






**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 	Audit of City-wide Fixed Assets, Type 166 - Equipment	Moderate	Low	5	5	5	0	5	\$55,800,000	12
2 	Audit of Pompano Beach Air Park Revenue Generating Contracts	Moderate	Low	5	5	5	0	5	\$1,332,140	16
3 	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 19 Agreements and Tasks.	Moderate	Low	n/a	n/a	n/a	n/a	n/a	\$1,105,718	24
4	Total #3 Completed Projects – Total Project Dollars								<b>\$58,237,858</b>	


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>Audit of Pompano Beach Air Park Revenue Generating Contracts</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p><b><u>Recommendation #1</u></b>                      Air Park management implements a tickler system to monitor the expiration dates of the requisite insurance coverage and follow-ups with the lessees to obtain, review, and retain copies of their current insurance certificates. And Air Park management consults with the Risk Management Division for guidance in evaluating the propriety of the insurance certificates received from the tenants.</p> <p><b><u>Management Response/Update:</u></b>                      Fully implemented, per Airpark Manager. Internal Audit will follow up in 60 to 90 days.</p> <p><b><u>Recommendation #2</u></b>                       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. And, standardize the contract language regarding the requirement for the tenant and their subtenants to provide</p>


#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>1</p> 	<p>Audit of Pompano Beach Air Park Revenue Generating Contracts - Continued</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p>an annual list of their respective owners and parties holding security interests in their businesses.</p> <p><b><u>Management Response/Update:</u></b></p> <p>Fully implemented, per Airpark Manager. Internal Audit will follow up in 60 to 90 days.</p> <p><b><u>Recommendation #3</u></b></p> <p>Air Park Manager or designee periodically verify and document that tenants are in possession of current requisite licenses, permits, and/or certificates necessary for their operations, and such documents are appropriately displayed in public areas of their businesses, if required.</p> <p><b><u>Management Response/Update:</u></b></p> <p>Partially implemented per Airpark Manager. Internal Audit will follow up in 60 to 90 days.</p> <p><b><u>Recommendation #4</u></b></p> <p>Air Park management implements appropriate monitoring procedures to ensure its tenants timely meet their contractual capital improvement obligations in terms of spending the requisite amount of funds to construct or improve the designated facilities within the specified time</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>1</p> 	<p>Audit of Pompano Beach Air Park Revenue Generating Contracts - Continued</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p>periods.</p> <p><b><u>Management Response/Update:</u></b></p> <p>A new lease has been completed between the City and Pompano Aviation; there are several months away from the beginning of construction. Implementation in this case will start then.</p> <p><b><u>Recommendation #5</u></b></p> <p>Air Park management requests, receives, and reviews the annual statements from Pompano Aviation, Pompano Aviation III, 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. And, 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 <i>all</i> Air Park tenants.</p> <p><b><u>Management Response/Update:</u></b></p> <p>Not Implemented at this time. When existing leases are up for renewal or assignment then language will be included to ensure that Retention of Records and Right to Access be included.</p>


#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>2</p> 	<p>Audit of City-wide Fixed Assets, Type 166 - Equipment</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p><b><u>Recommendation #1</u></b>                      The process for decommissioning an asset should be revised, whereby one source, such as the Laserfiche system, could be used to start and complete the transaction. Controlling/Owning departments should be the initiators of the process, where the necessary documentation to permanently remove any assets that are no longer in use or needed, is started, and the necessary sign-offs provided to complete the transaction in the Finance Department. This suggested process would require the creation of a new electronic form to accomplish the task, in addition to some changes in the current process.</p> <p><b><u>Management Response/Update:</u></b>                      March 30, 2022 is the new target implementation date.</p> <p><b><u>Recommendation #2</u></b>                      The purchasing process should be modified, and the written procedures updated, to ensure accessories to pickup trucks and other vehicles or pieces of equipment, are purchased at the same time the major unit is purchased, to avoid orphaned accessories. Along with that, the Finance Department should consider increasing the asset capitalization threshold amount, from \$1,000 to \$2,000 or \$2,500, in order to reduce the number of line items capitalized in the type 166 assets category and other categories. Related policies should also be updated to account for the changes.</p>


