

City of Miami

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INDEPENDENT AUDITOR GENERAL



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June 30, 2017

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 2016
Report No. 17-07

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, 2015 through September 30, 2016. 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 four of the 13 Financial Integrity Principles (FIP) as follows:

- FIP 3 - Requests for grant and other reimbursements were not made in a timely manner.
- FIP 5 - The assigned reserve requirement was not in compliance with principles.
- FIP 8 - The Multi-Year Capital Improvement Plan does not fully comply with the requirements of FIP 8 and best practices for capital planning.
- FIP 12 - Evaluation Committees did not comply with requirement for a majority of non-City employees and committee recommendations were not provided to the Mayor and City Commission.

These and other findings are included on pages three through 13 of the report.

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 J. Alfonso, City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
Fernando Casamayor, Assistant City Manager/Chief Financial Officer
Nzeribe Ihekweba, Assistant City Manager/Chief of Operations
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Christopher Rose, Director, Office of Management and Budget
Erica T. Paschal, Director, Finance Department
Kevin Burns, Chief Information Officer, Director, Information Technology Department
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Audit Documentation File

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**AUDIT OF COMPLIANCE WITH THE FINANCIAL INTEGRITY
PRINCIPLES – FISCAL YEAR 2016
OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2016
Report No. 17-07**

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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, 2015 through September 30, 2016, and focused on the following objectives:

- To determine whether the City complied with the 13 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 thirteen 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 four of the 13 Financial Integrity Principles (FIP) resulting in six findings.

Details of our findings and recommendations follow:

FIP 3: GRANT & OTHER REIMBURSEMENTS

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...”

The timely and accurate filing of reimbursement requests that are in compliance with grant requirements minimizes the period that City funds are used to pay for expenditures that should be covered by grant awards. In addition, filing delays due to non-compliance with grant provisions cause the City to forgo interest revenue it could be earning.

FINDING 1 (FIP 3): FIRE-RESCUE DEPARTMENT REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

During the audit period, the Fire-Rescue Department (FRD) incurred/processed expenditures of \$6.5 million related to various grant awards including Urban Search and Rescue (USAR), Urban Area Security Initiative (UASI), and Assistance to Firefighters (ATFF). We selected one award which represents \$4,205,761 (or 65%) of the total population to test compliance with FIP3. The results of our testing are as follows:

Homeland Security Grant Program – UASI Fiscal Year 2014 (Award #2121):

During fiscal year 2016 (FY16), the FRD incurred UASI FY14 Projects and Grants (PnG) Award #2121 grant-related expenditures totaling \$4,205,761. According to the grant agreement, reimbursement requests were required to be submitted to the State of Florida, Division of Emergency Management within 90 calendar days of the expenditure of funds.

Of the total UASI expenditures, 79% (or \$3,332,233), represents pass-through expenditures of sub grantees and are not actual City of Miami expenditures. The City requests reimbursement for these expenditures on behalf of the sub grantees. However, the City pays the money to the sub grantees only after receiving reimbursement from the State. We tested these expenditures and confirmed that none of the sub grantee expenditures were floated by the City.

The remaining \$873,528 represents City of Miami UASI expenditures. We noted that 100% of these expenditures have been reimbursed to the City; however, 21% (or \$181,974) of the expenditures were not submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 1 to 83 days (or an average of 21 days late). The average time that City funds were used as float (i.e., the time between the check date and cash receipt date) for the total \$873,528 of grant-related expenditures was 144 days.

RECOMMENDATION 1 (FIP3): FIRE-RESCUE DEPARTMENT

We recommend that the FRD continuously improve internal control procedures to ensure that grant reimbursement requests are submitted in a timely manner, minimizing the time that City funds are used as float. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

