

**CITY OF CORAL GABLES**  
**BUDGET/AUDIT ADVISORY BOARD**  
Minutes of September 11, 2008  
Office of the City Manager  
405 Biltmore Way, Coral Gables, Florida

MEMBERS:	O	N	D	J	F	M	A	M	J	J	A	S	APPOINTED BY:
Jorge Villacampa	P	P	P	A	E	-	-	P	-	-	E	P	Mayor Donald D. Slesnick, II
Roland Sanchez	P	P	P	P	P	-	-	P	-	-	P	P	Vice Mayor William H. Kerdyk, Jr.
Alfredo Balsera	P	P	A	P	A	-	-	E	-	-	E	P	Comm. Rafael "Ralph" Cabrera, Jr.
John Lindsey	A	P	P	P	P	-	-	E**	-	-	P	E	Comm. Wayne "Chip" Withers
Ofelia Fernandez	P	P	A	P	P	-	-	P	-	-	P	P	Comm. Maria Anderson

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

**Staff:**

David L. Brown, City Manager  
Dona Lubin, Assistant City Manager  
Maria Alberro Jimenez, Assistant City Manager  
Lori St. John, Chief Compliance Officer, Internal Audit Department  
Vickie Siegel, Senior Internal Auditor  
Carolina McElroy, Internal Auditor

\* = Special Meeting  
^ = New Member  
\*\* = Present via Telephone

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

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**PROCEEDINGS:**

The meeting was called to order at 8:15 a.m. by Mr. Villacampa.

**MEETING ATTENDANCE:**

**Mr. Balsera made a motion to excuse the absence of Mr. Lindsey. Ms. Fernandez seconded the motion, which passed unanimously.**

**APPROVAL OF AUGUST 7, 2008 MEETING MINUTES:**

Regarding the DYL project, Mr. Brown commented that the square footage appraisals were essentially the same.

**Mr. Balsera made a motion to approve the August 7, 2008 meeting minutes as written. Mr. Sanchez seconded the motion, which passed unanimously.**

**SELECTION OF NEW BOARD CHAIR:**

Mr. Brown praised Mr. Villacampa for his outstanding Board leadership for seven years, and said that under his leadership, the Board professionally and methodically addressed and dispensed of issues that existed in the past. He commended Mr. Villacampa for pursuing the issue of overtime, which resulted in a reduction in annual overtime of \$1.2 million. Fire Chief Reed has forecasted an additional savings of \$200,000 in overtime for the coming fiscal year.

**Mr. Sanchez nominated Mr. Balsera as Board Chair. Ms. Fernandez seconded the motion.  
Mr. Villacampa nominated Mr. Lindsey as Board Chair. Ms. Fernandez seconded the motion.**

**Vote for Mr. Balsera: two; Vote for Mr. Lindsey: two  
Paper Ballot Vote: Tied vote.**

It was unanimously agreed to wait until the next meeting (with five members present) to vote. Mr. Villacampa agreed to continue as Board Chair until that time.

**LAPTOP/DESKTOP PURCHASES AUDIT:**

Ms. McElroy stated the purpose of the audit: to examine policies and procedures pertaining to purchases of laptops and desktops to determine sufficiency of internal controls to safeguard assets and to ensure proper recordkeeping and financial reporting practices. The scope, procedures, documentation and background of the audit were reviewed, and audit findings were presented as follows:

- The report of computer/equipment provided by IT was not updated. Discrepancies revealed were duplicate items, different users, item descriptions did not coincide with actual item descriptions and users, users who had been assigned new desktops and laptops.
- The IT report did not reconcile with the Finance report, and it was difficult to trace items from one to the other. Neither report contained all serial numbers of the laptops/desktops.
- Some purchased laptops/desktops were delivered to locations other than IT, thus compromising the City's ability to centralize and monitor assets.
- IT was not utilizing the Fixed Asset module of EDEN to monitor computer equipment. The IT Director was cooperative about implementing the module to track these assets and ensure adherence to controls.
- The IT Fixed Asset Roles and Processes did not state the responsibility of the department to perform a physical inventory at least once every two years.
- A review of selected invoices during two fiscal years ending September 30, 2007 revealed an inability of the auditor to trace some purchases to items listed in the Finance report.
- For FY 2006/2007, some Panasonic and Gateway laptops were included as one single unit rather than individually entered in the system.
- Computer equipment, furniture and miscellaneous equipment were capitalized in the same account.
- There is no centralization of acquisition and control of laptops/desktops and other computer equipment.

