

City of Miami

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INDEPENDENT AUDITOR GENERAL



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June 24, 2014

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of Compliance with the Financial Integrity Principles – Fiscal Year 2013
Audit No. 14-017

Executive Summary

We have completed an audit of the City's compliance with the Financial Integrity Principles, as codified and amended in Chapter 18, Article IX, Sections 18-541 and 18-542 of the City Code, primarily for the period October 1, 2012 through September 30, 2013. The audit was performed to determine if the City maintained a structurally balanced budget, developed and adopted short and long term financial and capital improvement plans, established and maintained adequate internal control systems, and followed best business practices.

Overall, we found that the City did not comply with five of the thirteen Financial Integrity Principles (FIP) as follows:

- Requests for grant reimbursements were not made in a timely manner (FIP3 – Interfund Borrowing)
- Information Technology (IT) regular salaries funded with Strategic Rollover Funds were not allowable (FIP4 – Citywide Surplus/Strategic Rollover Funds)
- Non-Compliance with unassigned reserve requirements (FIP5 – Reserve Policies)
- The Multi-Year Capital Improvement Plan was not timely approved or adopted and did not include critical components (FIP8 – Multi-Year Capital Improvement Plan)
- Reporting and oversight requirements were not met (FIP10 – Financial Oversight and Reporting)

These and other findings are included on pages three through eleven of the report.

It should be noted that the results of this audit demonstrate a trend toward sustained improvement since the previous two audits of "Compliance with the Financial Integrity Principles". In fiscal years 2011 and 2012, the City did not comply with eight and five of the Financial Integrity Principles, respectively.

We wish to express our appreciation for the cooperation and courtesies extended to us by the City management and staff while conducting the audit.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General

Cc: The Honorable Mayor Tomas Regalado
Daniel Alfonso, City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
Alice Bravo, Deputy City Manager/Chief of Infrastructure
Fernando Casamayor, Assistant City Manager/Chief Financial Officer
Manuel Orosa, Police Chief, Police Department
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Maurice Kemp, Fire Chief, Fire-Rescue Department
Christopher Rose, Director, Office of Management and Budget
Jose M. Fernandez, Director, Finance Department
Conrad C. Cross, Chief Information Officer
Mark Spanoli, Director, Capital Improvements Program
Pablo Velez, Interim Director, Purchasing Department
Joseph Zahralban, Deputy Fire Chief, Fire-Rescue Department
Members of the Audit Advisory Committee
Audit Documentation File

Audit conducted by: Scarlette Barrios, Staff Auditor
Audit reviewed by: Lewis Blake, CPA, CIA, Audit Manager

**AUDIT OF COMPLIANCE WITH THE FINANCIAL INTEGRITY
PRINCIPLES – FISCAL YEAR 2013
OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013
Audit No. 14-017**

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SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit was to assess and report on whether the City of Miami (City) implemented and complied with policies, procedures and the City Code to maintain a structurally balanced budget, short and long-term financial and capital improvement plans, and adequate internal control systems. The audit primarily covered the period October 1, 2012 through September 30, 2013, and focused on the following objectives:

- To determine whether the City complied with the thirteen Financial Integrity Principles as codified and amended in Chapter 18, Article IX, Sections 18-541 and 18-542 of the City Code.
- To recommend additional policies or actions to Management for best business practices.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Interviews and inquiries of appropriate personnel
- Reviews of written policies and procedures in order to gain an understanding of the internal controls
- Observations of current practices and processing techniques
- Tests of applicable transactions and records
- Other audit procedures as deemed necessary

BACKGROUND

In response to notifying the Governor of the State of Florida of a financial emergency in the City of Miami in 1996, the State established a five member Financial Oversight Board (FOB). The City, Governor and FOB entered into an agreement to take corrective action, which resulted in the development of a set of Financial Integrity Principles (FIP) to protect public funds. In 2000, the City Commissioners approved and adopted an ordinance to include the FIP in the City Code, which is periodically reviewed and updated, as needed. Each year, the Office of the Independent Auditor General (OIAG) is responsible for preparing and transmitting a written report to the Mayor and City Commissioners regarding the City's compliance with the FIP.

