

**City of Miami, Florida
Management Letter in Accordance
With Chapter 10.550, *Rules of the
Florida Auditor General* and
Independent Accountant's Report
on the Examination of the City's Compliance
with Section 218.415, Florida Statutes**

Fiscal Year Ended September 30, 2018

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**Management Letter in Accordance with
Chapter 10.550 of the Rules of the
Florida Auditor General**

Honorable Mayor and Members of the
City Commission
City of Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 29, 2019. Our report includes an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our report also includes a reference to other auditors who audited the financial statements of the following component units and funds:

Component Units / Funds	Classification
• Southeast Overtown Park West Redevelopment Agency	nonmajor special revenue fund
• Omni Community Redevelopment Agency	nonmajor special revenue fund
• Midtown Community Redevelopment Agency	nonmajor special revenue fund
• Virginia Key Beach Park Trust	nonmajor special revenue fund
• Liberty City Community Revitalization District Trusts	nonmajor special revenue fund
• Firefighters' and Police Officers' Retirement Trust	aggregate remaining fund information
• General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trusts	aggregate remaining fund information
• Miami Sports and Exhibition Authority	discretely presented component unit
• Downtown Development Authority	discretely presented component unit
• Bayfront Park Management Trust	discretely presented component unit
• Coconut Grove Business Improvement District	discretely presented component unit
• Wynwood Business Improvement District	discretely presented component unit

This management letter does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs (the schedule); and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Those reports and schedule are dated March 29, 2019, except for the examination report on the City's compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies*, the report on compliance for each major federal program and state project and report on internal control over compliance, for which the date for those reports are April 30, 2019. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions taken to address the findings and recommendations made in the preceding annual financial audit report are disclosed in Appendix B – *Status of Prior Years' Findings and Recommendations to Improve Financial Management*.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Such recommendations are included in Appendix A – *Current Year’s Findings and Recommendations to Improve Financial Management*.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Miami, Florida

March 29, 2019, except for the

examination report on the City’s compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies*, the report on compliance for each major federal program and state project and report on internal control over compliance, for which the date of each report is April 30, 2019

Appendix A – Current Year Findings and Recommendations to Improve Financial Management

ML 2018-01 User Access Authorization

Criteria: Information technology (IT) general controls require that user accounts be added, modified and deleted in a timely manner, in order to reduce the risk of unauthorized and inappropriate access to an organization's relevant reporting applications or data.

Condition: We noted that IT system user access rights for employees are not being updated in a timely manner when employees transfer between departments/functions or separate from the City.

Cause: Modifications are not timely performed and are not being tracked in a single system to allow for proper management of user access changes on an ongoing basis. Currently, email exchanges are ineffectively being used to authorize and track changes to user access rights.

Effect: Risks include damage, improper modification, and/or loss of data, and unauthorized use and disclosure of proprietary information.

Recommendation: We recommend that management use a ticket tracking system to manage user access rights on an ongoing basis. This will allow for the formal documentation and timely execution of provisioning, modification and de-provisioning of user access rights, when employees transfer between departments/functions or separate from the City.

Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation and will work on improving the process. Starting in May 2019, all access modifications will be tracked in Remedy Force, our ticket tracking system. We have also initiated discussions to automate the de-provisioning process so it does not require human intervention. This will be completed by the end of June 2019. Ownership of this initiative has been assigned to the Manager of the Applications Support & Integration Division.

City of Miami, Florida

Appendix A – Current Year Findings and Recommendations to Improve Financial Management

ML 2018-02 Data Backup and Restoration

Criteria: Information technology general controls require that financial data be stored (backup) and tested/restored on a periodic basis for propriety.

Condition: We noted the following two exceptions in a sample of fourteen backup logs selected for testing the City's management of stored (backup) data:

- An Oracle backup log selected for testing was not available. Management did not provide evidence to support that that backup occurred.
- A Windows Active Directory restoration was performed however, there was no documentation to support the result of the restoration or the individuals in charge of testing and reviewing the ultimate results of the restoration.

Cause: Supervisory reviews are not being properly performed to ensure that backup logs are available, restorations are being performed with or by vendors and the results of restorations are being documented.

Effect: Risks include modification, damage, and/or loss of data. The lack of a strategy for cyclical testing of the stored (backup) data exposes the City to operational disruption.