**Recommendations/Action Taken:**

- The IT Department is in process of performing a complete inventory to determine actual computer equipment in use, and will update the computer equipment report accordingly.
- IT and Finance should reconcile both reports to ensure complete, accurate and consistent reporting.
- IT and Procurement should work jointly to ensure that all laptops/desktops and other computer equipment is delivered to a single location designated by IT warehousing to establish better controls and accurate reporting.
- It is necessary to identify and control the existence of assets through the Fixed Asset module of the EDEN system.
- IT should include in its Fixed Assets Role and Processes an annual physical inventory of computer equipment.
- City equipment purchases should be recorded in the 6000 expenditures accounts. If accounts other than the 6000 series are used, directors should utilize EDEN to transfer funds from any other account to the 6000 accounts to record fixed asset purchases in the appropriate accounts to allow the fixed assets accountant to capitalize all computer equipment purchases.
- Finance should record laptops/desktops individually to improve asset monitoring.
- Finance should create a general ledger account solely for the purchase of computer equipment for better controls.
- The City should consider centralizing the acquisition, inventory control, maintenance and ownership of all computer equipment under the IT Department, and IT should be responsible for maintaining assets acquired by the Police Department through the Forfeiture Asset Fund.

Ms. St. John advised that IT drafted a business process (included in Board packets) that contained proactive steps for implementation as of October 1, 2008. As an example, she pointed out an exhibit included with another audit that demonstrated a collaborative effort with the Audit Department on development of Standard Operating Procedures (SOPs). She said final SOPs for the IT Department should be completed by September 30, 2008. She commended IT Director Chow for his cooperative efforts.

Ms. McElroy added that the Finance Director suggested the Procurement Division be an alternative source to review the general ledger account numbers prior to processing requisition and/or purchase orders, which would facilitate proper account coding. Ms. St. John described how department directors could facilitate budget management and inventory issues through the Eden module that would appropriately record asset purchases.

Board members clarified issues related to purchases, the deadline for inventory completion and various aspects of the Eden system that are anticipated to be in full use during fiscal year 2008/2009.

Regarding the annual audit plan, Ms. St. John said she would present it to the Board in October. Mr. Brown encouraged Board members to e-mail audit suggestions to him. After discussion, Ms. McElroy concluded that, of the recommendations given, only the last two were not yet implemented; others were in progress.

**Mr. Sanchez made a motion to approve the audit as presented. Ms. Fernandez seconded the motion, which passed unanimously.**

**SEWER SERVICE OUTSIDE OF THE CITY'S SEWER DISTRICT AUDIT:**

Ms. Siegel led the presentation of this audit, the purpose of which was to determine if sewer service provided by the City, but located outside the City's sewer district, was being billed correctly. To orient Board members, she displayed a map showing the City's sewer district. Approximately one third of City properties are within the City's district. Remaining properties have septic tanks to process waste water.

Sixty-seven properties are shown in the City's Sanitary Sewer District Atlas (dated July 24, 2007 and currently prepared by the IT Department) as having outside sewer connections. Properties allowed to connect are required to pay a connection fee based on estimated gallonage. These properties may be either within or outside of City limits. At present, Finance is billing sewer service charges on 13 properties outside City limits. Properties situated within the City that connect to the City's sewer system are billed for sewer service on their MDWASD bill. Administration of the City's sewer system is the responsibility of the Public Works Department.

Ms. Siegel described the scope of the audit as well as documentation reviewed, individuals contacted and work performed.

**Audit findings:**

- Uncollected wastewater and stormwater revenues were found for Ponce de Leon Middle School (\$177,371), the Biltmore Hotel (\$109,870.61, plus an increase in annual wastewater revenues approximating \$16,300 and \$87,898.57 in fees related to water usage on the fire line at the Biltmore), 4665 Ponce de Leon Boulevard (\$322.71 to be back billed), Jaycee International property (an additional \$480.60 in stormwater revenues annually), Snapper Creek Guardhouse (unable to find a folio or MDWASD account for the property) and Casas Andaluzas (one unit complete, with water service, is not being billed for wastewater).
- The City is billing and receiving wastewater revenue from 3499 North Prospect Drive, a property that is likely within the City of Miami.
- Fourteen properties were not listed in the above-referenced District Atlas and should be listed; nineteen properties were listed and should not be included; four properties in the sewer district map should be removed; thirty-four additional properties should be included in the sewer district map; ten name changes should be on the map; five address changes should be made. A spreadsheet with details of these properties and changes will be provided to the IT Department and the Public Works Department.

**Recommendations:**

- Public Works should research and recover wastewater revenues amounting to \$177,371.
- Public Works should request from the Biltmore Hotel a detailed accounting of the water use on its fire line.
- Public Works should back bill 4665 Ponce de Leon Boulevard for \$322.71 and send a Sanitary Sewer Verification form to MDWASD initiating the billing for wastewater services.
- Public Works should research the Snapper Creek guardhouse property for possible wastewater and stormwater service revenues.
- Public Works should determine if 3499 North Prospect Drive is in the City and, if so, initiate stormwater charges.
- Public Works should initiate wastewater and stormwater billing for 3100 Columbus Boulevard.

- IT should make corrections noted in the findings to the District Atlas and the sewer district map.
- The City Manager should review the effects of transferring the responsibility for tracking and updating outside sewer connection mapping from Public Works to IT to determine if the responsibility can be effectively managed by IT or needs to be transferred back to Public Works.