Currently, the City is required to comply with the following 13 FIP included in the City Code:

- 1) Structurally Balanced Budget
- 2) Estimating Conference Process
- 3) Interfund Borrowing
- 4) Citywide Surplus/Strategic Rollover Funds
- 5) Reserve Policies
- 6) Proprietary Funds
- 7) Multi-Year Financial Plan
- 8) Multi-Year Capital Improvement Plan
- 9) Debt Management
- 10) Financial Oversight and Reporting
- 11) Basic Financial Policies
- 12) Evaluation Committees
- 13) Full Cost of Services

AUDIT FINDINGS AND RECOMMENDATIONS

Based on the results of our audit, we have concluded that the City of Miami did not comply with five of the thirteen Financial Integrity Principles (FIP).

Details of our findings and recommendations follow:

FINDING 1: REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER (FIP3 – Interfund Borrowing)

Financial Integrity Principle 3 (FIP3) of the City Code states, “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float...”

MIAMI FIRE-RESCUE DEPARTMENT (MFR)

a) Safer Grant 2011–Award #1925

During fiscal year 2013 (FY13), the MFR incurred Safer 2011 grant-related expenditures totaling \$877,988. The average time (in days) that elapsed between the dates that the quarterly reports were due and the dates that the respective reimbursement requests were submitted ranged from nine (9) days to 199 days (or an average of 103 days late).

b) Urban Search and Rescue (USAR)–Award #1886

During FY13, MFR incurred USAR 2011 grant-related expenditures totaling \$821,454. We noted that \$4,062 of these expenditures were for FY14 and were not considered for testing purposes. MFR requested a total of \$821,454 in reimbursements and all monies were received. The average time (in days) that elapsed between the dates that the quarterly reports were due and the dates that the respective reimbursement requests were submitted ranged from one (1) day to 236 days (or an average of 83 days late).

The cause of the untimely USAR and Safer grant reimbursement request submittals appears to be the lack of a formal policy that would require MFR staff to prepare and submit reimbursement requests along with the quarterly financial reports described above. However, we noted that there has been an improvement in submitting the reimbursements within the last two years.

As indicated in last year’s findings, for the USAR grant there is a large amount of payroll related expenditures requiring adjustment which cause delays in processing payroll related reimbursement requests. To eliminate the adjustments, MFR is continuing to work with the City’s Information Technology Department (ITD) to facilitate assigning the correct payroll elements when grant awards are initially set up in Oracle PnG.

MIAMI POLICE DEPARTMENT (MPD)

COPS Hiring FY2011 – Award #1875

During FY13, the MPD incurred COPS grant-related expenditures totaling \$1,478,397. Of this amount, reimbursement requests totaling \$1,260,148, or 85% of total expenditures, were not filed in a timely manner. The average time (in days) that elapsed between the dates that the quarterly reports were due and the dates that respective reimbursement requests were

submitted ranged from 22 to 114 days (or an average of 31 days late). However, all reimbursements were received without exception.

CAPITAL IMPROVEMENTS PROGRAM DEPARTMENT (CIPD)

a) Miami River Greenway – Award #1858

During FY13, CIPD incurred Miami River Greenway grant-related expenditures totaling \$778,925. The average time (in days) that elapsed between incurrence of expenditures and the submission of reimbursement requests ranged from 66 days to 250 days (or an average of 142 days late). We noted that although the grant agreement does not specify reimbursement request deadlines, according to the Local Agency Program Manual, reimbursement requests could be submitted monthly. Payment should be received within forty (40) calendar days of the submittal date. Additionally, a total of \$182,178 is still outstanding.

