Attachment 1

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	Recommendation Implemented	Recommendation Not implemented	Follow-Up	Project $	Page #
1	Strategic Plan 6.2.3.: FY16 Information Technology (IT) Cloud Computing Services Contracts – Sampled Agreements Activity of $ 9.3 million	Yellow	Low	6	6	1	0	5	$9,300,000	6
2	Strategic Plan 3.1.6: FY15 External Audit Assistance: FY15 Single Audit $3.4 Million of Federal awards and $801,336 of State awards	Low	Low	N/A	N/A	N/A	N/A	N/A	$4,200,000	8
3	Strategic Plan 3.6.1.: Management Requests: Perform requested audits – Contracts from FY14 to FY16 for Pompano Beach Arts and Bailey Arts Cultural Center: compliance review of Pompano Beach Arts Operations	High	Low	20	18	18	0	0	$2,385,000	9
4	Strategic Plan 6.2.3.: FY15 Information Technology (IT) Security and Controls Audit – IT Operating Budget of $2.2 Million	Low	Low	4	4	4	0	0	$2,200,000	12
5	Parks and Recreation Technical Assistance - FY 16 for 24 Agreements from 10/15 – 11/16	Low	Low	0	0	0	0	0	$1,831,366	14
6	Finance Technical Assistance – RFP Selection Evaluation Committee for External Audit Contract	Low	Low	N/A	N/A	N/A	N/A	N/A	$630,042	15
7	Technical Assistance to City Attorney for review of audit language for Development Agreement, Parcel E Ground Lease with Pompano Pier Associates, LLC	Low	Low	0	0	0	0	0	$0	15
7	**Total # Completed Projects – Total Project Dollars**			**30**	**28**	**23**	**0**	**5**	**$20,546,408**	**1-15**

Attachment 1

B. Prior Audit Follow-up

#	Project Title • Pending Corrective Actions	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
1	Strategic Plan 2.5.1 - FY15 Standard Operating Procedures of Engineering Division: CIP Expenditures of $36 million for FY10 to 8/14	Low	12	1	1 outstanding was followed-up with an anticipated 8 recommendations were to be implemented. 7 of the 8 are implemented • Implemented 1/16: Written Policies & Procedures to be updated • Implemented 4/16: Complete electronic document support for project files with a project close out checklist • Backlog existed for completed projects to be transferred to City Clerk's Software for file storage – Target completion date of 7/16 to transfer all project files to the City Clerk's system was not met; the latest anticipated completion date is 1/17 – six boxes remain to be processed. Further follow up is scheduled in 2/17 for the one outstanding recommendation (file transfer to City Clerk's Software). • Implemented 4/16: CIP Project centralized database for key summary information to be created • Implemented 1/15: Additional Change Order Training • Implemented 11/15: Compliance with City Policy for Change Orders – with City Administrative Policy 905.88 titled Construction Change Order and Contingency Usage and Approved at 11/10/2015 City Commission Meeting • Implemented 1/16: Timely documentation and

Attachment 1

#	Project Title • Pending Corrective Actions	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
					justification for changes to design, scope material or labor costs and/or substitutions • Implemented 4/16: Formal evaluation of consultants/contractors after project completion.
2	Strategic Plan 3.6.1 FY15: $300,000 Change Order For City Hall Third Floor Renovation Project	Low	11	7	Seven recommendations were implemented by 3/16. • City should review change order policy and update dollar thresholds • Train Civil Engineers, Project Managers, Construction Managers, Purchasing Staff, and Department Heads regarding future changes order policy to promote compliance • Document completion of training by having the respective parties formally sign training forms • Existing Engineering/CIP policies and procedures should be transferred, completed, and updated due to Department re-organization • New CIP and Utilities CIP divisions should create new policies regarding the assignment of Civil Engineers, Project Managers, and Construction Managers or sole assignment of Construction Managers to projects • Written policies and procedures should be created by General Services Director for future use of job costing contracts through national purchasing cooperatives including NJPA • Written policies and procedures should be created for timely monitoring of contract construction days.