#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>2</p> 	<p>Audit of City-wide Fixed Assets, Type 166 – Equipment - Continued</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p><b><u>Management Response/Update:</u></b> May 31, 2022 is the new target implementation date.</p> <p><b><u>Recommendation #3</u></b></p> <p>Given the limitations of the security cameras, we recommend that supervisors improve their oversight and monitoring of City equipment in their areas of responsibility, in order to more timely detect, report, and follow up on unaccounted-for items. Improved supervisory monitoring could include periodic checks to ensure equipment is properly secured at the end of the day or shift, or otherwise when not in use, and unannounced physical inventories of a sample of tagged fixed assets, outside of the inventory process the Finance Department completes on an annual basis.</p> <p><b><u>Management Response/Update:</u></b> Grounds/Park Maintenance and Streets Maintenance accept the recommendation; and they have already started checking the inventory of the small sized equipment in their control, every 45 to 60 days.</p> <p>Utilities would like to explore the possibility of expanding the storage space and/or archiving the available footage beyond the 60 days, because the coverage may be useful beyond monitoring fixed assets.</p> <p>Final implementation will be determined at a later date.</p> <p><b><u>Recommendation #4</u></b></p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>2</p> 	<p>Audit of City-wide Fixed Assets, Type 166 – Equipment - Continued</p>	<p>Moderate</p>	<p>5</p>	<p>5</p>	<p>The City, through the Finance Department and other relevant Departments, should consider instituting a citywide policy that mandates the installation of tracking mechanisms in those high-value City assets that are most likely to be abused, i.e. used for personal projects, during or outside working hours. In addition, the City should provide guidelines (use of a single vendor Citywide – with some exceptions granted where appropriate) to managers and/or supervisors, regarding the regular/appropriate acquisition and use of tracking mechanisms/processes, equipment, and related services.</p> <p><b><u>Management Response/Update:</u></b> June 30, 2022 is the new target implementation date.</p> <p><b><u>Recommendation #5</u></b> Management should consider using the document(s) returned to Finance by the Departments/Divisions as the source documents for updating Naviline, without creating new paper documents. This may require delegation of duties to lower level positions to accomplish the task. Instead of sending the printed sheets (packets), a spreadsheet could be generated, specific to each Department/Division, and then sent out to the Departments/Divisions. In turn, the Departments/Divisions would make all their notations/comments on those sheets, save them (in a shared drive) and/or return the spreadsheets to Finance. Finance would then use those sheets as input for any suggested/necessary changes.</p>








#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
					<p><b>Management Response/Update:</b> April 30, 2022 is the new target implementation date.</p>
<p>3</p> 	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20)</p>	<p>Moderate</p>	<p>4</p>	<p>4</p>	<p><b>Recommendation #1</b> To maintain accountability and mitigate the risk of unauthorized expenditures, we recommend General Services ensure all newly issued P-cards, as well as credit limit changes to existing P-cards, are supported by appropriate management approvals (and those approvals are) maintained on file. We further recommend General Services consider adding a field to the Procurement Card Employee Agreement for cardholders to sign and date to acknowledge receipt of their P-cards.</p> <p><b>Management Response/Update:</b> Due to changes in personnel, General Services is estimating that the implementation date will now be August 30, 2022.</p> <p><b>Recommendation #2</b> 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</p>



#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>3</p> 	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20) - Continued</p>	<p>Moderate</p>	<p>4</p>	<p>4</p>	<p>for the supervisor to return the employee's P-card to General Services, as applicable.</p> <p><b><u>Management Response/Update:</u></b>                      Due to changes in personnel, General Services is estimating that the implementation date will now be August 30, 2022.</p> <p><b><u>Recommendation #3</u></b>                      To prevent and detect errors and irregularities in a timely manner, we recommend management remind cardholders to promptly approve (initial/sign) their purchase receipts, and departments fulfill their responsibility to complete and submit their monthly cardholder Payment Request/Authorization Procurement Card Order Logs - signed and dated by the cardholder, department coordinator, and department head - to Finance no later than 10 days after month-end in accordance with current policy</p> <p><b><u>Management Response/Update:</u></b>                      The Finance Department will revisit the recommendation in April 2022.</p> <p><b><u>Recommendation #4</u></b>                      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-</p>

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
<p>3</p> 	<p>Audit of Procurement Card Program (Purchases of \$3,193,647 for Audit Period of 1/1/19 – 4/14/20) - Continued</p>	<p>Moderate</p>	<p>4</p>	<p>4</p>	<p>up efforts with the tardy departments, and the sending of periodic general reminders to all departments with cardholders to timely submit their monthly P-card order logs. To facilitate efficiency and save time, we further recommend management consider the feasibility of having departments electronically sign-off and submit their logs and supporting documents to Finance each month.</p> <p><b><u>Management Response/Update:</u></b> The Finance Department will revisit the recommendation in April 2022.</p>

**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) – Cloud Computing Contracts – Verification of number of contracts, and adherence to current IT policy before, and after acquisition	16,559,166	25
 2	Revenue or 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	\$500,000	25
 3	G. O. Bonds Projects – Specific Projects – TBD	TBD	25
 4	Information Technology –Cybersecurity, IT Controls (FY20/FY21) – Identity and Access Management (IAM) – Provisioning and De-provisioning Users	N/A	26
 5	Federal and State Grants Audit – External Auditor Assistance re: FY21 Single Audit. US Department of the Treasury [ARPA Funds], Florida Department of Transportation Grants	\$2,969,075	26
 6	Review - Update on the Local Business Program – Local Vendors' Preference/Total Payments (2019-2021) Vendor Payments by City Commission District (Ongoing due to COVID - 19)	\$13,808,460	26
 7	Human Resources/Internal Audit – Vacant Position recruitment	N/A	26
	<b>7: Total Amount <u>Current &amp; Future Audit Projects Total</u> – \$ Amount TBD</b>	<b>\$33,836,701</b>	<b>n/a</b>
	<b>10: Total Number of <u>all Completed Audit Projects</u> with Current and Future Projects with Project Dollar Amounts Listed</b>	<b>\$92,074,559</b>	<b>n/a</b>