- **Auditee Response:** The Miami UASI is committed to ensuring that reimbursement requests are submitted in a timely manner and contain accurate supporting documentation. Below, are the details of the untimely reimbursement requests:
 1. Reimbursement request 14-10-37: The State of Florida overpaid reimbursement request 14-04-01 and IEX176506 was used to offset the grantor's mistake. Also, the State of Florida imposed a retroactive travel reimbursement restriction effective 12/30/16 which affected all travel expenditures incurred during the period of performance of the UASI 2014 grant program to include FY16.
 2. Reimbursement request 14-10-49: Effective 06/29/16, in an effort to minimize the time that City funds are used as float, the Miami UASI submits payroll expenditures every other month instead of quarterly. Please note this corrective action was a result of the FY15 Financial Integrity Audit.
 3. Reimbursement request 14-01-56: Effective 06/29/16, in an effort to minimize the time that City funds are used as float, the Miami UASI submits payroll expenditures every other month instead of quarterly. Please note this corrective action was a result of the FY15 Financial Integrity Audit.
 4. Reimbursement request 14-01-63: The State of Florida imposed a retroactive travel reimbursement restriction effective 12/30/16 which affected all travel expenditures incurred during the period of performance of the UASI2014 grant program to include FY16. However, we do acknowledge that a P-Card expense report was submitted late.
 5. Reimbursement request 14-02-90: The State of Florida imposed a retroactive travel reimbursement restriction effective 12/30/16 which affected all travel expenditures incurred during the period of performance of the UASI 2014 grant program to include FY16.
 6. Reimbursement request 14-02-99: The State of Florida imposed a retroactive travel reimbursement restriction effective 12/30/16 which affected all travel expenditures incurred during the period of performance of the UASI2014 grant program to include FY16.
 7. Reimbursement request 14-05-1 30: The State of Florida imposed a retroactive travel reimbursement restriction effective 12/30/16 which affected all travel expenditures incurred during the period of performance of the UASI2014 grant program to include FY16.

Please note that even if the Miami UASI submits reimbursement requests to the State of Florida timely, if it falls in the middle of a quarter, our grantor cannot process reimbursement until the quarterly report pertaining to the expenditures date has been received. As a result, the City of Miami's float time will continue to occur despite how fast the Miami UASI uploads reimbursement requests. Reimbursement requests are revised and resubmitted due to the lack of prior notification by the State of Florida concerning any new requirements that affect reimbursement requests.

The Miami UASI is required to follow the reimbursement checklist that is included in the UASI 2014 grant agreement and has also been incorporated in the UASI Administrative Process manual. Since we cannot submit expenditures for reimbursement until the payment has cleared, the Miami UASI is forced to wait an additional 10-11 days for that process to occur.

As explained to the internal auditor, the Miami UASI has no control on how long it takes the Florida Division of Emergency Management (FDEM) or the Comptroller's Office/Department of Financial Services (DFS) to reimburse the City of Miami. The Miami UASI contends that it is an exception and not the norm that packages are submitted beyond the (90) days. For five of the seven packages noted, there is an explanation and subsequent debate between the State of Florida and the Miami UASI that extends back to FY15 with respect to the City of Miami's travel policy. As for packages 14-10-49 and 14-01-56, they had been uploaded to the State of Florida prior to the implementation of the corrective action taken as a result of the FY2015 Financial Integrity Audit concerning payroll-related reimbursement requests.

- **Implementation Date:** Immediately

FINDING 2 (FIP3): CAPITAL IMPROVEMENTS & TRANSPORTATION PROGRAM GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

During the audit period, the City incurred/processed Capital Improvements and Transportation Program (CITP) expenditures totaling approximately \$9.4 million related to various grant awards and other programs funded on a reimbursement basis. We tested three CITP awards which together represent \$6 million (or 64%) of the total population to test compliance with FIP3. The following exceptions were noted:

(PnG Award #2111) Miami-Dade County (MDC) – NE 2nd Avenue:

During FY16, the City incurred NE 2nd Avenue Roadway Improvements (PnG Award #2111) grant-related expenditures totaling \$3,826,428 of which \$3,498,522 was currently eligible for reimbursement due to retainage held by the contractor. According to the grant agreement, reimbursement requests were required to be submitted to Miami-Dade County (grantor) on a quarterly basis. To-date 100% of the \$3,498,522 total expenditures (which were currently eligible for reimbursement), has not been reimbursed to the City. Thirty percent (or \$1,039,992) of the unreimbursed amount has not been requested for reimbursement from the County. In addition, we noted that another 70% (or \$2,458,530) of the total expenditures were not submitted for reimbursement in a timely manner (46 days late). The average time that City funds were used as float (i.e., the time between the expenditure date and cash receipt date) for the total \$2,458,530 of grant-related expenditures that were submitted for reimbursement was 406 days.

