

**City of Coral Gables City Commission Meeting**  
**Agenda Item J-1**  
**January 9, 2018**  
**City Commission Chambers**  
**405 Biltmore Way, Coral Gables, FL**

**City Commission**

**Mayor Raul Valdes-Fauli**  
**Vice Mayor Pat Keon**  
**Commissioner Vince Lago**  
**Commissioner Frank Quesada**  
**Commissioner Michael Mena**

**City Staff**

**City Manager, Cathy Swanson-Rivenbark**  
**Assistant City Manager, Peter Iglesias**  
**City Attorney, Miriam Ramos**  
**City Clerk, Walter J. Foeman**  
**Deputy City Clerk, Billy Urquia**  
**Management & Budget Director, Keith Kleiman**

**Public Speaker(s)**

**Michelle Blackstock**

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Agenda Item J-1 [10:10:45 a.m.]

**Time Certain 10:00 a.m.**

Presentation of Crowe Horwath LLP, Internal Auditors' Audit Reports for Information Technology External Penetration, Cash Management, and Eden User Access Controls.

Mayor Valdes-Fauli: We'll go to time certain item at 10 o'clock, presentation of Crowe Horwath LLP, Internal Auditors' Audit Reports for Information Technology External Penetration, Cash Management, and Eden User Access Controls.

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Agenda Item J-1 - Presentation of Crowe Horwath LLP, Internal Auditors' Audit Reports for Information Technology External Penetration, Cash Management, and Eden User Access Controls.

City Manager Swanson-Rivenbark: So, as the consultant and the project manager comes forward, every -- the consultant is relating with the Budget Advisory Board. You all have five appointments to the Budget Advisory Board. The internal auditor is a national powerhouse to make sure that our operations are above board. And so, we have changed that. We took it outside. We went through a competitive selection process. And, then because we can't have the Finance Director be project manager, the Assistant Director for Management & Budget has agreed to do that, so that we have continued arm's length. And so, this is the quarterly meeting that you all want to be provided updates, and there were three projects that they're going to update you on.

Management & Budget Director Kleiman: Good morning, Mayor and Commissioners.

Mayor Valdes-Fauli: Good morning.

Commissioner Lago: Good morning.

Management & Budget Director Kleiman: Just want to introduce Michelle Blackstock from Crowe Horwath. She's going to walk you through the three audits that are done right now, and then she's going to take you through very quickly where we are with future audits.

Mayor Valdes-Fauli: Please do. Thank you and welcome.

Michelle Blackstock: Good morning. Thank you so much for having us here. It's our pleasure to serve the City as your internal audit. And very quickly, we have gone through and prepared three different reports thus far for year one. The first one is what we call the external penetration and network security assessment. Very quickly, I'm just going to go over the overall objectives of each of these reports for you and then our observations that we had. First of all, the overall objective of the external penetration was to assess the ability of the City's network to resist

attacks from the Internet and other external sources. We identified devices and services that were accessible from outside of the City's network. We then attempted to identify vulnerabilities that could allow an attacker to gain access to the network or to gain access to sensitive information of the City. The overall objective of the network security assessment was to assess the controls over the network security. And, we read through the selected policies and procedures. We discussed compliance regarding these policies and procedures with the City's personnel and IT, and in some cases, we inspected certain of the detailed records, technical configurations and settings of the networks for the City. As you can tell, due to the security issues surrounding the nature and content of this particular report, we consider this to be sensitive and also, it's confidential information under Florida Statutes. We've marked that report as such. But, as a brief overview to give you all an understanding of what we did see. We saw approximately -- we had 25 observations that we made. Of those 25, we had about 4 -- one was a high-risk observation and three were moderate risks. And so, that left 21 -- about 21 that were of a low risk. I will say that on the high and the moderate risks, a remediation was completed while we were in the field. There are certain portions of the remediation that were a little bit longer term, be it, you know -- being able to come out with a plan on getting the employees up to speed, kind of like teaching objectives that needed to be met. And, a few of them were on the standard operating procedures that needed to be tweaked a little bit, so those were a longer range. But for the most part, all of the issues that had anything to do with security were remediated while we were here on site with your staff.

Mayor Valdes-Fauli: Were there many issues? Were there issues?

Ms. Blackstock: No. I mean, literally, there were four that were more significant that we considered. And like I said, most of those were remediated.

Mayor Valdes-Fauli: Okay.

Ms. Blackstock: So, there was a teaching component or something on the procedures that needed to be tweaked a little bit.