b) Biscayne Brickell Trolley Services – Award #40

We were informed by CIPD staff that no reimbursement requests have been submitted to the Florida Department of Transportation (FDOT) for the Biscayne/Brickell Trolley Services. Although a reimbursement package was prepared in August 2013, it was not submitted since a reimbursement request package for a similar FDOT grant was returned for corrections. Therefore, the reimbursement request package for the Biscayne/Brickell Trolley was not submitted so that it could be revised to meet FDOT requirements. Grant Program-related expenditures for FY13 totaled \$411,273. The average time (in days) that elapsed between the dates that the reimbursements were due and the date of testing (4/28/2014) ranged from 203 days to 499 days (or an average of 363 days late).

The timely filing of reimbursement requests minimizes the period that City funds are used as float. In addition, filings delays cause the City to forgo potential interest revenue.

RECOMMENDATION 1.1: MIAMI FIRE-RESCUE DEPARTMENT

We recommend that the MFR implement internal control procedures that would ensure reimbursement requests are submitted simultaneously with required quarterly financial reports (when applicable) to facilitate timeliness. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements. Lastly, MFR should continue to work with ITD to ensure that applicable payroll elements are assigned in Oracle PnG.

This is a recurring audit finding.

- **Auditee Response: Safer Grant 2011 – Award #1925:** Miami Fire-Rescue Administration agrees with the finding and has taken corrective steps to ensure the quarterly reimbursement requests will be submitted in a timely manner.
- **Implementation Date:** Immediately
- **Auditee Response: Urban Search and Rescue (USAR) – Award #1886:** USAR agrees with the finding in light of the fact that the grant-related expenditures occurred in 2011 and that there has been an improvement in submitting reimbursements over the past two years. USAR will continue to work with the City of Miami IT Department in

facilitating the correct payroll elements when grant awards are initially set up so that reimbursement requests can continue to occur concurrently with the required quarterly financial reports.

- **Implementation Date:** Immediately

RECOMMENDATION 1.2: MIAMI POLICE DEPARTMENT

We recommend that the MPD implement internal control procedures that would ensure reimbursement requests are submitted simultaneously with required quarterly financial reports (when applicable) to facilitate timeliness. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

- **Auditee Response:** We concur with the recommendations. We will implement the procedure to ensure reimbursement requests are submitted concurrently with required quarterly financial reports. Miami Police Department is committed to ensure the reimbursement packets are submitted in a timely manner and contain accurate supporting documentation. In addition, the reimbursement supporting documents will be reviewed by the immediate supervisor prior submission to the grantor.
- **Implementation Date:** Quarter Ending September 30, 2014

RECOMMENDATION 1.3: CAPITAL IMPROVEMENTS PROGRAM DEPARTMENT

We recommend that the CIPD implement internal control procedures that would ensure reimbursement requests are submitted simultaneously with required quarterly financial reports (when applicable), or according to Local Agency Program guidelines, to facilitate timeliness. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

- **Auditee Response: Miami River Greenway – Award #1858:** The primary reason for the delay in reimbursement requests was the resolution of audit findings that were discovered by FDOT during the course of the construction project. As these findings had to be resolved by the City's Contractor, the duration of time taken to resolve the items were not within the direct control of CIPD. As the project was inspected and accepted by the City, the final payments were made to the contractor prior to the end of last year. It was recently learned that FDOT requires the final plans to be certified in a specific manner which is currently holding up their clearance for 100% reimbursement. This item should be resolved in the coming weeks. Once FDOT approves the item, we will request the City's Finance Department to complete the reimbursement request.
- **Implementation Date:** July 2014
- **Auditee Response: Biscayne Brickell Trolley Services – Award #40:** The City of Miami will submit the first invoice packet to the Florida Department of Transportation (FDOT), District Six in June 2014. After the June submission, the City will submit quarterly invoices, allowing the State sufficient time to review the invoice packets and provide feedback and revisions to the City. This will facilitate the reimbursement request

submission and review process, while complying with the Joint Participation Agreement (JPA) requirements.