(PnG Award #1957) General Obligation Bond (GOB) – West End B:

During FY16, the City incurred West End Park Multi-Purpose Facilities (PnG Award #1957) grant-related expenditures totaling \$852,462 of which \$833,151 was currently eligible for reimbursement due to retainage held by the contractor and the County. According to the grant agreement, reimbursement requests were required to be submitted to Miami-Dade County (grantor) on a quarterly basis. We noted that 100% of the expenditures have been reimbursed to

the City; however, 100% (or \$833,151) of the expenditures were not submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 10 to 44 days (or an average of 26 days late). The average time that City funds were used as float (i.e., the time between the check date and cash receipt date) for the total \$833,151 of grant-related expenditures was 102 days.

(PnG Award #2125) General Obligation Bond (GOB) – Kinlock Park:

During FY16, the City incurred Kinlock Park Multi-purpose Facilities (PnG Award #2125) grant-related expenditures totaling \$1,318,067 of which \$1,126,112 was currently eligible for reimbursement due to retainage held by the contractor and the County. According to the grant agreement, reimbursement requests were required to be submitted to Miami-Dade County (grantor) on a quarterly basis. We noted that 100% of the expenditures have been reimbursed to the City; however, 69% (or \$779,244) of the expenditures were not submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 10 to 144 days (or an average of 70 days late). The average time that City funds were used as float (i.e., the time between the check date and cash receipt date) for the total \$1,126,112 of grant-related expenditures was 120 days.

RECOMMENDATION 2 (FIP3): FINANCE DEPARTMENT

We recommend that the Finance Department (FD) continuously improve internal control procedures to ensure that grant reimbursement requests are submitted in a timely manner, minimizing the time that City funds are used as float. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

Lastly, we recommend that the FD, Capital Improvements and Transportation Program (CITP), and Office of Management and Budget (OMB) continue to improve the collaborative effort necessary to ensure timeliness of CITP grant reimbursements, including consideration of systems improvements which could better facilitate the process.

- **Overall Auditee Response:** The Finance Department agrees that internal control procedures need to be continuously improved. The Finance Department will continue to coordinate efforts with the Office of Capital Improvements to ensure that required documentation is submitted by vendors along with the payment requisitions from the respective vendors.
- **Auditee Response: NE 2nd Avenue (PnG Award #2111):** The first reimbursement request was submitted by the Finance Department to the County on June 15, 2016 in the amount of \$2,458,529 for expenditures incurred between March 2016 and May 2016. On September 1, 2016, the Finance Department received its first notification from the County that the package could not be processed until required compliance documentation was provided. This documentation was subsequently requested from the Office of Capital Improvements, which in turn requested the information from the respective contractors and sub-contractors. The proper documentation was provided to the City on March 15, 2017 and forwarded to the County accordingly. The second reimbursement was submitted by the Finance Department to the County on May 27, 2017 in the amount of \$1,462,960.86 for expenditures related to contractor payments from June 2016 thru October 2016 once the Finance Department was in receipt of all required compliance documentation from the

vendor on May 24, 2017. As of June 6, 2017, there has been no further notification from the County regarding the first or second reimbursement request.

- **Auditee Response: GOB – West End B (PnG Award #1957):** The responsibility for reimbursement request related to this project were transferred to the Finance Department in November 2015. Factors that contributed to the reimbursement request not being submitted in a timely manner were the transition of responsibility from the Office of Capital Improvements to Finance, change of staff in the Office of Capital Improvements, and the lack of proper documentation being provided by the Contractor. The invoices provided by the contractor were not being provided on the company’s letterhead as required by the County.
- **Auditee Response: GOB – Kinloch Park (PnG Award #2125):** During FY2016, the City’s Finance Department submitted reimbursement requests on a quarterly basis per the agreement with the County. All requests were to include invoices on company letterhead, copies of the cancelled checks or bank statements, monthly reports and pictures of the respective projects. The lack of timeliness on the submission of 69% of the eligible expenditures were due mainly to the delay in receiving compliance documentation from the respective vendors. In addition, the expenditures on reimbursement request no.6 for this project exceeded the original approved budget. The reimbursement request was then submitted once the budget items were clarified.
- **Implementation Date:** This practice of requiring vendors to submit the required documentation at the initial request for payment commenced during FY '17.