Attachment 1

#	Project Title • Pending Corrective Actions	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
3	Strategic Plan 2.5.1 FY14 Standard Operating Policies/Procedures: Parks, Recreation & Cultural Arts Department: FY15 Annual Revenues of $1.2 Million	Low	23	1	1 outstanding recommendation was implemented for tennis court reservation module policies and procedures in 10/15.
4	Strategic Plan 6.2.3 FY14 Information Technology (IT) Security Audit - Software Systems - Physical Security Controls and Back-Up, Transactions of $2,900,000	Low	9	2	2 outstanding recommendations were followed up in 3/15 with target implementation estimated by end of first quarter of 2016 (1) EOC Electronic Badge, (2) EOC Wiring & Locks by IT. Utilities CIP project implementing recommendation was completed and the two recommendations were implemented by 10/16.
5	Follow Up: Controls on E-Payables Implementation of Electronic Funds Transfer Payment To Vendors for FY12-14 of $427,000	Low	4	1	1 outstanding recommendation was still being considered. Given the low acceptance of the E-Payables program by City's vendors, Finance management should analyze additional work load for payments to determine if the program should be continued. • Recommendation was not implemented. The E-payables program was discontinued during process of new bank transition and was effective 5/16/2014. Since transition to JP Morgan Chase, Finance Department is now reconsidering the potential future use of E-Payables. E-Payables is one of Finance's Lean Six Sigma (LSS) projects. Program is still on hold until conversion to Paperless Account Payable is completed.
6	Backflow Solutions Inc. (BSI) Online Subscription Agreement: Reported Revenues, Vendor Data and Code Compliance - $72,000	Low	5	1	1 outstanding recommendation was implemented in 3/16 with the completion of the BSI Backflow Documentation Procedures Manual (SOP Policies and Procedures) were updated, approved and signed by March 2016.

Attachment 1

#	Project Title • Pending Corrective Actions	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
6	**Prior Follow-Up Recommendations**		**64**	**13**	**$40,899,000**

C. Current and Future Audit Projects – Risk Ratings To Be Determined

#	Project Title	Project $	Page #
1	Strategic Plan 3.3.6.: FY16 Revenue Recovery –Perform an audit every two (2) years on revenue valued over $.5M to ensure appropriate remittance to the City. Communications Service Tax revenues was selected for the project.	**$7,000,000**	**16**
1	**Current / Future Total # Projects & Dollars**	**$7,000,000**	**16**
13	**Total all work Projects & Dollars**	**$68,445,408**	**1-16**

Section II. Summary Detail - Completed Projects

1. Strategic Plan 6.2.3: FY16 Information Technology (IT) Cloud Computing Services Contracts – Four Sampled Agreements Annual Activity of $9.3 Million

Summary

As scheduled in FY16 City's Strategic Plan for the Confidence Building Government objective, Internal Audit performed an IT control and security audit of selected computerized systems. We audited four selected contracts for Cloud Computing Services. These four selected agreements were initiated or in effect between 1/15 and 5/16. The estimated number of cloud computing services agreements was 17. Internal Audit staff audited four of these 17 agreements or 24%.

A moderate or yellow risk rating was assigned to the decentralized, informal process for the acquisition and management of Cloud Computing contracts. The City did not have a policy to provide the necessary technical knowledge to adequately perform due diligence reviews of available audit reports by independent certified public accountants on controls for cloud software and/or cloud data centers. These reports are known as Service Organization Controls 2 (SOC 2) reports, which provide audit opinions in conformance with auditing standards of the American Institute of Certified Public Accountants (AICPA).

Six findings and six recommendations were made for implementation of a Citywide policy, assign a single point of contact for Cloud Computing contracts to the IT Department, recommend a due diligence review of available audit reports, implement best practices and purchase cyber-security insurance. Implementation of audit recommendations would reduce the risk rating to low or green. Five recommendations of six audit recommendations will be fully implemented and one recommendation will be partially implemented by a target date of 3/17.

"Cloud computing" services replace and outsource City computing resources through contracts with vendors (providers) and sub-contractors (sub-providers). Services are provided in the cloud (vendors' physical locations) through the internet. Cloud Services include communication networks, hardware, software, data centers, storage and retrieval of City data.

Background

The IT Department is responsible for providing information processing services for the City. For FY16, the IT Department had an annual budget of $2.2 million. However, acquisition and management of Cloud Computing services was decentralized with primary responsibility exercised by City departments with limited participation by the IT Department. There was no consistency in practices, and reviews by City departments were limited and inconsistent.