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 – FY21 – Audit of City-wide Fixed Assets (\$55.8 million Type 166 – Equipment, as of January 2021)****Summary**

As part of the FY21 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) performed an audit of the City's Fixed Assets. The scope of the audit was limited to those assets coded as type 166 (Equipment) in the Naviline/Central Square system. The audit assessed the accuracy of the City's Fixed Assets, as represented by two separate systems. Samples from the two lists were selected for active tracing and physical location on City premises.

Audit procedures performed included, but were not limited to, reviews of applicable policies, procedures, and practices; inquiry of appropriate/select Department Heads and designated personnel, and Finance Department personnel; tests of Fixed Assets listings from Naviline/Central Square (official financial and accounting system) and FASTER (Fleet equipment maintenance system), and site visits to physically locate the selected assets. The audit was initiated at management's request. [Naviline is the official City Financial System that keeps track of the City's financial information. FASTER is the system the City Repair Shop/Fleet Services uses to track repairs to motorized City equipment.]

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

1. There were items on Naviline and FASTER that should not be there. The items had not been removed from the systems, although they had been lost, retired, traded-in, or sold.
2. As part of the acquisition process, vehicle/equipment accessories with values of less than \$1,000 may be purchased and capitalized as discrete assets. In some instances, the primary asset (vehicle/equipment) was sold with the related accessory, but the accessory was not removed from the list.
3. The City has surveillance/security cameras on its property that record and save activity on certain City property locations. However, the video images were only being stored/saved for a maximum of 45 to 60 days, and as such, management was unable to view activity beyond the time limit, if needed.
4. All City vehicles do not have tracking mechanisms/systems. The City does not have a uniform policy for this control. It has been reported that some employees may be using City equipment/vehicles for personal purposes, but given the absence of tracking systems in all City vehicles, we were unable to independently verify any of these reports.

5. The annual process for counting/verifying fixed assets balances as currently constituted, is cumbersome, time consuming, and paper intensive.

### **Background**

The City of Pompano Beach's fixed assets are defined as those items that cost more than \$1,000 and have useful lives of more 12 months. The assets are recorded to the departmental accounts from which the expenditures are made. There are instances where items are purchased from one Department budget but physically delivered to a different department, for its use. The Finance Department keeps track of the assets in Naviline, and once a year sends out schedules, by Department/Division, to department representatives, who verify and report whether or not the listed assets are still in existence and in working condition. At the same time, the Fleet Shop, using the FASTER system records and tracks certain assets, mainly motorized equipment, it repairs over time. The Fleet shop is one of the entities, in addition to the owning departments, that may initiate transactions to dispose of, sell, discard, exchange, etc. an asset if it deems the asset obsolete or beyond repair. Currently both systems are maintained separately.

### **Scope and Objectives**

The primary objectives of the audit were to ensure that the fixed assets on the Naviline and FASTER systems were accurately recorded, and the assets existed and were in good condition, with the respective identifying labels/tags attached.

### **Standards**

- Fixed Assets Policy – Accounting Procedures Manual (2018), Purchasing, Tagging, Inventory, Disposition of Fixed Assets.
- State of Florida Capitalization of Property Administrative Policy 691-72.

### **Detailed Findings and Recommendations**

#### **Finding #1**

There were items on both the Naviline and FASTER fixed asset lists that should not be there. Due to lapses in the current process (e.g. lost or incomplete paperwork) items had not been removed from the lists, although they had been lost, retired, traded in, or sold. There was/is a growing frustration among Departments, with respect to the number of items the Departments request to be removed but end up not being removed, in spite of the submitted forms.

**Risk Rating: Moderate (Yellow)**

#### **Recommendation #1**

The process for decommissioning an asset should be revised, whereby one source, such as the Laserfiche system, could be used to start and complete the transaction. Controlling/Owning departments should be the initiators of the process, where the necessary documentation to permanently remove any assets that are no longer in use or needed, is started, and the necessary sign-offs provided to complete the transaction in the Finance Department. This suggested process would require the creation of a new electronic form to accomplish the task, in addition to some changes in the current process.

**Management Response:** The Information Technology (IT) Department has agreed to lead the effort, in consultation with the respective user departments, and an outside consultant.

