

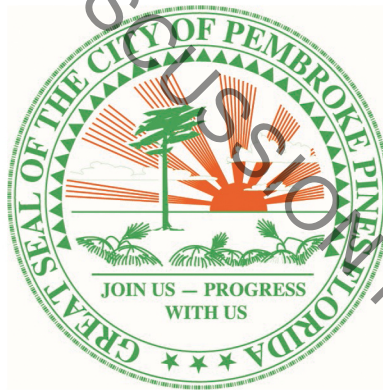


CPAs & ADVISORS

RISK ASSESSMENT AND AUDIT PLAN

CITY OF PEMBROKE PINES

FY 2019



Presented By

Daniel J. O’Keefe, CPA, MBA, CFE

Moore Stephens Lovelace, P.A.

Commission Auditor



CONTENTS

	<u>Page Number</u>
TRANSMITTAL LETTER	1
AUDIT PLAN:	
Follow-up of Prior-Year Reports	6
Information Technology - Annual Review	6
Investment Committee - Internal Controls Monitoring	7
Asset Management - Physical Observations	7
Financial Condition Analysis	8
Travel and Training Expenses	8
Take-home Vehicles	9
City Rental Space – Phase II	9
Commission Agenda Review	10
Commission-Designated Projects	10
AUDIT PLAN TIMELINE	11
AUDIT PLAN BUDGETED DOLLARS	12



To the Mayor and City Commissioners
Pembroke Pines, Florida

We hereby submit the risk assessment and audit plan for the City of Pembroke Pines (“City”) for the fiscal year ending September 30, 2019. We conducted a Risk Assessment for the City by applying a broad-based, business view of risk linked to the annual budget and operations of the City. We evaluated department and/or functional areas utilizing our understanding of the City and its activities to evaluate risk from the perspective of the individuals responsible for controlling such functions. We considered the audit projects previously performed and the observations made. Our consideration of risk was focused on: Financial, Compliance, and Public Perception. Based on procedures performed, we developed this audit plan for the fiscal year ending September 30, 2019.

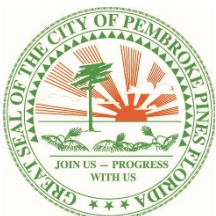
The components of the audit plan and the annual budget for projects designated by the Commission were approved at the Commission meeting held on September 17, 2018. The audit plan is a working document, in that, as Commission Auditor, we may need to perform work not specified in the audit plan, when deemed necessary in our professional judgment, or as directed by the City Commission. In addition to the audit plan, we have included a schedule showing the audit plan timeline and one that shows the audit plan budgeted dollars. However, the actual dollars might be higher or lower than the estimates in certain audit areas, but in no case will the total budgeted dollars be exceeded without express approval from the City Commission.

The audit plan will include efficiency audits, financial audits, and revenue enhancement projects. Efficiency audits are focused on evaluating a particular program to determine if it is achieving its goals and objectives, including protecting and using City resources in the most productive manner possible. Financial audits focus on the City’s financial information to evaluate if that information is presented fairly and in accordance with recognized criteria to provide the users of this information with timely and reliable data upon which to make the most informed decisions to best support the City’s mission. In addition, we will evaluate revenue-enhancement opportunities to maximize current revenues or consider alternative revenue sources.

The risk assessment process was conducted using an industry-accepted methodology, which focuses on the following risk factors:

Control Environment:

Describes the overall tone and control consciousness of the sub-entity/function. It involves the integrity, ethical values and competence of personnel, as well as management philosophy and operating style.



Change:

Addresses the extent to which change has impacted or is expected (in the near term) to impact the sub-entity/function, including changes in key personnel, the organization, its products, services, systems, or processes.

Process Risk:

Addresses the inherent risk of the activities performed by the sub-entity/function, including the assets managed or in the custody of the sub-entity/function. Process risk addresses the extent of support the sub-entity/function provides to vital business functions, including the threat to continuity of the business caused by failures or errors; the probability of failure due to the amount of judgment, academic or technical skill required to manage the unit or perform key activities.

External Factors:

Describes the environment in which the sub-entity/function operates, and the type and amount of external interaction in which the sub-entity/function engages. Factors to consider include overall City and regulatory environment, the level of interaction with users and success in satisfying user requirements, the financial reporting environment, and results of regulatory compliance audits.

Revenue Source:

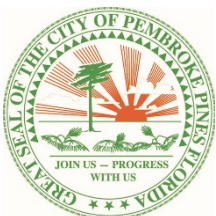
Describes resources available to the sub-entity/function. Factors to consider include maximizing revenues, obtaining additional revenue sources, and producing revenues outside the standardized tax base.

The objective of this assessment is to ensure that the City has sufficient and continuous internal audit coverage of those areas judged as having a relatively high-risk profile or that otherwise require the Commission Auditor's attention for various reasons.