Mayor Valdes-Fauli: Good.

Ms. Blackstock: The next one that I wanted to discuss was the user access controls. In this, the overall objective was to evaluate policies and procedures over user access controls, mostly in Eden, which is your financial reporting system, and establishing whether the controls were adequate to actively monitor access in the selected departments. During our testing, we found -- there are approximately 390 total employees that use Eden on some basis. We tested 25 of those, randomly selected, and we found that only 2 of those employees had access -- a level of access that we did not feel or consider that was -- went along with their job description. After a discussion on that, the IT Department got with the Finance Department and those two employees -- their access has been changed to -- you know, to go along with what level they should have according to their job description. The last part -- and it was the most -- I will tell you that we had scheduled about 520 hours on the cash management within -- and we looked at cash management -- mostly cash receipting processes of the City. Those were within the Parks & Recreation, Parking Service, Public Works, Development Services, and also, the Finance Department. The overall objective was to review and document the cash collection process throughout the City, determine the existence and adequacy of your internal controls for the City, identify opportunities for operating efficiencies, verify compliance with established policies and procedures that are in place and recommend any improvements. We had a total of 18 observations -- and of those 18, there are only about 4 that we consider were a higher risk for the City. Very quickly, I just kind of wanted to touch on those higher risks that we saw. In the Parks & Recreation Department, our suggestion was that there was a -- there should be an update in the policies and procedures for segregation of duties issues that we saw. Individuals are not involved in more than one cash receipt function to ensure all funds and accounts are appropriately recorded, authorized and reconciled. This was specific to a customer adjustment that was made and not properly being reviewed. So, that was a very specific item, you know, not

in general. The management believes that with the implementation of RecTrac, which is the new Finance -- which is the new reporting system that the Recreation Department will be implementing or is implementing currently, it's going to have specific user groups and that can be established, and that will segregate the permissions and authorizations and approvals within the system. So, that will assist greatly in that particular finding or observation that we had. The second one, also in Parks & Recreation, we noted that cash register transactions were not consistently being entered into the old class system, and that three of the four -- six individual cash receipts transactions that we did test, there was not adequate supporting documentation that was maintained that could be provided to us. Management stated that the department has policies and procedures in place that require personnel to keep on-site all financial end-of-day supporting documentation. However, due to a lack of supervisory coverage at all of the locations at one time, the department did not have adequate staff, but has hired an additional supervisory employee to adequately cover those multiple locations at one time to assist with that finding. Next was in the Parking Services Department. The department uses various outside third-party services to manage the cash receipt and collection process or function for the parking services. And, we know that the department does not request that the reports that the service providers have from independent auditors, they do not get those reports on an annual basis and review them. And, this report is a type II -- what we call a SOC Report or an SSAE 16 report. And, that informs users -- which would be the City -- of the controls that the service organization has in place to cover or document financial reporting and suitability of the design in operating effectively for the City. And, it also informs the City of any user specific controls that we need to have in place. So, management will ensure that the review becomes a part of the City's annual audit. And, I went through in detail with the department director and he was very open to the suggestions, and I kind of pointed out what the City needed to be looking for specifically to make sure that the service organization has the controls in place and that we are implementing anything that we need -- you know, the City needs to have in place. And lastly, within Public Works, we noted that the employees responsible for collecting cash at the front desk and issuing permits also prepare the deposit -- the cash deposits and enter the receipt of payment into the cash receipt system, resulting in a segregation of duties issue. Because of the relatively small

number of staff that they have sitting up at the front door, you know, when the customers come in to pay for permits, it kind of makes it a little bit difficult to completely segregate all of the duties. But, management will update the procedures to -- such that the cash deposits will be prepared by one of the employees, and then reviewed and signed by another employee within the department to help with that segregation of duties. Just very quickly, some of the moderate risk observations included a lack of formal written policies and procedures in the Development Services, Parking Services, Public Works and Finance Department. And, I just want to clarify that that's not to say that there are not policies and procedures that are being followed, because there are. It's just not a formal written document. So, our suggestion would be that that would be the case. We would prefer to see that it be formalized in writing. We had some concerns about drop safe controls at the Parks & Recreation Department, specifically just changing the combinations on the safe on a continuing and ongoing basis. There were some manual entries that were being done into the class system that go into the Eden system, which is the financial reporting system. That also will probably most likely be remediated once the Parks & Recreation Department upgrades into the RecTrac system and there should be automatic -- all the transactions that are recorded into RecTrac will automatically go into Eden without manual input necessary. Also, we noted that the checks received by the mail clerk were not being immediately stamped or endorsed, so that was immediately implemented once we brought that to the attention of management. Very quickly, just as kind of a status on where we stand on year one. We have completed and presented to you now the IT cash management and user access controls. Currently, Public Works, because of the hurricane, did not want us to be out in the department, and we understand that. There was a lack of staff to assist us in our project, so we have actually moved that into the April timeframe to give them some time to finish up their work. Payroll and Human Resources is currently in review, and I'll be scheduling an exit conference with the department heads for those areas. And, we have currently started in year two. Our IT staff is back out and this time we're doing an internal penetration this week and next week. And, we have preliminarily started work on Fuel & Fleet, so that field work is ongoing. And then also, in the April/May timeframe, we'll be looking at Parks & Recreation, and then also Procurement & Disbursements. I believe that that is all...

