

INTERNAL AUDIT DEPARTMENT
Memorandum 25-01



Date: June 4, 2025

To: The Honorable City Commission

From: Deusdedit C (DC) Kiyemba, Internal Auditor *DCK*

Re: Internal Audit Activity Report – March 2024 through April 2025

Internal Audit's Activity Report covers a 14-month period from March 2024 through April 2025. This report lists 7 completed projects (\$32,028,711), including 13 technical assistance assignments, with 6 current/future projects that are in progress (\$449,209,285), and recommendation follow ups (521,939,698), that Internal Audit worked with. Our assistance to the external auditor on the annual audit (FY 23 and FY 24) is included in the completed projects.

One thing to mention here is that we have hired a Staff Auditor who started her career with the City on April 3, 2025. Welcome Magyori (Maggie) Esparza Estrada. And I would like to thank Mike Hewett for his work and contribution to Internal Audit's effort. And in addition, we acquired a new Audit Management software (TeamMate+) which we have successfully implemented and started to use. At some point in the future, you – along with other City employees - may be asked to participate in a Citywide risk assessment process using the software.

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 report, we welcome and encourage your comments and feedback. The Activity Report is scheduled to be presented at the City Commission Meeting on June 10, 2025.





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
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Mark A. Beaudreau, Recreation Programs Administrator
Randy Brown, Utilities Director
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Pete McGinnis, Fire Chief
Mary Rivero, General Services Director
Lisa Sonogo, Human Resources Director
Fernand Thony, GO Bond 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	GO Bond Construction Projects Audit Selected: North Pompano Park Improvements; Senior Activity Center; Fire Station #114	Moderate	Low	4	4	4	N/A	N/A	\$14,592,545	17
 2	External Audit Assistance FY 2025 – FY 2024 Audit of Federal and State Grants: Drinking Water Plant Construction Loan \$9,200,000; Airpark Runway Improvement Construction \$3,659,399, ARPA Funds \$883,916			N/A	N/A	N/A	N/A	N/A	13,441,228	34
 3	External Audit Assistance FY 2024 – FY 2023 Audit of Federal and State Grants: HUD Home Investment Partnership Program \$1,988,170; Wastewater Treatment Facility Construction Loan \$1,068,823; State Housing Initiatives Program \$528,606; Community Development Block Grant \$1,224,299.	Low	Low	N/A	N/A	N/A	N/A	N/A	4,809,899	34
 4	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.	Low	Low	N/A	N/A	N/A	N/A	N/A	409,338	35


#	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 #
 5	Information Technology - Cloud Computing Contracts – Acquisition Process Improvement	Low	Low	N/A	N/A	N/A	N/A	N/A	NA	35
 6	Administrative Policy 1080.001 – Internal Audit Department Revision and Update; and Drafting Internal Audit Department Policies and Procedures	Low	Low	N/A	N/A	N/A	N/A	N/A	N/A	36
 7	City Commissioners' Request - Respond to City Commissioners' Respective Requests (Purchase Orders, CRA Expenditures, City and CRA debt balances, and City and CRA tax bases)	Low	Low	N/A	N/A	N/A	N/A	N/A	N/A	36
	Total # of Completed Projects (7) – Total Projects Dollars								32,028,711	


B. Prior Audit Follow-up

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
1 	Purchase Card (P-Card) Program	Moderate	4	3	<p>Recommendation #1 The recommendation has been partially implemented</p> <p>Recommendation #2 Was fully implemented,</p> <p>For recommendations #3 and #4 There are 4 agreed upon items/actions to be implemented, after which IA will follow up to verify implementation:</p> <ul style="list-style-type: none"> • Finance will retain the 10-day deadline for departments to submit their monthly cardholder Payment Request/Authorization Procurement Card Order Logs (envelopes) with an additional grace period of 5 calendar days; • To facilitate more timely processing (review and reconciliation) of the contents of the approximately 120 cardholders' envelopes received each month, Finance will allocate their processing equally amongst four AP clerks; • AP personnel will send a general follow-up reminder

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	Purchase Card (P-Card) Program	Moderate	4	3	<p>via email to all departments regarding non-receipt of the cardholders' envelopes approximately 15 days after month-end. After approximately 3 weeks after month-end, targeted follow-up emails will be sent only to the specific departments that have not submitted their cardholders' envelopes;</p> <ul style="list-style-type: none"> Finance will establish a deadline of 45 days after month-end for the update of the GL (Naviline) with the monthly P-Card transactions.
2 	Air Park Revenue-Generating Contracts	Moderate	5	2	<p>Recommendation #1, 3, & 5 Fully implemented</p> <p>Recommendation #2</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. Standardize the contract language regarding the requirement for the tenant and their subtenants to provide an annual list of their

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					respective owners and parties holding security interests in their businesses.
	Air Park Revenue-Generating Contracts	Moderate	5	2	<p>Management Response/Update:</p> <p>Not yet implemented because no contracts have come due for renewal, and there are no new contracts yet.</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:</p> <p>Not yet implemented because no contracts have come due for renewal, and there are no new contracts yet.</p>


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3 	Bank Accounts Reconciliation		2	1	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 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. Management Response: At this time, Management has opted to keep the informal arrangement in place. Internal Audit will in the future (2026) revisit the recommendation to see how well the relationship is going.

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4 	IT (Information Technology) Security – Identity and Access Management	Moderate	5	1	<p>Recommendation #1</p> <p>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:</p> <p>Implemented.</p> <p>The City as of 5/28/24 formally adopted NIST CSF 2.0 Standards; and a new person was hired to assist in the implementation and maintenance of IT security.</p> <p>Recommendation #2</p> <p>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:</p> <p>Implemented.</p>

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	IT (Information Technology) Security – Identity and Access Management	Moderate	5	1	<p>A new person was hired to assist in the implementation of the State Statute requirements; NIST IT Standard was adopted; and the IT policy was updated accordingly – the latest revision is February 27, 2025</p> <p>Recommendation #3:</p> <p>To facilitate the contract management automation process, the 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>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.</p> <p>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</p>

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	IT (Information Technology) Security – Identity and Access Management	Moderate	5	1	<p>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.</p> <p>Management Response: Implemented.</p> <p>IT has updated its security review practice to include the request to Department Heads to review the Cloud Computing Contracts list to confirm/verify the respective status of the application and their respective owners.</p> <p>Recommendation #4</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:</p>


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	IT (Information Technology) Security – Identity and Access Management	Moderate	5	1	<p>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.</p> <p>And on receiving the reminder about the SOC 2 reports' due date, the respective Assistant City Managers 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.</p> <p>The contract management system has yet to be configured to automatically send out reminders regarding SOC 2 reports.</p> <p>Internal Audit will follow up to verify consistency of use of the form, and Internal Audit will keep monitoring the implementation progress for the automated reminders.</p> <p><u>Recommendation #5</u> 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>

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	IT (Information Technology) Security – Identity and Access Management	Moderate	5	1	<p><u>Management Response - IT:</u> 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.</p> <p><u>Management Response – Human Resources:</u> 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.</p> <p>Internal Audit has yet to follow up to verify the promised changes.</p>
5 	Utilities Billing Rates	Moderate	3	1	<p><u>Recommendation #1</u> 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</p>