**Finding #2**

As part of the acquisition process, vehicle/equipment accessories with values of less than \$1,000 may be purchased and capitalized as discrete assets. In some instances, the primary asset (vehicle/equipment) was sold with the related accessory, but the accessory was not removed from the list. In the Fixed Asset Type 166, the value of items less than \$1,000 = \$303,000, 759 out of 4,770 lines (16%); less than \$2,500 = \$2.5M, 2,197 out of 4,770 lines (46%); less than \$5,000 = \$6.3M, 3,266 out of 4,770 lines (68%).

**Risk Rating: Moderate/Yellow**

**Recommendation #2**

The purchasing process should be modified, and the written procedures updated, to ensure accessories to pickup trucks and other vehicles or pieces of equipment, are purchased at the same time the major unit is purchased, to avoid orphaned accessories. Along with that, the Finance Department should consider increasing the asset capitalization threshold amount, from \$1,000 to \$2,000 or \$2,500, in order to reduce the number of line items capitalized in the type 166 assets category and other categories. Related policies should also be updated to account for the changes.

**Management Response:** The Finance Department has accepted the recommendation, and will determine the threshold amount (\$2,000 or \$2,500) at the time of implementation.

---

**Finding #3**

The City has surveillance/security cameras around City property. The systems record and save activity on certain City property locations, but storage of the video images is limited to 45 to 60 days. As a result, management is unable to review any activity outside the maximum storage period. There were assets (valued at approximately \$8,000 per Naviline) that were missing, but by the time staff realized and reported that they were missing, it was after 45 days, where the responsible Division was unable to ascertain how the pieces of equipment were lost. Reports were generated for the loss/missing items, but were not helpful in recovering the assets.

**Risk Rating: Moderate/Yellow**

**Recommendation #3**

Given the limitations of the security cameras, we recommend that supervisors improve their oversight and monitoring of City equipment in their areas of responsibility, in order to more timely detect, report, and follow up on unaccounted-for items. Improved supervisory monitoring could include periodic checks to ensure equipment is properly secured at the end of the day or shift, or otherwise when not in use, and unannounced physical inventories of a sample of tagged fixed assets, outside of the inventory process the Finance Department completed on an annual basis.

**Management Response:** Grounds/Park Maintenance and Streets Maintenance accept the recommendation; and they have already started checking the inventory of the small sized equipment in their control, every 45 to 60 days.

Utilities would like to explore the possibility of expanding the storage space and/or archiving the available footage beyond the 60 days, because the coverage may be useful beyond monitoring fixed assets.

---

**Finding #4**

All City vehicles do not have tracking mechanisms/systems installed, and for those that do have tracking systems, the tracking systems are from more than one vendor. The City does not have a uniform policy for this control. It has been reported that some employees may be using City equipment/vehicles for personal purposes, but given the absence of tracking systems in all City vehicles, and lack of specific information, we were unable to independently verify any of these reports.

In addition, the use of more than one system, dilutes the purchasing power of the City, for this service. The City loses the ability to bargain for larger quantities at a lower unit price, since it is not using the same vendor.

**Risk Rating: Moderate/Yellow**

**Recommendation #4**

The City, through the Finance Department and other relevant Departments, should consider instituting a citywide policy that mandates the installation of tracking mechanisms in those high-value City assets that are most likely to be abused, i.e. used for personal projects, during or outside working hours. In addition, the City should provide guidelines (use of a single vendor Citywide – with some exceptions granted where appropriate) to managers and/or supervisors, regarding the regular/appropriate acquisition and use of tracking mechanisms/processes, equipment, and related services.

Also, to boost employee confidence, managers and supervisors should demonstrate a strong commitment to timely investigation and resolution of any instances of unaccounted-for losses of fixed assets/equipment. An annual physical count of fixed assets, as currently managed by the Finance Department, for and by the respective departments may be one way to accomplish that. [see finding #5 for current process, and recommendation #1 for an improvement to the current process]

**Management Response:** The Fleet shop has been assigned the task of verifying how many service vendors the City is using and on what vehicles, and the related amounts paid for the services. The response will be used to further streamline the process as will be recommended/instituted by Management.

---

**Finding #5**

The City, through the Finance Department, routinely verifies fixed assets once a year by sending a set of sheets printed from Naviline, to designated individuals in the respective Departments/Divisions. The responsible parties return the sheets with notations of what needs

to be done, with selected assets. Finance takes those sheets and generates another document, and screen prints are generated as considered needed. The process as currently constituted is cumbersome, time consuming, and paper intensive.

**Risk Rating: Moderate/Yellow**

**Recommendation #5**

Management should consider using the document(s) returned to Finance by the Departments/Divisions as the source documents for updating Naviline, without creating new paper documents. This may require delegation of duties to lower level positions to accomplish the task. Instead of sending the printed sheets (packets), a spreadsheet could be generated, specific to each Department/Division, and then sent out to the Departments/Divisions. In turn, the Departments/Divisions would make all their notations/comments on those sheets, save them (in a shared drive) and/or return the spreadsheets to Finance. Finance would then use those sheets as input for any suggested/necessary changes.