Scope

The scope of the audit was to sample four Cloud Computing contracts for:

- How City Departments acquired and managed Cloud Computing services;
- How the Departments minimize the known risks;
- Existing City wide policies governing the acquisition/use of cloud computing services;
- Compliance with applicable Federal, State, and/or Industry Standards.

The four Cloud Computing contracts that were sampled are:

1. Lobbyists Tracking System (LTS) used by City Clerk staff to manage lobbyist records for compliance with State ethics regulations. LTS had 68 users reporting contacts with the City Commission.

2. Work Order Management System (WO-MS) used by Public Works staff for facilities management and work orders. As of 7/16, WO-MS had recorded 10,300 work orders for approximately $2.8 million.
3. Electronic Bidding System (EBS) used by Purchasing staff to manage City bids. As of 7/16, EBS had 1,700 registered users and 800 bidders with posted bids for approximately $6.5 million.
4. Job Application/Employee Evaluation System (JA/EE-S) used by Human Resources staff for job applications' management, and will be used in the future for employee performance evaluations. As of 7/16, JA/EE-S had estimated use of 6,300 people.

Standards

- AICPA Trusted Service Principles and Audit Reports for Service Organization Controls over software and/or data processing centers
- City's General IT Policy and Procedures Manual
- Cloud Standards Consumer Council, used as a reference for "industry standard" and best practices

Overall Conclusion - Risk Rating: Yellow (Moderate)

The overall risk rating for the audit is yellow (moderate). This rating was assigned as key controls weaknesses existed. The informal, decentralized process for acquisition and management of Cloud Computing contracts did not demonstrate the exercise of due diligence.

Results: 6 Findings Resulted in an Overall Risk Rating of Yellow (Moderate)

1. Each City Department decided how to acquire and manage Cloud Computing services. Sampled agreements did not fully protect the city from Cloud Computing risks. Inconsistent contract structure failed to provide appropriate protection to the city. Inadequate records retention provisions may impair compliance with state of Florida statute 119, regarding public records.
2. Due to limited knowledge, software and/or data center SOC 2 reports were not requested by departments before signing Cloud Computing agreements. The City did not have the necessary assurance that controls were designed properly to mitigate risks. SOC 2 reports provide audit opinions by independent certified public accountants on controls over outsourced software and/or data processing centers. Internal Audit staff subsequently reviewed available SOC 2 reports which had unqualified opinions.
3. A single point of contact within the City did not exist for technical guidance. The IT Department was not held primarily responsible for providing technical assistance of outsourced Cloud Computing services contracts and was not requested to approve cloud contracts.
4. The IT Policy and Procedures Manual did not cover a citywide policy for outsourced Cloud Computing services contracts.
5. City Departments had not considered purchase of cyber security insurance by Risk Management Division. Thus, the City was not insured for Cloud Computing related risks. The number of cloud service agreements within the City was unknown, as an inventory did not exist.
6. Review by the Risk Management Division was not required for Cloud computing contracts.

Implementing Six Audit Recommendations Would Reduce The Risk Rating To Low (Green). Five Recommendations Were Implemented; One Will Be Partially Implemented By 3/17

1. At the next renewal or extension date for existing Contracts, the IT Department, the City Attorney's Office, and respective City Departments should amend existing agreements to

insert provisions to correct identified deficiencies. Provisions for future contracts should be consistently structured.

2. Before entering Cloud Computing contracts and throughout contract term, available periodic SOC 2 reports should be requested and reviewed by IT staff. SOC 2 reports should be provided for Cloud Computing data processing centers, and when possible the Cloud Computing software, if the providers are different. The contract management system should be used to track requests for and document review of available SOC 2 reports.
3. A single point of contact within the City should exist to provide technical IT assistance by the IT Department. During the due diligence review of potential cloud service vendors, the IT Department should be responsible for developing, implementing, documenting and evaluating technical questions prior to entering into City contracts. IT staff must approve all hardware and software purchases including all Cloud Computing services purchases.
4. The current IT Policy and Procedures Manual should be revised/enhanced to accommodate cloud computing services guidelines including its role of single point of contact for technical assistance and evaluation of available SOC 2 reports during the initial evaluation stage of vendors and periodically throughout the contract term. All City departments should be notified of this policy enhancement.
5. Given potential risks of Cloud Computing services contracts, cyber security insurance should be purchased by Risk Management Division. An annual application should be completed for cyber security insurance. These contracts should be classified in the contract management system by user departments as a contract type "Cloud Based Software", to provide an inventory of cloud computing contracts.
6. As part of the City's due diligence process for Cloud Computing contracts, the Risk Management Division should review and approve all Cloud Computing contracts prior to signing the contracts to ensure standard provisions have been included. Provisions should include indemnification, cyber security, disaster recovery, and continuity of records retention during contract and renewal periods.