Recommendation: We recommend that management establish policies and procedures requiring supervisory review of backup logs, verification that restorations are being performed with or by vendors on a periodic basis and that the results of the restorations are properly documented. The documentation should include the results of the restoration and the individuals in charge of testing and reviewing the ultimate results.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the recommendation and has assigned ownership of this initiative to the Applications Support & Integration Manager. A process will be implemented to ensure that all the documentation associated with Oracle patches and enhancements including CAB approvals are saved as part of the Remedy Force ticket. Development of a new ticket template to record all the activities that take place during Oracle patching and software enhancements will be developed during the month of April 2019. This process enhancement will be completed by the end of May 2019.

City of Miami, Florida

Appendix A – Current Year Findings and Recommendations to Improve Financial Management

ML 2018-03 Change Management

Criteria: General Information Technology (IT) controls should provide reasonable assurance that program changes, application configuration changes, system changes and maintenance (including changes to system software and data structures), production processing changes (including new jobs, schedule changes), and emergency changes are standardized, documented, approved, and subject to formal change management procedures.

Condition: We noted the following two exceptions in a sample of fourteen system and program changes selected for testing:

- There was no evidence of approval by the Change Advisory Board for three program changes selected for testing.
- There was no documentation available to support three program changes selected for testing were properly tested, validated, and approved before being placed into production.

Cause: Supervisory review is not performed to ensure that the Change Advisory Board agendas contain all the information required to evidence actions taken on system and program changes. Additionally, Change Advisory Board actions are not formally documented and stored in a central document repository to support actions taken on an ongoing basis.

Effect: Unauthorized changes may be moved to the production environment without management's approval and knowledge.

Recommendation: Management should consider implementing a formal mechanism whereby the documentation related to program changes is stored and associated with a single ticket, to provide a single source of information related to the Change Advisory Board's discussions and approvals/actions and the test results of system and program changes.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the recommendation and has assigned ownership of this initiative to the Applications Support & Integration Manager. A process will be implemented to ensure that all the documentation associated with Oracle patches and enhancements including CAB approvals are saved as part of the Remedy Force ticket. Development of a new ticket template to record all the activities that take place during Oracle patching and software enhancements will be developed during the month of April 2019. This process enhancement will be completed by the end of May 2019.

City of Miami, Florida

Appendix B – Status of Prior Years’ Findings and Recommendations to Improve Financial Management

Finding No	Finding Title	Current Year Status
ML 2016-01	Financial Integrity Ordinance	Corrected
ML 2015-01	Use of Restricted Resources	Corrected
ML 2015-02	Accounts Receivable	Repeated
ML 2014-04	User Access Reviews	Repeated

City of Miami, Florida

Appendix B – Status of Prior Years' Findings and Recommendations to Improve Financial Management (Continued)

ML 2015-02 – Accounts Receivable

Criteria: Allowances for uncollectible receivables should be based upon historical trends and the periodic aging of receivables. Additionally, management should assess the collectability of receivables on a periodic basis and write-off balances not deemed to be collectible at a future date.

Prior Year's Condition: The City's allowance for uncollectible receivables was \$35.1 million as of September 30, 2017. Management should assess the collectability of the allowed receivable balances and write-off amounts not deemed to be collectible at a future date, after all reasonable collection efforts have been exhausted.

Current Year's Condition: The City's allowance for uncollectible receivables was \$36.6 million as of September 30, 2018. Management should assess the collectability of the allowed receivable balances and write-off amounts not deemed to be collectible at a future date, after all reasonable collection efforts have been exhausted.

Cause: Management has been assessing the collectability of the outstanding receivable balances over time however, formal action has not been taken to write-off amounts not deemed to be collectible at a future date.

Effect: Gross receivable balances reported in the financial statements may not be collectible at a future date.

Recommendation: We recommend that management take formal action to write-off balances for financial statement reporting purposes, which are not deemed to be collectible at a future date.

Prior Year's Views of Responsible Officials and Planned Corrective Actions: The City concurs with the recommendation and drafted legislation, via an update to the City's Financial Integrity Principles (FIP) Ordinance, to provide for write-offs of uncollectible accounts as part of the City's basic financial policies. The proposed FIP revisions have been presented to the City's Finance Committee and are currently being sponsored by a Commissioner for approval.

