

City of Coral Gables City Commission Meeting
Agenda Item – Mayor’s Comments
November 13, 2018
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

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

City Staff

City Manager, Peter Iglesias
City Attorney, Miriam Ramos
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia

Public Speaker(s)

Agenda Item J-2 [9:57:48 a.m.]

Presentation of Crowe LLP, Internal Auditors Audit Reports for Human Resources Department and Finance Department Payroll Division, Waste Management Billing, Towing Services and Department of Public Works Automotive Division.

Mayor Valdes-Fauli: Let’s go onto J-2, which is presentation of Crowe LLP, Internal Auditors Audit Reports for Human Resources Department.

City Attorney Ramos: J-2 is a Presentation of Crowe LLP, Internal Auditors Audit Reports for Human Resources Department and Finance Department Payroll Division, Waste Management Billing, Towing Services and Department of Public Works Automotive Division.

Vice Mayor Lago: Good morning.

Budget Director Kleiman: Good morning Mayor, Vice Mayor, Commissioners. This morning we have four internal audits to present to you. The final one being the Towing Services contract. If you have any questions on that one in particular, we have Celeste Walker here who will answer your questions having to do with Procurement.

Mayor Valdes-Fauli: They had a problem with that, didn't they?

Budget Director Kleiman: Yes. You'll see the results in the – Blackwell is going to discuss the audits on a high level. We can answer any questions and then the final one will be the towing services.

Speaker: Good morning Mayor, Vice Mayor and Commissioners, thank you so much for having us this morning. I'm just going to walk you through the four reports we have to present to you today. The first one being Human Resources Department and the Finance Department and Payroll Division. Very quickly the scope of the audit included the review of controls over Payroll and HR and consideration on the file range. General payroll processing, employee hiring, employee pay rate changes and employee terminations. We made some selections and we tested general payroll controls; and that would include time card procedures, paid time off balances and accruals and personnel file changes. Also selected and testing hiring pay rate changes and termination controls; a selection of testing of personnel files, including accuracy and safekeeping of those records; and also, reviewing procedures on other supporting documentation provided by HR and Payroll. Within this report, we had seven opportunities for improvement that we found and one of them was higher risk and two were moderate risk, and then four had been a lower risk. The first one is a moderate risk and has to do with timekeeping and being tracked manually; and we found that in the Public Works Department recording of hours worked is done on manual paper timesheets and that calculating the total time is a relatively simple calculation, but there is a higher risk of error if anything is done without automation in it. Our recommendation would be that the City determine the possibility of having all automated timekeeping processes to the greatest extent possible in order to reduce errors and maintain complete and accurate records. And management's response to this finding is the citywide tracking system will be purchased when your ERP software is in place. One of the things that the Budget Advisory Board had asked of us was how much of the division of Public Works is not recording on a time clock. We went back to address their issue and 90 percent of those employees do use a time clock. So that only raised about ten percent of the workforce in that department that is doing it manually and this is why it was only a moderate risk improvement in our opinion. The next opportunity for improvement has to do with a review of employee additions and modifications that are entered into EDEN, which is the financial reporting system. We just found that employees that are responsible for making those additions and modifications in EDEN there was really no formal review process of that. So our recommendation would be that there is an independent review process to insure that all additions and modifications are accurately set up in a system and verified against source documents. And management's response was that there are certain reports that come out of the current system, additions to employee records to cross-reference are difficult to audit due to the fact that the current...piece system does not provide a comprehensive report or tracking mechanism for that, but they were going to work with the IT Department to come up with a solution on creating a comprehensive audit trail report, so that could be reviewed on a regular timely basis. Our last finding which was a higher risk was internal human resources system integration into EDEN, which is the current financial reporting system. We noted during our interview and testing procedures that the HR Department uses only one module at NeoGov and the system does not automatically interface with ERP system, which is EDEN that's used by the City....unified timekeeping system used by the City that automatically interfaces and bring all of that time into EDEN, which actually then calculates the payroll. This results in a manual intensive process for the onboarding of employees

and time entry function for payroll processing. And that the recommendation would be to consider analyzing NeoGov's other capabilities; they do have other modules as well that are not currently used for automating integration into EDEN or the future ERP system. We are considering new HR and timekeeping system to...any of the manual entry. Management's response and action plan is that a new HR and timekeeping system will be addressed when the City purchases a new ERP system. And once again, one of the questions was, where are we on that timeline from the Budget Advisory Board. That the City has shortlisted three ERP systems for review and a tentative plan is to make a decision by September 30, 2019; and they also wanted to know if there was going to be a consultant brought on board to assist with that, and I believe that we decided that a decision had not been currently made as to whether or not there was going to be a consultant, that was hired as a project manager. That is all that we had for the Human Resources and Payroll Division. If anyone has any questions on that report?