We have identified, through the risk assessment process and past experience, the following activities to be performed or reviewed for the upcoming year:

Follow-up of Prior-Year Reports:

Fundamental to any sound internal audit process is the follow-up of findings and recommendations issued in prior reports. Beginning with the first report issued, we will follow-up with management to determine the progress they have made on our recommendations and whether changes made resulted in effective improvements.



Information Technology (“IT”) – Annual Review:

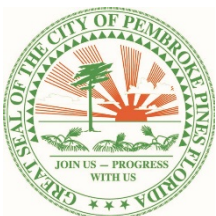
IT is a significant area of concern to the City. IT affects the operations and financial reporting of every City department and is an integral part of ensuring efficient operations City-wide. The City’s Technology Services Department (the “TSD”) supports the City’s network infrastructure, Helpdesk, network access, e-mail, and Disaster Recovery. Additionally, the TSD supports the following applications and the software and database infrastructure that supports these applications:

- Cashiering
- Payroll
- Utility Billing
- Local Business Tax Receipts
- Bank Reconciliation
- Police Department History
- Old Building and Zoning

The City hired the current Director of the TSD based on a recommendation we made in an Operational and Efficiency Study that we performed. In previous years, we performed the following: preliminary assessment and security review prior to the New Director being hired, participated in the evaluation process of the Director of the TSD, reviewed our preliminary findings with the Director of the TSD, followed up with the Director of the TSD on our preliminary findings, performed further risk assessment analysis, tested security procedures, evaluated the City’s disaster recovery plan, evaluated the progress made on the implementation of a centralized Enterprise Resource Planning (“ERP”) software solution for the City, evaluated the ERP solution deployment, reviewed business process functions and continued assessment of opportunities for improvement within the TSD, and performed additional reviews and evaluations of certain other critical areas. Our ongoing annual review will provide continued follow-up on previous recommendations, continued evaluation of the implementation and effectiveness of the centralized ERP software solution for the City, continued evaluation of network security and financial systems, and additional review and evaluation of certain other critical areas that arise from our assessment during the review.

Investment Committee – Internal Controls Monitoring:

The City’s investment policy requires the establishment and monitoring of written internal controls and operational procedures designed to protect the City’s assets. During the performance of a prior Risk Assessment and Audit Plan, we recommended that parties outside of the Finance Department



be responsible for the risk assessment and monitoring components of internal controls related to investments. The City's Administration agreed and suggested that this annual review should be performed by the Commission Auditor. We will perform an annual review of the risk assessment and monitoring of internal controls related to investments.

Asset Management – Physical Observations:

The City has made significant outlays for capital assets and inventories. The scope of this audit will include a review of departmental activities surrounding inventory and capital assets, identification of and compliance with policies and procedures, and physical and information system security regarding capital assets and inventories. On a rotating basis each fiscal year, the Commission Auditor will perform procedures to observe capital assets and inventories within the various departments of the City to assure that these assets are being properly tracked, maintained and safeguarded.

Financial Condition Analysis:

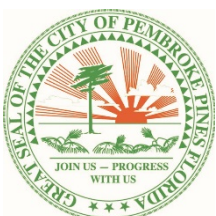
Sound fiscal health is imperative to ensuring the effective operation of local governments. For this reason, it is important to periodically assess the financial condition of the City. Performing a regular, timely financial condition analysis can provide the City with valuable information on the current and future state of the City's finances. Regular analysis can highlight potential fiscal problems and provide information necessary for timely corrective action. By acting to address weaknesses and strengthen fiscal health, the City can better ensure that resources are available to fund the level and quality of services expected by taxpayers.

Travel and Training Expenses:

Employees of the City travel to represent the City at meetings, professional conferences, and attend job-related training. To manage these expenses, the City has enacted ordinances and created travel policies, which define the types of covered expenses, the procedures for submitting reimbursement requests, and other applicable limitations. The purpose of this audit is to evaluate internal controls and compliance with the City's travel policies and procedures for the period October 1, 2017 through at least September 30, 2018.

Take-home Vehicles:

The take-home vehicle program is not a new concept to municipalities, but maintaining a good budget with clear policies are important aspects to an effective program. The purpose of the audit will be to identify all City vehicles that were taken home by City employees during the period from October 1, 2017 through at least September 30, 2018; identify and analyze related data, including the types of vehicles; distances traveled, and associated costs; review and determine the



To the Mayor and City Commissioners
Pembroke Pines, Florida

adequacy of policies and procedures governing the taking home of vehicles by employees, including a comparison of City policies and procedures to those of other local governments; and provide options for management to consider that will create savings in commuting costs.