- **Implementation Date:** June 30, 2014

FINDING 2: INFORMATION TECHNOLOGY DEPARTMENT (IT) REGULAR SALARIES FUNDED WITH STRATEGIC ROLLOVER FUNDS WERE NOT ALLOWABLE (FIP4 – Citywide Surplus/Strategic Rollover Funds)

According to the provisions of Financial Integrity Principle FIP4 and FIP4(d):

“...the total amount of budget surplus to be added to designated reserves and special revenue funds pursuant to this section (together, the "rollover amounts") is limited to city-wide surplus for any fiscal year...Budgeted surpluses of the department of information technology shall be allocated, as of the end of the fiscal year in which such surplus arose, to an IT strategic plan special revenue fund. Allowed expenditures of the IT strategic plan special revenue fund shall be limited to expenditures, excluding those related to permanent city staff, necessary for the implementation of the city's information technology strategic plan, subject to appropriation by the City commission.”

As described above, “rollover amounts” (rollovers) that are the result of IT department surpluses are used to fund the IT Departmental Improvement Fund (IT-DIF), which is an IT strategic plan special revenue fund. Using this fund to pay for regular salary expenditures for IT staff is not allowed, but expenditures incurred to pay for IT equipment and professional services of IT consultants that improve the City’s IT infrastructure are allowable.

However, during our testing of fiscal year (FY) 2013 IT-DIF expenditures, we discovered a journal entry which transferred \$262,806 of regular salary expenditures—that had already been recorded as FY 2012 regular salary expenditures in the City’s General Fund (GF)—to the IT-DIF. As described above, such regular salary expenditures, which represented 30% of IT-DIF expenditures tested, are not allowable according to FIP4(d) and causes an overstatement of the GF balance and an understatement of the IT-DIF balance of \$262,806.

RECOMMENDATION 2: FINANCE DEPARTMENT

We recommend that the journal entry described above be reversed and that going forward, management review the City’s financial integrity principles ordinance before journal entries that affect (increase) the City’s General Fund are proposed.

- **Auditee Response - Finance Department:** The Finance Department will work with the Budget Department to reverse the journal entry. Additionally, we will work closely with the Budget Department to ensure that journal entries into the IT Departmental Improvement Fund, the Parks Special Revenue Fund, and the Public Facilities Revenue Fund, don’t contain expenses for permanent City staff. Additionally, the Finance Department will modify the work flow to include the Director on any journal entries affecting the aforementioned funds.

- **Implementation Date:** Immediately.

FINDING 3: NON-COMPLIANCE WITH UNASSIGNED RESERVE REQUIREMENTS (FIP5 – Reserve Policies)

The requirements for unassigned fund balance reserves, pursuant to Financial Integrity Principle 5 (FIP5) of the City Code, provides that,

“The city shall retain unassigned fund balance reserves equal to a threshold ten percent (10%) of the prior three (3) years average of general revenues (excluding transfers). Amounts designated as “contingency” reserve in subsection 5a shall be included in the calculation of meeting the ten percent (10%) of the prior three (3) years average of general revenues for the unassigned fund balance category. Such reserves may only be used for offsetting an unexpected mid-year revenue shortfall or for funding an emergency such as a natural or man-made disaster, which threatens the health, safety and welfare of the city's residents, businesses or visitors. Any time these reserve funds fall below the ten percent (10%) threshold, the City Commission shall adopt a plan to achieve the threshold within two (2) fiscal years and the City Manager shall present an oral report at the second commission meeting of every month, except during the month of September, regarding: i) the status of the current fiscal year budget and ii) the proposed budget for the subsequent fiscal year. Such oral report shall appear on the city commission agenda as a discussion item under the agenda category titled “Budget”. Amounts in excess of the ten percent (10%) threshold may be used for capital improvements, unanticipated expenditures necessary to assure compliance with legal commitments, and for expenditures that will result in the reduction of recurring costs or the increase in recurring revenues of the City.”

