

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

*Review of the Proposed Budget for Fiscal Year 2016/2017*  
*Report #15/16-06*

August 26, 2016



## Memorandum

Memo No: 15-16.11

Date: 8/26/2016

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA  
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2016/2017

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The City Auditor's Office (CAO) has performed a review of the FY 2016/2017 Proposed Budget. The budget is compiled by the City Manager of the City of Fort Lauderdale, pursuant to section 4.09 of the City Charter. Our evaluation consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions.

### CONCLUSION

**We believe that the budget of the primary government is balanced, that all known and determinable revenues and expenditures are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes. However, the budget for the Community Redevelopment Agency has flaws that leave it out of compliance with Florida Statutes and our adopted capital project policies.**

### Objectives

The primary focus of our review was to ensure that the budget is balanced, revenue and expenditure estimates are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes. We did not attempt to identify operational areas where additional cost savings might be achieved.

### Scope

We analyzed the City Manager's Proposed Budget for FY 2016/2017 as presented to the City Commission. The material reviewed included the Budget Message, Executive Summary including supporting tables and schedules, Financial Forecast, as well as revenue and expenditure detail reports from the City's budget preparation system (BPREP).

The CAO would like to recognize that the Budget office has continued its constructive dialogue with the Budget Advisory Board and Revenue Estimating Committee. In addition, the Budget Office has managed a smooth transition with the promotion of a new Budget Manager. Budget staff have

developed a robust approach to organizing and compiling budget information and supporting documentation. Also, the assignment of a point person and open communication with the Budget team facilitated a cooperative review, such that any CAO discoveries are discussed and incorporated during the review process.

In the current year, the CAO considers the review of the Budget Department to be a lower risk engagement due to the following criteria:

- The budget review is performed every year;
- Multiple enhancements to the budget process have been incorporated;
- Improved transparency of the budget process;
- Ongoing communication with management, the Budget Advisory Board, and the CAO;
- Budget Office staff has remained fairly consistent;
- No significant errors or misstatements on previous reviews;
- And the effort to resolve CAO findings and observation during the review process.

### **Methodology**

We performed various analytical procedures, reviewed budget support worksheets and made inquiries of the Budget Office, Finance Department, and individual department budget coordinators as needed. Additionally, we compared the line item detail from the Proposed Budget to the projections of actual expenditures through 9/30/16. Furthermore, we analyzed trends and variances of the three prior fiscal years' budget vs. actual to gain a historical perspective to identify opportunities to improve the accuracy of revenue and expenditure estimates. In addition, as part of our audit work we attended all of the Revenue Estimating Committee meetings, as well as the individual department budget presentations with the BAB. This participation provided further insight into potential future operating conditions and budget requests. By coordinating with staff during the preparation of the budget, rather than after its presentation to the City Commission, we were able to implement a continuous audit approach. This resulted in a deeper understanding of the departmental budget requests and service level enhancements.

### **FINDINGS**

There are two items in the CRA budget that we identified as conflicting with either Florida Statute or the City's adopted budget policies.

1. CRA grant programs, which are considered to be operating activities, are included in the Capital Project Funds.
2. The CRA is using "holding" accounts to accumulate funds, conflicting with Florida Statute 163.387-Redevelopment trust fund:

*(7) On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be:*

*(d) Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation."*

In addition, there are currently new personnel positions budgeted within the CRA that we've been advised will have to be moved back into the City's budget due to technical issues related to the

payroll system. Accordingly, we would expect the revenue and expenditures to increase in the City's budget to reflect those charges and associated refund from the CRA. As such, the City's budget cannot be considered final at this time.

We would like to thank the Budget Office and all city personnel involved for their cooperation and assistance in completing the budget review.

cc: Lee R. Feldman, City Manager  
Cynthia A. Everett, City Attorney  
Jeff Modarelli, City Clerk  
Stanley Hawthorne, Assistant City Manager  
Christopher Lagerbloom, Assistant City Manager