










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<br>   | Strategic Plan - FY19 – Audit of General Controls and Security of Selected Computerized Systems: PCI DSS Compliance Program (FY19 \$16,831,748 Total Credit Card Deposits) - Memorandum 20-01   | Moderate                           | Low                               | 2          | 2                 | 2                                 | 0                              | 0         | \$16,831,748 | 6      |
| 2<br>   | Ad Valorem Tax - Homestead Exemption Eligibility Review - Review of Utilities for COPB Residences Compared to Broward County Homesteaders - 335 Properties Tax Roll Valuation is \$14,000,000 - FY19  | Low                                | Low                               | 1          | 1                 | 1                                 | 0                              | 1         | \$14,000,000 | 8      |
| 3<br>   | Strategic Plan: External Audit Assistance in FY20 re: FY19 Single Audit: Expenditures of \$2.4 Million - Public Assistance Grants (Hurricane Irma Federal Reimbursement), \$2 Million - Wastewater Treatment Facility Construction (State Project), and \$436,000 Voluntary Cleanup Tax Credit (VCTC) Program (State Project), and NW Community Redevelopment District Fund Expenditures of \$7.8 Million | Low                                | Low                               | n/a        | n/a               | n/a                               | n/a                            | n/a       | \$12,634,987 | 9      |
| 4<br> | Strategic Plan 3.1.6: External Audit Assistance in FY19 re: FY18 Single Audit: Expenditures of \$444,584 - Home Investment Program, \$370,189 - Firefighters Grant Program (Federal Projects), \$670,680 - Statewide Surface Water Restoration and Wastewater Projects (State), and \$4.239M East CRA District Fund (Community Redevelopment Agency)  | Low                                | Low                               | n/a        | n/a               | n/a                               | n/a                            | n/a       | \$5,814,453  | 10     |
|   |   |                                    |                                   |            |                   |                                   |                                |           |              |        |

| # | Project Title   | Risk Rating Before Recommendations | Risk Rating After Recommendations | # Findings | # Recommendations | Recommendations to be Implemented | Recommendation Not implemented | Follow Up | Project \$           | Page # |
|---|---|------------------------------------|-----------------------------------|------------|-------------------|-----------------------------------|--------------------------------|-----------|----------------------|--------|
| 5 |  Technical Assistance for City Departments: Review and Assistance for Agreements/Contracts re: Audit Rights, Procedures for 54 License, Service or Professional Type Agreements. To name a few:<br>The Butler Group of South Florida LLC,<br>Beachfest Entertainment LLC Agreement,<br>Amphitheatre Event Template Agreement,<br>COPB Pier Management & Bait and Tackle Shop Rental Agreement,<br>The Seafood Festival Agreement,<br>The Brazilian Festival LS Events Agreement,<br>Gridiron Grill Off and Wine Festival Agreement,<br>Bob Loring Enterprises, Inc., (Golf Pro) Agreement,<br>Sculpture and Artists Agreements review for Cultural Arts Center (CAC-PAC), and<br>Contract Management System | Low                                | Low                               | n/a        | n/a               | n/a                               | n/a                            | n/a       | \$3,297,110          | 11     |
| 6 |  Technical Assistance - Finance - JP Morgan & Paymentech 5 Year Agreement for Merchant Payment Card Processing Services - File ID# 19-296 - Ordinance #2019-55   | Low                                | Low                               | n/a        | n/a               | n/a                               | n/a                            | n/a       | \$31,000             | 12     |
| 7 | <b>Total # Completed Projects – Total Project Dollars</b>   |                                    |                                   | <b>3</b>   | <b>3</b>          | <b>3</b>                          | <b>0</b>                       | <b>3</b>  | <b>\$ 52,609,298</b> |        |

