







Section I. Activity Dashboard – Risk Ratings and Status - Internal Audit Activity Report

A. Completed Projects




#	Project Title	Risk Rating Before Recommendations	Risk Rating After Recommendations	# Findings	# Recommendations	Recommendations to be Implemented	Recommendation Not implemented	Follow Up	Project \$	Page #
 1	Strategic Plan 3.6.1 FY19 - Audit of 2018 Ad Valorem Real Property Tax Roll (FY 19 – Budgeted Property Tax Collections of \$75,131,162)	Moderate	Low	1	1	1	0	1	\$75,131,162	5
 2	Memorandum 18-04 Fleet Division – Management Request re: Fleet Repair Costs - In House Compared with Sublet (Outsourced) Repairs: Additional Strategic Plan Project - Follow Up to Memorandum 18-01, Fleet Division Standard Operating Procedures	Low	Low	n/a	n/a	n/a	n/a	n/a	\$11,183,684	6
3	Parks and Recreation Department: Technical Assistance for Cypress Golf Management LLC Agreement – Cypress Golf Course Services for Maintenance and Management of the Municipal Golf Course	Low	Low	n/a	n/a	n/a	n/a	n/a	\$8,145,420	8
 4	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)	Low	Low	2	2	0	0	2	\$6,787,961	9
 5	Strategic Plan 3.1.6: External Audit Assistance re: FY17 Single Audit: Expenditures of \$830,000 on Cultural Facility, \$395,000 on Residential Construction Mitigation Program (State Projects), and \$1.1 Million on Community Development Block Grants (NSP1 – Neighborhood Stabilization Program, a Federal Program)	Low	Low	n/a	n/a	n/a	n/a	n/a	\$2,325,000	11
6	Cultural Affairs Department: Technical Assistance for AEG Presents SE, LLC Six (6) Month 10/13/17 through	Low	Low	n/a	n/a	n/a	n/a	n/a	\$2,000,000	12

#	Project Title	Risk Rating Before Recommendations	Risk Rating After Recommendations	# Findings	# Recommendations	Recommendations to be Implemented	Recommendation Not implemented	Follow Up	Project \$	Page #
	Continued #6 - 3/13/18 Long Term Agreement for Amphitheater Events									
7	Parks and Recreation Department: Technical Assistance – 31 License or Service Type Agreements	Low	Low	n/a	n/a	n/a	n/a	n/a	\$1,101,573	12
8	Building Department Cash Intake Procedures (FY17 Budget of \$151,243), Record Duplications and FY17 Open Permits/Specialty Accounts Budget of \$51,620 for a total of \$202,863	High	Low	1	1	1	0	0	\$202,863	14
9	DiMaria Properties LLC./DiMaria Frank Properties Inc.: (Sandbar Snacks) Revenue Compliance	Low	Low	n/a	n/a	n/a	n/a	n/a	\$165,000	16
10	Recruitment of Deputy Internal Auditor – Job Announcement - JA 2018-033 Completed	Low	Low	n/a	n/a	n/a	n/a	n/a	\$95,000	17
11	Cultural Arts – Theatre Management Software Implementation Training and Review of Procedures	Low	Low	n/a	n/a	n/a	n/a	n/a	n/a	17
12	Finance, General Services/Purchasing: Technical Assistance to Departments for review to implement the Single Use Account (SUA) Program which is an enhancement to the Purchase Card program	Low	Low	n/a	n/a	n/a	n/a	n/a	n/a	18
13	Technical Assistance – RFQ P-50-18 Mandatory Pre-Proposal Conference/Pre-Submittal Language	Low	Low	n/a	n/a	n/a	n/a	n/a	n/a	19
13	Total # Completed Projects – Total Project Dollars			4	4	4	0	3	\$107,137,663	

B. Prior Audit Follow-up

#	Project Title - Pending Corrective Actions for Audit Recommendations	Risk Rating Pending Recommendations	# Findings	# Outstanding Recommendations	Status
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. CST revenues for FY17 & FY18 were \$8,949,526	Low	1	0	Recommendation was implemented. Revenue Collections Manager, stated Treasury has been following up on the Internal Audit recommendation for review of the CST revenues on a quarterly basis. To date there were no noted fluctuations in the distributions received from the State. FY17 CST revenue was \$4,517,215 and FY18 CST revenue is \$4,435,311 for a total of \$8,949,526
2 	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	Moderate	11	5	<p>In FY17, Internal Audit conducted an audit of the Fleet Division. 11 Findings resulted in an overall risk rating of Moderate (Yellow). After two (2) follow ups of the recommendations in FY18, status target dates were revised due to the approval process needed for funding the Department's FY19 Budget.</p> <p><u>Implementing The 11 Audit Recommendations Will Reduce The Risk Rating To Low (Green).</u> Management has agreed to implement ten (10) Audit recommendations with one (1) recommendation to be implemented by other department(s). Implementations began 1st quarter of FY19 and will continue through FY19. To date, there are 6 recommendations that have been implemented and 5 that will be implemented by end of FY19. See below: Page 20, Section II. for the detailed information, Management Response and implementation dates.</p>

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

#	Project Title	Project \$	Page #
 1	Information Technology – Cloud Computing/Cybersecurity, IT Controls	TBD	24
 2	Cultural Arts Center – Theatre Management/Box Office Ticketing	TBD	24
 3	G. O. Bonds Projects – Specific Projects to be Determined	TBD	24
	Total Amount <u>Current / Future Total</u> # Projects & Dollars	TBD	
13	Total Number of <u>all Completed Audit Projects</u>, including Current Projects with Project Dollar Amount Listed	\$107,137,663	

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 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)**

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.