FINDING 3 (FIP5c): THE ASSIGNED RESERVE REQUIREMENT WAS NOT IN COMPLIANCE WITH PRINCIPLES

Section 18-542 (5c) of the City Code (Financial Integrity Principle 5c) states: “The city shall retain assigned fund balance reserves equal to ten percent of the prior three years average of general revenues (excluding transfers). Such reserves shall be used for funding long-term liabilities and commitments of the city”. Government accounting standards define an **assigned** fund balance as that which represents amounts that are constrained by the City’s intent to use the amounts for specific purposes. Therefore, according to Financial Integrity Principle (FIP) 5c, assigned reserves should be restrictively used to fund long-term liabilities and commitments such as:

1. Compensated absences and other employee benefit liabilities, including liabilities related to post-retirement benefits;
2. Self-insurance plan deficits (including workers compensation, liability claims and health insurance);
3. Anticipated adjustments in pension plan payments resulting from market losses in plan assets and other unanticipated payments necessary to maintain compliance with contractual obligations.

Payment for compensated absences and other employee benefit liabilities and self-insurance plan deficits may be drawn from this reserve during the fiscal year and should be replenished each year until 50 percent of such liabilities are funded. Other designated reserves may be drawn upon without the need for replenishment.

As indicated in the schedule below, the average three years of revenues for fiscal years 2013, 2014, and 2015 was approximately \$564.9 million. Accordingly, the City is required to retain an assigned fund balance of approximately \$56.5 million.

SCHEDULE		
Assigned Reserve Requirement		
Fiscal Year	General Revenue	
2015	\$599,480,966	
2014	556,731,000	
2013	538,389,000	
	\$1,694,600,966	Total general revenue for the prior 3 years
	÷ 3	Years
	\$564,866,989	Average annual general revenue for the prior 3 years
	x 0.10	
	\$56,486,699	Fiscal Year 2016 Assigned Reserve Requirement

However, based on the testing conducted, we noted that the 10% of the three-year revenue average for the assigned fund balance required pursuant to FIP 5c, was not met. According to the City's fiscal year 2016 Comprehensive Annual Financial Report, the assigned balance was \$21.1 million, or \$35.4 million less than the required \$56.5 million balance (or 63%).

We noted that the main cause for the reduction in the general fund assigned balance is due to increases in public safety and parks and recreation expenditures, as well as increases in transfers-out from the general fund.

RECOMMENDATION 3 (FIP5c): OFFICE OF MANAGEMENT AND BUDGET

Management should create means by which recurring revenues will increase and recurring expenditures decrease so that required assigned and unassigned amounts can be created and maintained in accordance with FIP5.

- **Auditee Response:** The restricting of funds was a change in government financial reporting standards that occurred after the adoption of the City Ordinance. As such, the City administration will work to revise related ordinances to ensure they are in accordance with the new standards, thereby clarifying any uncertainties.
- **Implementation Date:** September 30, 2018

FINDING 4 (FIP8): MULTI-YEAR CAPITAL IMPROVEMENT PLAN DOES NOT FULLY COMPLY WITH THE REQUIREMENTS OF FIP 8 & BEST PRACTICES FOR CAPITAL PLANNING

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 adopted a CIP by November 30th as required. However, upon reviewing the City’s Fiscal Year 2015-2016 Adopted Capital Budget and Multi-Year Capital Plan, we noted the following exceptions:

- The "Comprehensive Detail Report" section of the plan includes an "Award End Date" for each project. However, it does not include an **estimated completion date** and **estimated expenditures by fiscal year** for each project.
- The plan does not address the fiscal impact of known changes to financial assumptions underlying the projects (e.g., the curtailment of federal or state funding for certain types of projects). Also, the plan does not address approved projects which require a change of funding requirements due to unforeseen circumstances (e.g., a utility line relocation that necessitates a material change order and therefore, the incurrence of a material unforeseen expenditure).