**B. Prior Audit Follow-up**

| #  | Project Title - Pending Corrective Actions for Audit Recommendations  | Risk Rating Pending Recommendations | # Findings | # Outstanding Recommendations | Status   |
|--|---|-------------------------------------|------------|-------------------------------|--|
| <p><b>1</b></p>    | <p>Strategic Plan 3.6.1 FY19 - Audit of 2018 Ad Valorem Real Property Tax Roll (FY 19 – Budgeted Property Tax Collections of \$75,131,162) – Memorandum 19-01</p>   | <p>Low</p>                          | <p>1</p>   | <p>0</p>                      | <p>Internal Audit (IA) conducted an audit in FY18 of the Ad Valorem Real Property Tax Roll. The implementation as noted below has reduced the risk from Moderate (Yellow) to Low (Green)</p> <p>Audit recommendation #1 was implemented on 4/9/19 when the COPB City Commission passed Ordinance No. 2019-53 amending Section 36.090, Additional Homestead Exemption. Detail on Page 12</p>  |
| <p><b>2</b></p>    | <p>Strategic Plan 3.3.6: FY18 Audit of Revenues or Expenditures Greater Than \$500,000: Public Works – Solid Waste Management, Waste Management Inc. Contract (FY18 Division Budget \$6,787,961) Memorandum 19-02</p>                               | <p>Low</p>                          | <p>2</p>   | <p>0</p>                      | <p>IA followed up on two (2) Findings which resulted in an overall risk rating of Low (Green). Management agreed to implement the two (2) Audit recommendations. Ordinance No. 2020-03 was approved at the City Commission meeting October 7, 2019. Detail on Page 14</p>  |
| <p><b>3</b></p>  | <p>Strategic Plan 2.5.1: FY 17 Audit of Standard Operating Procedures of One Major Division of Selected Department: Public Works - Fleet Division (FY17 Budget \$2,927,000) - FY14, FY15, and FY16 Budget Totals \$8,256,684 – Memorandum 18-01</p> | <p>Moderate</p>                     | <p>11</p>  | <p>6</p>                      | <p>Follow up on the 11 Findings which resulted in an overall risk rating of Moderate (Yellow) has been ongoing. After two (2) prior follow ups of the recommendations in FY18, updated status target dates were revised due to the approval process needed for funding the Department’s FY19 Budget and final implementation dates scheduled for FY20. Management agreed to implement ten (10) Audit recommendations with one (1) recommendation to be implemented by other City departments. To date, there are 4 recommendations that have been implemented and 6 that will be implemented by end of FY20. See below: Detail on Page 15.</p> |

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

| #   | Project Title   | Project \$    | Page # |
|---|---|---------------|--------|
| <b>1</b><br>   | Information Technology – Cloud Computing/Cybersecurity, IT Controls   | TBD           | 18     |
| <b>2</b><br>   | Cultural Arts Center – Ticketmaster Revenue Reconciliation (may include Policies & Procedures Review)   | TBD           | 18     |
| <b>3</b><br>   | G. O. Bonds Projects – Specific Projects to be Determined   | TBD           | 18     |
| <b>4</b><br>   | Revenue of Expenditures over \$500,000 – Parks and Recreation Festival Agreement Review of In-Kind Benefits, and Participants’ Filed Financial Statements | \$500,000     | 18     |
| <b>5</b><br>   | Federal and State Grants Audit – External Auditor Assistance re: FY20   | TBD           | 18     |
| <b>6</b><br>  | Long Term Debt Compliance Audit   | \$147,356,708 | 19     |
| <b>7</b><br> | Review and Update on the Local Business Program – Local Vendors’ Preference/Total Payments (2019)   | \$13,800,000  | 19     |
| <b>8</b><br> | Purchase Card (PCARD) Program Audit – City issues, and some of its employees use purchase (credit) cards to buy goods and services (2019 - \$2.3M)        | \$2,311,824   | 19     |
|   | <b>Total Amount <u>Current/Future Total</u> 8 Projects &amp; Dollars</b>  | TBD           |        |
|   | <b>Total Number of <u>all Completed Audit Projects</u> and Current Projects with Project Dollar Amount Listed</b>   | \$216,577,830 |        |

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**

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|  <b>1. Strategic Plan - FY19 – Audit of General Controls and Security of Selected Computerized Systems: PCI DSS Compliance Program (FY19 \$16,831,748 Total Credit Card Deposits)</b> |
|--|

**Summary**

As part of the FY19 Strategic Plan for the Quality and Affordable City Services goal, Internal Audit (IA) performed an audit of the City's PCI DSS (Payment Card Industry Data Security Standard) compliance program. The audit assessed the adequacy and effectiveness of the policies, procedures, and practices City management has in place to ensure the City – as an acceptor of payment cards, and its applicable third-party service providers (TPSPs) - are PCI DSS compliant on an ongoing basis.