Audit procedures performed included, but were not limited to, reviews of applicable laws, rules, regulations, policies, procedures, and practices; inquiry of appropriate BCPA and COPB staff; and analytical reviews of relevant data. Compliance testing was performed on a judgmentally selected sample of building permit improvements for real properties, and statistically selected samples of properties with LISR/long-term, LISR additional homestead exemptions, and non-profit organization full tax exemptions.

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. Closed permits for building renovations, alterations, and buildouts could potentially result in property value increases, but only to the extent they affect the adjusted square footage or the extra feature value of the property. Examples of permit types that would typically not be tracked (by BCPA) for potential property value changes include re-roofs, replacement windows/doors, interior kitchen/bath remodels, residential fences, air conditioning system replacements, irrigation systems, water heaters, hurricane shutters, solar panels, alarm systems, and landscaping.

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.

Management Response: The Budget Office has reviewed the Internal Audit finding and agrees with the recommendation to provide further clarification to the City's ordinance for the additional homestead exemption for senior residents.

- | | |
|--|---|
| 2.  | Memorandum 18-04 Fleet Division – Management Request re: Fleet Repair Costs - In House Compared with Sublet (Outsourced) Repairs (FY14, FY15, FY16, FY17 Budgets Total- \$11,183,684) Additional Follow Up to Memorandum 18-01, Fleet Division Standard Operating Procedures |
|--|---|

Summary and Background

After the Fleet Audit (Memorandum 18-01) was issued, Internal Audit was requested by Management to do follow up. The Objective was to evaluate and review why vehicles that were repaired may be outsourced (Sublet) when they are not a “specialty vehicle”. Specialty vehicles would be fire trucks, ambulances, and large trucks (Wastewater).

Regarding the increases in fleet repair costs, from FY 2014 through FY 2017, and the relationship between In-house costs (costs incurred for repairing vehicles in the City Garage) and Sublet costs (costs incurred for repairing vehicles by outside vendors), see below the summary of the Internal Audit staff review. Although standard (as opposed to specialized) vehicles are sometimes repaired by Sublets, there are reasonable explanations why that is so.

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

All increases reviewed for repair costs seem appropriate; they can be reasonably explained. The shop has a scoring mechanism (1-15) it uses to determine whether or not to keep a vehicle, hence continue repairing it. A score of 15 would indicate the costs outweigh the benefits of keeping the vehicle; and it is time the vehicle is sent to auction. All increases reviewed for repair costs seem appropriate.

All the vehicles repaired by Sublets, are also repaired In-house; the same is true for most of the type of repairs. For Sublets, the determining factor for a vehicle to be sent out is usually the type, complexity, length of repair and part(s) required to complete the repair. As presented in the table below, you can see that in FY17, 95% of all vehicles serviced by a work order were done In-house.

Work Orders	Dollars		Vehicles	
	IH	S	IH	S
FY14	91% vs 9%	62% vs 38%	76% vs 24%	
FY15	93% vs 7%	72% vs 28%	78% vs 22%	
FY16	94% vs 6%	71% vs 29%	80% vs 20%	
FY17	95% vs 5%	76% vs 24%	86% vs 14%	

And by the numbers:

Work Orders	Dollars		Vehicles	
	IH	S	IH	S
FY14	556 vs 55	\$56,375 vs \$33,893	125 vs 40	
FY15	684 vs 48	\$132,297 vs \$50,459	124 vs 35	
FY16	681 vs 85	\$87,433 vs \$35,067	148 vs 37	
FY17	610 vs 33	\$81,409 vs \$25,300	150 vs 25	

Specialty repairs that are required or may need to be done by a Sublet are:

- Air conditioning where EPA requirements need to be satisfied;
- Transmission repairs (due to garage space, special tools or requirements);
- Major engine repairs/overhauls – need for specialized skills and equipment;
- Repairs that would take more than 8 hours of staff time (limited staff size and garage space); and
- Work load when short staffed and required repair needs to be completed very timely.

Most of the large changes (net increase) in costs can be accounted for/explained by:

- Increased fleet size (FY14 – 332, FY15 – 354, FY16 – 405 & FY17 - 442), an increase of 110 new vehicles;
- Older vehicles in good condition are kept longer (332 in 2014 to 442 in 2017);
- Increased useful life of repaired equipment – contributing to second bullet, vehicles are kept longer;
- Some human error – overstated costs for parts on two occasions (error of \$143K); and
- Major repairs to some of the vehicles – contributing to bullet #2.

When the analysis considers the repairs by repair type, one finds that most of the work orders by number and total costs are completed internally, and that most of the work orders sent to Sublets are also repaired In-house, meaning, staff is able and qualified to do the work that is sent to Sublets, but due to demands and short staff, the repair is sent to a Sublet.