Lastly, we noted that the City does not have formal, written capital planning policies. According to the Government Finance Officers Association (GFOA) best practices, capital planning policies “help to assure that each jurisdiction’s unique needs are fully considered in the capital planning process” and “can strengthen a government’s borrowing position by demonstrating sound fiscal management and showing the jurisdiction’s commitment to maximizing benefit to the public within its resource constraints.” One of the minimum requirements of these policies should be, “Identification of how decisions will be made in the capital planning process including a structured process for prioritizing need and allocating limited resources.”

RECOMMENDATION 4 (FIP8): OFFICE OF MANAGEMENT AND BUDGET

We recommend that estimated completion dates, as well as estimated expenditures by fiscal year for each project be included in the capital plan. Such information would facilitate improved monitoring as well as more accountability and transparency regarding the City's capital expenditures.

The capital plan should include the fiscal impact of known changes to financial assumptions underlying the projects (e.g., the curtailment of federal or state funding for certain types of projects). Also, the plan should address approved projects which require a change of funding requirements due to unforeseen circumstances (e.g., a utility line relocation that necessitates a material change order and therefore, the incurrence of a material unforeseen expenditure).

Lastly, we recommend that the City develop and adopt formal capital planning policies and procedures. As stated in the GFOA best practice advisory on "Capital Planning Policies," "the GFOA recommends that governments develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment."

- **Auditee Response:** The FY 2015-16 Adopted Capital Plan does not include an estimated completion date for each project; however, the FY 2016-17 Plan does include these dates. The "Comprehensive Detail Report" section of the plan includes actual expenditures to date for each project, but not estimated expenditures by fiscal year for each project. The plan does not address the fiscal impact of known changes to financial assumptions underlying the projects or approved projects which require a change of funding requirements due to unforeseen circumstances; except that it does address changes to projects necessary to that point.

The City has included written capital planning policies in the "Prioritization Criteria" and "Capital Plan Framework" sections of the FY 2015-16. OMB will continue to work with the Office of Capital Improvements and the City Manager's Office (with technical input from the Office of the Independent Auditor General) to determine a proper methodology for including prioritization in future capital plans and to continue the work of the Internal Capital Project Oversight Committee (created in October 2016) to vet and prioritize all capital project proposals.

It should be recognized that Elected Officials approve all capital projects and therefore, ultimately, set priorities independent of the internal Capital Oversight Committee.

- **Implementation Date:** The Internal Capital Project Oversight Committee was created in October 2016. The FY 2016-17 Adopted Capital Plan includes completion dates. In addition, the Administration will review possible changes to the Code to more properly reflect the best practices and abilities of the City of Miami.

FIP 12: EVALUATION COMMITTEES

Financial Integrity Principle 12 (FIP12) of the City Code provides that,

An evaluation committee, consisting of a majority of citizen and/or business appointees from outside city employment, shall be created, to the extent feasible, to review City solicitations

("requests for proposals" (RFPs), "requests for qualifications" (RFQs), etc.). The recommendation(s) of the evaluation committee shall be provided to the Mayor and City Commission on all such solicitations prior to presentation to the City Commission for official action.

During the audit period the Procurement Department (PD) evaluated and/or awarded contracts for six Capital Improvement Department (CIP) solicitations and 13 general solicitations. We tested a sample of nine solicitations to determine whether City solicitations complied with the requirements of FIP12. Based on our review we noted the findings detailed below.

FINDING 5 (FIP12): COMPOSITION OF EVALUATION COMMITTEES DID NOT COMPLY WITH REQUIREMENT FOR A MAJORITY OF NON-CITY EMPLOYEES

For one solicitation, an evaluation committee was formed; however, it did not consist of a majority of citizens and/or business appointees from outside City employment. See Exhibit I below.