Current Year Views of Responsible Officials and Planned Corrective Actions: The City concurs with the recommendation. On May 10, 2018, the City Commission adopted Ordinance 13767 which revised the Financial Integrity Ordinance to include language that the City shall endeavor to maintain formal policies, which reflect "best practices" in the area of revenue collection, to include write-offs of uncollectible accounts. The Finance staff is currently working to develop a write-off policy that is aligned with current accounting standards and current best practices.

City of Miami, Florida

Appendix B – Status of Prior Years' Findings and Recommendations to Improve Financial Management (Continued)

ML 2014-04 – User Access Reviews

Criteria: User access rights to an organization's relevant financial reporting applications or data should be reviewed periodically by management.

Prior Year's Condition: We noted periodic user access reviews are not being performed for the network (active directory) to validate that employee system access rights are appropriate based on the employee's roles and responsibilities. Additionally, we noted in fiscal year 2017, management implemented a process to review Oracle user access rights however, such reviews were not completed as of the fiscal year ended.

Current Year's Condition: We noted periodic user access reviews are not being performed for the network (active directory) to validate that employee system access rights are appropriate based on the employee's roles and responsibilities. Additionally, we noted an Oracle user access rights review was not completed for the Office of Planning and Office of Management and Budget.

We noted periodic user access reviews are not being performed for the network (active directory) to validate that employee system access rights are appropriate based on the employee's roles and responsibilities. Additionally, we noted in fiscal year 2017, management implemented a process to review Oracle user access rights however, such reviews were not completed as of the fiscal year ended.

Cause: The City does not have established policies and procedures in place requiring the review of user access rights on a periodic basis.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage or loss of data.

Recommendation: We recommend that management establish formal policies and procedures to allow for the proper administration of user access rights on an ongoing basis. Such policies and procedures should address the proper provisioning, modifying, removing, and periodic review of access rights assigned to employees. Management should determine as part of the user access review that configured access rights are appropriate based on the employee's roles and responsibilities. This review should indicate who performed the review, when the review was performed, and if any access changes are required.

Prior Year's Views of Responsible Officials and Planned Corrective Actions: We have processes in place to ensure that access to Oracle Financial Data is granted only authorized employees. We have a formal process in place to determine who can request access to Financial Data. Oracle Responsibilities associated with data access are only assigned after the requestor's department and Process Owners approve. We are also generating a Responsibility Matrix Report that is sent to the Directors of departments that manage core functionality to validate user access. Regarding conducting network access reviews to control access to financial information, having access to the network or the windows domain does not automatically grant access to Oracle EBS. There is no integration between the environments to transparently login to one from the other. A second account from Oracle EBS is required to access the financial reporting applications. Moreover, the Oracle EBS system is installed on a separate Linux platform that also requires a different, non-Windows, account to have system level access. We currently do not have an automated process that would allow us to conduct network user access reviews. We have requested funding to implement an Identity Management System for FY 18/19.

City of Miami, Florida

Appendix B – Status of Prior Years’ Findings and Recommendations to Improve Financial Management (Continued)

Current Year Views of Responsible Officials and Planned Corrective Actions:

Active Directory User Access Reviews

The City concurs with the recommendation and has assigned ownership of this initiative to the Information Security Team. We will initiate conversations to address this recommendation during the month of April 2019 and expect to have a plan by June 30, 2019. However, implementing a policy and a process to review Active Directory user access for over five thousand employees will require adequate funding. Funding requirements will be discussed with the Office of Management and Budget (OMB) as we progress with the elaboration of the plan. A full implementation of this initiative will most likely occur during fiscal year 2020 but implementation progress will be monitored and recorded monthly.

Oracle Access Reviews

The City concurs with the recommendation and has assigned ownership of this initiative to the Oracle System Administrator. During the fiscal year subject of this audit, Oracle responsibility matrixes were sent to all departments including the Office of Planning and OMB. We will write a policy that clearly outlines the timeline for department directors to respond. Our plan is to have this completed June 30, 2019.



RSM US LLP

Independent Accountant's Report

The Honorable Mayor, Members of the
City Commission, and City Manager
City of Miami, Florida

We have examined the City of Miami, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the fiscal year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Florida Auditor General, the Honorable Mayor, Members of the City Commission, the City Manager, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Miami, Florida
April 30, 2019

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