Increases in Sublet costs may also be explained by the fluctuation in staff size, i.e. the garage has been short staffed and that has affected the ability to maintain a full balance of staff. When that happens, available staff may be overwhelmed by an abrupt increase in repairs' requests, necessitating the need to use Sublets, to keep pace. At the time of Memorandum 18-01 being issued there were two (2) positions needed to be filled for a Mechanic II and Mechanic III. Currently, these positions are filled and have joined the team of mechanics in the Fleet Operations/Garage.

Scope

Internal Audit staff reviewed vehicles repaired by Sublets for FY14, FY15, FY16 and FY17 looking at work orders, dollar amounts for the repairs and the individual type of vehicles sent out for repair.

Findings and Recommendation(s)

See follow up section on page 19 for details in regard to Internal Audit Memorandum 18-01 recommendations and Management Response for implementation.

3. Parks and Recreation Department: Technical Assistance for Cypress Golf Management LLC Agreement – Cypress Golf Course Services for Maintenance and Management of the Municipal Golf Course (\$8,145,420 Five Year Contract)

Technical Assistance

Internal Audit staff provided technical assistance to Parks and Recreation Department (Golf Course Manager) by reviewing the 1st Amendment to the Agreement between the City and Cypress Golf Management LLC. The Agreement is for a five (5) year term for \$1,629,084 annually for a total of \$8,145,420 for the five (5) year term through 9/30/23.

The 1st Amendment Agreement is for an extension term for five years and also provides for an additional provision in which Cypress Golf will re-turf 19 putting greens. The original agreement was entered into via Ordinance 2013-51 for a five (5) year period commencing 5/1/13 and ending September 30, 2018. The 1st Amendment Agreement, Ordinance 2018-72 was approved by City Commission on 7/24/18.

Technical assistance also included follow up for the current Golf Course(s) Annual Assessment Report. This report was a previous Internal Audit recommendation and was recommended and implemented due to a previous maintenance problem with the preceding vendor before City

contracted with Cypress Golf Management LLC. This Report is an assessment of the condition of the golf course and is to be done annually. This Report informs the City Administration with an evaluation for resolving any current problems or unacceptable conditions as were cited in a prior Vendor assessment report. Management stated in response that an annual, written assessment report of the condition of the golf courses would be done annually. This Report was put in place to:

- Protect the City and minimize the risk of liability;
- Communicate any existing current problems;
- Reduce any future discrepancies, or defects involving the golf courses; and
- Prepare a plan of action to cure defects.

Due to the annual Report and communications between Golf Course Manager and Cypress Golf Course Services the risk is Low (Green).

 4. 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. The Solid Waste Operations Division (Solid Waste) is responsible for the collection and disposal of solid waste (Garbage/Rubbish) generated by City residents and commercial properties, within the City boundaries. 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 to the City 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 1st 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.

Management Response: Agree

Solid Waste Department will implement the process at the beginning of the next rates' change period. Implementation date September 1, 2019 – Staff Assigned: Solid Waste Operations Manager


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.

Management Response: Agree

Solid Waste Department will implement the process at the beginning of the next rates' change period. Implementation date September 1, 2019 – Staff Assigned: Solid Waste Operations Manager

5.  **Strategic Plan 3.1.6: External Audit Assistance re: FY17 Single Audit: Expenditures of \$830,000 on Cultural Arts Facility, \$395,000 on Residential Construction Mitigation Program (State Projects), and \$1.1 Million on Community Development Block Grants (NSP1 – Neighborhood Stabilization Program, a Federal Program) Total \$2.3 Million**

Summary and Background

Internal Audit staff provided annual assistance to external auditors for their FY17 audit. Each year, as part of the City contract with the external auditors, Internal Audit contribution hours to the auditors for the audit and review of the Federal and State Grant awards. 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 with Florida Department of State and State Cultural Facilities Grant Program, and Division of Emergency Management, and U.S. Department of Housing and Urban Development Grants.

Conclusion

Both State and Federal programs were in full compliance.

Scope and Objective

- For the State Cultural Facilities Grants Program, \$830,000 of expenditures were vouched, for compliance with grant stipulations, and effectiveness of controls.
- Tests were completed to verify expenditures of \$395,000 were for residential construction mitigation program, awarded to qualifying residents, paid to qualified contractors and subcontractors, and that the appropriate reports were submitted to the State on time.
- For the Federal Department of Housing and Urban Development (HUD Grants), \$1.1 million of expenditures were vouched, for compliance and effectiveness of controls.
- Tests for Activities Allowed or Un-allowed, Cash Management, and Reporting were completed, to verify that expenditures were for construction, and remodeling of homes of qualifying participants, reimbursements were requested after the funds had been expended, and the reporting was completed as required in the grant award.

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.

6. Cultural Affairs Department – Technical Assistance for AEG Presents SE, LLC Long Term Agreement and previous Short Term Agreement for Amphitheater Events - \$2 Million for Improvements w/\$200,000 Guaranteed Revenue Minimum (Negations were terminated)

Technical Assistance

At the request of the Cultural Affairs Department, Internal Audit provided assistance for review and negotiation for the long term agreement with AEG Presents SE, LLC. The Agreement was for Licensee to provide management, programming, and development as well as operate, produce and promote live entertainment events for the Pompano Beach Amphitheater (Venue). Licensee committed to promote the City with these events, and share ticket revenue with City. Licensee also was to improve and maintain the Amphitheater with an investment in capital improvements and presented an offer of a guaranteed annual revenue for the City.