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	Utilities Billing Rates	Moderate	3	1	<p>utility service deposit rates on Naviline.</p> <p><u>Management Response:</u> Finance Director and Customer Service Manager agree to the recommendation and have outlined corrective actions below.</p> <p>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.</p> <p>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.</p> <p>To correct the three accounts each charged an inaccurate deposit for irrigation totaling \$25.00 in</p>

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	Utilities Billing Rates	Moderate	3	1	<p>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.</p> <p>Management Response Update: The recommendation has been partially implemented.</p> <p><u>Recommendation #2</u> 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>

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	Utilities Billing Rates	Moderate	3	1	<p>Management Response Update: Fully implemented</p> <p><u>Recommendation #3</u> 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.</p> <p>Management Response Update: Fully implemented</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
6 	G O Bonds Construction	Moderate	4	4	<p>Management Response Update:</p> <p>Implementation of the 1st recommendation was started as of the month of April 2025. Recommendations 2, 3, and 4 are specific in nature and relate more to operating procedures for activities which are less frequent during projects, such as change order requests to the Commission, or in the case of requesting bids for new projects.</p> <p>Management will share copies of the recent pay applications approved for the period of May 2025. Management also reiterates their commitment to implement recommendations 2, 3, & 4 as the opportunity avails itself in the future.</p>

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

#	Project Title	Project \$	Page #
 1	Long-Term Debt Service Compliance FY 2024 – City and CRA (Principal & Interest Payments)	\$298,212,970	37
 2	Process Improvement re: Departments' procedures – Goods and Services Procurement Process. For Calendar year 2024, the City initiated 2,077 requisitions, and 1,689 purchase orders (POs), for a total of \$ \$142.6M and \$145.5M, respectively.	145,473,780	37
 3	Payroll – Selected Dates (Biweekly 9/26/24 Gross Pay)	3,273,902	37
 4	PPI, Inc. Pompano Casino – Revenue Reporting (2023 revenue)	2,249,233	37
 5	Information Technology – Cloud Computing/Cybersecurity, IT Controls — SOC 2 Reports review for high risk applications; Passwords' Verification, and System Configuration Review	N/A	37
 6	Management Requests – Request(s) from Management to look at issues/matters of their choice	N/A	38
	Total	\$449,209,885	

Section II. Summary and Project Detail - Completed Projects**1. Strategic Plan – FY24 – Audit of G.O. Bond Construction Projects (General Obligations Bonds Series 2018 & 2021 - \$14,592,545)****I. Summary**

As part of the FY24 Strategic Plan objective of Process Excellence, Internal Audit (IA) has performed an audit of a judgmentally selected sample of three construction projects funded by the City's General Obligation (G.O.) bonds. These projects were completed during the audit period of 10/1/2021 – 8/31/2023. The selected projects and their contractors were as follows:

- North Pompano Park Improvements – West Construction Company (Construction Manager)
- Senior Activity Center – Verdex Construction Company (Construction Manager)
- Fire Station #114 – DiPompeo Construction Corporation (Design-Builder).

The primary objectives of the audit were to determine – for the chosen projects - whether:

- The evaluation, selection, and approval process for Construction Managers/Design-Builders was fair and equitable;
- The Construction Managers/Design-Builders complied with the City's Local Business Program ordinance;
- Subcontractors hired by the Construction Manager/Design-Builder were selected as a result of a properly documented competitive bidding process, as applicable;
- Construction change orders, and work self-performed by the Construction Manager/Design-Builder, were properly justified, reviewed and approved, and executed in accordance with the Construction Manager-at-Risk/Design-Build agreement and established capital construction-related City policies and procedures; and,
- Payments to the Construction Manager/Design-Builder for general conditions items, profit & overhead, and subcontracted and self-performed construction work were properly supported by appropriate backup documentation, reviewed and approved by management, processed timely, and accurately posted to the City's financial records.

Audit procedures performed included, but were not limited to, reviews of applicable City ordinances and available relevant policies, procedures, and practices; inquiry of G.O. Bond Projects Office personnel; and, compliance tests of progress payments, construction change orders, and self-performed trade work for the contractors for the North Pompano Park, Senior Activity Center, and Fire Station #114 projects.

Conclusion – Moderate (Yellow)

Our evaluation of the contractor selection process for the three chosen G.O. Bond construction projects, indicated it was fair and equitable. In addition, we determined the selected contractors were in compliance with the City's Local Business Program based on their hiring of local subcontractors for the indicated projects.

Compliance testing of processed pay applications and construction change orders executed by the contractors for the three selected projects, identified the need for improved management review and more detailed supporting documentation. In addition, we noted the G.O. Bond Projects Office was not maintaining detailed records of work self-performed by the contractors, nor was it obtaining and reviewing copies of the executed subcontracts, certificates of the requisite liability insurance, and business/professional licenses for the trade contractors, to assist in ensuring only properly insured and licensed entities were engaged by the prime contractors to perform trade work on the projects.

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 G.O. Bond Projects Office and the Finance Department for their cooperation and assistance throughout the audit.

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G.O. Bond Construction Projects Selected for Testing - Photos

North Pompano Park



Source: COPB Parks & Recreation Website

Fire Station #114



Source: www.miamiinfocus.com

Senior Activity Center



Source: COPB Parks & Recreation Website

Background

On 10/10/2017, the COPB (City of Pompano Beach) City Commission approved the G.O. Bond Referendum (with a date of 3/13/2018) to finance a component of the City's unfunded general capital projects. The referendum was approved by a majority of the qualified electors within the City who cast a vote. On April 24, 2018, the City Commission approved a prioritized list of 25 G.O. Bond-funded projects (See Table 1 on page 5 of 17).

The G.O. Bonds were sold in two phases. On 6/26/2018, the City Commission approved the issuance of the first phase of the G.O. Bonds. The first bonds (Series 2018) were sold at a par value of \$99,375,000 on 10/2/2018 to finance the design of all 25 G.O. Bond projects, and construction of the "Phase I" projects. On 9/14/2021, the City Commission approved the issuance of the second phase of the G.O. Bonds. The second bonds (Series 2021) were issued

at a par value of \$81,625,000 in October 2021 in order to finance the construction costs for the "Phase II" projects.

The COPB uses either the Construction Manager-at-Risk (CMAR) or the Design-Build delivery method for the construction of the G.O. Bond-financed projects. The CMAR method involves teaming up with the Construction Manager (CM) at the beginning of the design process, and provides better cost feedback during the design process; more time for the contractor to thoroughly grasp the scope and details of the project; and, more time for the owner, design team, and contractor to develop a mutual sense of understanding and trust prior to the start of construction. The COPB primarily uses the CMAR delivery method for its G.O. Bond-funded construction projects.

The Design-Build delivery method is preferred in those instances where the owner desires a single point of responsibility for the whole construction process. On a Design-Build project, the Design-Builder (DB) is responsible for subcontracting both the various construction trades as well as the entire scope of design team services. From this perspective, the contractor assumes all responsibility for design outcomes, cost control, and schedule compliance. The COPB has used the DB delivery method in the past for the construction/renovation of the City's fire/ocean rescue stations.