The City's FY13 Comprehensive Annual Financial Report (CAFR) indicated that although assigned fund balance reserves of \$72,908,000 met the \$48,934,923 reserve requirements, there was no unassigned reserve except for the \$5,000,000 contingency reserve as stated in subsection 5a. Our calculation indicates that since the annual average general revenue for the prior three (3) fiscal years totaled \$489,349,234 the unassigned reserve balance should have been at least \$43,934,923.

RECOMMENDATION 3: OFFICE OF MANAGEMENT AND BUDGET

We recommend that City management create means by which recurring revenues will increase and recurring expenditures decrease so that required unassigned reserve amounts can be created and maintained in accordance with FIP5.

This is a recurring audit finding.

- **Auditee Response - Office of Management & Budget:** The City's General Fund now has a balance of \$75.462 million after it had fallen to \$13.4 million. We anticipate a surplus at the end of FY 2013-14 which will move the City closer to compliance with reserve requirements as stipulated in the City's Financial Integrity Principles. As part of the Adopted Budget, in compliance with GASB 54, the City Manager or his designee will apportion the amount to be assigned and thereby the remaining amount will be unassigned.
- **Implementation Date:** October 1, 2014 Ongoing

FINDING 4: MULTI-YEAR CAPITAL IMPROVEMENT PLAN WAS NOT TIMELY APPROVED OR ADOPTED AND DID NOT INCLUDE CRITICAL COMPONENTS (FIP8 – Multi-Year Capital Improvement Plan)

Financial Integrity Principle 8 (FIP8) of the City Code provides that,

“The City commission shall annually adopt a capital improvements plan (“CIP”) by November 30th of each year. The CIP shall address cost estimates for all necessary infrastructure improvements needed to support city services, including information technology, with an adequate repair and replacement (“R&R”) component. Funded, partially funded and unfunded projects shall be clearly delineated. The CIP shall be detailed for the current fiscal year and for five additional years and, if practicable, additional required improvements aggregated for two additional five year periods. To the extent feasible, department heads shall be required to submit independent needs assessments for their departments for use in preparing the CIP. The CIP will be detailed by fund, include recommended project prioritization rankings, identified revenue sources, planned financing options and unfunded projects. The CIP shall include estimates of the operational impacts produced for the operation of the capital improvements upon their completion.

The CIP shall include a component reflecting all on-going approved capital projects of the city, the date funded, amount budgeted, amount spent since the start date, remaining budget, fiscal impact of known changes to financial assumptions underlying the project, estimated expenditures by fiscal year for the project and estimated completion date. Approved projects, with circumstances that arise which change the funding requirements of the project, shall be addressed in the CIP annually.”

Based on the testing conducted, we noted that the City Commission did not adopt a CIP by November 30th as required. The report was 13 days late. Upon reviewing the "Cost Estimate vs. Available Funding" report, the "Capital Improvements Program Current Projects Cost to Date" report, and other reports in the CIP, we noted the following exceptions:

- The above-mentioned reports, as well as other reports in the CIP, included project budget amounts and amounts spent-to-date, but these items, along with other critical components required by FIP8, were not combined in one report. Additionally, these reports did not include the “date funded”, “remaining budget”, “estimated completion date”, and “estimated expenditures by fiscal year of project”, which should be combined with budget and spent-to-date amounts so that City Commissioners and other stakeholders can readily ascertain the true status/progress of individual City projects.

Not creating and adopting a CIP in a timely manner increases the risk that the progress and funding needs of City capital projects will not be determined on a timely basis. In addition, if the CIP does not provide the required information about each project (e.g. the start date, amount budgeted, amount spent since start date, remaining budget, estimated completion date, etc.), and does not address approved projects with unforeseen circumstances which change the funding requirements of the projects, then Commissioners and other stakeholders will be unable to monitor the progress of projects (especially information technology projects), which tend to have short useful lives) and determine the effectiveness/efficiency of project management.