Exhibit I

RFP/RFQ#	Solicitation Title	Solicitation Type (CIP/General)	Total # Evaluation Committee Members	# of City Employees	# of Outside (Citizen / Business Appointees)
484326	Actuarial and Actuarial Related Consulting Services	General	5	3	2

RECOMMENDATION 5 (FIP12): PROCUREMENT DEPARTMENT

We recommend that the Procurement Department (PD) implement internal control policies and procedures to ensure that for city solicitations, evaluation committees are formed which consist of a majority of citizen and/or business appointees from outside City employment. In those cases where the PD has exhausted attempts to obtain a majority of outside appointees, we recommend that PD retain documentation of the steps taken and any correspondence which demonstrates PD's attempt to comply with the requirements of FIP12.

- **Auditee Response:** The Procurement Department ("Procurement") strives to comply with FIP12, to attain Evaluation Committee ("Committee") members from outside agencies. With the volume of solicitations that Procurement has, it has become increasingly difficult to get technical experts from outside agencies. Pursuant to a conversation with the City Attorney's Office, FIP12 states, "an evaluation committee, consisting of a majority of citizen and/or business appointees from outside city employment, shall be created, to the extent feasible, to review City solicitations ("requests for proposals" (RFPs), "requests for qualifications" (RFQs), etc.)," to the extent feasible means that the City will strive to get the majority of the Committee members; however, it is not reasonable for Procurement to delay an RFP process because outside Committee members could not be secured. Procurement will be implementing an initiative geared towards the creation of a database of outside agency technical experts that can serve on Evaluation Committees. In essence, Procurement will send a letter to all South Florida government agencies asking for a list of employees, their specific expertise, and contact information, for the creation of the

database. In addition, in the event Procurement cannot secure the required number of outside Committee members, Procurement will include this in the appointment memo to the City Manager.

- **Implementation Date:** Fall of 2017

FINDING 6 (FIP12): EVALUATION COMMITTEE RECOMMENDATIONS WERE NOT PROVIDED TO THE MAYOR AND CITY COMMISSION

For three solicitations, the recommendation(s) of the evaluation committees were not provided to the Mayor and City Commission prior to official action. See Exhibit II below.

Exhibit II

Solicitation Type (CIP/ General)	RFQ #	Solicitation Type	Amount
CIP	15-16-028	Transportation Program Support Services	Up to \$500,000
CIP	15-16-011	Miscellaneous Marine and Coastal Engineering Services	\$500,000 for each consultant awarded (4 total)
CIP	15-15-036	Miscellaneous Landscape Architectural Services	\$500,000 for each consultant awarded (4 total)

According to the PD, the contracts were awarded and executed under City Manager’s authority, pursuant to City of Miami Ordinance, Section 18-87(m) Item 14, “Award of contract” which states, “...at the successful conclusion of negotiations the City Manager may award and execute contracts for professional services,...which do not exceed \$500,000.00 in total compensation. The decision of the City Manager shall be final.... All professional service contract awards of \$500,000.00 or more in total compensation under this section shall be made by the City Commission, whose decision shall be final.”

However, the City Manager’s authority to award and execute professional services contracts within certain dollar limits does not negate the requirement for the evaluation committee recommendations to be provided to the Mayor and City Commission as stated in FIP12. Furthermore, City Code 18-87(i) “Ranking reported” (which precedes City Code Section 18-87(m)), states the following:

“On completion of the committee selection process the committee shall report the ranking order of the firms to the City Manager. The City Manager shall immediately advise the Mayor and City Commission in writing of the three or more firms selected and their ranking order to preference. The City Clerk will be provided with a copy of each report and memo referenced in this section.”

Therefore, this section of the City Code is consistent with the notification requirement, as stated in FIP12, for the Mayor and City Commission to be advised of the evaluation committee results.

RECOMMENDATION 6 (FIP12): PROCUREMENT DEPARTMENT

We recommend that the PD implement internal control policies and procedures to ensure that the recommendation(s) of the evaluation committees are provided to the Mayor and City Commission prior to official action, as stated in FIP 12 as well as City Code Section 18-87(m).

- **Auditee Response:** Procurement has recently implemented a system whereby a memo is signed by the City Manager with a copy of the report of the Evaluation Committee to the Mayor and City Commission, sent via an email from the Procurement Director.
- **Implementation Date:** Currently implemented.