

**CITY OF CORAL GABLES
BUDGET/AUDIT ADVISORY BOARD**

Minutes of December 11, 2008

Office of the City Manager

405 Biltmore Way, Coral Gables, Florida

MEMBERS: **J F M A M J J A S O N D APPOINTED BY:**

Jorge Villacampa	A	E	-	-	P	-	-	E	P	-	-	E	Mayor Donald D. Slesnick, II
Roland Sanchez	P	P	-	-	P	-	-	P	P	-	-	P	Vice Mayor William H. Kerdyk, Jr.
Alfredo Balsara	P	A	-	-	E	-	-	E	P	-	-	E	Comm. Rafael "Ralph" Cabrera, Jr.
John Lindsey	P	P	-	-	E**	-	-	P	E	-	-	P	Comm. Wayne "Chip" Withers
Ofelia Fernandez	P	P	-	-	P	-	-	P	P	-	-	P	Comm. Maria Anderson

(Dash indicates either no meeting or board member not yet serving)

Staff:

Maria Alberro-Jimenez, Interim City Manager

Dona Lubin, Assistant City Manager

Lori St. John, Chief Compliance Officer, Internal Audit Department

Carolina McElroy, Internal Auditor

* = Special Meeting

^ = New Member

** = Present via Telephone

Recording Secretary: Nancy C. Morgan, Coral Gables Services, Inc.

PROCEEDINGS:

The meeting was called to order at 8:10 a.m. by Chair John Lindsey.

MEETING ATTENDANCE:

Mr. Sanchez made a motion to excuse the absences of Mr. Balsara and Mr. Villacampa. Ms. Fernandez seconded the motion, which passed unanimously.

APPROVAL OF SEPTEMBER 11, 2008 MEETING MINUTES:

Mr. Sanchez made a motion to approve the September 11, 2008 meeting minutes as written. Ms. Fernandez seconded the motion, which passed unanimously.

APPROVAL OF FY 2007-2008 ANNUAL REPORT:

The annual report, a summary of the Board's accomplishments for the past year, was approved and signed for the record.

Mr. Sanchez made a motion to approve the 2007-2008 Annual Report as presented. Ms. Fernandez seconded the motion, which passed unanimously.

STATEMENT ON THE BOARD - INTERNAL AUDIT FUNCTION:

Ms. St. John distributed a statement, in conjunction with submitting the audit plan, to facilitate the Board's understanding of the function and independence of the Internal Audit Division, their compliance with government standards and as an assurance that the department meets all criteria in Government Auditing Standards' Chapter 3.16. The division works cooperatively with external auditors in separate functions, but with the same goals. Ms. St. John said that the division relies on previous years' audits, particularly for informational and follow-up purposes and to ensure that recommendations were appropriately managed.

MISSION STATEMENT AND AUDIT PLAN:

Referencing her October 27, 2008 memorandum to the City Manager that initiated presentation of the Internal Audit Divisions FY2008-2009 Audit Plan, Ms. St. John reported that the division established a mission statement consistent with governmental entity mission statements. After reading the statement, she reviewed factors included in plan development, and said they were uniformly used the State of Florida by internal auditors. She added that the division

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also provides non-audit services, such as consulting with management regarding concerns, centralizing specific functions and assisting with development of standard operating procedures. These non-audit services do not impair auditors' independence.

Prior to presentation of the plan, Ms. St. John reserved the right to modify it based on management objectives or circumstances that could arise during the fiscal year. In that case, issues would be communicated to the Board and management in a timely manner.

The plan, as reviewed with the Board, included a list of audits, execution dates, surprise audits, audit hours and staff assignments. During discussion, Ms. St. John said the City Manager asked for a department-by-department review with each director. The examination of the Procurement Department and overall contract management, for example, generated a decision to develop and conduct workshops to make each department knowledgeable about requirements, to streamline activities and achieve procedural uniformity throughout City operations. She said the contract management module in EDEN provided the resources to store all City contracts. Each department will include a trained contract manager responsible for compliance. Workshops are being conducted with guidance from the City Attorney regarding legal issues.

Ms. St. John stated a division goal as establishing a citywide policy and procedures manual over the next few years, although Board members and staff opined that this time-consuming activity was not as necessary as other functions. Citing compliance and public exposure issues as reasons for the manual, Ms. St. John reported discussions with the City Attorney that might indicate otherwise. She will research reviews in place to find out if there are other ways to satisfy compliance issues.

AUTOMOTIVE OIL, GREASE AND FUEL PHYSICAL INVENTORY:

Ms. McElroy presented the audit, prepared by Vickie Siegel and conducted for the purpose of determining physical and automotive oil, grease and fuel inventory at fiscal year end and determining if sufficient internal controls existed over the purchase and storage of these materials. The inventory count was taken September 30, 2008. Locations of products, compliance issues and conditions for use were reviewed.