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Table 1 - G.O. Bond Project Prioritization List
(Excerpts Only)

	PROJECT NAME	PROJECT COST	DISTRICT	PHASE I	PHASE II
1.	A1A Improvements	\$16,940,000	1	\$8,470,000	\$8,470,000
2.	Amphitheater Renovations	\$3,500,000	2	\$3,500,000	
3.	Beach Lifeguard Headquarters Renovation	\$1,430,000	1	\$1,430,000	
4.	Centennial Park Improvements (Sample McDougal House site)	\$1,100,000	2	\$137,500	\$962,500
5.	Collier City Neighborhood Improvements	\$3,000,000	5	\$3,000,000	
6.	Dixie Highway Improvements	\$24,860,000	2, 3, 4	\$12,430,000	\$12,430,000
7.	Fire Station #114	\$6,200,500	5	\$6,200,500	
8.	Fire Station #52	\$5,800,000	5	\$725,000	\$5,075,000
9.	Fire Station #61 in Northwest Community	\$5,800,000	4	\$5,800,000	
10.	Fire/Emergency Ops Center	\$18,810,000	4	\$1,726,200	\$17,083,800
11.	Fishing Pier Replacement	\$9,000,000	1	\$9,000,000	
12.	Kester Park Improvements	\$1,452,000	3	\$181,500	\$1,270,500
13.	Martin Luther King Jr. Boulevard Reconstruction	\$6,600,000	4	\$6,600,000	
14.	McNab Road Improvements	\$10,805,375	1, 3	\$1,225,000	\$9,580,375
15.	McNair Park Renovations	\$10,647,000	5	\$10,647,000	
16.	Mitchell Moore Park Improvements	\$1,396,000	4	\$1,396,000	
17.	NE 33rd Street Improvements	\$5,975,000	2	\$5,975,000	
18.	North Pompano Park Improvements	\$3,190,000	2	\$3,190,000	
19.	Palm Aire Neighborhood Improvements	\$3,850,000	5	\$481,250	\$3,368,750
20.	Public Safety Complex	\$6,600,000	3	\$825,000	\$5,775,000
21.	SE 5th Avenue Bridge Improvements	\$2,450,000	3	\$2,450,000	
22.	Senior Citizens Center	\$8,000,000	4	\$8,000,000	
23.	Terra Mar Drive Bridge Improvements	\$1,400,825	1	\$1,400,825	
24.	Ultimate Sports Park	\$4,521,000	4	\$1,431,000	\$3,090,000
25.	Youth Sports Complex	\$11,088,000	3	\$8,316,000	\$2,772,000
	Totals	\$174,415,700		\$104,537,775	\$69,877,925

Source: www.pompanobeachfl.gov/government/go-bond

Table 2 - G.O. Bond Project Completion Status

G.O. BOND PROJECT	GMP/LUMP SUM	ARCHITECT/ENGINEER	CONSTRUCTION CONTRACTOR	CONSTRUCTION DELIVERY METHOD	COMPLETION STATUS
19362 McNair Park Renovations	\$15,213,398.50	Bermello, Kirk Olney	Kaufman Lynn	CMAR	Completed
19364 Centennial Park	\$1,304,763.00	Keith/MEP: RGD, Brooks & Scarpa	DiPompeo	CMAR	Completed
19366 Kester Park	\$2,980,211.00	Bermello, Kirk Olney	Kaufman Lynn	CMAR	Completed
19369 Senior Center	\$5,897,360.00	Bermello Architects	Verdex	CMAR	Completed
19363 Amphitheater	\$3,525,299.12	Big Span	Rec Design & Construction	CMAR	Completed
19370 Ultimate Sports Complex	\$6,221,524.84	Robert Walters Arch, Delta G Consulting	DiPompeo	CMAR	Re-Design Pending**
19373 Fire Station 114	\$6,193,421.67	Saltz Michelson	DiPompeo	Design Build	Completed
19374 Fire Station 52	\$6,593,331.84	CSA Architects, Jose Aguila	West	Design Build	Under Construction
19375 Fire Station 61	\$6,012,643.72	CSA Architects, Jose Aguila	West	Design Build	Completed

19377 Ocean Rescue HQ	\$3,265,119.20	West Architecture, Berlin MEP	West	Design Build	Completed
19353 SR A1A Rd Improvements (all active phases)	\$13,445,552.00	Keith	Burkhardt BCI	CMAR	Under Construction
19355 Dixie Hwy Improvements - Segment 1	\$9,377,631.00	Kimley-Horn	Whiting Turner	CMAR	Completed
19355 Dixie Hwy Improvements - Segment 2 * Note- Segment 3 TBA	\$45,632,432.00	Kimley-Horn	Whiting Turner	CMAR	Under Construction
19356 MLK Blvd Reconstruction	\$5,700,000.00	Keith	Whiting Turner	CMAR	Completed
19357 McNab Rd and Bridge St	\$10,805,375.00	Kimley-Horn	Burkhardt BCI	CMAR	Under Construction
19358 Palm Aire Neighborhood Improvements	\$4,254,852.00	TY Lin	Whiting Turner	CMAR	Completed
19359 NE 33rd St Improvements	\$3,054,264.14	Kimley-Horn	Burkhardt BCI	CMAR	Completed
19361 Terra Mar Dr Bridge	\$1,089,870.00	Kimley-Horn	Whiting Turner	CMAR	Completed
19360 SE 5th Ave Bridge	\$3,141,486.00	TY Lin	Kiewit	CMAR	Completed
19367 Mitchell Moore Park	\$3,341,542.00	Walters Zackria	Shiff	CMAR	Completed
19368 North Pompano Park	\$3,909,891.00	Keith	West	CMAR	Completed
19371 Youth Sports Complex	\$6,879,096.21	Keith/MEP: RGD, Brooks & Scarpa	Shiff	CMAR	Completed
19372 Fire/Emergency Ops Center	\$20,738,000.00	Synalovski	Kaufman Lynn	CMAR	Design-On Hold
19376 Public Safety Complex	<u>\$6,600,000.00</u>	Cartaya & Assoc	Kaufman Lynn	CMAR	Design-On Hold
Total	\$195,177,064.24				

Source: Project list data – G.O. Bond Project, GMP/Lump Sum, Architect/Engineer, Construction Contractor, & Construction Delivery Method – provided by the G.O. Bond Projects Office as of August 2023. Project completion status updated by the G.O. Bond Projects Office as of June 2024.

**Project was in the process of being re-designed and has been re-assigned from the G.O. Bond Projects Office to the Engineering Department.

Table 3 - G.O. Bond Construction Projects Selected for Testing – Contractual Data

PROJECT #	PROJECT NAME	CMAR / DB DELIVERY	CM/DB	COPB ORDINANCE - AGREEMENT	EFFECTIVE DATE OF AGREEMENT	PURCHASE ORDER #	ORIGINAL GMP / TOTAL LUMP SUM COST*
19368	North Pompano Park Improvements	CMAR	West Construction (CM)	Ord. #2019-101	9/26/2019	310945	\$3,885,163.00
19369	Senior Activity Center	CMAR	Verdex Construction (CM)	Ord. #2019-103	9/26/2019	311082	\$4,957,382.00
19373	Fire Station 114	DB	DiPompeo Construction (DB)	Ord. #2019-71	6/19/2019	192034	\$5,750,000.00

*The GMP (Guaranteed Maximum Price) for the CMAR projects includes the construction costs only, i.e., it excludes any pre-construction services provided by the CM. The total lump sum cost for the Design-Build project includes the contract sum (construction costs) and the project design, engineering, and pre-construction (design phase) services provided by the DB and/or their subcontracted Architect/Engineer (A/E).