2. Strategic Plan 3.1.6: FY15 External Audit Assistance: Single Audit $4.2 Million of Federal and State awards

Summary and Scope

Internal Audit staff provided annual assistance to external auditors for their FY15 audit. Controls were tested or questionnaires prepared for Federal and State grants programs.

Standards

- State and Federal program requirements

Results-low (green) risk rating for compliant CDBG, NSP, SHIP programs & CAPER Report.

- For CDBG, NSP, Aviation and U. S. Department of Justice Federal awards, compliance tests were performed. Payments complied with controls and regulations, $2.5 million or 72% of $3.4 million in Federal expenditures were vouched
- Consolidated Annual Performance Evaluation Report (CAPER) for FY15 was timely filed by HUD deadline of 12/15. Of $2,784,330 in CDBG resources, expenditures excluding section 108 repayments were $1,174,134 with unexpended balance of $1,610,196
- Immaterial differences of less than 1% resulted from vouching cumulative Federal drawdowns of $968,956 and current year Federal drawdown reimbursements of

$960,826. Immaterial differences resulted from comparison of the FY14 CAPER reported expenditures to City's general ledger

- For SHIP State award, compliance tests were performed. Payment complied with controls and regulations, $356,268 or 44% of $801,336 in state expenditures were vouched
- The SHIP annual report was timely filed on 8/15 to comply with the State's deadline of 9/15
- For SHIP State award, Statute's minimum of 65% for homeownership and 75% for homeownership/construction were met by comparing total available funds to State distribution trust funds

3. Strategic Plan 3.6.1: Management Requests - Perform requested audits – Contracts from FY14 to FY16 for Pompano Beach Arts (PBA) and Bailey Cultural Arts Center (BaCA) for $2.385M

Summary

From 2/14 through 9/16, the City and/or the Pompano Beach Community Redevelopment Authority (PBCRA) contracted with Creative City Collaborative Inc. (CCC) for Pompano Beach Arts (PBA) and Bailey Cultural Center Activities (BaCA) operations. Contracts were with CCC for PBA or BaCA through 9/15 while the FY16 contract for PBA operations only was with Creative City Collaborative of Pompano Beach (CCCPB). Per an internal audit recommendation, CCCPB became a separate organization for PBA operations to promote internal controls. Contractual payments to CCC or CCCPB totaled $2.385 million with $1,907,252 for PBA operations and $478,258 for BaCA operations from 2/14 through 9/16. On 9/27/16, the City Commission approved a first amendment to the FY16 contract with CCCPB for PBA operations through 12/16 for a City contribution of $563,188.

On 2/3/16, the City Manager requested that the Internal Auditor, Finance Director, and Recreation Programs Administrator review the 2014 Management Letter Comments (MLC) and audited statements for Creative City Collaborative Inc. (CCC). Given the 10 material control weaknesses for FY14, Internal Audit staff performed a compliance review of PBA operations.

Based on our review of FY15 and FY16 operations, 20 audit findings and 18 recommendations were made. During FY16, City administration and City management implemented 18 audit recommendations and would be incorporated in a future contract.

Scope and Objective

1. Non-audited monthly financial statements for fiscal year 2015 through 2/16
2. Contract compliance for remittances payable to the Foundation for the guaranteed $3 ticket surcharge and 10% concession from CCC's sub-contractor, PCI
3. Evaluation of gross revenues, programming expenses, net profit (loss), ticket surcharge revenues for Amphitheater events shown on CCC's The AMP Report (AMP Report).