Audit procedures performed included, but were not limited to, reviews of applicable rules, regulations, policies, procedures, and practices; and inquiry of appropriate Information Technologies (IT) and Treasury staff. Compliance testing was performed on the City's activities pertaining to the maintenance of its PCI-compliant status as a merchant, as well as the monitoring of its TPSPs subject to PCI DSS.

An overall Moderate (Yellow) risk rating was assigned to the audit results based on the relatively low difficulty of addressing the identified issues. Full implementation of the recommendations that follow later in the report would reduce the risk rating to Low (Green). During the course of the audit, IT management took the corrective action of revising its IT policies to include a separate section documenting all key requirements of the City's PCI DSS compliance program.

**Background**

PCI security standards are technical and operational requirements set by the PCI Security Standards Council (SSC) to protect cardholder data. The standards globally govern all merchants and organizations that store, process or transmit this data, and include specific requirements for software developers and manufacturers of applications and devices used in the transaction process. Compliance with the PCI security standards is enforced by the major payment card brands which established the Council: American Express, Discover Financial Services, JCB International, Visa Inc., and MasterCard Worldwide.

The PCI DSS applies to any entity that stores, processes, and/or transmits cardholder data. It covers technical and operational system components included in or connected to cardholder data. Any business that accepts or processes payment cards must comply with the PCI DSS. The goals of the PCI DSS for merchants and processors are for them to:

- Build and maintain a secure network
- Protect cardholder data
- Maintain a vulnerability management program
- Implement strong access control measures
- Regularly monitor and test networks
- Maintain an information security policy

Although the City of Pompano Beach (COPB) is not directly involved in the electronic storing, transmitting, or processing of cardholder data (these tasks are performed by its TPSPs), it is subject to PCI DSS as a merchant that accepts payment cards.

### **Scope and Objectives**

The primary objective of the audit was to assess the adequacy and effectiveness of the policies, procedures, and practices City management has in place to ensure the City – as an acceptor of payment cards - and its applicable third-party service providers are PCI DSS (current version 3.2.1) compliant on an ongoing basis. The audit period was fiscal year 2019.

### **Standards**

- COPB's IT Policies (Effective 8/1/19);
- PCI DSS - Version 3.2.1 (May 2018);
- PCI Security Standards Council – Information Supplement: Third-Party Security Assurance (March 2016);
- Visa Data Security Compliance & PCI DSS Merchant Levels;
- Visa Data Security Compliance – Service Provider Validation & Reporting Requirements;
- MasterCard Data Security Compliance & PCI DSS Merchant Levels;
- MasterCard Service Providers – Validation & Reporting Requirements;
- Discover – Merchant Validation & Reporting Requirements;
- Discover – Service Provider Levels, Validation & Reporting Requirements; and,
- American Express – Merchant & Service Provider Levels, Validation & Reporting Requirements.

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

1. Although IT management was routinely conducting certain important PCI compliance activities, all aspects of its program were not documented in its written IT policies, and there was a need for improved identification and monitoring of the City's TPSPs involved in the processing, transmittal, and/or storage of customer cardholder data; and,
2. Key contractual omissions in the manually executed agreements with certain of the City's applicable TPSPs impaired management's ability to obtain, review, and evaluate relevant documentation needed to assess their PCI compliance status.

### **Recommendation #1**

To help ensure appropriate control activities are performed to mitigate the cybersecurity risks relating to cardholder data (CHD) of the City's customers, we recommend IT management consolidate all of its existing written and unwritten PCI compliance program practices, as well as comprehensive monitoring procedures for applicable TPSPs involved in the storage, transmittal, and/or processing of CHD, into a separate section of the written IT policies.

Among other things, the written TPSP monitoring procedures should include the development and maintenance of an appropriate TPSP inventory, and applicable activities intended to effectively assess their PCI compliance status.

To assist in the ongoing identification of relevant TPSPs, we further recommend the Finance Department timely notify IT management whenever the City engages third-party contractors providing services involving the processing, storage, or transmittal of customers' cardholder data. IT will add the TPSPs to the list it has agreed to maintain, as part of the compliance process.