**Management Response:** The Finance Department accepts the recommendation.

	<p><b>2. Strategic Plan – FY21 – Audit of Pompano Beach Air Park’s Revenue-Generating Contracts (Operating Revenues of \$1,332,140 for the Audit Period of Calendar Year 2020)</b></p>
---	--

**Summary and Background**

As part of the FY21 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) has performed an audit of the revenue-generating contracts of the Pompano Beach Air Park. The audit assessed whether the Air Park’s revenue-generating contracts were being effectively monitored for compliance with key contract terms and provisions; and, adequate and effective internal controls were in place to ensure the Air Park’s contract revenues were accurately calculated, timely collected, properly recorded, and promptly deposited. The audit period was the 2020 calendar year.

Audit procedures performed included, but were not limited to, reviews of applicable policies, procedures, and practices; inquiry of appropriate Air Park and Finance Department personnel; tests of revenue collection transactions; and, reading the respective relevant lease agreements.

**Results/Conclusion: Risk Rating – Moderate (Yellow)**

1. Air Park management was not monitoring the expiration dates of the insurance certificates of its tenants and did not follow-up to request, review, and maintain copies of the lessees' requisite insurance certificates to assure continuous coverage;
2. The City Commission’s prior approval was not being obtained for certain subleases of the tenants where required by their respective contracts;
3. Air Park management was not periodically verifying that its lessees had the current requisite licenses, permits, and/or certifications necessary to conduct their businesses at the Air Park;
4. Air Park management was not obtaining, reviewing, and retaining adequate documented evidence that it was monitoring the onsite building activities of its tenants - during construction - to ensure tenants were timely and appropriately satisfying their contractual capital improvement obligations; and,



5. Air Park management was not obtaining, reviewing, and maintaining copies of the annual financial statements of operations for certain tenants as required or allowed by their lease agreements.

### **Conclusion**

Our test of a sample of monthly rent collections from the Air Park's external tenants indicated they were being timely received, adequately safeguarded, properly recorded, and promptly deposited by the Treasury Division. There were no reportable exceptions in this area.

Based on the results of tests performed relating to contract administration, it is our opinion that management was providing only limited informal oversight of Air Park tenants, and there was a need to improve practices to more effectively monitor tenant compliance with their lease agreements. We identified instances where management was unable to obtain important contractually-required documents from its tenants, including but not limited to, certificates of insurance and evidence that tenants had timely satisfied their capital improvement obligations at the Air Park.

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 Air Park and the City's Finance Department for their cooperation and assistance throughout the audit.

### **Scope and Objectives**

- Revenue-generating contracts of the Air Park were being effectively monitored for compliance with key contract terms and provisions; and,
- Adequate and effective internal controls were in place to ensure the Air Park's operating contract revenues were accurately calculated, timely collected, properly recorded, and promptly deposited.

### **Standards**

- City of Pompano Beach – Code of Ordinances § 93: City Air Park (Revised 7/11/06);
- City of Pompano Beach – Admin. Policy No. 842.01: Air Park (Effective 1/1/1990);
- City of Pompano Beach – Minimum Standards for Commercial Aeronautical Activities at the Pompano Beach Air Park – Revised March 2014 by City of Pompano Beach City Commission;
- City of Pompano Beach – City Charter – Section 250 – Leases (4/27/04); and,
- City of Pompano Beach – City Charter – Section 251 – Contracts (3/9/76).

### **Findings/Recommendations**

#### **Finding #1**

The City's lease agreements with the Air Park's tenants, as well as the current *City of Pompano Beach Minimum Standards for Commercial Aeronautical Activities at the Pompano Beach Air Park (Revised March 2014)* – which is incorporated by reference in the agreements – require the tenants to purchase and maintain specific types and levels of liability insurance coverage during the lease terms, in order to indemnify the City from potential losses. The certificates of insurance are required to name the City of Pompano Beach as an additional insured.

Based on test work performed, we noted Air Park management was not monitoring the expiration dates of the insurance certificates of its tenants and did not follow-up to request, review, and maintain copies of the lessees' requisite insurance certificates to assure continuous coverage. During the course of the audit, at our request, the Air Park manager requested the insurance certificates from the lessees. The Air Park manager was able to obtain certain of the requested insurance certificates from Pompano Aviation, Pompano Aviation II, and the Aviation Center of Pompano, but was unable to obtain any insurance certificates from Goodyear Aviation and Sheltair Aviation as of the end of audit fieldwork (8/19/2021).

Our review of the certificates provided by Pompano Aviation, Pompano Aviation II, and the Aviation Center of Pompano indicated that these lessees had the requisite current certificates of insurance with the exception of the following:

- There were no certificates for comprehensive vehicle liability and workers' compensation insurance; and,
- Although the City was listed as the certificate holder on the commercial property insurance certificates for the eleven Air Park buildings assigned to the lessees, it was not listed as an *additional insured* as required by current policy.