Commissioner Keon: I wonder that through the Manager, I thought that we intended to have the systems up and running within the next calendar year – lack of integration. I know that we are working on, Raimundo is working on a new platform.

City Manager Iglesias: Its going to take a couple of years. We have currently the...program, the...management program for Public Works. We are currently working within...that will take care of Development Services and Fire and also Historical, as far as all inspections, all plan review and leading to electronic plan review. We are also looking at a new financial core program to get to...which is a data program. So that is in the process of being selected now. The...which is for Development Services would be implemented by the end of next year and in that process we would select the financial program and also come back and probably in 2020. So it takes a little bit of time to get these programs in place. Along with that, we are looking at also our G.I.S. system and getting all our documents scanned. So all that is coming, but that cannot be done in one year Commissioner.

Commissioner Keon: OK. So when would we have this be able to integrate?

City Manager Iglesias: We are looking probably at a three year plan – InterGov., financial programs, G.I.S., and scanning.

Commissioner Keon: Alright. I really think our financial programs should have some priority, do they?

City Manager Iglesias: They are being selected, the financial plan is being selected now.

Commissioner Keon: Right now.

City Manager Iglesias: The implementation is generally 18 months to 24 months in these large programs.

Commissioner Keon: OK. Thank you.

City Manager Iglesias: We've already had various meetings with IT and the installing process, which will take care of a lot of these issues that we have now.

Commissioner Keon: OK. Thank you.

Speaker: And its my understanding when I was discussing the financial reporting process, they have selected shortlisted it to three and they are actually doing onsite reviews of those programs currently and EDEN is no longer going to be supported by the company and so they are looking at three other programs to replace that.

Commissioner Keon: Thank you.

Vice Mayor Lago: Thank you very much.

Speaker: The next report that we have to present to you is for the Department of Public Works, the Automotive Division. The objective for these procedures is to evaluate and test the design and effectiveness of internal controls, process, implementation and compliance with City policies; and that the division is operating effectively and efficiently. In summary, the internal audit evaluated the following. We looked at monitoring of fuel dispensing and fuel management operations; reconciliation of fuel usage to fuel deliveries and purchasing and dispensing of fuel to users. The procedures to order and receive fuel in accordance with the City policy; proper management of fuel cards available to users in an appropriate fixed asset reporting and inventory of vehicles. We found five opportunities or improvements and one was high and one was moderate and that would leave three as being low risk. The high risk was authorized users and during our testing of authorized users access, we identified instances where terminated employees were not removed from the fuel master system. We obtained a sample of five retired employees and once these were cross-referenced with the fuel master authorize user list, noting that three out of the five employees selected were still on the database as authorized users. We verified that there was no usage by those three employees after the termination period, so we did look at that. The current controls include the Human Resources Department collecting the employee's fuel cards during the employees debriefing, and if that procedure does not occur, if they come to work and they don't have their card for some reason then that employee could continue to have access to fuel. Of course our recommendation is that the listing of the authorize users be updated on a regular and ongoing basis. A procedure be developed whereby the Human Resources Department sends to the Automotive Division a listing of all retired and terminated employees on a monthly basis so they can keep up with that. And management's response is, the system has been updated and all unauthorized users have been removed, and regular updates are now received from them. Human Resources in the system is updated upon receipt. So even though the fuel cards could remain with a terminated employee, the Automotive Division has access into the database and they can terminate that user's access to get the fuel by that method. On our moderate risk approaches regarding take-home vehicles – the City of course allows employees in certain management professional positions to take home City vehicles on a regular basis and usually is public safety employees whose responsibility include a 24-hour or on-call requirement and other employees who would be required to return to the City in the event of an emergency. We just noted that there is no centralized system or policy to track the usage of City vehicles, and when we requested a listing of take-home vehicles the department was unable to provide one to the decentralized nature

of the policy and that would be that its kind of mostly done on a department-on-department basis, on which individuals have take-home vehicles. So our recommendation is that the City Automotive Division implement procedures to establish and maintain a listing, a centralized listing of department of all take-home vehicles; and we also recommend that the list be updated and provided to the Human Resources Department on at least a monthly basis. Management's response was that the division will establish a list of authorized take-home vehicles and maintain the list with regular updates from the department heads. That was all that I had that we had on the Automotive Division, unless anyone saw anything else in the report.