**Recommendation #2**

For those TPSPs with whom the City currently has written agreements, we recommend the City's Contract Manager, in conjunction with the responsible department and the City Attorney's Office, amend the contracts – at their next renewal or extension date - to address the contractual omissions relating to PCI compliance, including cybersecurity risk mitigation.

Going forward, the recommended best practice would be for the responsible contract administrators at the departmental level to follow-up to obtain the relevant documentation from the TPSPs, and forward the documents to the IT Department which would be responsible for technical reviews of the annual attestations/reports of compliance for the PCI assessments, and SOC 2 audit reports.

**Implementing the Audit Recommendations Would Reduce the Risk Rating to Low (Green). As of 2/28/2020 both recommendations were implemented.**

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|---|--|
|  | <p><b>2. Ad Valorem Tax - Homestead Exemption Eligibility Review - Review of Utilities for COPB Residences Compared to Broward County Homesteaders - 335 Properties<br/>Tax Roll Valuation is \$14,000,000</b></p> |
|---|--|

**Summary and Background**


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

**Results**

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

The City Manager contacted the BCPA Office, and transmitted the file to BCPA Office for further review of possible discrepancies.



3.  **Strategic Plan: External Audit Assistance in FY20 re: FY19 Single Audit: Expenditures of \$2.4 Million - Public Assistance Grants (Hurricane Irma Federal Project), \$2 Million - Wastewater Treatment Facility Construction (State Project), and \$436,000 Voluntary Cleanup Tax Credit (VCTC) Program (State Project), and NW Community Redevelopment District Fund Expenditures of \$7.8 Million - Total \$12.6 Million**

### **Summary and Background**

Each year as part of the City's agreement with the External Auditors, Internal Audit (IA) provides 100 hours of assistance and contribution during the Single Audit for the Fiscal Year (FY). In FY20 Internal Audit staff provided annual assistance to external auditors for their FY19 audit and review of Federal Awards and State Grants Financial Assistance. Understanding and documenting entity, identifying risks for Federal and State grants as well as testing the controls for compliance was accomplished.

### **Results: Risk Rating – Low (Green)**

Low (Green) risk rating was assigned for complying during FY 19 Federal Awards and State Grants Financial Assistance.

### **Conclusion**

Both State and Federal programs were in full compliance.

### **Scope and Objective**

- For the Federal U.S. Department of Homeland Security Pass through Florida Division of Emergency Management Public Assistance Grants – Hurricane Irma, \$2.4 Million of expenditures were vouched for compliance and effectiveness of controls.
- For the State of Florida Department of Environmental Protection Wastewater Treatment Facility Construction Statewide Surface Water Restoration and Wastewater Projects, \$2 Million of State Financial Assistance was tested and vouched.
- For State of Florida Department of Environmental Protection Voluntary Cleanup Tax Credit (VCTC) Program, \$436,000 of expenditures were tested for compliance and vouched.
- For the NW Community Redevelopment District Fund, \$7.8 Million was tested for expenditure compliance. This amount was tied to a detail fund of expenditures for the year and selections were vouched.

### **Standards**

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


### **Findings**

There were no findings.

### **Recommendation(s)**

None required/necessary.

Internal discussions were held to consider some improvements in the reporting process and documentation, and how to increase automation given the new paperless system that has been acquired.

4.  **Strategic Plan 3.1.6: External Audit Assistance in FY19 re: FY18 Single Audit: Expenditures of \$444,584 - Home Investment Program, \$370,189 - Firefighters Grant Program (Federal Projects), \$670,680 - Statewide Surface Water Restoration and Wastewater Projects (State), and East CRA District Fund (Community Redevelopment Agency, \$4.238M) – Total \$5.8 Million**

#### **Summary and Background**

Each year as part of the City's agreement with the External Auditors, Internal Audit (IA) provides 100 hours of assistance and contribution during the Single Audit for the Fiscal Year (FY). In FY19 Internal Audit staff provided annual assistance to external auditors for their FY18 audit and review of Federal Awards and State Grants Financial Assistance. Understanding and documenting entity, identifying risks for Federal and State grants as well as testing the controls for compliance was accomplished.

#### **Results: Risk Rating – Low (Green)**

Low (Green) risk rating was assigned for complying during FY 18 Federal Awards and State Grants Financial Assistance.

#### **Conclusion**

Both State and Federal programs were in full compliance.