In conclusion, this audit should result in an approximate recovery of \$287,565 in wastewater revenues and produce an annual increase of \$16,300 in wastewater revenues and \$481 in stormwater revenues. Updating the District Atlas and the sewer district map will facilitate Public Works' use of these tools when reviewing outside sewer connections.

Ms. St. John commented on the importance of learning from and addressing issues related to system controls, Mr. Brown stated that he would be forwarding both this audit and those to follow Public Works, IT, Finance and Fire departments prior to reviewing in separate meeting.

**Mr. Sanchez made a motion to approve the audit as presented. Ms. Fernandez seconded the motion, which passed unanimously.**

#### **OUTSIDE SEWER CONNECTION AUDIT:**

Ms. Siegel said the purpose this audit was to determine compliance with agreements pertaining to outside sanitary sewer connections, and to ensure that proper recordkeeping and financial reporting were in place for internal control sufficiency. The audit period was from July 1, 2004 to July 1, 2008. Twelve properties that had received Commission approval for sewer connections outside the City's district were audited.

#### **Audit findings:**

##### **Regarding SOPs for Outside Sewer Connection Agreements and Fee Payments:**

- All resolutions and related agreements were on file in the City Clerk's office.
- Fee payments for 12 connections totaled \$904925.24; however, of those, the City has only received \$741,399.24 to date.
- Of outside sewer connections requiring a Public Works permit for the connection, there were two signed agreements in the City Clerk's office, two unsigned agreements in Public Works and one not found.
- Of the outside sewer connections not permitted for which construction had not been initiated, two unsigned agreements were in the City Attorney's office and two were not found.
- Of the outside sewer connections that do not require a Public Works permit, two signed agreements were in the City Clerk's office and one signed agreement was in the City Attorney's office.
- Due to a lack of SOPs, it was difficult to trace documentation to the source.
- Of the 12 reviewed outside sewer connections, only one that had been permitted did not have an agreement or connection fee within the City (Riviera Villas complex).
- At present, the City Attorney's office has three connection agreements on hold for various reasons.
- SOPs do not exist for processing and collecting outside sewer fees, which contributed to Public Works loss of control over the process at points along the way. The Director indicated a desire to implement SOPs in this area and a willingness to work with Internal Audit to create them. Proposed SOPs were drafted and attached as an exhibit for Board review.

##### **Regarding postings to the general ledger:**

- Posting delays were found.
- One connection fee was incorrectly posted.

##### **Recommendations:**

- The City should review/consider accepting proposed SOPs to ensure proper internal controls over record keeping and financial reporting.
- Public Works should not issue permits until it verifies a signed agreement and a satisfactory collection of fees.
- Public Works should pursue receipt of a signed connection agreement and the connection fee related to the issue

permit at the Riviera Villas complex. The outside sewer connection fee for this project is \$11,340.

- The accounting division of Finance should continue efforts to become familiar with the EDEN system and to use it on a timely basis.
- The outside connection fee of \$49,875 for seven UM connections should be reclassified from an expenditure to revenues in a specific account.

During discussion, Ms. St. John said the SOPs would be contained in a manual in the Public Works Department. Increased connections enhance revenue that help fund capital projects, and the determinants (ERUs) of stormwater fees for commercial properties were lowered that will allow the City to capture more revenue.

Ms. Siegel recapped by stating that this audit finalized the overall sewer examination, which included seven audits that started in August 2007. As a result of the audits, the total credit due the City is \$1.248 million. Credit received to date is \$310,000. With new code adoptions, the City will now be able to bill for stormwater and will receive \$154,000 from that audit. The remaining credit due is \$938,000. The estimated annualized increase is \$349,104.

Board members and staff praised Ms. Siegel for the thoroughness of the work and results of these audits, and Ms. Siegel equally praised Ray in Public Works for working so cooperatively alongside her in this collaborative effort.

**Mr. Sanchez made a motion to accept the audit as presented. Ms. Fernandez seconded the motion, which passed unanimously.**

**OVERTIME COMPARISON SUMMARY – CUMULATIVE PERIOD-OCTOBER 1, 2006 THROUGH JUNE 30, 2007 AND OCTOBER 1, 2007 THROUGH JUNE 30, 2008:**

This item was deferred until the next meeting.

**BOARD CHAIR SELECTION:**

**Mr. Balsera made a motion to reopen the vote for Board Chair to give him an opportunity to change his earlier vote. Mr. Villacampa seconded the motion.**

**Mr. Villacampa nominated Mr. Lindsey as Board Chair. Ms. Fernandez seconded the motion.**

**Mr. Sanchez nominated Mr. Balsera. In the absence of a second to this motion, Mr. Balsera's name was eliminated from nomination.**

**Vote to approve the nomination of Mr. Lindsey as Board Chair: Unanimous approval.**

Mr. Villacampa stated for the record that either Mr. Balsera or Mr. Lindsey would be excellent Board leaders.

**Next Meeting: October 9, 2008, 8:00 a.m.**

**ADJOURNMENT:**

The meeting adjourned at 9:25 a.m.

Respectfully submitted,

David L. Brown  
City Manager