City Rental Space – Phase II:

The City's Recreation and Cultural Arts Department provides a comprehensive program to the City's residents that includes all phases of leisure and recreation services. The Recreation and Cultural Arts Department has multiple facilities and athletic fields for rent. These sites include Rose Price Park Hall, Towngate Hall, Pines Recreation Center, Walter C. Young Gymnasium, River of Grass Theater, Studio 18 in the Pines, and the City's many athletic fields and outdoor pavilions. The City also has available for rent many multi-purpose rooms and classrooms for instructional purposes. This project will review the adequacy and effectiveness of the internal controls over the collection of rental income at the various sites available throughout the City.

Commission Agenda Review:

This is an ongoing Commission-designated project to provide additional control in the Agenda process. We will review all the financial-related agenda items and sign off on such. We will perform procedures and inquiries to determine the reasonableness of items presented.

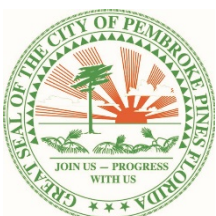
Commission-Designated Projects:

The Commission chose to set aside a portion of the budget allocated to the Commission Auditor for future projects. The Commission recognized that during the year, issues arise which they would want the Commission Auditor to address. Setting aside a portion of the budget allows this flexibility for the Commission, while staying within the allocated Commission Auditor's budget.

We have included the objectives and an overview of testing for each of the functions in the Proposed Audit Plan section of this report. We would like to thank the various departments and all those involved in assisting with the risk assessment process.

Respectfully submitted,

DANIEL J. O'KEEFE, CPA, MBA, CFE
City Commission Auditor



AUDIT PLAN

FOLLOW-UP OF PRIOR-YEAR REPORTS

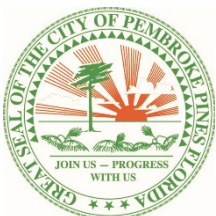
Beginning with the first report we issued in fiscal year 2012, we will perform follow-up procedures to determine the status of Management's response to our findings and recommendations. As we have discussed with Management, if they implement our findings with alternative procedures, we will evaluate their approach and determine if the issue is adequately resolved. If items are still open or have not been addressed, we will report such matters to the City Commission.

INFORMATION TECHNOLOGY - ANNUAL REVIEW

To ensure the continued success of the TSD, the Commission Auditor will follow up with the TSD on the previous observations and recommendations made during all previous years. In addition, a continued assessment will be performed, which will include various areas of focus, including:

- Evaluation of the implementation and effectiveness of the centralized ERP software solution for the City
- Continued evaluation of the deployment and effectiveness of the virtual desktop infrastructure
- Continued evaluation of the effectiveness of the new data center environment
- Continued review of logical security, data quality, and data loss prevention
- Continued review of physical security, software and hardware management, and business continuity management
- Continued review of IT governance, project management, and business process functions
- Continued assessment of opportunities for improvement within the TSD

The Commission Auditor's IT Specialist can be a vital tool to the City's TSD to ensure that plans are properly implemented and supported.



INVESTMENT COMMITTEE - INTERNAL CONTROLS MONITORING

The City's investment operating policy requires monitoring of internal controls related to investments. The internal audit will include the following:

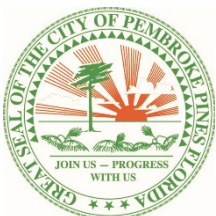
- Obtain and review minutes of the Investment Committee's meetings from the date of our last review and through the end of fiscal year 2019
- Review all documentation provided with the minutes, i.e., Investment Advisor Reports
- Review the City's "Operating Investments Procedures Manual" and the City's current investment policies
- Perform a risk assessment and monitoring of internal controls related to investments

ASSET MANAGEMENT - PHYSICAL OBSERVATIONS

The City has made significant outlays for capital assets and inventories. Capital assets consist of buildings, improvements, machinery and equipment, and infrastructure. Inventories consist of expendable supplies held for consumption, such as supplies, diesel fuel, and gasoline. On a rotating basis each year, the Commission Auditor will perform procedures to observe that capital assets and inventories are being properly tracked, maintained, and safeguarded.

The internal audit will include the following:

- Determine if the procedures surrounding the departmental count of inventories were appropriate and adhered to
- Determine if the procedures surrounding capital asset monitoring were appropriate and adhered to
- Verify that physical access to inventories and capital assets were appropriately restricted to necessary personnel
- Verify that access to inventories and capital assets information systems was appropriately restricted to necessary personnel
- Determine that cut-off procedures for inventories were adequate to ensure that inventory transactions are reported in the correct fiscal year
- Determine that management oversight of the physical count of inventories and reconciliation of any discrepancies was adequate to ensure adjustments were properly reviewed and authorized



FINANCIAL CONDITION ANALYSIS

This project will assess the City's financial condition to provide valuable information on the current and future state of the City's finances.