#### **Scope and Objective**

- For the Federal U.S. Department of Housing and Urban Development Home Investment Partnership Program, \$444,584 of expenditures were vouched for compliance and effectiveness of controls;
- For the Federal U.S. Department of Homeland Security Pass through Florida Division of Emergency Management Assistance of Firefighters Grant Program and Pass through of Sunrise, \$370,189 of expenditures were vouched for Contractor Grants and Sub Recipients;
- For the State of Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects, \$670,680 of expenditures were tested and vouched;
- For the East Community Redevelopment District Fund, \$4.329 Million was tested for expenditure compliance and a budgetary analysis was completed. This amount was tied to a detail fund of expenditures for the year and selections were vouched.

#### **Standards**

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

#### **Findings**

There were no findings.

#### **Recommendation(s)**

None required/necessary.

Internal discussions were held to consider some improvements in the reporting process and documentation, and how to increase automation given the new paperless system that has been acquired.

**5.  Parks and Recreation Department and Cultural Affairs Department (CAC-PAC): Technical Assistance for 54 License or Service Agreements/Contracts – (\$3,297,110 – February 2019 through February 2020)**

**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 enhance internal controls. During the year, City departments request technical assistance and guidance is provided.

The Internal Audit reviews and guidance benefit, and protect the City's interest by assessing the daily operations of the Contractors, Licensees or Service Providers. The reviews contribute by assisting City Departments, and protect the City with controls and compliance. Language revisions for agreements/contracts are recommended as needed for each draft before it is finalized and placed on the City Commission Meeting Agenda. Recommendations are made for policies and procedures which may include 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 54 City License or Service agreements/contracts.

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

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

**Standards**

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

A full list of the 54 License or Service Agreements/contracts reviewed is available on request.

**6.  Technical Assistance - Finance - JP Morgan & Paymentech 5-Year Agreement for Merchant Payment Card Processing Services - Ordinance #2019-55 - \$31,000**

**Technical Assistance**

Technical Assistance was given on the review of the JP Morgan & Paymentech 5 Year Agreement for Merchant Payment Card Processing Services for the City. Fiscal impact will be \$31,000 annually.

JP Morgan Chase Bank was selected to provide the City's general banking services through issuance of RFP H-63-13 and Paymentech LLC is authorized through JP Morgan Chase Bank to handle the City's merchant credit card payment processing. Ordinance# 2019-55 was passed on 4/9/19.

**Prior Audit Follow Up – Additional Detail**

**1.  Strategic Plan 3.6.1 FY19 – Perform Requested Audits within the Desired Due Date: Audit of 2018 Ad Valorem Real Property Tax Roll (FY 19 – Budgeted Property Tax Collections of \$75,131,162)**

**Follow Up Detail: Summary**

As part of the FY19 City's Strategic Plan for the Confidence Building Government objective, Internal Audit (IA) has performed a management-requested audit of the 2018 ad valorem real property tax roll – as prepared and maintained by the Broward County Property Appraiser (BCPA) for Pompano Beach. The audit evaluated the reasonableness of increases to the assessed values of real property based on building improvements communicated to the BCPA via permit data provided by the City of Pompano Beach (COPB) Development Services Department. In addition, an assessment was made of the propriety of low-income senior resident (LISR) and long-term LISR additional homestead exemptions, as well as full tax exemptions for non-profit organizations (other than educational institutions), granted by the BCPA – using established criteria - on real property within the City.

**Background**

Once a month, COPB Development Services electronically submits information regarding all building permits issued or closed during the prior month to the BCPA. According to the BCPA, only those closed permits that affect the adjusted square footage or the extra feature value of real property would typically require a physical inspection for potential changes to the just/market and assessed values of the property. Examples would include closed permits for new construction, additions to existing buildings, and demolitions, which affect the adjusted square footage or the extra feature value of the property.

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

**Conclusion: Moderate (Yellow)**

Based on observations and tests performed, it is our opinion that permit information for building improvements within the City was generally being timely transmitted to, received, and processed by the BCPA, and the BCPA was using its computer-assisted mass appraisal (CAMA) system to derive reasonable increases to the assessed values of real property due to

the building improvements. However, we identified a technical exception regarding the BCPA's application of the LISR additional homestead exemption amount for qualified City residents pursuant to the COPB's Code of Ordinances Section 36.090 – *Additional Homestead Exemption* (Passed 9-23-14).

