to the latest version. At the same time consider upgrading the Fuel system (TRAC) and replace the fuel pumps to increase systems compatibility, improve data collection, and minimize human error, increase efficiency, and reporting accuracy.

Management Response #2 - Agree

All six (6) of the City's fuel pumps were replaced in March 2020. TRAC was replaced in April 2020.

Recommendation #6 – Seatbelt Compliance Laws - Implemented March 2020

Departments, should complete some basic policy compliance training (including seat belt compliance and safety) regarding City policy and State laws for each vehicle driver. Formal training should be provided by Management and process should be documented along with subsequent results of driver's responsibilities. An annual review of each driver and driver's individual responsibility should be included for their annual performance review.

Management Response #6 – Implemented by Public Works/Fleet Division March 2020

Adherence to law requiring wear of seatbelt is not a responsibility of the Fleet Garage. There is a State Law and City policy mandating wearing seat belts. It is up to each Department how they want to enforce the policy. Public Works has a monthly Safety briefing and emphasizes the wearing of the seat belt at each meeting.

Note: Department Responsibility of Compliance with Florida Seat Belt Law & City Policy

Seat Belt Law was discussed in City Manager's meeting in March 2020; Department Heads were reminded of their responsibility on the matter as each Department is responsible for

compliance. Department Heads will review the responsibilities with their employees. Each Department will implement as discussed in City Manager's meeting in March 2020.

Recommendation #7 – Implemented May 2020, six (6) Fuel Pumps Installed with Capacity to track PM

An awareness campaign, led by Division and Department Heads, aimed towards the users explaining the benefits of PM (Preventative Maintenance) as opposed to demand maintenance, i.e. waiting for the vehicle to break down before it is brought to the shop, should be initiated, to increase compliance and more effective participation. The new fuel tracking system will be installed April 2020 which will provide capability to issue maintenance warnings to vehicle operators. The awareness campaign should include incentives for compliance, and consequences for failure to comply with the policy.

Management Response #7 – Agree

The new fuel tracking system will be installed April 2020 which will provide capability to issue warnings to vehicle operators prior to turning off fuel access if operator is not complying with request to turn vehicle into garage for maintenance service.

Recommendation #9 – Implemented week of March 2020 - Fuel tracking system update will follow Fuel Pump replacement April 2020

TRAC replaced with a new system that is compatible with FASTER, where there will be minimal manual data transfer, less reliance on manual input. Also see Recommendation #2.

Management Response #9 – Agree

All six (6) of the City's fuel pumps were replaced in March 2020. The fuel tracking system was updated/replaced in April after fuel pumps were installed.

Recommendation #10 – Implemented (April 2020) with the installation of new Fuel Pumps

Users should use only one meter, e.g. miles, kilometers, or hours, not all three for the same vehicle, when recording fuel pumped, or distance driven.

Management Response #10 – Agree

All six (6) of the City's fuel pumps were replaced in March 2020. The fuel tracking system was updated/replaced in April after fuel pumps were installed. The new fuel tracking software will allow the fleet manager to establish one meter that is unique to the vehicle so data integrity is maintained.

Recommendation #11 – Implemented date re-set for FY21.

A policy will be written and implemented using several factors, such as: purchase price of vehicle, when vehicle is scheduled for replacement, uniqueness of vehicle's purpose, other vehicles coming out of service that might serve as a substitute. Any repairs of more than \$10,000 for an asset that has an original cost of not more than \$50,000 should be approved by the Department Head and the approval documented and justified.

Management Response #11 – Agree

A City policy will be accomplished to establish repair versus replacement decision for a City vehicle. After further review, Management has determined there are too many variables besides dollar value that could impact the decision to replace; therefore, no dollar threshold value was identified. However, a policy is necessary to establish those factors that should be considered

before investing in costly repair. Factors to include: (1) Purchase price of vehicle (2) When vehicle is scheduled for replacement (3) Uniqueness of vehicle's purpose (4) Other vehicles coming out of service that might serve as a substitute.

Section III. Current and Future Projects

1. Information Technology – IT Controls, Cloud Computing/Cybersecurity

Internal Audit is presently conducting this audit for FY20/FY21 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 end of FY21.

2. Cultural Arts Center (CAC) – Ticketmaster Implementation – Security & Procedures

In FY19 the City took on the responsibility of running the Cultural Arts Center (CAC) as an Independent Department of the City. The Cultural Arts Center has been utilizing a ticketing software called Theatre Management. CAC will now move to Ticketmaster for the control of ticketing of events. Internal Audit has already been involved in meetings for consulting and discussions regarding the software and about the City's needs for locations and procedures to move forward the implementation.

3. G. O. Bonds Projects

Internal Audit is committed to reviewing/auditing a sample of projects that are part of the G. O. Bonds. Selections are yet to be made.

4. Revenue of Expenditures over \$500,000 – For FY20/21: Combined In-Kind Benefits for agreements with 3 and 5-year commitments. Parks and Recreation Festival Agreements - Review (3 - 5 Year Agreements) regarding compliance.

Continued future review of financial reports for Festival Agreements: Internal Audit (IA) review will include primarily applying analytical procedures to evaluate the Licensee's or Contractor's financial data and making inquiries of company's financial recordkeeping and management. As well, a review of procedures for controls over revenue or expenses will be accomplished. For FY20/FY21, due to COVID, many of the festivals were cancelled for safety.

5. Federal and State Grants Audit – External Auditor Assistance re: FY21 Single Audit

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

6.  Local Business Program – Performance Review and Update (2019) – Local Vendors’ Preference/Total Payments

In March 2018 the City passed Ordinance 2018-46 and 2018-65 encouraging the City to encourage local participation and use local vendors in its bidding and award process, especially in the G.O. Bonds project. Local vendors would be given preferential treatment where possible and practical with a Tier Process (Tier 1 and Tier 2), [Local Business Program]. As part of IA’s review, follow-up, and an attempt to report some results from the Local Business Program participation and selection, some analysis has been initiated to see the total spend (payments) to vendors by each City Commission District.

Since the initial vendor set up did not include the City Commission district designation in the vendor profiles, the exercise for IA is manual for the most part. The exercise is not complete yet and still ongoing, however, one of the recommendations from our analysis will be to set up, in the vendor profile, the City Commission district, to which the vendor address belongs, as the vendor profile is created, and update vendor profile moving forward. This review began in FY20 and is ongoing due to COVID.

7.  Fixed Asset/Usage – Public Works

Internal Audit is currently conducting a review of the Fixed Asset Totals/Usage City wide, starting with Public Works Department.

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