Previously, Internal Audit assisted the Department in FY17 with Technical Assistance for review of RFP E-33-17 and Short Term Agreement/Contract with AEG Presents SE LLC. (Resolution 2018-03 and Resolution 2018-128 extended the short term agreement through October 2018).

The short term agreement was for six (6) months and Internal Audit reviewed this agreement to move forward with the transition for the long term agreement which was to be drafted in the future. Internal Audit staff was responsible for the short term agreement language for the inclusion of recordkeeping, inspection, audit rights, records retention, policies, procedures, revenues and expenditures reporting, tracking and ticket sale reports, as well as compliance and risk.

In FY18, Internal Audit continued assistance to develop the long term agreement between the City and AEG Presents SE, LLC, (the highest ranked firm chosen) with a review of contract language in the agreement for the City (Internal Audit) audit rights, revenue settlement reporting, accounting procedures, and recordkeeping and reconciliation procedures for revenue payments for all events to be held at the Amphitheatre.

Scope of Work included Licensee providing events at the Amphitheater, improvements of the Amphitheatre and facilities surrounding, marketing and promotion for events and maintenance of the facility. The minimum guaranteed revenue to City was \$200,000.

Conclusion

After many months of negotiation, it was mutually decided the long term contract as offered by AEG Presents, LLC would not move forward and the negotiations were terminated.

7. Parks and Recreation Department Agreements: Technical Assistance for 31 License or Service Agreements/Contracts - \$1,101,573 (January 2018 through January 2019)

Technical Assistance

Internal Audit staff provided technical assistance as requested during the year for Parks and Recreation Department by reviewing 31 City License or Service agreements/contracts. The Internal Audit review benefits and protects the City's interest by assessing the daily operations of Contractor, Licensee or Service Provider. The review also assists Parks and Recreation Department and protects the City with controls and compliance within the agreements. Language revisions are recommended as needed for each agreement/contract draft before it is finalized and placed on the Agenda. Guidance is provided to the respective department(s) and recommendations are made for procedures and includes payment receipt or processing and payment procedures. Internal Audit's goal is to increase the transparency and accountability for each agreement. Internal Audit will also include in the agreements audit rights and audit retention of records language in an Exhibit to minimize any risks associated with the agreement. Follow up is done periodically by our staff to check that compliance is being monitored and the agreement/contract is being overseen as needed by Parks and Recreation Department.

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

A Low (green) risk rating was assigned after consulting with department for changes to be revised in agreements. 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.

Below is a list of the License or Service Agreements/contracts that were reviewed:

Community Park Concessionaire - Flippin Dog, LLC
 Eta Nu Educational Foundation, Inc.
 Florida Inland Navigational District - Exchange Club Park
 Proserve Concepts, Inc. (Tennis Pro)
 Florida Inland Navigational District - Alsdorf Park
 Parks and Recreation - RecTrac Controls - Menu Permissions
 Florida Inland Navigational District - Alsdorf Park Coast Guard
 Russell Life Reading Skills and Reading Foundation
 Pompano Piranhas Inc.
 Hola Mundo! LLC
 Minority Help, Inc.
 GRANT - McNair Park Playground Equipment
 Creative City Collaborative Month to Month for Transition
 Holy Cross Hospital, Inc. - Aquatic Center Pool Use
 Right Choice Vending/Coffee, LLC
 Living Water Surf School
 Merritt's Boat and Engine Works, Inc.
 DiMaria Frank Properties, Inc. - Sandbar Snacks
 RFP (DRAFT) for Alsdorf Park Ice Machine Service
 South Florida Water Polo Foundation, Inc. - Aquatic Center Pool Use

Pompano Xpress Youth Development Institute, Inc. - Track & Field: Program at Blanche Ely High School/Mitchell Moore or McNair Park
PBFC Pal Hammerheads Inc. - Football Club (BSO Athletic League - Soccer)
Grant Award - State of Florida Division of Cultural Affairs
CRA Culinary Incubator (Kitchen) at Pat Larkins Center
Pompano Piranhas Inc. (5 Yr. Agreement Estimate re \$5000 Revenue per Year)
Bluewater Movements, Inc. "Saltwater Circuit" - City receives "Sponsorship" valued at approximate \$100,000 (3 Yr. Term)
DRC Emergency Services, LLC - Disaster Relief Catering (Food Service) to COPB First Responders –Agenda Item to be revisited
Pompano Beach Eagles, Inc. (5 Year Agreement)
Pompano Cowboys Booster Club, Inc. (5 Year Agreement)
Pompano Chiefs Football Team, Inc. (5 Year Agreement)
Pompano Baseball, Inc. (5 Year Agreement)

8. Building Department Cash Intake Procedures: FY17 Budget of \$151,243 for Record Duplications and FY17 Open Permits/Specialty Accounts Budget of \$51,620 for a total of \$202,863

Summary and Background

Internal Audit was informed of the use of an unlocked and unsecured cash box being used for cash collection and of receipts for that cash collection that were being manually written instead of being input into the City system (Naviline). Also, the daily deposit procedure for the revenue collection, which is required by the Treasury Division was not being followed. This inappropriate process was a high risk for possible fraud and/or theft within the Division.

