

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

Follow-up Review of the budget process

FY06/07 Operating Budget (Report#06/07-01)

Special Report #07/08-6

March 10, 2008



City Auditor's Office

## Memorandum

No: 07/08-05

Date: March 10, 2008

To: Mayor Jim Naugle  
Vice-Mayor Carlton B. Moore  
Commissioner Christine Teel  
Commissioner Charlotte E. Rodstrom  
Commissioner Cindi Hutchinson

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

Re: Follow-up of *Review of the budget process for the FY06/07 Operating Budget (Report #06/07-1)*

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The City Auditor's Office has performed a follow-up of our *Review of the budget process for the FY06/07 Operating Budget (Report #06/07-1)*. Our review procedures consisted of staff inquiries and limited analysis of documentation provided by management. We did not perform substantial tests of evidence supporting the replies from the staff responsible for resolving audit findings and recommendations.

We made an initial 18 recommendations related to our audit findings and 6 management comments that represent opportunities for improvement. To date, 17 of the audit finding recommendations have been implemented or are in process. In addition, 5 of the management comments have also been implemented or are in process. Of the remaining recommendations and comments that have not been implemented, none are considered to be significant deficiencies or material weaknesses and are therefore considered closed at this time.

The attached table illustrates the recommendations and management comments that have not been implemented or are in process as of 01/10/08. Our office will continue to monitor the "In Process" items until completion.

Staff: James Hamill, Audit Manager

cc: George Gretsas, City Manager  
Stephen Scott, Assistant City Manager  
Allyson Love, Director of the Office of Management and Budget

**February 12, 2008****Follow-Up Review of Audit Report #06/07-1, Re the FY06/07 Operating Budget****Special Report # 07/08-06**

<b>Finding #</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>City Auditor Comments</b>	<b>Status</b>
1.5	The Finance Dept should develop a written procedure to test compliance with the debt policy and the results of the testing should be communicated to OMB.	On 1/24/08, the City Treasurer indicated that the plan to have the debt existing policy tested would be completed by Feb. 2008.	On 11/12/07, the City Treasurer indicated that a new debt policy was not necessary, and testing of the existing policy would not be completed until Feb. 2008.	In Process
4.2	OMB should prepare a historical analysis of Section 125 Cafeteria Plan amounts for the last 3 fiscal years to develop a reasonable estimate of employer FICA taxes, which could be budgeted as a reduction of personnel costs in the non-departmental expense budget.	OMB will ask the IT Department to query the payroll database for the last three years. If the amount can be determined without any additional programming effort or cost, it will be implemented. Otherwise, the amounts involved are likely not significant enough to warrant the costs.	The CA asked the IT Department to query the payroll database and the level of Section 125 Cafeteria Plan amounts was easily determined. As stated in our original recommendation, the estimated amount could be budgeted in a non-departmental line item. This would not entail any additional programming effort or cost and can be implemented immediately.	In Process
4.2	OMB should consider the cost and benefits associated with enhancing the Cyborg payroll projection software at the time of the next system upgrade to refine the calculation of employer FICA taxes on section 125 Cafeteria Plan amounts. Moreover, OMB should also create a file of desired enhancements as other situations are discovered and communicate this info to the IT department for future consideration when software upgrades are considered.	OMB will consider the cost and benefits associated with enhancing the Cyborg payroll system at the time of the next system upgrade.	The CA believes the collective impact of all these payroll related projection issues may be material. Furthermore, personnel costs represent approximately 70% of the General Fund budget and therefore the accuracy of the payroll projection is critical to the overall integrity of the Budget.	In Process
4.3	OMB should perform and document a post-testing of a representative sample of employees (actual vs. projected salary) as of 9/30 each year to identify variances	OMB conducts extensive testing of a sample in excess of thirty employees over a multitude of employee classes at the immediate conclusion of each	Post testing is essential to validate the accuracy of the projection software. The March and June projections only	Un-resolved

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	which could have been anticipated. Procedural changes should be made to enhance the reliability and accuracy of the model based on the identification of controllable variances.	payroll projection process (March and June). Therefore, post testing is conducted in order to validate the accuracy of the payroll projection calculations.	validate that the payroll parameters were correctly entered into the BPREP system. This does not validate the accuracy of the payroll methodology. In addition, the effort required to compare actual payroll cost with projected cost is minimal.	
4.3	OMB should determine the cost and benefits of a Cyborg payroll projection system upgrade to revise the current level salary for step/merit increases earned through the last payroll in May.	OMB will consider the cost and benefits of a Cyborg payroll projection system upgrade.	As mentioned above the collective impact of all the recommendations to enhance the payroll projection software may be material enough to warrant an upgrade.	In Process
Management Comments	Budget the estimated DROP termination amounts in sub-objects 1707-Sick Termination and 1710 Vacation Termination as applicable to properly align the budget and actual. Sub-object 1799 -Other Term Payments should only be used for termination payments other than accrued sick and vacation leave.	OMB does not concur with this recommendation. Termination covers any employee separation from the City and is not limited to DROP Termination. OMB believes that it is better to budget the dollars in 1799 – Other Term Payments due to the complexity of projecting the accrued sick and vacation leave. Overall, the budget and actual dollars are captured at the 170 Object level	The CA believes that to properly control expenditures it is essential to have actual expenditures align with the budget line item they correspond to. Without a proper matching of budget to actual, meaningful comparisons cannot be made and budgetary control is diminished.	Un-resolved
Management Comments	Reconcile the Budget Ordinance to the DR420 and utilize the appropriate language in the ordinance to describe the tax change as outlined in the Trim Compliance Manual	OMB will consider for FY 2009 stating the year over year tax change (decrease) in the resolution in the in terms of the rolled back rate.	We will review the Budget Resolution for FY08/09 for appropriate language.	In Process
Management Comments	Consider changing OMB’s policy to include anticipated and recurring grants in the annual budget appropriation to improve efficiency and eliminate the need to go back to the City Commission for approval throughout the year.	For 2008/2009, OMB will be working with Finance and Planning & Zoning to consider incorporating Fund 108-Housing and Urban Development Grants to the budget process.	The CA believes the annual appropriation of the largest recurring grants would improve the overall accuracy of grant accounting and significantly enhance Commission oversight.	In Process