The analysis will include the following:

- Defining financial condition
- Assessing the City's financial condition
- Using analytical tools to evaluate the City's financial condition
- Analyzing historical trends to provide information about the City's current and future fiscal health
- Comparing the City's financial condition to other municipalities
- Providing recommendations to improve the City's financial condition, where applicable

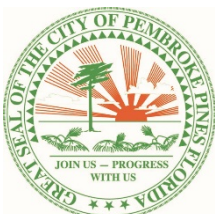
TRAVEL AND TRAINING EXPENSES

The purpose of this audit is to evaluate internal controls and compliance with the City's travel and training policies and procedures for the period October 1, 2017 through at least September 30, 2018.

The audit objectives will be to determine whether travel and training expenditures are:

1. Only for travel related to the conduct of City business
2. Properly accounted for and accurately recorded
3. In compliance with the City's travel procedures, including whether the travel was conducted in an efficient and economical manner

An additional audit objective was to identify areas where improvements could be made to the City's travel procedures.



TAKE-HOME VEHICLES

The City provides vehicles for certain employees to take home. Typically, vehicles are taken home by employees to allow them to respond to City business issues that arise during non-business hours in a timely manner and with the proper equipment.

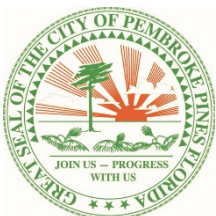
The objectives of this audit will be to:

- Identify all vehicles that were taken home by City employees during the period from October 1, 2017 through at least September 30, 2018
- Identify and analyze related data, including the type of vehicle, distance traveled, and costs associated with commuting
- Review and determine the adequacy of policies and procedures governing the taking home of vehicles by employees, including a comparison of City policies and procedures to those of other local governments
- Provide options for management to consider that will create savings in commuting costs

CITY RENTAL SPACE – PHASE II

This project will complete the audit of the Recreation and Cultural Arts Department's rental revenue and cash collections. The Department has multiple facilities, athletic fields, multi-purpose rooms, and classrooms for rent. This project will review the adequacy and effectiveness of the internal controls over the collection of rental income at the various sites available throughout the City. The objectives of our audit of City Rental Space will include the following:

- Review of the internal control environment surrounding the collection of rental income at the various sites available throughout the City
- Interview responsible City personnel for further understanding of the internal control environment in place governing this area
- Review rental income earned during fiscal year 2018 and fiscal year 2019
- Verify that rental income earned was properly recorded and is in accordance with the signed and executed rental agreement
- Review payment collection policies and delinquent collections, if any

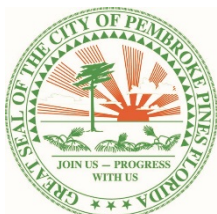


COMMISSION AGENDA REVIEW

The review of agenda items by the Commission Auditor is an ongoing project designated by the Commission in 2012 and budgeted for in the current audit plan.

COMMISSION-DESIGNATED PROJECTS

The City Commission has set aside a portion of the Commission Auditor's budget for projects to be determined during the year, as necessary. This was done to provide the Commission with the flexibility to have projects performed that were not specifically included in the fiscal year 2019 audit plan, while not exceeding the Commission Auditor's annual budget.

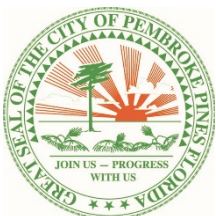


City of Pembroke Pines
Audit Plan Timeline

Fiscal Year Ending September 30, 2019

Period when project is anticipated to occur

Internal Audit Areas	Oct - Nov	Dec - Jan	Feb - Mar	Apr - May	June - July	Aug - Sept
Follow-up of Prior-Year Reports	√	√	√			
Information Technology - Annual Review	√	√	√			
Investment Committee - Internal Controls Monitoring	√	√	√	√	√	√
Asset Management - Physical Observations				√	√	√
Financial Condition Analysis				√	√	√
Travel and Training Expenses				√	√	√
Take-home Vehicles				√	√	√
City Rental Space – Phase II				√	√	√
Commission Agenda Review	√	√	√	√	√	√
Commission-Designated Projects						



City of Pembroke Pines
Audit Plan Budgeted Dollars

Fiscal Year Ending September 30, 2019

Internal Audit Areas	Budgeted Dollars
Audit Plan for the 2020 Fiscal Year	\$ 22,500
Follow-up of Prior-Year Reports	22,500
Information Technology - Annual Review	20,000
Investment Committee - Internal Controls Monitoring	12,500
Asset Management - Physical Observations	17,500
Financial Condition Analysis	17,500
Travel and Training Expenses	17,500
Take-home Vehicles	17,500
City Rental Space – Phase II	17,500
Commission Agenda Review	55,000
Commission-Designated Projects	<u>30,000</u>
Total Budgeted Dollars	<u>\$ 250,000</u>