Scope and Objectives

The primary objectives of the audit were to determine – for the selected projects - whether:

- The evaluation, selection, and approval process for Construction Managers/Design-Builders was fair and equitable;
- The Construction Managers/Design-Builders complied with the City's Local Business Program ordinance;
- Subcontractors hired by the Construction Manager/Design-Builder were selected as a result of a properly documented competitive bidding process, as applicable;
- Construction change orders, and work self-performed by the Construction Manager/Design-Builder, were properly justified, reviewed and approved, and executed in accordance with the Construction Manager-at-Risk/Design-Build agreement and established policies and procedures; and,
- Payments to the Construction Manager/Design-Builder for general conditions items, profit & overhead, and subcontracted and self-performed construction work were properly supported by appropriate backup documentation, reviewed and approved by management, processed timely, and accurately posted to the City's financial records.

Standards

- Florida Statutes § 218.735, Timely payment for purchases of construction services;
- COPB Code of Ordinances § 32.40: Local Business Program;
- COPB Ordinance No. 2018-46 – Local Business Program;
- COPB Ordinance No. 2018-65 – Local Business Program Amendment;
- COPB Resolution No. 2016-60 – New Dollar Threshold for Approval of Change Orders on Construction Projects;
- COPB Resolution No. 2013-207 – Design-Build Procurement Procedures;
- COPB General Services Procedures Manual (Revised 05/2024); and,
- COPB Administrative Policy 905.09 – Construction Change Orders and Contingency Usage.

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

1. Compliance testing of a judgmentally selected sample of 15 processed pay applications for the selected projects, indicated the *Application and Certification for Payment* forms submitted by the contractors were not signed by the project Architect/Engineer, and were unsupported by detailed backup documentation for all the billed expenses;
2. Compliance testing of the population of construction change orders executed by the contractors for the selected projects, resulted in instances where the request forms were not signed as approved by the contractor and/or the City's project manager, and were unsupported by a detailed proposal/quote/cost breakdown from the subcontractor/contractor;

3. Management was not collecting and maintaining appropriate records of work self-performed by one of the three contractors for the selected projects, including but not limited to, copies of the written requests and justification, logs of the invoices/payments, and evidence of the City's approval; and,
4. There was no evidence the trade work for the two CMAR projects selected for testwork was competitively bid by the CMs as contractually required. In addition, management did not obtain and review copies of the executed subcontracts, certificates of the requisite liability insurance, and business/professional licenses for the trade contractors, to verify that only properly insured and licensed entities were engaged by the contractors (CMs/DB) to perform trade work on the three selected projects.

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

II. Detailed Findings and Recommendations

Finding #1

The City's construction services contracts, as well as the progress payment application forms submitted by the construction manager (CM)/design builder (DB), require the project's architect/engineer (A/E) to document their review and approval of the periodic construction work billed by signing the pay application forms. This requirement is in addition to other oversight actions, such as periodic visual inspections and progress meetings, undertaken by the A/E, contractor, and the City's project manager, to ensure the quality and timeliness of the construction work performed.

In addition, the CM/DB construction services contracts require the City to obtain and review supporting documentation for the items submitted on the contractor's periodic pay applications, to ensure the expenses have actually been incurred and are eligible for reimbursement. According to the contracts, the contractor's schedule of values (SOV) is to be used by the City as the basis for reviewing the CM/DB's application for payment. This notwithstanding, the City at its sole discretion, has the contractual right to request and review detailed supporting documentation – beyond the contractor's SOV – to further validate the billed expenses appearing on the contractor's pay application.

Compliance testing of a judgmentally selected sample of 15 processed pay applications obtained from the Finance Department – five for each of the three construction projects (North Pompano Park, Senior Activity Center, and Fire Station #114) chosen for audit – resulted in the following observations:

- The pay application forms for all 15 progress payments tested were not signed by the project's architect/engineer (A/E) to document their review and approval. Although the pay application forms were signed as approved by the contractor and the City's project manager (as contractually required) - an important layer of accountability and oversight - a documented review by the A/E increases the level of confidence in the accuracy of the contractor's billed amount;
- The gross invoice amounts billed (for the work completed for the period) on the pay applications for 11 of 15 progress payments tested were *exclusively*

supported by the contractors' schedule of values (SOV) for the billing period; and,

- The gross invoice amounts billed (for the work completed for the period) on the pay applications for 4 of 15 progress payments tested were *primarily supported* by the contractors' schedule of values (SOV) for the billing period. Specific charges for trade work, general conditions, and overhead and profit for the current billing period were listed on the SOV. Although we did locate supplemental supporting documentation in the pay application files (i.e., schedules of values submitted by certain subcontractors for trade work, and purchase receipts for certain general condition items and change order work performed), the total gross amounts of the additional support did not fully reconcile to (i.e., was less than) the total gross invoice amounts submitted by the contractors on their pay applications.

Note: The schedule of values (SOV) is a document prepared and maintained by the contractor to allocate the total contract amount to the various components (line items) of the work to be performed. It details the cost of work completed for the line items for the current billing period and prior billing periods-to-date.

Although IA was able to trace and agree the cost of the specific work items comprising the gross amounts billed for the tested pay applications, to the applicable contractor's schedule of values, we elected to request and review *all the available detailed supporting documents* (i.e., documents other than the contractor's SOV) for the 15 progress payments tested. The expected supporting documents (i.e., payroll records, calculation worksheets for recurring monthly expenses, subcontractor's schedules of value, paid invoices, etc.) were requested from the contractors by the G.O. Bond Projects Office. Based on a review of the records provided as of this writing, the construction managers/design builder did not submit sufficient *detailed documentation* to support 100% of any of the 15 progress payments tested.

Risk Rating: Moderate (Yellow)

Recommendation #1

We recommend management ensures all pay applications for progress payments submitted by construction managers/design builders are signed as being reviewed and approved by the project architect/engineer (A/E) as required by the City's agreement with the contractors. The A/E's attestation will provide an additional layer of assurance that the billed work has been satisfactorily performed by the contractor and meets the requirement for payment.

Notwithstanding the importance of the contractor's schedule of values (SOV), we further recommend management prospectively adopts the *best practice* of requiring its construction contractors to supplement their SOVs submitted for the billing period by providing detailed relevant support for significant billed items appearing on their periodic pay applications, as a condition of payment. At a minimum, it is recommended the contractor provides copies of their subcontractors' schedules of value/invoices for billed trade work appearing on the contractor's SOV.

To facilitate full disclosure and better future compliance, the documentation and review requirements for progress payments should be specifically stated in the solicitations to prospective contractors for new construction projects.

Management Response:

The G.O. Bond Director agrees to the recommendation and has outlined corrective actions below.