**Risk Rating: Moderate (Yellow)**

**Recommendation #1**

To mitigate potential liability for the City, we recommend Air Park management implements a tickler system to monitor the expiration dates of the requisite insurance coverage and follow-ups with the lessees to obtain, review, and retain copies of their current insurance certificates. In addition, we recommend Air Park management consults with the Risk Management Division for guidance in evaluating the propriety of the insurance certificates received from the tenants. All the requisite certificates of insurance should be obtained by the lessees unless there is documented evidence that they have met and complied with any statutory and/or contractual requirements for exemption from carrying a particular type of insurance.

**Management Response:**

Airpark agrees with the recommendation to work and coordinate with Risk Management. It is Airpark's belief that Risk Management should assist with identifying the types and levels of insurance coverages to be carried by the tenants, and evaluating the insurance certificates (COIs) that Airpark receives from all of the tenants. Airpark will maintain a spreadsheet to monitor the expiration dates of the COIs and use as the basis for its follow-up. When performing follow-up, Airpark will send a copy of the current "Minimum Standards for Commercial Aeronautical Activities at the Pompano Beach Air Park" to the tenants to assist them in identifying the requisite insurance coverages.

---

**Finding #2**

The City's lease agreements with the Air Park's tenants specify the conditions under which a sublease between the tenant and a prospective subtenant will require the City Commission's prior approval. In addition, certain (but not all) lease agreements require the tenant and certain categories of their existing subtenants to provide an annual listing of their owners and their security interest holders to the City.

The aforementioned contractual requirements are summarized in Table III below:

Table III

	<u>City Approval of Sublease Required?</u>	<u>Annual Report of Each Tenant's &amp; Subtenant's Owner(s) &amp; Security Interest Holder(s) Required?</u>	<u>Comments</u>
<i>Pompano Aviation Subtenants:</i>			(1)Not required if the initial form and content of any such sublease has been approved by the City and the sublease is limited to a maximum term of one year.
SASO (Specialized Aviation Service Operator)	N	Y	(2)Not required for sub lessees of aircraft storage space only.
Renter of Hangar Space for Aircraft Storage Only	N(1)	N(2)	(3)Not required for a sub lessee who is not a corporation, partnership, or other type of business entity.
<i>Pompano Aviation II Subtenants:</i>			(4)Required for a sub lessee who is a corporation, partnership, or other type of business entity.
SASO (Specialized Aviation Service Operator)	Y	Y	(5)Not required if the initial form and content of any such sublease has been approved by the City.
Renter of Hangar Space for Aircraft Storage Only	Y	N(3) / Y(4)	<b>Note:</b> Per inquiry of the Air Park Manager, we noted Goodyear Aviation did not have any subtenants. Moreover, their agreement did not have a requirement for the tenant and their subtenants (if any) to provide an annual list of their respective owners and parties holding security interests in their businesses.
<i>Aviation Center of Pompano Subtenants:</i>			
SASO (Specialized Aviation Service Operator)	N	Y	
Renter of Hangar Space for Aircraft Storage Only	N(5)	N(2)	
<i>Sheltair Aviation Subtenants:</i>			
SASO (Specialized Aviation Service Operator)	N(5)	N	
Renter of Hangar Space for Aircraft Storage Only	N(5)	N	

Source: Air Park's lease agreements (and addenda thereto) with its tenants.

Based on the test work performed, we noted the following instances of non-compliance with the abovementioned contractual requirements:

- City approval was not required for the subleases of the Aviation Center of Pompano's 13 subtenants who were renters of hangar space for aircraft storage only, provided the initial form and content of the sublease agreement had been approved by the City. While the aforementioned subleases had not been individually approved by the City, Internal Audit was unable to determine whether these subleases required City approval as Air Park management was unable to ascertain whether the sublease template being used by the tenant had been approved by the City;
- City approval was not required for the sublease of Pompano Aviation's single subtenant who was a renter of hangar space for aircraft storage only, provided the initial form and content of the sublease agreement had been approved by the City, and the sublease was limited to a maximum term of one year. While the aforementioned sublease had not been individually approved by the City, Internal Audit was unable to determine whether this sublease required City approval as Air Park management was unable to ascertain whether the sublease template being used by the tenant had been approved by the City, and the sublease term was limited to a maximum of one year;
- The nine subleases (four to SASOs and five to renters of hangar space for aircraft storage only) of Pompano Aviation II had not been approved by the City as contractually required. Moreover, two of four (50%) SASO subtenants did not have a current City business tax receipt (BTR) or Broward County BTR;
- City approval was not required for the subleases of Sheltair Aviation's 113 subtenants who were SASOs (13 subtenants) or renters of hangar space for aircraft storage only (100 subtenants), provided the initial form and content of the sublease agreement(s) had been approved by the City. While the aforementioned subleases had not been individually approved by the City, Internal Audit was unable to determine whether these subleases required City approval as Air Park management was unable to ascertain whether the sublease template(s) being used by the tenant had been approved by the City. In addition, three of 13 (27%) SASO subtenants did not have a current City BTR, and five of 13 (38%) SASO subtenants did not have a current Broward County BTR; and,
- Pompano Aviation (five SASO subtenants), Pompano Aviation II (four SASO subtenants), and the Aviation Center of Pompano (three SASO subtenants) were not annually providing a list of their owners and parties with security interests in their businesses, nor were they providing this information for their respective SASO subtenants (on their behalf), as contractually required. Further, Pompano