There also was an inspection process that had an improper intake of cash and a hand written receipt was given. This inspection was scheduled before the City system (Naviline) documented that payment. Again, this is an inappropriate procedure. This was due to the cash collected not being properly input in to Naviline and the cash not being deposited with Treasury. Instead, this cash was held personally by a Customer Service Representative. These improper actions showed a lack of compliance, control irregularities and segregation of duties and caused other employees and management to question Customer Service Representative(s) responsibilities and the handling for the cash intake, processing of cash and process for inspections.

Results: Risk Rating High (Red)

Conclusion

After Recommendation(s) was implemented - Risk was Immediately Reduced to Low (Green). After Internal Audit relayed the risks and Recommendations to Building Official – Immediate Action was taken, Recommendation was implemented.

Due to this information, Internal Audit staff immediately met with the Building Division Official to discuss the cash intake procedures for Building Division Customer Service Representatives. Proper procedures were reviewed with Building Division Official by Internal Audit for the process of Records Duplications and Specialty/Open Permits revenue collections, especially cash. This meeting included the Finance Controller and Treasury Revenue Collections Manager. After Internal Audit met with Building Official the process was revised. Internal Audit staff relayed that

due to the improper procedures for cash intake and protection of that cash with key controls, and the possibility of theft a High (Red) Risk Rating was assigned.

Finding

As stated above, improper actions showed a lack of compliance, control irregularities and segregation of duties and caused other employees and management to question Customer Service Representative(s) responsibilities and the handling for the cash intake, processing of cash and process for inspections.

Recommendation

Internal Audit relayed to halt the process immediately. The Building Official halted the process immediately of collecting cash and removed the cash box. The risk has now been reduced to Low (Green) Risk Rating).

All cash now goes to the Treasury collection window on a daily basis and is entered into the proper account in City system for revenue collection (Naviline). This improved the process and immediately reduced the risks to Low (Green).

The cash collection and recording process for reproductions and duplication services was revised and implemented during the review process. The inspection process was also revisited and it was made clear that all inspections were to have a Naviline receipt which is to occur after inspection is input into Naviline system and a payment is made to Treasury.

Scope

The scope of the audit included review of Building Division cash intake process, cash intake segregation of duties, controls for revenue collection for prevention of theft, inspection payment procedure, recording inspections and the process for final inspection input into Naviline. Also, as a follow up, Internal Audit conducted a review of additional support documents (manually written receipts):

- Cash intake procedures were reviewed for key controls, segregation of duties and theft prevention.
- FY15, FY16 and FY17 receipt support documents (Treasury Form 1148 and Naviline Receipts) from Building Division were reviewed and documented.
- FY16 Naviline Revenue was traced to Treasury Form 1148 Naviline Receipt and hand written receipts.
- Cash intake of hand written receipt(s) books were traced to revenue in Naviline.
- Inspection procedures were discussed with Building Division staff for inspections including requesting/receiving payment and finalizing an inspection.
- Investigate/follow up on missing receipts.

Standards

- Administrative Policy Procedures - Procedures for Deposits.

After risk was reduced to Low (Green) and the revenue collection has improved/increased for the audited accounts as seen below:

For Account 110-0000-322.70-00 (Licenses and Permits, Building Permits, Record Duplications the FY17 Revenue was \$151,243

For Account 110-0000-322.70-00 (Licenses and Permits, Building Permits, Record Duplications the FY18 Revenue was \$198,405

For Account 110-0000-322.50-00 (Building Permits Fund, Licenses and Permits, Building Permits, Specialty/Open Permits the FY17 Revenue was \$51,620

For Account 110-0000-322.50-00 (Building Permits Fund, Licenses and Permits, Building Permits, Specialty/Open Permits the FY18 Revenue was \$66,320

 9. DiMaria Properties LLC. /DiMaria Frank Properties Inc.: (Sandbar Snacks) Revenue Compliance - \$165,000 Minimum Revenue

Technical Assistance

Parks and Recreation Department requested Technical Assistance from Internal Audit to review payment compliance for an agreement with DiMaria Properties LLC. The new agreement was on the Agenda and discussion at City Commission was about revenue compliance. After speaking with the department and meeting with Treasury Division, Internal Audit staff reviewed files sent from Treasury. Files included an Excel spreadsheet, and copies of checks remitted to the City. Internal Audit staff traced the supporting documents to Naviline entries maintained by Finance. Internal Audit concluded that all minimum payments were paid/received as required except as noted below.

The agreement calls for a minimum of \$33,000 of "Gross Sales" to be submitted to City per contract year as well as 12% of any additional amount over the \$33,000. Based on the Profit & Loss Statements provided, there is only one contract year (2015/2016) where the calculation of the amount due, based on the "12% of the gross annual sales", exceeds the minimum amount of \$33,000 due per the agreement. The excess amount due was a minimal \$1,471.40. There was no evidence that this amount was remitted to the City. Parks & Recreation notified DiMaria Properties LLC, for collection. On 6/4/18, Finance/Treasury confirmed that a check for \$1,471.40 was received, and posted to Naviline.

The profit and loss statements were provided by DiMaria Properties, and they were not prepared, and there is no evidence they were reviewed by a CPA. The sales amount is considered "Gross Sales" as there is no specific definition of "gross sales" in the contract.