Standards

1. FY14 and FY15 Audited Financial Statements and Management Letter Comments
2. City's contracts for PBA operations from 7/14 through 9/16
3. Food and Beverage Services and Concession Agreements
4. Internal Control and Accounting Procedures for PBA operations

Results: 20 Findings Resulted In High (Red) Rating. 18 Recommendations Were Made To Reduce Risk to a Low Or Green Rating. 18 Recommendations Were Implemented during FY16. All Recommendations Will Be Implemented In A Future Contract

Findings

1. Prior FY14 and FY15 contracts with CCC allocated overhead and accounting costs to three separate operations including PBA and BaCA. In FY15, Internal Audit staff recommended that the City's FY16 contract be made with a corporation solely responsible for PBA operations.
2. Prior City contracts did not provide a penalty for late submission of required reports. History of late annual reports indicated that contractor was unable to complete reports within report deadline.
3. Prior contracts did not require support for monthly invoices; however, CCC provided detailed support for vendor checks and monthly invoices.
4. Prior contracts only required stand-alone monthly reports. Cumulative period reports on a monthly basis with liquidity and solvency ratios was not required. Therefore, the City did not have the big picture of cumulative net income (loss) on a monthly basis.
5. Monthly statements did not support cash and cumulative net income on the balance sheets as monthly statements were submitted before the end-of-month closing process. The need for an end-of-month and end-of-year closing process was a recommendation in the FY 14 management letter
6. Prior contracts did not require the submission of the AMP report on a monthly basis which gave a detailed and year-to-date revenues, expenses for each PBA event and all events. Event expenses occurred over many months and were reported on a cash basis on the AMP Report. Events expenses on unaudited financial statements were on an accrued basis and could be traced. The memo line on checks did not give the name and date of the PBA events to reconcile event expenses.
7. Non-compliance for reporting occurred in FY14 and FY15. Respectively audited statements were obtained 14 months and 9 months after due date. Unmodified (clean) audit opinions were issued. The FY14 management letter had ten material weaknesses. The FY15 management letter had seven comments with three material and three significant weaknesses and one deficiency. One material weakness was cured in FY16.
8. By 4/1/16, interim, unaudited financial statements and management letter for FY15 were reviewed by Internal Audit, Finance, Parks and Recreation staff. Five of the ten material weaknesses in the FY14 management letter were still reported. Statements for PBA operations did not show liquidity and solvency ratios to indicate ability to pay debt and sustain future operations.
9. Interim unaudited financial statements as of 4/1/16 for FY15 from CCC's independent CPA reported a material difference in budgeted and actual ticket sales of ($440,863) and a net loss of ($118,665) for PBA operations. As of 2/16, budgeted ticket sales for FY16 for PBA events was $1,354,800, and had not been updated to forecast ticket revenue for FY16.
10. Converted accounting data from 9/15 to 2/16 was provided by CCC to CCCPB which was reported to be corrupted. By 4/1/16, the City was required to provide notice for renewal for PBA operations for FY17. The City's timely notice specified two renewal requirements for FY17: employment of an accounting firm in FY16 and the City's evaluation of FY15 statements and management letter.
11. An incorrect due date of 1/1/16 was required for FY16 audited financial statements instead of the correct due date of 1/1/17. Prior contracts did not require submission of annual management letters.
12. The format of ticket reports was inconsistent. For sampled PBA events, a uniform audit trail did not exist to vouch bank deposits. Also, ticket reports did not provide adequate deposit

support for tiered ticket prices and ticket counts by sales channel. More tickets were sold than shown.

13. Non-compliance was found as CCC did not remit timely and consistently remit guaranteed ticket surcharges or PCI concession sales due the Foundation on a monthly basis. Instead, the revenues were retained.
14. For FY15, Internal Audit staff selected two sample PBA events to evaluate the accuracy and completeness of gross sales for tickets and concessions, event expenses, ticket surcharges on Revised the AMP Report. Detailed bank deposits for ticket sales could not be vouched for one event. Artists' payments were significantly less amounts due artists shown on invoices or contracts.
15. For one sampled event, a potential $1,000 overpayment was questioned as it exceeded the buy-out amount on the Artist's contract. Also, the cash bank of $1,000 for the event was combined with artist expenses.
16. From 2/15 through 8/15, the adequacy of selected, support documents was vouched to PBA bank statements. 72% or $32,726 of 45,177did not have adequate support.
17. In 3/16 after a bank account was opened for the PBA Foundation, CCC made a deposit for $8,921 directly to the Foundation bank account but supporting documentation was not provided.
18. For PBA events, CCC was required to keep summary and detailed ticket reports to the City but not required to submit ticket reports to support ticket sales and revenue due the foundation.
19. For 2 events in 11/15, concession deposits totaled $8,336 versus $7,332 in gross food and beverage sales as shown on the AMP Report, for a 12% or $1,004 difference.
20. A comparison of ticket surcharge and/or concession revenues on the Amp Report was made with Foundation Fee Payable on Balance Sheet of 1/16. Foundation expenses on the AMP Report were 3% lower.