Immediate Action: All pay applications shall be reviewed by the City's Engineer or Architect of Record (EOR/AOR) to confirm all line items reflected on all pay applications conform to the approved Guaranteed Maximum Price (GMP) contract, except when said activity is not included in the EOR/AOR's construction administration contract. In such cases, G.O. Bond designated staff shall conduct said review and confirm that values and quantities are as agreed.

Furthermore, pay applications shall be signed by the EOR/AOR and/or the G.O. Bond Director without exception. A copy of said signed pay application shall be stored in the G.O. Bond's files for easy retrieval. Furthermore, the EOR/AOR and/or the G.O. Bond Director or designee shall ensure that all pay applications are accompanied by applicable backup documentation to confirm quantities billed are accurate and to provide sufficient support against claims, billings, etc.

Lastly, all solicitations and subsequent contract agreements shall require full compliance with reporting mechanisms by the EOR/AOR performing construction administration duties as well as the General Contractor, Construction Manager and/or any other member of their organizations as deemed appropriate.

Implementation Date:

September 2024

Staff Assigned:

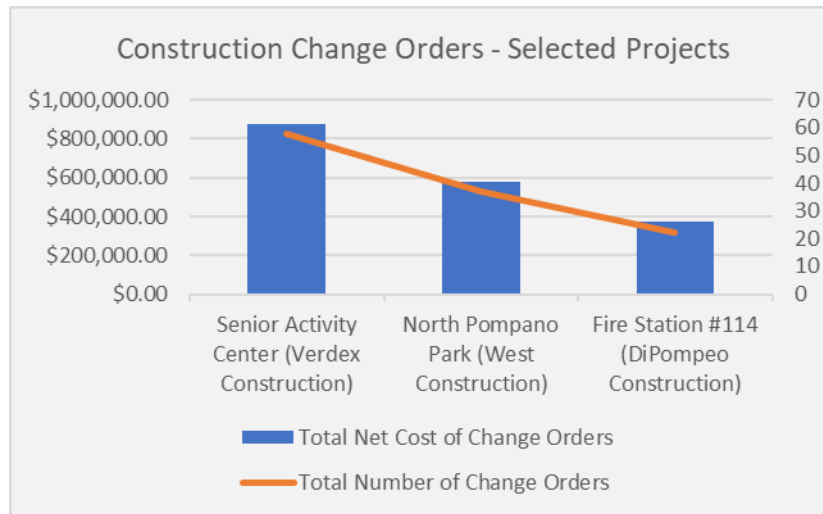
G.O. Bond Director

Finding #2

The City's construction services contracts allow for changes in work on the construction project based on unforeseen circumstances (e.g., natural or man-made disasters, material shortages, emergency situations, etc.). According to COPB's Administrative Policy No. 905.09 – *Construction Change Orders & Contingency Usage* - a written change order must be prepared in any circumstance where there is a material change in the scope of work, specifications, price, or terms and conditions of a contract.

Construction change order (CCO) requests may be initiated by the contractor or may take the form of a change directive issued by the City. Construction managers/design builders prepare change order requests on an entity-specific change order request form that is used to document the nature and justification for the change in work; a detailed cost breakdown, estimate, or written proposal from the entity expected to perform the work; and, the sign-off (approval) of the contractor and City's project manager, and the architect/engineer (if necessary). All construction change orders *increasing* the project's original total cost up to 10% or \$75,000 (whichever is lower) on a cumulative basis, are required to be approved in writing by the City Manager (or his designee). All construction change orders in excess of the City Manager's approval authority, i.e., in excess of a \$75,000 increase on a cumulative basis, are required to be supported by a properly completed Contract Modification (Change Order Form) or Construction Manager at Risk and Design Build Change Order Form signed by the City Manager (or his designee) and approved via resolution of the City Commission.

Based on our review of available construction change order request records obtained, as of this writing, by the G.O. Bond Projects Office from the contractors for the three construction projects selected for audit, we identified a total population of 117 construction change order requests (Senior Activity Center – 58 CCO requests, North Pompano Park - 37 CCO requests, and Fire Station #114 – 22 CCO requests). The total net cost of the change orders (i.e., after application of any project contingency/allowance) for the Senior Activity Center, North Pompano Park, and Fire Station #114 was \$877,169.94, \$576,646.04, and \$372,384.14 respectively (See chart below).



Compliance testing of the population of 117 CCO requests resulted in the following technical exceptions as summarized in the following table:

Table 4

Project	CM/DB	Exception Type	# of Exceptions	Total Cost of Affected CCO Requests
N. Pompano Pk	West Constr.	PCCO form #s 1 & 2 (requesting issuance of DPOs) not signed by CM & City's PM and unsupported by complete backup*	2	\$787,640.00
N. Pompano Pk	West Constr.	Change order request form not signed by City's PM	4	\$369,864.30
N. Pompano Pk	West Constr.	Change order request form not signed by City's PM & unsupported by detailed backup	5	\$130,900.82
N. Pompano Pk	West Constr.	Change order request form unsupported by detailed backup	8	\$113,890.76
N. Pompano Pk	West Constr.	Contingency increase change order request form not signed by City's PM	1	\$75,000.00
N. Pompano Pk	West Constr.	Change order request form not signed by CM	3	\$40,156.59
N. Pompano Pk	West Constr.	Change order request form not signed by CM & City's PM & unsupported by detailed backup	4	\$9,467.50
N. Pompano Pk	West Constr.	Change order request form not signed by CM & City's PM	1	\$2,568.87
N. Pompano Pk	West Constr.	Contract extension change order request form not signed by CM & City's PM	1	\$0.00
Sr. Activity Ctr	Verdex Con.	Contractor was unable to provide 14 completed COR forms totaling \$332,781.21	1	\$332,781.21
Sr. Activity Ctr	Verdex Con.	Change order request form not signed by CM & City's PM	3	\$71,151.53
Sr. Activity Ctr	Verdex Con.	Change order request form not signed by CM & unsupported by detailed backup	2	\$68,669.96
Sr. Activity Ctr	Verdex Con.	Change order request form not signed by CM / Difference in change request amount per COR form vs. PCCO form	1	\$62,937.88
Sr. Activity Ctr	Verdex Con.	Change order request form not signed by CM	3	\$58,802.52
Sr. Activity Ctr	Verdex Con.	Change order request form not signed by City's PM	12	\$51,851.59
Sr. Activity Ctr	Verdex Con.	Difference in change request amount per COR form vs. PCCO form	1	\$48,530.45

Sr. Activity Ctr	Verdex Con.	Change order request form not signed by City's PM & unsupported by detailed backup	2	\$27,199.64
Sr. Activity Ctr	Verdex Con.	Change order request form unsupported by detailed backup	1	\$13,341.00
Fire Stat. 114	DiPompeo	Change order request form not signed by City's PM	8	\$89,920.22
Fire Stat. 114	DiPompeo	Change order request form not signed by DB & City's PM	1	\$60,969.15
		<u>Total # of Exceptions</u>	<u>64</u>	

*The intent of the two change order forms – submitted by the CM - was to request the City's issuance of direct purchase orders (under the City's Direct Owner Purchase program) to two trade contractors in the amounts of \$485,140 and \$302,500 respectively. Although multiple supporting documents (signed by the CM/City, as applicable) were on file, the change order forms were not signed by the CM and the City's PM. Moreover, there was no documented evidence the trade contractors requested by the CM had been selected by a competitive bidding process as required by the CM's agreement with the City. The issuance of the DPOs did not change the original GMP amount for the CM's contract.