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

### **Scope and Objectives**

The scope and objectives of the ad valorem real property tax roll audit for 2018 were to determine whether:

- Appropriate permit information for building improvements within the COPB was timely transmitted to, received, and processed by the BCPA;
- Increases to assessable values of real property due to building improvements were reasonable; and,
- Real property tax exemptions authorized by the COPB's Code of Ordinances Section 36.090 - *Additional Homestead Exemption* (Passed 9-23-14) and Chapter 196, *Exemptions*, Florida Statutes, relating specifically to real property tax full exemptions for non-profit organizations (other than educational institutions), were appropriately granted by the BCPA on real property within the COPB.

### **Standards**

- Applicable Sections of Chapters 192, *Taxation: General Provisions*, 193, *Assessments*, and 196, *Exemptions*, Florida Statutes;
- COPB Code of Ordinances Section 36.090 *Additional Homestead Exemption*;
- COPB Adopted Operating Budgets for FY18 & FY19; and,
- The Florida Real Property Appraisal Guidelines.

### **Findings**

The BCPA was applying a LISR additional homestead exemption amount for properties owned by qualified City residents that differed from the amount specified in the COPB's Code of Ordinances Section 36.090 – *Additional Homestead Exemption*.

### **Recommendation(s)**

We recommend the City Manager's Office, in consultation with the City Attorney, take appropriate action to address the discrepancy between the BCPA's current application of a \$50,000 limit for the LISR additional homestead exemption on real properties owned by qualified City residents, and the \$25,000 LISR additional homestead exemption limit as stated in the current COPB Code of Ordinances Section 36.090 – *Additional Homestead Exemption*.

At the same time, housekeeping corrections should be completed to correct the ordinance language where needed.

### **Updated Follow up Status – February 2020**

Audit recommendation was implemented on 4/9/19 when the COPB City Commission passed Ordinance No. 2019-53 (Agenda Item 19-284) amending Section 36.090, *Additional Homestead Exemption*, in the Code of Ordinances, to increase the City's low-income senior homestead exemption from up to \$25k to up to \$50K for qualified City residents.

**2.  Strategic Plan 3.3.6: FY18 Audit of Revenues or Expenditures Greater Than \$500,000: Public Works – Solid Waste Management, Waste Management Inc. Contract (FY18 Division Budget \$6,787,961)**

### **Summary and Background**

As scheduled in FY18 City's Strategic Plan for the Confidence Building Government objective, and at the request of the Finance and Budget Departments, Internal Audit performed a revenue compliance audit of the Solid Waste Division. Waste Management Inc. (WM) provides residential and commercial customers with solid waste pick-up services. The City bills the residential customers directly, charging a \$1.25 billing fee. WM under a franchise contract with the City, bills the commercial customers and remits a franchise fee, to the City, depending on the type of pickup and number of times services are rendered per week. Solid waste (trash) disposal for residential customers was not in scope for this audit, nor were the Division expenditures.

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

An overall low or green risk rating was assigned to the audit results.

### **Conclusion**

Based on the tests completed, WM remitted the appropriate franchise fees, in the right amounts at the right time during the period under review, except for approximately a total of \$76,000 that was over paid over the period March 2016 through September 2018. The overpayment was due to misclassification of the size of container for one specific service – Cans/Toters.

The Finance Office posted the amounts to the appropriate accounts in the general ledger. The amounts were timely, and posted in the months they were received, in accordance with the contract terms.

The City (Solid Waste) and WM have established a process for reviewing the monthly payments once a month in a face to face, or conference call meeting. Potentially unusual franchise fees remitted to the City, or issues raised by the City and/or WM, are discussed at the meeting; and the meeting notes/minutes are now documented in the spreadsheet file presented to the City, as support for the remitted amounts.

The billing fee (\$1.25), charged to residential customers and collected by the City, is appropriately and consistently billed and posted to a specific general ledger account.

### **Scope and Objectives**

The objective was to verify whether the appropriate franchise fees (from WM) per the Agreement were remitted to the City, on time, and appropriately in accordance with the contract terms, and that the revenues were posted to the appropriate accounts.