Mayor Valdes-Fauli: Any...

Speaker: The third report that we have was regarding waste management billing. The scope of our audit included the review of the controls over waste management with concentration on the billing process and a walk-through of the payment procedures. We examined waste management billing list and investigation of customer billing was unusual – characteristics such as non-existing addresses and any type of unusual name parameters. We only had one moderate risk finding and it was – there are no reviews over the current delinquent folios. We actually obtained a listing of every waste billing customer that the City bills or commercial customers. And from the listing we selected 25 out of the 262 customers to determine if the customer actually...and we were able to find records of each customer on Miami-Dade Property Appraiser's website, providing us with the support that the customer address existed. During our procedures, we did note that for certain properties there are instances whereby the county will cancel that folio or different reasons, including the fact it could be rezoned from a duplex to a single family home or some other reason of that nature. A cancelled folio in this report represents a folio number that is no longer active in the Miami-Dade County records and this can happen, like I said, when something changes that cancels that folio; and of the 25 selections that we tested, we found three instances that included cancelled folios. So the addresses that were showing up were not necessarily accurate, because it was part of the cancelled folio and it could have included, instead of having a 1-1-1 Shaw Way, it was a 0-0-0 Shaw Way address. So we dug a little bit deeper and we found we could trace where there was an existing current correct folio for that cancelled folio. So our recommendation there is when you first time waste billing customers added to the city's billing module, there should be a level of review to ensure that all customer names and addresses are accurate. If the City is unable to locate a record for a customer, the City should request a customer billing records from waste management to determine that the correct folio number is used for the billing purposes. So from our interview process, it was just determined that Windows billing customers had moved over to the City, that in those instances the old cancelled folio addresses also came with it and they weren't updated for the current folio in the Miami-Dade Property Appraiser's site. The management's response is, the City has verified and corrected all existing folios with the correct addresses and names related to waste management, and going forward the City will implement a process whereby all billable accounts for waste management will be validated against the County records prior to being entered or created in the billing system of the City. And that was all that I had to present for the waste management billing. If there are any questions?

Mayor Valdes-Fauli: Thank you.

Speaker: And the last report that we had to present to you is regarding the towing services for the City. The scope of this particular audit included the review of controls over the towing services, with the concentration on the following. The monthly reporting package compliance, appropriate towing fees, administrative fee compliance; and also an examination of revenues remitted to the City for the past two years. We had four opportunities for improvement that we noted, three of which are high and one is moderate. The moderate risk has to do with a lack of review process and we just noted that during our testing over the required monthly reports that there is no level of review performed by the City. Out of the seven months selected for testing, the City was not able to provide monthly reports for January and April 2007, and a monthly report for March 2018, had not been received from the contractor. We recommended that a review process be implemented to determine that the monthly reports are received from the contractor on a timely basis and that these reports are retained in order to provide an audit trail. Management's response is that effective January 2017 a formal review process was put into place within the police department for administrative staff to manage the contracted services. Since that date, staff has made repeated efforts to obtain the missing reports and records would have been unsuccessful, however, assuming the reports are received in a timely manner the process is as follows. And they've documented that on the 20th of each month when the report is received, its going to be reviewed to make sure it continues. The minimum requirements per the contract outlined in Section 2.3 of the report. A delinquent notice to the contractor is going to be issued two days after the due date over report and revenue and if necessary a second notice will be issued two weeks later. The contractor is required to provide a computerized report on a monthly basis with a payment of the fees to the City and the report should contain numbered invoices for each of the vehicles, copy of the vehicle storage receipt, the log of tows, impound notification log and an itemized list of any junk vehicles that they have. The next opportunity for improvement is a higher risk and it was regarding the payment not submitted as per the contract guidelines. And we noted in our testing over the required monthly reports that administrative fees were not being paid in accordance with the contract requirements. The contract states that all administrative fees shall be paid by the 20th of the following month; and from the four provided monthly reports tested, we noted that all of our selections failed this criteria. Out of the checks received