The City at its discretion, per contract, may audit the profit and loss statements. The Internal Audit Office, as part of its strategic plan, considers for audit only those revenue contracts that exceed \$500,000. However, if the need arises, or upon a specific management request for assistance, an audit of lesser contract revenues may be considered/undertaken. Due to the concern and question being presented at the City Commission meeting, Internal Audit commenced this project.

Our review was completed in conjunction with the request for a five (5) year extension of the contract. Our results were reported to the Recreation Programs Administrator for presentation at the next meeting for the new five (5) year agreement. The previous contract provided for the same. The extended contract was approved in the Commission meeting of 5/22/18 by Ordinance # 2018-56.

10. Recruitment of Deputy Internal Auditor – Approval of Salary \$95,000**Recruitment**

On 3/1/17, the City of Pompano Beach Internal Auditor of 32 years retired. The recruitment phase to fulfill this position began immediately. Deusdedit C. (DC) Kiyemba (presently the Deputy Internal Auditor) was promoted and became the Interim Internal Auditor for many months while a nationwide search for recruitment began to fill the position of the Internal Auditor. Interviews were completed and on 12/21/17, DC Kiyemba (Deputy Internal Auditor) was appointed per Resolution 2018-59 as the Internal Auditor.

Due to Mr. Kiyemba having the previous position of Deputy Internal Auditor before being appointed as the Internal Auditor, this position was vacant. Recruitment began in January of 2018 to recruit a qualified candidate for the position of the Deputy Internal Auditor as now this position needed to be filled.

Deputy Internal Auditor Job Announcement 2018-033 was posted with an application opening date of 2/2/18. Recruitment lasted for 6 months to search for and hire a very qualified person to fill the position.

Prior to the offering of employment, Memorandum 18-05 was presented to City Manager for approval of the very qualified candidate chosen. The Memorandum was for approval of the salary request of \$95,000 in regard to hiring a qualified candidate.

The position for Deputy Internal Auditor was filled and employment began for Michael A. Hewett. Filling this vacant position has provided a full complement to the audit staff.

11. Cultural Arts Center Theatre Management – Technical Assistant**Technical Assistance**

Internal Audit staff provided technical assistance for the Pompano Beach Cultural Arts Center (PBCAC) beginning on 10/29/18 and ending 11/2/18 (five days) during the PBCAC staff training for Theatre Management software that will be used at PBCAC. Some of the training included: Input of data for management of household accounts and Patron information, ticketing procedures for all types of events, and theatre rental procedures including seat and room reservations.

Internal Audit discussions included the following highlights:

- Refund procedures;
- Process for any other occasion where revenue will be collected for PBCAC;
- Discussions of risks associated with the software and corrective action implemented;
- Policies and procedures to be put in place for managing the collection of monies;
- Discussions for segregation of duties for reporting reconciliation; and
- Communication of Reports from Theatre Management to Naviline.

Training was accomplished in the training database for Theatre Management and included data exporting, data importing, report export to Naviline and testing, data revisions, till balance and end of day settlement reports.

During the training sessions, Internal Audit staff met with and communicated with the Cultural Affairs Director, Parks and Recreation Department Recreation Manager, Information Technology Senior Business Application Analyst, Finance Director, Revenue Collections Manager and Theatre Management Instructor (Trainer). Discussions included the concerns, changes, recommendations and requests that Internal Audit desired for the improvement of controls and to minimize risk in many areas of the Theatre Management software program.

Internal Audit staff also provided opinions and recommendations in regard to the policies, procedures, and controls needed, along with firm criteria and conditions that would be required for accurate communication between Theatre Manager software system and the City Naviline system. Transparency of the transactions are necessary so that all transactions may be traced and verified to City Naviline system for complete accuracy and reconciliation between the two systems and the reporting. A chart of accounts (General Ledger Accounts) needed to be revised to relay and point the internal chart of accounts used in Theatre Management to the external chart of accounts used in Naviline (GMBA Account Numbers). Internal Audit's goal for this assistance was to assure controls are in place and reporting communication is accurate so that a trail is established for an audit review. Security levels and user risk was discussed and evaluated with all to minimize risks.

The Theatre Management software system will eventually be integrated with the systems used at the Historic Ali Cultural Arts, and Bailey Contemporary Arts (BACA).

Internal Audit staff will be doing a follow up after the revisions to insure the policies and procedures are completed as discussed during training.

12. General Services: Technical Assistance – Single Use Account (SUA)

Technical Assistance

Technical Assistance was provided to Finance Department for discussion of implementing the Single Use Account (SUA) Program which is an enhancement to the Purchase Card Program (P Cards) through JP Morgan Chase, the City's Banker. Meetings and conference calls began in second (2nd) quarter FY18 and are still in progress. The meetings/conference calls were led by JP Morgan Chase. Those attending meetings/conference calls are Finance Director, Controller, Information Technology Sr. Business Application Analyst, and Purchasing/General Services Division. The discussions included:

- Coordination and synchronization with current Financial Accounting system (Naviline)
- How data would flow between the two systems, with minimal personnel effort
- Reporting, costs, data entry, internal controls, program participation, recruitment,
- Implementation dates, follow up, etc.