For this audit, records/reports for FY 2017 and 2018 were reviewed and tested, on a sample basis.

### **Standards**

- Waste Management Inc. Contract and Ordinance 2019:14 - effective March 2016, expires September 2022;
- City Ordinance Chapter 96: Health and Safety;

- City’s Administrative Policies and Procedures; and
- City of Pompano Beach Adopted Operating Budget (FY17 and FY18).

**Recommendation(s)**

1. Maintain the new process of announcing rate changes, without the need for City Commission approval, in time for WM to inform its customers when the new rates take effect, i.e. the rates should be officially published in September for WM to announce the new rates, and have them reflected in the October 1<sup>st</sup> bill.

The solicitation for a new provider, or the extension of the current contract, should start, at the latest, by the end of 2021, to allow for enough time to have a contract in place by the end of the current contract.

2. After some discussion with the Contract Analyst II at WM, who is exclusively assigned to the City’s account, a new process was implemented. Previously, more than one WM employee handled the spreadsheets sent to the City. Also, the WM staff member mentioned that WM is planning to replace the old system within the next three years. Most likely, the old system will still be in use throughout the contract period. The new system would not rely on Excel spreadsheets to calculate and report City franchise fees resulting in more accurate reports.


The WM/City Management meeting should continue at the convenience of both parties, i.e. as long as the need still exists; there has been discussion to set them for every other month, with the option to go back to monthly if the need arises.

The City and WM should negotiate the means and timing of resolving the \$76,000 amount mentioned in the report.

**Updated Follow Up Status – February 2020**

At the September 24<sup>th</sup>, and October 7<sup>th</sup>, 2019 City Commission meetings, the commission formally amended the Ordinance as it pertains to announcing the annual rate change; the annual rate change will no longer require City Commission approval.

Waste Management has agreed to provide monthly reports pertaining to reviews to the City. This report is now prepared by one individual, therefore eliminating variances presented by having multiple authors of the report. Waste Management will continue plans on implementing the new reporting system by 2022-23.

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

**Follow Up Detail: Status for Recommendations #1 through #11 as of February 2020**

Implementing The 11 Audit Recommendations Below Would Reduce the Risk Rating to Low (Green). Management Agrees and ten (10) Recommendations Will Be Implemented. One (1) Recommendation is to be enforced by individual department(s). There are 6 remaining recommendations to be implemented in 2020 by Public Works – Fleet Division.

**Recommendation #1 – Implementation date extended to 5/28/2020**

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

**Recommendation #2 – Implemented March 2020**

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

All six (6) of the City's fuel pumps are being replaced in March 2020. The fuel tracking system (TRAC) will be replaced in April after pumps have been accepted.

**Recommendation #3 – Implemented 3/31/2019**

A regular process to review the data for errors, the title of the responsible Department/Organization staff assigned for the review, and when/timing to do it, should be created, as part of the normal operations. Such data review should be appropriately documented and the records retained as required by the State of Florida Records Retention schedule.

Before and during the systems upgrade process, due regard should be given to acquiring systems that are compatible, with data transfer seamless from one system to another, or in this case, one that can handle fleet and fuel management within the same system.

With respect to FASTER reports, especially the "Cost Centers Results" (repairs and maintenance costs by department), more data points should be added to the report, to provide more insight into year to year changes. The data points to be added are: number of vehicles maintained, numbers of work orders generated, and completed.

**Recommendation #4 – Implemented January 2018**

The Fleet Manager and shop supervisor should record the respective time they spend, on the shop floor, repairing a specific asset, i.e. all costs related to repairing/maintaining an asset should be recorded to the respective asset, in order to provide an accurate record for the asset.

**Recommendation #5 – Implemented 9/30/2018**

Since the specific use of an asset/a vehicle is determined by the user Department Head, each Department should make the effort to set utilization goals. At the end of the fiscal year, each Department should review the use of its assigned vehicles, and the results should be shared with other Departments, especially the Fleet Division. Those goals are essential in the overall City Fleet planning and management processes especially for the City Budget, and for the efficient use of available resources in the car pool.