Aviation II was not annually providing a list of the owners and parties with security interests in their five renters of hangar space for aircraft storage only who were either a corporation, partnership, or other type of business entity, as required by its lease agreement with the City. In addition, one of five (20%) of Pompano Aviation's SASO subtenants did not have a current City BTR or Broward County BTR, and two of three (67%) of the Aviation Center of Pompano's SASO subtenants did not have a current City BTR or Broward County BTR.

It should be noted that in practice, the City Commission was generally not approving any of the subleases of the Air Park's tenants.

**Risk Rating: Moderate (Yellow)**

**Recommendation #2**

To promote uniformity and efficiency, we recommend Air Park management in collaboration with Contract Management and the City Attorney's Office, and input from current Air Park tenants:

- Use industry best practices to develop pre-approved standard lease templates for use by tenants when subleasing Air Park property to specialized aviation service operators (SASOs) and renters of hangar space for aircraft storage only. Alternatively, the City Attorney's Office could be asked to formally review and approve (after any necessary edits) the current sublease templates being used by the Air Park's tenants. Appropriate amendment of tenants' contracts to require the use of City-approved sublease templates would eliminate the need for City Commission approval of subleases executed between tenants and their subtenants; and,
- Standardize the contract language regarding the requirement for the tenant and their subtenants to provide an annual list of their respective owners and parties holding security interests in their businesses. The revised language could be incorporated via addenda to the current lease agreements with all Air Park tenants.

**Management Response:**

Airpark agrees with recommendation that the Contract Manager and City Attorney's Office should be the main drivers of provisions and standardization of all lease agreements (contracts) entered into with any existing and potential tenants wanting to lease Airpark Property for Aviation and Non-Aeronautical uses. Airpark staff can review and recommend modifications as necessary relative to each specific entity. The City Attorney's Office has done a great job of revising and modernizing the lease agreements most recently used in the past ten (10) years for Pompano Aviation and Sheltair Aviation.

**Finding #3**

The current *City of Pompano Beach – Minimum Standards for Commercial Aeronautical Activities at the Pompano Beach Air Park (Revised March 2014)* – which is incorporated by reference in the City's lease agreements with its Air Park tenants – requires the tenants to maintain (and display, if required) all licenses, permits, and/or certifications necessary for the conduct of their businesses.

Based on inquiry, we noted Air Park management was not periodically verifying that its lessees had the current requisite licenses, permits, and/or certifications necessary to conduct their operations at the Air Park. Our review of the appropriate COPB & Broward County websites indicated that Goodyear Aviation and Sheltair Aviation had current business tax receipts (BTRs) for the City and Broward County, while Pompano Aviation, Pompano Aviation II, and the Aviation Center of Pompano had a current City BTR but did not have a current Broward County BTR. Without periodic inspections, management has no assurance that its tenants have the requisite documents, including current FAA certificates, where applicable, to legally engage in business activities at the Air Park.

**Risk Rating: Moderate (Yellow)**

**Recommendation #3**

We recommend the Air Park Manager or designee periodically verify and document that tenants are in possession of current requisite licenses, permits, and/or certificates necessary for their operations, and such documents are appropriately displayed in public areas of their businesses, if required.

**Management Response:**

Airpark staff agrees with recommendation that it verify and document that each tenant is in possession of the requisite licenses, permits and/or certificates necessary for their operations. Airpark staff will follow-up with the tenants annually to obtain copies of their current licenses. With regard to business licenses, Airpark staff has the option of reviewing the appropriate COPB and Broward County websites to determine whether the tenants are in possession of current business tax receipts.

---

**Finding #4**

The City's lease agreements with the Air Park's tenants typically require them to spend specified dollar amounts on the construction of hangars and/or certain other airport facilities within prescribed time frames. The current tenants have satisfied their respective obligations by spending a combined total in excess of \$6 million on specified capital improvements at the Air Park.

Based on inquiry, we noted Air Park management was not obtaining, reviewing, and retaining adequate documentation (e.g., contractor pay applications, building permits, certificates of occupancy, etc.) as evidence that it was monitoring the onsite building activities of its tenants - *during construction* - to ensure they were timely and correctly satisfying their contractual capital improvement obligations. Notwithstanding the availability of "after-the-fact" evidence, such as county property records, building permit information, aerial photographs, and/or written assertions by the tenants, documented real time monitoring of construction by management is important for ensuring requisite capital improvement expenditures have been made by the lessees within the timeframes specified in their lease agreements.