Note: CM (Construction Manager); DB (Design Builder); PCCO (Prime Contract Change Order); PM (Project Manager); COR (Change Order Request); DPO (Direct Purchase Order); GMP (Guaranteed Maximum Price); CCO (Construction Change Order).

Notwithstanding the abovementioned technical exceptions, all of the cited individual construction change orders that required City Commission approval were listed in batch requests of CCOs in excess of a \$75,000 increase on a cumulative basis (in the project's original cost) which were submitted to, and approved by the City Commission, via resolution.

Risk Rating: Moderate (Yellow)

Recommendation #2

We recommend management implements applicable quality control measures to ensure all executed construction change order request forms are appropriately signed by the construction manager/design builder and the City's project manager, as well as the project's A/E (Architect/Engineer), where applicable, as evidence of approval. We further recommend all requests be supported by appropriate documentation, including but not limited to, a detailed proposal/quote/cost breakdown from the applicable subcontractor/contractor, as required by the CM/DB agreements and the City's policies. Moreover, all construction change order requests must be appropriately approved in writing by City management or the City Commission (as applicable) prior to execution of the proposed work.

Finally, to facilitate uniformity and consistency, management should consider developing and implementing a standard COPB construction change order request form for use by its contractors, or require the contractors' use of the AIA (American Institute of Architects) Document G701 – Change Order form, given the diversity of request forms (currently) utilized by the City's construction contractors.

Management Response:

The G.O. Bond Director agrees to the recommendation and has outlined corrective actions below.

Immediate Action: All change order forms shall be reviewed by the G.O. Bond Director or designee and will be further reviewed by the Engineer or Architect of Record (EOR/AOR) to confirm whether the proposed change order is warranted and whether the line items reflected on the City's adopted Change Order Form conforms with applicable requirements outlined in the Construction Manager at Risk, Design-Builder or General Contractors' agreement with the City. In addition, all change orders shall be approved by the City Commission, if applicable. Approval by the City Commission shall follow City's adopted standards and thresholds and City Attorney's Office recommendations.

In addition, the G.O. Bond Department will work with Purchasing and the City's Contract Manager in the creation of a new Construction Change Order form to be used by contractors in their requests for change order work and compensation.

Implementation Date:

September 2024

Staff Assigned:

G.O. Bond Director

Finding #3

The City's construction services contracts allow the Construction Managers/Design Builders to self-perform trade work with their own crews with prior written notification to, and consent of the City. The trade work self-performed by contractors often includes work which has insufficient scope to attract trade contractor interest; is more cost-beneficial for the contractor to self-perform versus subcontract; and/or, is needed to timely remedy safety violations or eliminate emergency conditions. This notwithstanding, the City reserves the right to approve (in writing) – at its sole discretion - the contractor's request to self-perform trade work of any nature.

Based on inquiry of the G.O. Bond Projects Office, and our review of *available records* (as of this writing) for the three construction projects selected for audit – North Pompano Park, the Senior Activity Center, and Fire Station #114 – we noted the following regarding trade work self-performed by the contractors:

- Management indicated and confirmed that Verdex Construction (a CM) did not self-perform trade work on the Senior Activity Center project;
- Our review of the *available records* for West Construction (a CM) indicated it had budgeted a total of \$826,954.60 to self-perform trade work on the North Pompano Park project; and,
- In its response to the solicitations for the design and construction of Fire Station #114, DiPompeo Construction (a DB) indicated it would self-perform many portions of the trade work for the project, and this arrangement was pre-approved by the City. Since they were classified as a TIER 1 local vendor, they included the payments they received for their self-performed work on their monthly Local Business Subcontractor Utilization Reports (LBSURs). Our review of the LBSURs submitted by DiPompeo Construction to the City over the life of the project, indicated they had budgeted a project amount of \$922,100 to self-perform concrete, steel, precast, block, shell, and rough carpentry trade work.

Detailed testing of the trade work self-performed by West Construction for the North Pompano Park project resulted in the following observations:

- As they were classified as a local vendor, West Construction included the payments they received/planned to receive for self-performed trade work on their periodic Local Business Subcontractor Utilization Reports. Our review of the

monthly LBSURs submitted by West Construction to the City over the life of the North Pompano Park project, indicated that effective with report #19 (dated 3/13/2023) for the reporting month of 2/2023, West Construction elected to list a project amount of \$1,643,501.82 for "flat work and project management" for itself. However, we were unable to locate evidence the City had identified and pre-approved that portion of the total project amount (which included trade work and project management costs) listed on the report which represented trade work self-performed/to be self-performed by the CM;

- Based on a review of the *available records*, we judgmentally selected one progress payment for \$12,597.19 from the LBSUR #19 (pertaining to pay application #19) to test the trade work self-performed by the CM. Per the CM's SOV for pay application #19 (reporting period of 2/2023), the gross value of work performed for the period was \$12,597.19, *of which \$8,819.32 appeared to be trade work self-performed by the CM*, with the payment to the CM being \$12,282.25 (net of retainage). We were unable to locate appropriate back-up documentation for the apparent self-performed work or evidence it had been approved by the City prior to execution; and,
- Although LBSUR #20 (dated 3/13/2023) for the month of 4/2023 restated the project amount of \$1,643,501.82 for "flat work and project management" for the CM, West Construction subsequently issued a revised LBSUR #20-R (dated 2/5/2024), which indicated an updated project amount of \$1,147,455.08 for itself, consisting of \$826,954.60 for *site work* and \$320,500.48 for project management. According to the report, the total amount of \$1,147,455.08 had been expended as of the end of April 2023. However, we were unable to locate records itemizing the details of the self-performed *site work* of \$826,954.60. According to West Construction, the initial project amount of \$1,643,501.82 was a preliminary total and the revised project amount of \$1,147,455.08 was the final total based on actual costs.

Risk Rating: Moderate (Yellow)

Recommendation #3

We recommend management ensures trade work self-performed by the contractor is supported by a written request which must be approved by the City prior to execution of the work, or otherwise be specified by the contractor and pre-approved by the City in the contractual documents. In addition, management should collect and maintain appropriate records of any work self-performed by the contractor, including but not limited to, copies of the written requests and justification, logs of the invoices/payments, and evidence of the City's approval.

Management Response:

The G.O. Bond Director agrees to the recommendation and has outlined corrective actions below.

Immediate Action: All work to be self-performed by the prime contractor pertaining to any G.O. Bond project shall be duly authorized by the G.O. Bond Director or designee. The work shall be outlined and clearly defined in the contract documents and/or any other documents that would

otherwise serve as proper evidence that the contractor is authorized to do the work. The G.O. Bond Department shall require the contractor to submit all necessary backup material to justify quantities, labor, payments, etc., and shall require the contractor to submit weekly and/or monthly reports describing the completed work. The frequency of said reports shall be determined based on the length of the project and the scope of work to be performed by the contractor.