Recommendations

1. The City's FY16 contract should be made with a corporation solely responsible for PBA operations. The City's FY16 contract was let with CCCPB which was only responsible for PBA operations.
2. Given prior non-compliance, future City contracts should provide a penalty for late submission of required reports and reconsider the due date of annual statements and the management letter.
3. For future contracts, City management should define documents to support for monthly invoices. The prior practice of submission of vendor invoices/artist contracts, labor distribution reports and other labor expense documents should be determined. An adequate audit trial must be retained.
4. City management should be provided unaudited financial statements after monthly and yearly closings on a stand-alone and cumulative period basis.
5. Monthly unaudited statements should be timely submitted after the end-of-month closing process and an end-of-year closing process.
6. A Monthly Event Report should be provided to give a detailed and summary of revenues, expenses and net profit/ (loss) for each event and all events within a reasonable time period. The name and event date should be shown on the memo line on checks to support event expenses.
7. City management should obtain the updated status of FY15 management comments.
8. For future audited financial statements, the independent CPA report provide liquidity and solvency ratios in the notes to the financial statements to measure ability to pay debt and sustain operations.

9. Given the disparity between budgeted tickets sales and reported ticket sales for FY15 per draft financial statements as of 4/1/16, PBA staff should revise projected ticket sales revenues for FY16.
10. For FY16, an outside accounting firm should be hired to assume accounting and reporting duties for PBA operations. City staff should evaluate FY15 statements and management letter on receipt.
11. For the FY16 contract, the due date of 1/1/16 for audited financial statements should have a due date of 1/1/17. Future contracts should be revised to require annual management letters.
12. The format of monthly ticket report should be standardized. Monthly ticket reports should provide adequate deposit support for tiered ticket prices and ticket counts by sales channel. Summary and detailed data on Ticketmaster reports conform to contract requirements, and provide ticket counts and prices to vouch bank deposits for gross and net ticket sales.
13. Foundation Fees payable of $46,210 as of 1/16 to be netted from the 1/16 PBA invoice. Routine and the timely submission of Ticketmaster report, the Monthly Report on a monthly basis should be done to support reported gross ticket sales, bank deposits and fees due the Foundation.
14. All artist contracts should be fully signed and executed by both parties, and multiple artist contracts or vendor invoices should not have conflicting invoiced or contract fees payable to Artists. A review process should ensure vendor invoices and contracts do not exceed actual payments.
15. Separate bank withdrawals and bank deposits should be made for cash bank for each event. Cash bank transaction should not be commingled with artist expenses or event deposits.
16. Adequate support should be provided to vouch expenses to PBA bank statements. Independent third party documents should be submitted for payroll processor and independent contractors.
17. Both the PBA Foundation Board and the City should be provided with adequate support for the deposits whenever the deposits are made.
18. Summary and detailed Ticketmaster reports should be routinely and timely submitted on a monthly basis to support ticket surcharges, concession sales due the Foundation.

4. Strategic Plan 6.2.3: FY15 Information Technology (IT) Security and Controls Audit – IT Operating Budget of $2.2 Million

Summary

As part of the City's Strategic Plan for FY15, Internal Audit committed to a strategic objective to perform an IT control and security audit annually. An audit of IT controls and security was started, but later rescheduled for FY15-16, due to a higher priority audit requested. IT Department has an operating budget of $2.2 million.

Scope

Internal Audit staff worked with IT and other departments to review the Identity and Access management processes relating to access to City Network(s). This audit included Naviline (Financial System) and review of security reports for network breaches.

The audit was done to evaluate:

- How Users (employees, contractors, and vendors) are granted access to the City's Network and Financial Systems (Naviline and AS400). Broward Sheriff's Office (BSO) personnel were not included

- How Users are denied or removed from access to the City's Network and Financial Systems (Naviline and AS400)
- The audit also included a review of how IT protects these systems, updates software/applications, manages systems security breaches, and other security related incidents. A security breach is associated with unauthorized access and/or use of data by unauthorized Users
- Compliance with Federal, State, and/or applicable Industry Standards

Standards

- City's General IT Policy
- State of Florida Information Technology Resource Security Policies and Standards, used as a reference for best practice
- Guide for Conducting Risk Assessments - National Institute of Standards and Technology (NIST Special Publication 800-30 Revision 1)

Results: Overall Conclusion - Risk Rating: Green (Low)

The overall risk rating for the audit is green (low). Based on the tests we completed there is minimal chance that a User can gain access to the Network, Naviline, or AS400 without authorization; the current controls seemed to be working as designed and intended.