**Recommendation #6 – Discussed in City Manager's meeting in March 2020; Department Heads reminded of their responsibility on the matter**

Since it is City policy, and State law, to fasten seat belts when driving and/or operating City vehicles, the supervisors responsible for the drivers, in the respective Departments, should complete some basic policy compliance training for each driver, document their process, and



the subsequent results. City vehicle drivers should be reminded by their supervisors of their individual responsibility while driving/operating City vehicles, and the related consequences of failure to comply – as stipulated in City policy; such reminders should be acknowledged and documented.

Formal introductory training should be provided by Management, and completed by City vehicle drivers, with written acknowledgement of receiving and understanding the drivers' respective responsibilities. A safety check list (document) should be included with the training and should be reviewed (if needed) each morning prior to driving a City vehicle. Acknowledgement of the policy should be a regular task at the annual performance review.

**Recommendation #7 – New implementation date set for 5/30/20 after the new pumps and related systems have been installed**

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

**Recommendation #8 – Implemented 3/30/19**

An effective process should be developed to make sure the asset histories for assets transferred between Departments are maintained. This may require a manual process for documenting in the old and new Department's vehicle record, that the vehicle has been transferred.

To improve vehicle identification between FASTER and Naviline (Finance system), the property control number, assigned by Finance should be included in FASTER to maintain the link between FASTER and Naviline.

**Recommendation #9 – Implemented week of March 9, and tracking system will follow in April 2020**

Consider replacing TRAC with a new system that is compatible with FASTER, where there will be minimal manual data transfer, less reliance on manual input, and sufficient customer service to support the system. See related comment in Recommendation #2.

**Recommendation #10 – will be implemented (April 2020) with the installation of new pumps and related tracking systems**

Users should use only one meter, e.g. miles, kilometers, or hours, not all three for the same vehicle, when recording fuel pumped, or distance driven. Clear instructions and subsequent reminders should be provided to the users in order to maintain the consistency and integrity of the data collected. Unless there is an overriding need, the "meter" established by the Fleet Division should be the only meter used on a specific vehicle. Per Management response, the new fuel tracking software will allow the fleet manager to establish one meter that is unique to the vehicle so data integrity is maintained.

**Recommendation #11 – Implemented date re-set for 5/30/20.** A policy will be written and implemented using several factors, such as: purchase price of vehicle, when vehicle is scheduled for replacement, uniqueness of vehicle’s purpose, other vehicles coming out of service that might serve as a substitute

Any repairs of more than \$10,000 for an asset that has an original cost of not more than \$50,000 should be approved by the Department Head and the approval documented and justified.

**Section III. Current and Future Projects**

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

Internal Audit will conduct this audit in FY20/FY21 to verify the processes and controls in place to reduce and manage the risks related to cloud computing and/or cybersecurity.

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

In FY19 the City took on the responsibility of running the Cultural Arts Center (CAC) as an Independent Department of the City. The Cultural Arts Center has been utilizing ticketing software Theatre Management. CAC will now move to Ticketmaster for the control of ticketing of events. Internal Audit has already been involved in the first meeting for discussion of implementation.

**3.  G. O. Bonds Projects**

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

**4.  Revenue of Expenditures over \$500,000 – Parks and Recreation Festival Agreement Review of In-Kind Benefits**

Future Review of Financial Reports for Festival Agreements: Gridiron Grill-Off Food and Wine Festival, Brazilian Festival (LS Events) & Seafood Festival.

Internal Audit (IA) review will include primarily applying analytical procedures to evaluate the Licensee’s or Contractor’s financial data and making inquiries of company’s financial recordkeeping and management as well as review of procedures for controls over revenue or expenses.

**5.  Federal and State Grants Audit – External Auditor Assistance re: FY20**

Internal Audit annually assists the external in the auditing of select Federal and State grants as part of the annual audit (Single Audit).

**6.  Long Term Debt Compliance Audit - \$147,356,708**

The City regularly pays principal and interest on its long term debt instruments. All debt instruments have debt covenants that require the City to pay principal and interest at certain/specific dates, and may require performance of specific tasks related to those debt instruments.

**7.  Local Business Program – Performance Review and Update (2019)**

In March 2018 the City passed an ordinance encouraging the City to make an effort to include local vendors in its bidding and award process, especially in the G.O. Bonds project.

**8.  Purchase Card (PCARD) Program – Performance Review for the Year Ended 2019 - \$2,311,824**

The City issues, and employees use purchase (credit) cards to buy goods and services in the routine performance of their respective duties.