Implementation Date:

September 2024

Staff Assigned:

G.O. Bond Director

Finding #4

The City's CMAR agreement requires the CM to competitively bid the trade work on their projects to subcontractors. However, the City's Design Build agreement does not require the DB to competitively bid the trade work on their projects to subcontractors. This notwithstanding, the DB is expected to solicit the services of qualified and competent trade contractors at competitive market rates. As part of its oversight responsibility, the City should receive and review copies of the executed subcontracts and related documents from the contractors, to ensure competitive pricing and evaluate the liability insurance coverage (appropriate *commercial general, umbrella, automobile, and workers compensation* are required) and licensing credentials of the trade contractors.

Compliance testing of the available records provided as of this writing - obtained by the G.O. Bond Projects Office from the contractors - for an identified population of 80* subcontracts for the three projects selected for review – North Pompano Park, the Senior Activity Center, and Fire Station #114 – resulted in exceptions pertaining to subcontract execution, liability insurance coverage, and professional/business licenses as summarized in the following table:

Table 5

Project	CM/DB	Subcontractor	Exception Type	# of Exceptions
NPP	West	Xpert Restoration	No subcontractor COPB BTR	1
NPP	West	David's Asphalt	No subcontractor Umbrella/Auto liability COIs	1
NPP	West	Electrical Service	No subcontractor Comm Gen/Umbrella/Auto/Workers Comp liability COIs	1
NPP	West	Tri-County Pavement	No subcontractor Comm Gen/Umbrella/Auto/Workers Comp liability COIs	1
NPP	West	Buildazo, Inc.	No subcontractor Umbrella/Auto/Workers Comp liability COIs	1
SAC	Verdex	Caulfield & Wheeler	Subcontract not signed by CM or subcontractor	1
SAC	Verdex	Clear Vision Signs	No subcontractor FL County BTR	1
SAC	Verdex	CSE Paving	No subcontractor FL County BTR	1
SAC	Verdex	Rocket Land Dev.	No subcontractor COPB or BC BTR	1
SAC	Verdex	Southeast Surfaces	Subcontract not signed by CM or subcontractor / No subcontractor FL County BTR	1
SAC	Verdex	Unlimited Floors	No subcontractor Umbrella/Auto/Workers Comp liability COIs	1
SAC	Verdex	Andy's Woodwork	Subcontract not signed by CM or subcontractor / No subcontractor Umbrella/Auto liability COIs	1
SAC	Verdex	Competitive Edge Cleaning	No subcontractor PBC BTR / No subcontractor Comm Gen/Umbrella/Auto/Workers Comp liability COIs	1
SAC	Verdex	Complete Hearing Solutions	No subcontractor PC BTR / No subcontractor Umbrella liability COI	1
SAC	Verdex	Cutting Edge	Subcontract not signed by CM or subcontractor / No subcontractor Auto liability COI	1

		Industries		
SAC	Verdex	East Coast Services	Subcontract not signed by CM or subcontractor / No subcontractor Comm Gen/Umbrella/Auto liability COIs	1
SAC	Verdex	JG Shell, Inc.	No subcontractor Workers Comp liability COI	1
SAC	Verdex	ABC/All American Ceilings, Inc.	No subcontractor Umbrella liability COI	1
FS 114	DiPompeo	Multiple subcontractors (21)	Subcontract not signed by the DB	21
FS 114	DiPompeo	DBK Construction	Subcontract not signed by DB / No subcontractor PBC BTR	1
FS 114	DiPompeo	Electraserve	No subcontractor COPB BTR	1
FS 114	DiPompeo	Builder Services	Subcontract not signed by subcontractor	1
FS 114	DiPompeo	Signarama of S. Miami	Subcontract not signed by DB or subcontractor	1
FS 114	DiPompeo	Signarama	Subcontract not signed by DB / No subcontractor Comm Gen/Umbrella/Auto/Workers Comp liability COIs	1
FS 114	DiPompeo	The Punch List Team	Subcontract not signed by DB / No subcontractor Umbrella/Auto liability COIs	1
			<u>Total # of Exceptions</u>	<u>45</u>

*Consisting of 9 subcontracts for North Pompano Park (NPP); 34 subcontracts for the Senior Activity Center (SAC); and, 37 subcontracts for Fire Station (FS) #114.

Note 1: DiPompeo (DiPompeo Construction Company); West (West Construction Company); Verdex (Verdex Construction Company); BC (Broward County); PC (Pinellas County); PBC (Palm Beach County); BTR (Business Tax Receipt); COI (Certificate of Insurance); Comm Gen (Commercial General); Auto (Automobile); Workers Comp (Workers Compensation); COPB (City of Pompano Beach); FL (Florida).

Note 2: The CM may require subcontract bidders to obtain bid bonds as a prerequisite to bidding on the trade work. Additionally, the CM/DB may require trade contractors to obtain performance and payment bonds as a condition of the subcontract. Where applicable, the City should receive (or request) copies of these bonds from the contractors.

Additionally, we were unable to obtain evidence from the CMs (e.g., bid tabulation sheets) indicating the subcontracts awarded for the CM projects (North Pompano Park & the Senior Activity Center) had been competitively bid, or providing written justification (e.g., lack of trade contractor interest, nominal value of subcontract, more cost-beneficial for the CM to self-perform, etc.) for the non-bid of the subcontracts.

Risk Rating: Moderate (Yellow)

Recommendation #4

We recommend management ensures the trade work for CMAR projects is competitively bid by the CM as contractually required. Evidence of competitive bidding (e.g., bid tabulation sheets) should be obtained from the CM and retained by the City, and in those instances where it is impractical to bid one or more subcontracts, written justification (e.g., lack of trade contractor interest, nominal value of subcontract, more cost-beneficial for the CM to self-perform, etc.) should be obtained from the CM. In addition, notwithstanding the obligations of the CM/DB*, management should obtain copies of the executed subcontracts, certificates of the requisite liability insurance, and business/professional licenses for the trade contractors, to conduct a scoped review to initially confirm that only properly contracted, insured and licensed entities are engaged by the CM/DB to perform trade work on the City's construction projects.

*The CM/DB was responsible for executing the subcontracts, and obtaining the requisite COIs and verifying the business/professional licenses of the trade contractors. Additionally, the CM/DB was expected to monitor the expiration dates of the subcontractors' COIs and licenses, and follow-up as necessary, to ensure their currency during the life of the subcontracts.

Management Response:

The G.O. Bond Director agrees to the recommendation and has outlined corrective actions below.

Immediate Action: The G.O. Bond Team shall require that all Construction Managers (CMs) provide written evidence they have conducted substantial outreach and received a minimum of three (3) bids for all trade work to be managed by the CM. Although this practice has been complied with on most projects, some contractors have not provided sufficient evidence and the G.O. Bond Team intends to make sure such evidence is provided prior to approving any future Guaranteed Maximum Price (GMP) contracts. Once a GMP contract has been duly reviewed by the G.O. Bond Team, recommended to the City Manager, and subsequently approved by the City Commission (if applicable), the G.O. Bond Team will request contractors compile a spreadsheet that includes the name of each of the subcontractors; copies of their certificates of insurance; copies of applicable licenses; copies of any bonding; and a confirmation of the scope to be carried out by each of the subcontractors. The G.O. Bond Team will ask Purchasing and the City's Contract Manager to generate a spreadsheet that identifies each of the aforementioned categories on a table to be filled out by the CM and submitted to the G.O. Bond Team for review and kept as backup material. The G.O. Bond Team will recommend to the City's Contract Manager that completion of said spreadsheet be included as a requirement on any contract between the CM and the City. However, the G.O. Bond Team will attempt to verify whether completion of the spreadsheet will result in additional costs to the City's taxpayers, in which case the Team will seek confirmation from the City Manager that said activity is approved and the expense is also approved.