- The policies related to logical access to the Network, Naviline and AS400 were adequate. The granting, revising, and removing of access processes have been managed effectively. Users were appropriately granted access or removed from access timely.
- Based on the sample reviewed, users of the Network, Naviline and AS400 were granted appropriate access.
- IT Department set a performance measure of less than 1% security breach as a goal for their City's Strategic Plan 6.2.1, to ensure information was securely maintained. The Department met that goal. The Summary and Status IT Report showed there were no data or security breaches reported before, during or after the audit period.
- The risk of unauthorized access to the Network, Naviline, and AS400 appears to be low; controls are working as designed.

Recommendations

1. The policy and process to grant, revise, and/or remove access is adequate, in the future consider the following enhancements to the overall IT policy because they are good business practices:
   a. Add a "Handling Security and Data Breach/Loss" or "Incident Response" section to incorporate State of Florida definition for Incident Response, and include appropriate/relevant language applicable to the City
   b. Add a section about "Security Training and Awareness" to incorporate State of Florida guidelines, and document current practice of individually training/orienting new Users one-on-one
   c. Add a section about "Risk Assessment" to incorporate State of Florida guidelines, and to document the current informal process/practice of assessing risk which is considered adequate for the City
2. Change the current title for the "Incident Response" section to "Requesting Computer (IT Department) Support" to appropriately match the section's intent and description. Use the title "Incident Response" in another section – as suggested in #1 above, in line with State guidelines, Industry practice, and good business practice.

3. Currently, IT on a weekly basis generates and reviews a "Failed Sign-On" report, and retains current calendar year copies. Include process in IT Policy document
4. Housekeeping tasks:
    a. Rename the "Security" section (section #4) of the current policy to "Granting, Changing, and Removing User Access", "Logical Security", or something similar.
    b. Rename the "Security Access Control" section of the current policy to "Physical Security Access Control", or something similar.

5. Parks, Recreation and Cultural Arts Department Agreements: Technical Assistance For 24 Projects - $1,831,366

Summary and Scope

Parks, Recreation and Cultural Arts Department (PRCAD) requested technical assistance from Internal Audit staff during the period of 10/15 through 10/16 for various draft agreements, projects and internal control processes. Internal Audit staff provides this technical assistance to protect the City interests.

Standards

- Records access controls and internal controls
- Financial recordkeeping and reporting
- Records retention

Results: A low (green) risk rating was assigned as language for audit/inspection rights, sales tax accounting, financial reporting and record retention are included per Internal Audit recommendations in each agreement.

Technical assistance was provided to Parks, Recreation and Cultural Arts Department. For PRCA, the Department Agreements, Internal Audit reviewed the following agreements:

1. Pyrotechnico of Florida, LLC - Yuletide Celebration
2. Pompano Baseball, Inc.
3. Eta Nu Education Foundation, Inc. (Black History Festival) Agreement FY16 (1 Year)
4. Broward Rugby Association, Inc. - Not For Profit
5. PBFC PAL Hammerheads, Inc. - Not For Profit
6. Russell Life Skills and Reading Foundation, Inc. - Not For Profit
7. National Flag Football Association, Inc. - Not For Profit
8. The Butler Group of South Florida, LLC (School Crossing Guard) Annual Term w Renewals
9. Bluewater Movements, Inc. - 3 Year Agreement
10. Pyrotecnico Fireworks, Inc. - July 4, 2016
11. Right Choice Vending/Coffee, LLC (previous P-Americas LLC)
12. Xpress Youth Development Institute, Inc.
13. Offerdahl's Handoff Foundation, Inc. - GridIron Grill Off Food and Wine Festival (3 Year Agreement)
14. Living Water Surf School, LLC
15. Hola Mundo!, LLC
16. Boucher Brothers Management Inc. - Beach Concessionaire (5 Year Agreement)
17. Pompano Steelers Booster Club, Inc.
18. Payless Swim, LLC (Aquatic Center Pro Shop)
19. Various License Agreements - Template for Non-Franchise & Franchise Agreements
20. Booster Club Agreement – Pompano Chiefs Football Team, Inc. - Concession Stand