RECOMMENDATION 4.1: CAPITAL IMPROVEMENTS PROGRAM DEPARTMENT

We recommend that the CIP be prepared by November 30th of each year as required by FIP8.

This is a recurring audit finding.

- **Auditee Response:** The FY13-14 was approved by Commission on 10/24/2013; the report was 37 days early. The summary of all Capital Projects Appropriations Amendment resolutions via Commission Meeting is done on a regular basis to fully or partially fund a project. These amendments approve the allocation of new funds to projects and/or the transfer of current funds from one project to another and are considered the “date funded”. This summary is included on the FY13-14 Capital Plan with the Commission Approval date as well as the Resolution Number. More often than not, projects do not have a single “date funded” as funds may be appropriated as they become available. For example, we may have projects funded with any combination of Federal, State, Local Grants and/or City Funds and thus funds are made available as the various sources become available. On another case, we may fund only one of the following components: study, land acquisition, design, mitigation until we get a more realistic cost of construction. These resolutions amend the Adopted Capital Plan. A listing of the Appropriation Amendment for the fiscal year will be included in subsequent Capital Plans.
- Circumstances are addressed through Capital Appropriations on a regular basis and are approved via resolution during commission meetings where City Commissioners and other stakeholders can readily ascertain the true status/progress of individual City projects. Circumstances changing funding requirements vary: reduction of scope, addition of scope, preliminary construction estimate differs from actual bids received (upward or downward), unforeseen conditions, permitting issues with regulatory agencies, timing gap between City funds allocation and grants allocation from outside agencies since in most cases the matching funds to a grant must be identified and allocated prior to receipt of grant. These changes are typically reflected when a revision to the Project Activation Form is developed. Furthermore, funding can be added to a project not because the requirements change but because the project may have been partially funded when initiated.
- Progress reports are provided on a regular basis to the City Commissioners and other stakeholders, these reports help make the determination to increase or decrease funding on a project. *Please refer to bullet above for change in funding circumstances.*
- The amount of data required to merge all the reports into one report would be extremely difficult and would likely not fit within a printable format. Furthermore, combining all the data into a single report does not appear to be a requirement of FIP8.
- **Implementation Date:** FY13-14 Capital Plan, dated 10/24/2013

RECOMMENDATION 4.2: FINANCE DEPARTMENT

Best practices require monthly reporting of capital project expenditures (CAPEX) with information described in FIP8 including: project description and number; date funded; amount budgeted; amount spent since the start date (including current period expenditures); and, remaining budget. This information should be separated by Commission District and reported to Commissioners and senior management.

The financial data for construction and other capital projects requires usage of the City’s accounting system, and since such information should be accurately and timely reported in the City’s Comprehensive Annual Financial Report (CAFR), the City’s Finance Department (FD) should work collaboratively with the City’s Capital Improvements Program Department (CIPD) in compiling the information described above. Also, both departments should collaborate in

monitoring actual amounts spent on projects (since their start dates) and comparing them to budgeted amounts. As a result of such monitoring, the FD would have the ability to ascertain which projects are near completion so as to ensure they are added to the City's fixed assets system in a timely manner.

Lastly, the FD and the CIPD should work together in order to report the following as required by the FIP: Fiscal impact of known changes to financial assumptions underlying the project; estimated expenditures by fiscal year of the project; estimated completion date; and, approved projects with unforeseen circumstances which change their funding requirements.

This is a recurring finding.