Proposed Long Term Action: Finally, in terms of lessons learned from the experience of overseeing this unique and complex City program of infrastructure work involving 25 projects, and over 250 prime contractors and sub-contractors generating thousands of critical documents (proposals, GMPs, bid sheets, invoices, receipts, delivery tickets, photographs, inspections and progress field reports, local vendors' monthly forms, pay applications, change orders, schedules, contract amendments, agenda items, etc.) we believe some minor organizational change will be most beneficial. Should a similar bond-funded construction program be established in the future, even with increased assistance from Purchasing and Contract Management, we believe additional G.O. Bond administrative personnel (one or two employees) will be needed to ensure an effective, systematic and timely implementation of all contractual requirements and other project management controls such as the four aforementioned recommendations in this audit.

Implementation Date:

September 2024

Staff Assigned:

G.O. Bond Director

2.  External Audit Assistance – Single Audit Act - Audit of Federal and State Grants, (FY24) \$13,441,228

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.

For the FY 2024 Single Audit, Internal Audit worked on the following programs/projects funded by Federal and State grants:

- Drinking Water Plant Construction Loan - \$9,200,000
- Airpark Runway Improvement Construction - \$3,659,399
- ARPA Funds - \$883,916

Conclusion

No reportable issues were identified.

3.  External Audit Assistance – Single Audit Act - Audit of Federal and State Grants, (FY23) \$4,809,899

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.

For the FY 2023 Single Audit, Internal Audit worked on the following programs/projects funded by Federal and State grants:

- HUD Home Investment Partnership Program - \$1,988,170
- Community Development Block Grant - \$1,224,299
- Wastewater Treatment Facility Construction - \$1,068,823
- State Housing Initiatives Program - \$528,607

Conclusion

No reportable issues were identified.

 **4. Technical Assistance for City Departments - Review and Consulting for Professional, License, and Service Contracts/Agreements re: Language, Audit Rights, Procedures, and Recordkeeping Language/Provisions \$409,338**

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 was provided for 13 contracts/agreements for multiple City Departments including Parks and Recreation, Finance/Accounting, Cultural Arts, etc. A full list of the License, Service Agreements, or requests for Opinion is available upon request.

 **5. IT Security – Cloud Computing – Vendor Management Process**

Background:

As part of the current IT Policy, all acquisitions of cloud computing contracts/services must be reviewed and approved by IT (Chief Information Officer or Assistant Chief Information Officer). As part of that process, requesting/procuring Departments are required to submit a designated form to potential vendors to complete. A review of that form was undertaken by Internal Audit with the intent to streamline/improve the process, language, and the information requested/collected.

Conclusion:

The review generated certain recommendations that were presented to IT for implementation; for example:

- Update the cloud computing contracts spreadsheet and make available to Departments to access easily;
- Clean up specified questions on the Vendor Questionnaire and add several new questions to collect more relevant information; and,
- Update the Cloud Checklist that is made available on the Intranet.

Most of the recommendations were implemented.

6.  Administrative Policy 1080.001 – Internal Audit Department Policy Revision and Update; and Drafting Internal Audit Department Policies and Procedures

Background

From time to time, the City's Administrative procedures are reviewed and submitted to the City Manager for review, approval, and publication. Since Internal Audit has one administrative policy published along with the others in the City, Internal Audit reviewed its policy and presented it for approval and publication. It is available on the City's S: drive as number 1080.001.

Conclusion

The policy was approved and published/made available similar to other administrative policies.

7.  City Commissioners' Request - Respond to City Commissioners' Requests

Background

The Internal Auditor by City Charter reports to the City Commission. Occasionally, the City Commission and/or individual Commissioners may ask the Internal Auditor to provide responses to specific requests on a specified topic/subject/matter.

In this reporting period, two Commissioners (the Vice Mayor and another Commissioner) made information requests. The Vice Mayor had concerns about three POs (purchase orders) for capital outlays which were approved by the City Commission for specific budgeted amounts but ended up with the purchases exceeding the approved budget amounts. The other Commissioner was interested in the expenditures of specific/selected vendors, who had contracts to work on the McNab Park project; and in addition, there was a request for the total expenditures for the East CRA for the years 2018 through February 2025, expected tax revenues, tax bases for the City and East CRA; and finally, the City's and East CRA's debt totals. Subsequently, the same information was requested for the NW CRA.

Conclusion

The information was provided as requested. The Commission voted to ask the City Manager to organize a Workshop related to Procurement policies and related activities. The workshop has yet to be scheduled as of this writing.

Section III. Current and Future Projects**1.  Long Term Debt Service Compliance FY 2024/2025 (Principal & Interest Payments) and Related Reporting Requirements**

The City over time, has issued various debt instruments (bonds – revenue and general obligation, certificates of participation, tax increment revenue bonds, notes payable, financing arrangements, capital leases & subscriptions payable), that require principal and interest payments quarterly, semi-annually and/or annually. As of the end of FY 2024 the City had \$275,259,562 in outstanding debt, while the CRA had \$22,953,408. Many of the obligations require related reporting to various agencies.

2.  Process Improvement – (Citywide) Goods and Services Procurement Process

The City procures/buys goods and services after following prescribed processes, starting from the strategic plan through the receipt, payment and recording of related expenditures and/or fixed assets, until disposal. The City generated more than 1,800 requisitions for (\$143,106,651) in FY 2024 with more than 1,689 related purchase orders for (\$ 145,473,780).

3.  Payroll – Selected Dates (Biweekly 9/26/24 Gross Pay \$3,273,902.14)

The City employs more than 1,000 employees, full-time and part-time. All employees are paid every two weeks (bi-weekly). Personnel expenditure is one of the largest items for the City's budget comprising 33%.

4.  Revenues or Expenditures Greater than \$500k - PPI, Inc. Pompano Casino – Revenue Reporting (2023 revenue - \$2,249,233)

The City and Broward County, in March 2005 (separately) passed a referendum granting PPI, Inc. - a casino operator - to run slot machines as part of its casino operation in the City of Pompano Beach. The entity, through its contractual obligations reports slot machines' revenues to the State, County, and City on a monthly basis, and remits appropriate amounts based on a percentage specified in the respective contracts, and also pays annual BTR (business tax receipts) amounts to the City based on the number of machines in the facility.

5.  Information Technology – IT Controls, Cybersecurity – SOC 2 Reports Review for Applications Considered High Risk, Password Verification, and System Configuration Review

The City chose to implement NIST CSF 2.0 IT Security Standards; those standards require the City to follow specific rules to protect its information technology assets, while at the same time meet the State sunshine law open records requirements.

6.  Management Request – to be Determined

As part of our annual planning we reserve time for management requests, that may not be known at the time we plan our schedule. If they don't materialize, then we use/re-allocate the time to other areas.

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.