The City goal is to recruit and increase a larger volume of vendors that would utilize the SUA program. The advantage for the City is that the final cost of payment to vendors would be reduced due to Chase Bank electronically remitting a percentage (%) to City. This percentage would be submitted according to the vendor payment dollar amount generated through this program. The results would be instead of paper checks being paid to vendors to receive their payment, each payment to a vendor would be electronically transmitted immediately into the

vendor bank account. JP Chase Morgan would then remit to City the percentage (%) due City at end of month after the vendors are paid.

13. G.O. Bond Project – Technical Assistance RFQ Mandatory Proposal Meeting

Technical Assistance

Internal Audit (IA) attended a mandatory pre-proposal conference pre-submittal meeting for a Request for Qualifications (RFQ P-50-18) on 10/9/18. The meeting included firms who may want to submit the RFQ to provide consulting services to the City for a G.O. BOND project. Presentation for the requirements and instructions were led by the Capital Improvements and Innovation Director who oversees the City's projects. This presentation was held so potential proposers are informed of the City's expectations for RFQ P-50-18 in regard to the following G.O. BOND projects:


- 1 - McNair Park Renovations (estimated maximum design fees \$475k, max.)
- 2 - Youth Sports Complex (estimated design fees \$375k, max.)
- 3 - Centennial Park Improvements (estimated design fees \$165k, max.)
- 4 - Kester Park Improvements (estimated design fees \$220k, max.)
- 5 - North Pompano Park Improvements (estimated design fees \$465k, max.)
- 6 - Ultimate Sports Park Improvements (estimated design fees \$450k, max.)
- 7 - Mitchell Moore Park Improvements (estimated design fees \$215k, max.)

Discussion and review also included what the City's expectations were for the project as well as expectations of the qualifying proposers' backgrounds and scope of services to be performed. A question time was held and questions from the potential proposers were answered to clarify the requirements.

Pursuant to Florida Statutes Chapter 287.055 "Consultants' Competitive Negotiation Act" (CCNA) the City of Pompano Beach invites professional firms to submit qualifications and their experience for consideration to provide engineering, architecture and landscape architectural services to the City.

The goal for Internal Audit staff to attend was to become more informed and familiar with the standard process of an RFQ, verify the impartiality of the process and review the audit rights of the City. Internal Audit has language in the City's RFQ covering the audit rights of the City.

Section II Continued - Prior Audit Follow Up – Additional Detail

- | | |
|---|--|
|  | <p>1. Strategic Plan 3.3.6: Perform an audit every two (2) years on revenue valued over \$.5 Million to ensure appropriate remittance to the City. Communications Service Tax (CST) Revenue Recovery was selected for the project - \$49,000,000 FY08 to FY16 - Current follow up Re: FY17 and FY18 Revenue \$8,949,526</p> |
|---|--|

Follow Up Detail: Summary

Previously in FY17, Internal Audit Activity Report included an audit project for Communications Service Taxes (CST) revenue of \$49,000,000 that covered FY08 through FY16. Communications Services Taxes are revenue taxes remitted to the State of Florida from providers/partners who provide services for voice, data, audio, video, or any other information or signals, transmitted/communicated by any medium (i.e. internet, cable and/or phone). The State of Florida then remits a portion of these taxes each month to the City.

A recommendation from the previous FY17 audit and review was for the Revenue Collections Manager to continue monitoring, on a regular basis (at least every six months), the State of Florida CST website for consistency in the monthly distributions to all abutting Cities as well as the City of Pompano Beach. This monitoring process can provide some warning signs that large future redistributions may be eminent if another city receives our revenue or our City receives another cities revenue.

As a follow up in FY18, Internal Audit inquired with the Revenue Collections Manager about the CST revenue being collected due to the prior Internal Audit recommendation that Treasury was to review the amounts of CST revenue. This review is to see if there were any fluctuations or a trend for a major increase or decrease in the monthly reporting.

Revenue Collections Manager, stated Treasury has been following up on the Internal Audit recommendation for review of these CST revenues on a quarterly basis as a standard. To date there were no noted fluctuations in the distributions received from the State. FY17 CST revenue was \$4,517,215 and FY18 CST revenue is \$4,435,311 for a total of \$8,949,526

	2. 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: Implementing The 11 Audit Recommendations Below Would Reduce The Risk Rating to Low (Green). Management Agrees and ten (10) Recommendations Will Be Implemented by Public Works. One (1) Recommendation is to be enforced by individual department(s). There are 5 remaining recommendations to be implemented in 2019.

1. 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.

Management Response – Agree – Implementation Date Updated 3/1/19

Upon reviewing policy numbers: 107.23, 400.01, 400.02, 400.03, 400.04, 400.05, 400.06, and 400.07, it has been determined that many of these policies do not belong in the City Manager's Administrative Policies Handbook. Although most of these policies are necessary to manage Fleet operations they should not be in the handbook as subject matter is not applicable to entire City workforce. Policies are being reviewed for development of a Fleet Garage Policy and select portions will be revised and maintained in the City Manager's Administrative Policies Handbook.

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

Management Response – Agree – Implementation Date Updated 3/31/19

TRAC upgrade and replacement of fuel pumps will be requested as an enhancement to the FY19 Budget. Assuming enhancement is approved, the implementation of the pumps will be complete by end of 2nd quarter FY19.