21. Booster Club Agreement – Pompano Cowboys Booster Club, Inc. - Concession Stand
22. Booster Club Agreement – Pompano Beach Eagles, Inc. - Concession Stand
23. Embracing Team, Inc.
24. Creative City Collaborative of Pompano Beach, Inc. – agreement extension to 12/16

6. Finance Technical Assistance – RFP L-50-16 Selection Evaluation Committee for External Audit Contract - $630,042

Summary
Internal Audit was appointed to serve as a member of the Audit Selection/Evaluation Committee for RFP L-50-16 "Independent Auditing Services (Rebid)". The Deputy Internal Auditor was a voting member.

Scope
Six responses were received and reviewed for six firms: Alberni Caballero & Fierman LLP, Elie and Associates CPA LLC, GLSC & Company PLLC, Marcum LLP, Moore Stephens Lovelace PA, and RSM US LLP.

Standards
Rating criteria and percentages used by the evaluation committee for the six was specified in RFPL-50-16 which were shown below:

- The firm's past experience and performance as principal auditors in local government engagements
- The quality of the firm's professional personnel assigned to the engagement
- Adequacy of proposed staffing plan for various segments of the engagement
- Adequacy of the overall audit plan for the engagement
- Location, accessibility of the firm (inclusive of availability of additional audit resources in tri-county area Broward, Miami-Dade, Palm Beach)

Results and committee recommendation
Oral presentations were not considered necessary by the evaluation committee. The combined scores by the ranking committee ranged from 209 to 377. The evaluation committee had recommended awarding the contract to RSM US LLP to the top ranked firm. On 9/27/16, the evaluation committee's recommendation was presented to the City Commission who tabled the recommendation due to the close numeric ranking of the top three firms and questions on a mandatory auditor rotation policy. The City Commission requested the Finance Director to provide Commission minutes for the award of the prior contract to determine if the City had a mandatory auditor rotation policy. On 10/10/16, the Finance Director provided prior Commission minutes which showed that no policy existed. Consequently, the City Commission approved a mandatory auditor rotation policy and also awarded the audit contract for the next five years to Marcum L.L. P.

7. City Attorney: Technical Assistance for Development Agreement

Summary and Results
At request of City Attorney, technical assistance was performed to review records retention, availability of records and City's right to audit language for the second amendment to the amended and restated Development Agreement for Parcel E Ground Lease. This review was accomplished, more robust language was added which adds better protections for City interest. City Commission approved Ordinance 2016-57 on April 22, 2016

Section III. Current and Future Projects

1. Strategic Plan 3.3.6: Perform an audit every two (2) years on revenue valued over $.5M to ensure appropriate remittance to the City. Communications Service Tax (CST) revenues was selected for the project - $7,000,000

Significant progress has been made on the audit project which has been on-going in FY16. The focus of the audit project was to identify large payment providers which paid substantial payments to neighboring, abutting jurisdictions but paid small or no payments to the City. The audit period covered 19 months from FY08 through FY15. The City received $7,000,000 from all providers during these 19 months.

- By request of Finance Director, Internal Audit staff has been performing a review of CST remittances during FY 16. The request was made in 5/14 after the Finance Director was notified of a $1.5 million annual adjustment for 2014. This $1.5 million adjustment was to be paid over three years from one large provider and resulted from a State audit.
- Internal Audit staff found the $1.5 million adjustment was timely remitted via monthly payments as scheduled.
- To perform this review of CST revenues, a new confidentially agreement was executed 6/6/14 for the five year period from 6/14 through 5/19.

Internal Audit Risk Ranking Key: Define risk levels

Low: likelihood and impact of an adverse outcome financially, reputationally, or operationally to the City would be rare with an inconsequential financial impact. No further action required; the risk has been effectively mitigated

Moderate: likelihood and impact of an adverse outcome financially, reputationally, or operationally to the City is probable resulting in minor to moderate disruption in operations and/or minor financial impact. Intermediate City Corrective action is required to mitigate the risk to acceptable levels

High: likelihood and impact of an adverse outcome financially, reputationally, or operationally to the City is likely resulting in probable disruptions to operations and/or having a material impact financially. Immediate City Corrective action/attention is required to reduce/mitigate the risk to acceptable levels.