Mayor Valdes-Fauli: Thank you.

Ms. Blackstock: That I had to share.

Mayor Valdes-Fauli: Thank you very much. Very comprehensive.

Commissioner Lago: Thank you.

Mayor Valdes-Fauli: Any questions?

Vice Mayor Keon: No. I just -- we had talked -- once the report was finished, that we would put it online for residents to be -- how will that be -- how is it -- where online would you be able to find this?

Management & Budget Director Kleiman: It's going to be on the Finance webpage...

Vice Mayor Keon: On the Finance...

Management & Budget Director Kleiman: Under Management & Budget.

Vice Mayor Keon: Okay.

Management & Budget Director Kleiman: And, it's -- right now you'll see the risk assessment is already placed there, and these audits will go on there as well. The external penetration will not show up on there, because of its confidentiality.

Vice Mayor Keon: No.

Management & Budget Director Kleiman: But, every audit will be listed on there for the future.

Mayor Valdes-Fauli: Perfect.

Management & Budget Director Kleiman: And now that they've presented to you, we can put these two audits on there.

Mayor Valdes-Fauli: Thank you.

Management & Budget Director Kleiman: Okay.

Mayor Valdes-Fauli: Thank you very much.

Vice Mayor Keon: I think that it's important. We list things as internal audit -- is that how it's listed?

Management & Budget Director Kleiman: Yeah.

Vice Mayor Keon: Is -- and I think people tend to look at audits as financial audits as opposed to process audits, and I think that you should more clearly identify these as -- I'm not sure what the word to use, but I would think they're process audits, as opposed to financial audits. So, you would separate the financial audit information and clearly label it that and process audits are -- should be clearly labeled also, so that you can distinguish, you know, between the two and what they do. I think that this is -- I am very, very happy to see this going on in our City now, because I think often we have lots of practices that are not reflected in policy and we need to, you know, take those practices and either determine that they are policy or they are not appropriate practices, they're not and clean up all of that part of the administration of our City. It's a -- it is a great start. I really congratulate the Manager; thank her immensely for moving this forward and changing the way that we do internal audits.



City Manager Swanson-Rivenbark: Thank you, Commissioner...

Vice Mayor Keon: Thank you.

City Manager Swanson-Rivenbark: Vice Mayor. The good thing is we're not responding to a scandal or an issue.

Vice Mayor Keon: No.

City Manager Swanson-Rivenbark: We're being proactive.

Vice Mayor Keon: Absolutely.

City Manager Swanson-Rivenbark: Challenging these processes to make sure that we do have a well-run operating system.

Vice Mayor Keon: That we are a very, very well administered City, so thank you.

Management & Budget Director Kleiman: Thank you. Just to respond to your comment. The financial audits are on a separate webpage under Finance.

Vice Mayor Keon: Okay.

Management & Budget Director Kleiman: The internal audits will be under budget. And yes, we can put a -- just a paragraph there saying that these are process audits, so that they can make that differentiation.

Vice Mayor Keon: Okay.

Management & Budget Director Kleiman: Okay, and just...

Vice Mayor Keon: Thank you.

Management & Budget Director Kleiman: To say thank you to Michelle and her staff, and also to the departments that were audited. Honestly, it was a great job. Everybody really pitched in.

Ms. Blackstock: Absolutely. All of the departments that I -- because I always have an exit conference with all the department heads. They were all unbelievably welcoming to me and very receptive of our comments and we had great dialogue.

Vice Mayor Keon: Great.

Mayor Valdes-Fauli: Thank you. Thank you very much.

Commissioner Lago: Thank you.

[End: 10:26:50 a.m.]