Audit Findings/Recommendations:

- The oil, grease and fuel physical inventory taken the morning of September 30, 2008 amounted to \$133,120.02. Total inventory stated in the City's general ledger on the same date was \$96,192.79. The adjusting journal entry from fiscal year end 2007 was never booked by the Finance Department, so the beginning balance was unadjusted. The Finance Department should make the appropriate adjusting journal entry to reflect an increase of \$11,405.66 for FYE 9/30/07 and \$25,521.57 for FYE 9/30/08.
- The Automotive Department does not have SOPs for the purchase, storage and consumption of oil, grease and fuel, and should create such SOPs. As of the date of the audit, the Director drafted SOPs relevant to this business process.
- The auditor noted three incorrect postings totaling \$50,901.51 in a specific general ledger expense account. The Finance Department should make the proposed journal entries to the appropriate general ledger expense accounts.
- The City does not have a direct contract for its purchases of automotive fuels. The Automotive Director should comply with the procurement code regarding the acquisition of gasoline and fuel supplies. In the interim, Automotive should consider evaluating whether a lower rate exists among other vendors and negotiate a more competitive price with the current vendor.

In conclusion, Ms. McElroy stated that the physical inventory at year end was fairly consistent over the past two years given the increased cost of fuel. At the conclusion of the audit, the annual site inspection report was submitted to the Florida Department of Environmental Protection, which deemed the facility in full compliance. It was recommended that the City consider factors weighed by the current Director in administering the inventory of oil, grease and fuels. During Board discussion, Ms. Jimenez strongly recommended establishing a contract with a vendor, particularly in view of fluctuating fuel prices.

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POLICE PROPERTY AND EVIDENCE:

Ms. St. John stated that the purpose of the audit was to review internal control systems in place to assure the safeguarding and accuracy of police records related to property and evidence, including data generated from computerized systems. The annual audit is performed in accordance with police accreditation requirements. In the future, the audit will be conducted in August, rather than at calendar year end.

Property and evidence stored in the police property room during FY 2007-2008 was audited. The audit did not include testing for internal controls of money funds maintained in the property room. These funds were counted; however, they are subject to a separate audit.

Ms. St. John reviewed procedures performed, documents reviewed and entrance interviews conducted with several police personnel. The background and security of property and evidence gathering/storage was covered during the report. She stated that the officer responsible for overseeing the property room completely changed how it is maintained and managed. The room is clean, organized, adheres to all guidelines of accreditation, and the chain of custody is maintained from inception through disposition. In addition, requirements of the judicial system are met in compliance with State Statute 925 regarding preservation of evidence.

Audit Findings/Recommendations:

- Property and evidence items for fiscal years prior to 2002 are still being disposed or transferred to the new OSSi system, a continuing updating process. Clerks should continue to update the transfer of pre-2003 data from the old Quetel to the new OSSi system.
- Through random interviews of officers from various divisions, it was found that officers need additional training regarding the disposition process, the determination of the status of a case and how this relates to requirements under the Florida Statute. The Chief should consider annual training sessions on the proper disposition of property and evidence in accordance with Florida Statute 925.11(4). Staff should be trained upon commencement of duty, and existing staff offered reinforcement training. This should be integrated in the 2009 training schedule.
- Property room clerks and personnel are charged with highly sensitive tasks related to intake, chain of custody and disposition of evidence for the City. There is currently no confidentiality agreement requiring staff to maintain confidence inherent in the position of safeguarding all items, including high liability items such as money, jewelry and narcotics. The Police Department should consider adopting a departmental policy or consulting with Human Resources to follow a Citywide rule to ensure confidentiality.

Conclusion: All recommendations pertaining to the December 2007 audit were addressed with the exception of the request for a complete physical inventory. While this task wasn't completed, it was deemed satisfied by the revised procedures and steps taken in management of the property and evidence room. If there are changes to the current property room team, however, it will be beneficial to ensure that the selection, training and monitoring processes advance the continuity of current standards. Ms. St. John closed by commending police staff for their excellent work in managing and overseeing the property and evidence room. She then clarified issues for Board members.

OT ANALYSIS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2008:

Referring to a distributed report, Ms. McElroy summarized that the results indicated positive news. An overtime comparison conducted for fiscal year 2007-2008 versus FY2006-2007 showed a net favorable variance of \$488,689.

Departments that decreased overtime expenditures were: City Manager, Human Resources, Building and Zoning, Police, Fire, Parks & Recreation, Development and Parking. Departments with slightly increased overtime were Public Works, Finance, Information Technology, Public Service and Automotive.

Police and Fire most significantly decreased overtime. At present, the Fire Department is fully staffed and has implemented tighter policies for sick leave and overtime. The Police Department is fully staffed, but the Communications Division (911 operators) is understaffed, and it is a challenge to fill those positions. Finance and IT overtime was the result of EDEN implementation.

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Mr. Lindsey requested an update on the retirement system/pension fund shortfall. Ms. Jimenez responded that the fund lost approximately 30% or \$9 million. A copy of the November 12, 2008 report to the City Commission on the topic was distributed and reviewed. Ms. Jimenez will research the time period in which the shortfall must be replaced. She said it was anticipated that the State of Florida, which requires funding at a certain level, would work with the City. Mr. Nelson will be invited to attend the next Board meeting and provide pension and financial trend reports.

As discussion continued, Ms. Jimenez said she was proactively working to prepare for the upcoming budget process, and would provide information regarding anticipated budget cuts.

When asked for an update on the search for a new City Manager, Ms. Jimenez indicated that the search was underway, and said there was great interest in the position.

Next Meeting: January 15, 2009, 8:00 a.m.

ADJOURNMENT:

The meeting adjourned at 9:20 a.m.

Respectfully submitted,

Maria Alberro-Jimenez
Interim City Manager