



## Summary

**Report Number:** [2018-038](#)

**Report Title:** [City of North Miami](#)

**Release Date:** [11/21/2017](#)

This operational audit of the City of North Miami (City) focused on selected City processes and administrative activities. Our operational audit disclosed the following:

### Administration and Management

**Finding 1:** During the period November 2013 through April 2017, the City experienced significant turnover in key management positions, which may have contributed to the numerous control deficiencies and instances of noncompliance disclosed in this report.

**Finding 2:** The City had not established an internal audit function to assist management in maintaining a comprehensive framework of internal controls.

**Finding 3:** Budget-to-actual comparison reports for all budgeted funds were not always prepared and timely presented to the City Council for the 2014-15 and 2015-16 fiscal years.

**Finding 4:** The City needs to establish policies and procedures to ensure that City elected officials and employees required to file statements of financial interests are advised of the filing requirements and that the names of these individuals are communicated to the Florida Commission on Ethics.

**Finding 5:** Although City ordinances and a Civil Service rule provided information related to ethical conduct and behavior, the City had not established policies and procedures addressing the mitigation, detection, and reporting of suspected or known fraud.

### Cash Controls

**Finding 6:** City bank account reconciliation procedures had not been established to effectively provide for documentation of who prepared the reconciliations, supervisory review and approval of the reconciliations, or when these procedures were performed; the prompt and thorough investigation of all reconciling items; or the timely adjustment of general ledger cash account balances.

**Finding 7:** City electronic funds transfer (EFT) procedures need enhancement to ensure an appropriate separation of duties, documented authorization for EFT initiation and approvals, timely updates for changes in authorized personnel, and prompt revocation of EFT authorization privileges when employees separate from City employment.

### Payroll and Personnel Administration

**Finding 8:** City records did not always evidence that employees met the education and experience requirements for their positions or that required employee evaluations were timely performed.

**Finding 9:** The City did not always ensure that required background screenings for applicable employees, vendor workers, and volunteers were obtained.

**Finding 10:** Severance pay provisions in City employment agreements did not always comply with State law and documentation for severance payments authorized by the City Council did not always demonstrate the public purpose for the payment or the basis for the amount authorized.

**Finding 11:** City records did not evidence the public purpose served by allowing two employees to obtain larger pension and other benefits by remaining employed for substantial periods beyond their last work day. Additionally, City policies and procedures need to be revised to require City Council approval of employee separation agreements before such agreements are executed.

**Finding 12:** Although the City Council contracted with an actuary to prepare a financial impact statement for use in evaluating the fiscal viability of implementing an early retirement incentive program (ERIP), the parameters specified to the actuary differed from those in the ERIP adopted by the City. Consequently, the usefulness of the financial impact statement was diminished and City records did not clearly demonstrate the basis upon which the City Council assessed the fiscal viability of the City-adopted ERIP or how implementation of the ERIP was in the City's best interests.

## **Procurement of Goods and Services**

**Finding 13:** Based on our comparison of the purchasing thresholds at comparably sized municipalities, the City Manager's purchasing threshold of \$100,000 appeared excessive. Additionally, City ordinances need to be amended to clarify the specific percentage and dollar amount limits for the individual and cumulative change orders and contract modifications the City Manager and Purchasing Director are authorized to approve.

**Finding 14:** The City's housing program policies and procedures did not require, before initiation of the contracting process, documented consideration of City code requirements and any efforts needed to remedy code violations and other concerns associated with housing program projects. Consequently, some project costs increased due to contract changes to remedy City code violations and other concerns associated with housing program projects.

**Finding 15:** City expenditures were not always supported by fully executed purchase orders or contracts prior to payment and documentation was not always available to demonstrate the public purpose for the expenditures.

**Finding 16:** Although not authorized by City ordinances, the City outsourced the tested backflow prevention devices inventory function to a private company. Additionally, because the City did not properly monitor the contract, the City did not detect that the company underpaid the City by \$1,740 and the City paid the company a \$2,500 contract termination fee that was not required.

**Finding 17:** The City did not effectively manage the solid waste and recycling collection services contract or appropriately monitor the contractor's performance and compliance with the contract terms and conditions.

**Finding 18:** City procedures associated with the request for proposal (RFP) and contracting processes for building inspection and permitting services were not sufficient to demonstrate a fair and equitable competitive selection process.

**Finding 19:** City records were not sufficient to demonstrate that procurement activities for property management services were appropriately authorized or to evidence the basis for contract amendments and that such amendments were in the best interests of the City. In addition, the City did not appropriately monitor the Property Manager's performance or compliance with the contract terms and conditions.

**Finding 20:** The City entered into an adult education tuition program agreement with the Miami-Dade District School Board (District); however, the agreement did not specify that program participants were to be economically challenged City residents. In addition, neither the agreement nor other City records established the criteria for evaluating the economic eligibility of program participants, specified the acceptable documentation for establishing program participants' residency, established fee schedules for the adult education classes, or required the District to provide supporting documentation in sufficient detail to demonstrate compliance with the terms of the program agreement.

**Finding 21:** City auditor selection procedures and the audit services contract process need improvement to effectively promote independence and compliance with State law.

## **Purchasing Cards**

**Finding 22:** The City's controls over purchasing card (P-card) authorization and issuance, purchasing limits and related usage, and cancellations need enhancement to improve accountability.

## **Expenditures**

**Finding 23:** P-card expenditures were not always properly approved, adequately supported, or for allowable amounts and allowable purposes.

**Finding 24:** Travel cost reimbursement expenditures did not always comply with City policies and procedures or serve a documented public purpose.

## **Revenue and Cash Collection**

**Finding 25:** City procedures did not always effectively separate the incompatible duties for utility service cash collections.

**Finding 26:** City utility services billing and collection processes did not promote the timely collection of account balances.

**Finding 27:** City controls for the assessment and collection of business tax receipt (BTR) fees did not identify all the businesses within the City. In addition, City records did not identify the businesses participating in the City's BTR amnesty program or the amounts forgiven, or evidence the City Council's consideration of the economic impact of the program.

## **Information Technology**

**Finding 28:** Access privileges to the City network and enterprise resource planning system were not always timely deactivated upon an employee's separation from City employment.

**Finding 29:** The City had not established an information technology (IT) disaster recovery plan detailing the procedures to be followed to recover and restore financial records and other critical City applications in the event of a major hardware or software failure.

**Finding 30:** The City had not established an IT security incident response plan.

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**Management's response is included in the audit report.**