- **Auditee Response – Finance Department:** Effective Fiscal Year 2014, the accounting functions previously performed by the Capital Improvements Program Department were transferred to the Finance Department. The Finance Department is currently in the process of recruiting for two positions - a Capital Assets Administrator and a Capital Assets Financial Analyst. Among the responsibilities of these two individuals will be review, analysis and monthly reporting of capital expenditures. The monthly reporting will entail comparing budget to actual expenditures, percentage of completion and project status. Additionally, review and analysis of non-capital expenditures incurred in capital funds will be conducted to ensure proper accounting treatment. It will require working collaboratively with project managers and project administrators to ensure proper reporting of project status and completion. The Finance Department expects to have the recruitment process completed by the end of July 2014.
- **Implementation Date:** The Finance Department's implementation date is anticipated during the last quarter of the 2014 fiscal year. However, considering the learning curve of the newly hired or promoted individuals, full reporting capabilities shall probably commence during the first quarter of the 2015 fiscal year.

FINDING 5: REPORTING AND OVERSIGHT REQUIREMENTS WERE NOT MET
(FIP10 – Financial Oversight and Reporting)

Financial Integrity Principle 10 (FIP10) of the City Code provides that,

“The City shall provide for the on-going generation and utilization of financial reports on all funds comparing budgeted revenue and expenditure information to actual on a monthly and year-to-date basis.

The finance department shall be responsible for issuing the monthly reports to departments; the mayor and city commission, and provide any information regarding any potentially adverse trends or conditions. These reports should be issued within thirty (30) days after the close of each month.

Also, the external auditor shall prepare the city's comprehensive annual financial report (CAFR) by March 31 of each year. The single audit and management letter of the city shall be prepared by the external auditor by April 30th of each year. Finally, the external auditor shall present the findings and recommendations of the audit, single audit and management letter, to the mayor and city commission at a scheduled commission meeting prior to July 30th of each year.”

Our review to determine whether the required reports were issued in a timely manner disclosed the following:

- Monthly financial reports were not issued by the Finance Department within thirty (30) days after the close of each month, as required, for nine of the 11 months tested. The number of days late ranged from two to 105 days as noted below:

#	Reporting Month	Date Books Closed	Date Reports Due	Report Issued	Early (Late)
1	10/31/2012	11/28/2012	12/28/2012	2/14/2013	(48)
2	11/30/2012	12/19/2012	1/18/2013	2/19/2013	(32)
3	12/31/2012	1/16/2013	2/15/2013	5/31/2013	(105)
4	1/31/2013	2/19/2013	3/21/2013	6/11/2013	(82)
5	2/28/2013	3/20/2013	4/19/2013	6/11/2013	(53)
6	3/31/2013	4/19/2013	5/19/2013	6/27/2013	(39)
7	4/30/2013	5/14/2013	6/13/2013	6/27/2013	(14)
8	5/31/2013	6/13/2013	7/13/2013	7/15/2013	(2)
9	8/31/2013	9/9/2013	10/9/2013	10/25/2013	(16)

There is an apparent lack of internal controls in place to ensure that the monthly financial reports are prepared and issued in a timely manner. Transmitting financial reports untimely diminishes their relevance and usefulness.

It should be noted that the remaining financial report requirements (CAFR, Single Audit and Management Letter) were met.

RECOMMENDATION 5: FINANCE DEPARTMENT

We recommend that City management develop policies and procedures to ensure that financial reports (monthly financial reports) are issued in a timely manner. Such policies/procedures may include cross-training qualified/appropriate FD staff to perform timely account balance reconciliations, reviews and approvals.

This is a recurring audit finding.

- **Auditee Response:** For the majority of the 2013 fiscal year, the Finance Department had a significant number of vacancies as well as key, senior, leadership vacancies, including the Finance Director, the Treasurer and several Finance Managers. The City's Fiscal Year 2012 CAFR was issued on June 21, 2013; the Single Audit and Management Letter were issued at a later date. Additionally, after the issuance of the CAFR and Single Audit, considerable time was dedicated to reconciling the CAFR and Single Audit to Oracle. Collectively, these factors, especially, the vacancies and the time committed to completing the CAFR and the related subsequent work all contributed to delaying the issuance of the monthly reports timely.
- **Implementation Date:** The first quarter of the 2014 Fiscal Year.