**Risk Rating: Moderate (Yellow)****Recommendation #4**

We recommend Air Park management implements appropriate monitoring procedures to ensure its tenants timely meet their contractual capital improvement obligations in terms of spending the requisite amount of funds to construct or improve the designated facilities within the specified time periods.

**Management Response:**

Airpark staff currently monitors to ensure that tenants are meeting their contractual obligations as construction commences on their leasehold properties. Each tenant has four (4) years to meet the minimum capital expenditure to comply with the contract provisions. Airpark staff physically monitors and inspects each leasehold during construction. Airpark coordinates with the City Attorney's Office to draft a letter to each tenant when it is determined that they may not be meeting their contractual obligations. Airpark staff will appropriately document its monitoring efforts in the future.

---

**Finding #5**

Under its current lease agreement, Pompano Aviation is required to submit (to the City) its annual statement of gross receipts and operating expenses for its lease each year. However, this was not being accomplished and Air Park management was not following-up to obtain the statements. Further, although an optional contractual provision, Air Park management has elected not to request the annual statements of gross receipts and operating expenses from the Aviation Center of Pompano and Pompano Aviation II for their leases. As a point of comparison, the City's lease agreements with Goodyear Aviation and Sheltair Aviation did not require them to provide annual financial statements of their lease operations at the Air Park.

**Risk Rating: Moderate (Yellow)****Recommendation #5**

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.

**Management Response:**

Airpark staff agrees with the recommendation that Contract Management and the City Attorney's Office should standardize language in leases/contracts to require that each tenant provide financial statements to the City. Subsequent to the contractual revision, Airpark staff will follow-up annually with the tenants to obtain their financial statements. This is a very challenging issue as each FBO (Fixed-based operator) is in competition with each other and does not want to share this information.

3.  **Parks and Recreation Department and Cultural Affairs Department (CAC-PAC):  
Technical Assistance for 19 Professional, License, or Service  
Agreements/Contracts, etc. – \$1,105,718, and Miscellaneous Tasks**

### **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 15 Professional, License, or Service agreements/contracts, and 4 Miscellaneous Tasks.

### **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 City Departments: City Attorney, City Manager, Finance, General Services/Procurement/Purchasing, Parks and Recreation, Cultural Arts – Cultural Affairs, Public Works, etc. A full list of the License, Service Agreements/contracts, or Requests for Opinion reviewed is available on request.



**Section II. Prior Audit Follow-Up – Additional Detail**



**1. Fixed Assets Count – Type 166 – Equipment**

During a meeting chaired by the City Manager, with the majority of Departments represented, it was agreed that the following tasks be initiated:

1. IT Department explore the possibility and cost of acquiring more space to store and control more data generated by the security systems
2. The Finance Department was to explore the pros and cons of raising the fixed assets threshold from \$1,000 to \$5,000 to match the State threshold
3. The Purchasing Department was to prepare for the selection of a single provider to supply an agreed upon City-wide system to use to track relevant City properties (vehicles) as needed
4. The Fire Department was to explore the possibility of acquiring technology to assist in the tracking and counting of respective assets with minimal service disruption

**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 the end of the 2<sup>nd</sup> quarter FY22.



**2. Revenue or 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.**

The City provides in-kind services to vendors who participate in Parks & Recreation programs, sometimes exceeding \$75,000. In the continuing review of financial reports for Festival Agreements, Internal Audit (IA) 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 reasons.




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

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



**4. Information Technology – IT Controls, Cybersecurity – Identity and Access Management**

In order to access City Information Technology assets, and to accomplish regular duties within the City, individuals need to be authorized by their respective Department Heads, and then accepted by IT - provisioned (allowed to), or de-provisioned (removed from) – accessing restricted data/records and/or restricted physical access. The respective processes involve user departments, Human Resources, and IT. Provisioning and de-provisioning are key processes in the cybersecurity and other relevant physical access controls.

**5.  Federal and State Grants Audit – External Auditor Assistance re: FY22 Single Audit – US Department Treasury (ARPA grants), and Florida Department of Transportation Grants for FY 21**

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 a regular FY audit.

**6.  Local Business Program – Performance Review and Update (2021) – Local Vendors’ Preference/Total Payments**

In March 2018 the City passed Ordinances 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 projects. 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 the vendor profile moving forward. This review began in FY20 and is ongoing due to COVID interruption.

**7.  Vacant Position recruitment – Budget/Human Resources/Internal Audit**

During the early part of FY22, Internal audit lost one of its employees due to retirement. Currently Internal Audit is revising the position to meet perceived future needs of the office, by recruiting a staff auditor instead of an administrative assistant.

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