Funding in the amount of \$75,000 was identified in current FY19 budget to purchase fuel pumps. The new pumps will include TRAC fuel software upgrade that is compatible with the new version of FASTER. Quotes are now being obtained to replace six (6) pumps and the fuel accounting (TRAC) system with the goal to purchase a portion of pumps and the complete TRAC software system replacement. The necessary hardware (database computer server) to run newest version of FASTER software was purchased and received 9/4/18. FASTER will be updated December 2018.

3. 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 one system, 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.

Management Response – Agree – Implementation Date Updated 6/30/19

Expect to implement new version of faster software 12/31/2018 and fuel TRAC system 6/30/19. These software updates will allow additional data points to be added to the report and allow data to be effectively transfer between vehicle management and fuel accounting systems.

4. 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.

Management Response – Agree – Implementation Date Updated 1/31/18

Time spent, on the shop floor, repairing a specific asset, i.e. all costs related to repairing/maintaining an asset by fleet manager and shop supervisor began in the month of January 2018. Due to the Fleet manager’s medical condition and absence from work there

has not been an opportunity to assist in accomplishing repairs in the garage. Until further notice the fleet manager will not be allowed to assist in repairs.

5. 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.

Management Response – Agree – Implementation Date Updated 10/26/18

During the month of January a memo will be sent to all Department Heads explaining that vehicle utilization will now be actively monitored. This will provide the Department Head the opportunity to manage their vehicles throughout the year. At the end of 2nd Qtr. FY18 a utilization report will be provided to each Department as a progress report so they can make adjustments as necessary.

10/26/18 a memo was sent to Department Heads explaining that vehicle utilization will now be actively monitored. This will provide the Department Head the opportunity to manage their vehicles throughout the year. A year from now Department Heads will receive and update report so implemented changes to vehicle utilization can be monitored.

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

Management Response – Disagree – Implementation Date NA

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

7. 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. User Departments' cooperation is key to the success of a PM program. The awareness campaign should include incentives for compliance, and consequences for failure to comply with the policy.

Management Response – Agree – Implementation Date Updated 12/1/18

Users who do not bring in vehicles for required PM will be denied access to Fuel Island until respective Department Head acknowledges the PM requirement. This notice will be included with each PM notification. First time the PM violation occurs, the Public Works Director will notify respective Department Head and document action via e-mail – issue will then be discussed via phone conversation. The second violation will result in denied access to Fuel Island.

8. 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.

Management Response – Agree – Implementation Date Updated 12/31/18

The property control number, assigned by Finance will be included in FASTER to maintain the link between FASTER and Naviline. Expect to implement new version of faster software 12/31/18. This update allows additional software capabilities and more data fields to be included.

9. 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.

Management Response – Agree – Implementation Date Updated 6/30/19

Will request an enhancement in the FY19 budget to replace TRAC with a new system that is compatible with FASTER. Assuming the enhancement is accepted in the FY19 budget, will implement the system 5/31/19.

Funding in the amount of \$75,000 was identified in current FY19 budget to purchase fuel pumps. The new pumps will include TRAC fuel software upgrade that is compatible with the new version of FASTER. Quotes are now being obtained to replace six (6) pumps and the fuel accounting (TRAC) system with the goal to purchase a portion of pumps and the complete TRAC system replacement.

10. 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.

Management Response – Agree – Implementation Date Updated 6/30/19

Guidance will be provided to all applicable users to use only one meter, e.g. miles, kilometers, or hours, not all three for the same vehicle.

The new fuel pumps and upgraded fuel software will resolve the problem of multiple/inconsistent meters being used to track vehicle/equipment usage. Based on the type of asset, one meter will be identified to record usage.

11. Establish a threshold, a fixed dollar amount or a percentage of cost, fair market value (FMV), book value, or increase in useful life that would be the basis for increasing the value of an asset, or useful life after a one-time repair that substantially improves the repaired vehicle/equipment. The adjustment affects the rating for the asset with respect to how quickly it would be replaced, or how long it would be kept in operation. Any repairs of more than \$10,000 for an asset that has an original cost of not more than \$50,000 should be approved by the Department Head and the approval documented and justified.

Management Response – Agree – Implementation Date Updated 2/1/19

A City policy will be accomplished to establish spending threshold for vehicles.

Currently reviewing what other municipalities have implemented regarding spending threshold for vehicles. Regardless of the determined threshold it must be balanced against City's funding constraints which forces us to keep vehicle in the inventory until a replacement can be purchased.

Section III. Current and Future Projects

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

Summary

Internal Audit will conduct this audit in FY19/FY20 to verify the processes and controls in place to reduce and manage the risks related to cloud computing. The City currently has more than 10 contracts that utilize cloud computing.

 2. Cultural Arts Center – Theatre Management/Box Office Ticketing
--

Summary

In FY19 the City took on the responsibility of running the Cultural Arts Center as an Independent Department of the City. New accounting and management systems have been acquired and implemented. And in addition, new policies need to be discussed, written and, implemented.

 3. Review of G.O. Bonds Projects as They Come Online

Summary

Internal Audit plans to selectively review G.O. Bonds projects a part of its monitoring responsibilities. Projects will be selected with Commission and/or City Management input.