

Audit Project #17-03A:

Remedial Action Update

Audit Item Status as of May 31, 2017

Audit Report

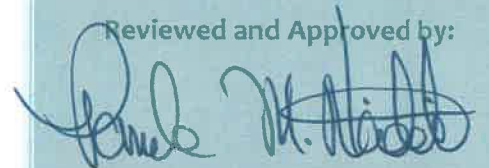
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Internal Audit

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
Background and Introduction	3
Project Objective	4
Project Scope	4
Audit Standards	4
Project Methodology	4
Closed Audits	5
Audit Items by Charter official.....	5
City Attorney.....	5
City Auditor and Clerk	6
City Manager.....	7
Exhibit A- Audit Item Status Definitions	9
Exhibit B- “Open” Items: City Manager.....	11
Exhibit C- “Open Pending Re-audit” Items: City Manager	24
EXHIBIT D – “Open” Audit Items: City AUditor and CLerk.....	37

EXECUTIVE SUMMARY

PROJECT SCOPE

Internal Audit performed a follow-up of the status of prior open audit recommendations as of May 31, 2017.

REPORT CONTENT AND LIMITATION OF USE

This executive summary is limited in detail. To obtain the full background on a particular item, please contact Internal Audit prior to drawing conclusions based on the limited information contained in this report. Objective rating indicates the levels at which the objectives were met; rating definitions are included in the appendix.

OVERALL CONCLUSIONS

The results of our review indicate (management referenced to in the report refers to the Charter Officials):

- Management implemented 70 of the 104 recommendations (67.3%).
- 20 items are open (19.2%)
- 14 items are open pending re-audit (13.5%)

Of the 34 open audit items that require management action:

- 17 have original or revised management action dates that occur after May 31, 2017
- 17 did not have management action dates, most of which are findings pending re-audit or recent audits

Since the time of the last remedial actions update issued to the City Commission in March 2016, management has acted to close 29 audit items.

Management's response to the FY 2008 Management Letter indicated that disagreements with audit observations will be resolved through a consensus of the Charter Officials. Based on that response, Internal Audit regularly elevates the "do not concur" audit items to the Charter Officials for a decision to either act on the observation or accept the level of residual risk associated with taking no action. Internal Audit also presents audit observations that have not been resolved over a significant length of time. Management has the opportunity to review the observation and recommendation and decide whether to accept the risk or to continue to seek a resolution.

This follow-up audit project focused on the following objective:

Audit Objective	Objective Rating		
The primary objective of this review is to provide the City Commission with the status of management action to adequately address observations previously noted by internal auditors.		X	

BACKGROUND AND INTRODUCTION

Internal Audit is committed to providing semi-annual reports to Charter Officials and the City Commission which identify outstanding open audit observations and management's associated responses (management as referenced in this report refers to the Charter Officials). Internal Audit uses the reports to monitor the disposition of audit recommendations and to assist city officials in their decision-making and oversight role.

This report monitors all audit observations and their current statuses and highlights those that may remain open due to competing priorities, insufficient funding or other resource shortages. The report also highlights areas of noteworthy accomplishment by management in addressing audit concerns.

PROJECT OBJECTIVE

The primary objective of this review is to provide the City Commission with the status of management action to adequately address observations previously noted by internal auditors.

PROJECT SCOPE

Internal Audit followed up on the status of open audit observations as of May 31, 2017, through employee inquiries, observation and review of documents provided by management, and conversations with Charter Officials.

AUDIT STANDARDS

Internal Audit conducts audit engagements in accordance with generally accepted government auditing standards. Those standards require that the auditor plan and perform the audit to provide a reasonable basis for Observations and conclusions based on audit objectives.

The Internal Audit Division strives to follow the guidance included in the International Professional Practices Framework set forth by the Institute of Internal Auditors.

PROJECT METHODOLOGY

Procedures for this review consisted of the following:

1. Internal Audit updated the audit observation database to include all final audit reports issued between December 31, 2015 and May 31, 2017. The database currently includes all internal audit observations for years 2008-2017 (to date) and external audit management letter Observations for years 2002-2016 to allow for proper tracking and monitoring.
2. Charter Officials were provided a detailed listing of all outstanding recommendations within their respective areas and were requested to provide updates on the status of progress towards addressing each recommendation.
3. Upon receipt of management's updates and/or supporting documentation, Internal Audit conducted procedures necessary to verify that adequate corrective actions were taken by management for outstanding recommendations, as time permitted, prior to issuance of this report.

CLOSED AUDITS

The following audits were closed during the current reporting period, either through management action or as audit observations were superseded by subsequent audits.

- 09-09 – Public Works Drill Observations
- 14-10 – Sarasota Police Department Property and Evidence Audit
- 15-01 – FYE 15 Citywide Inventory Audit
- 15-05 - Sarasota Police Department Property and Evidence Audit

Audit items for these audits are noted as “closed” in the tables on the following pages (highlighted in green).

AUDIT ITEMS BY CHARTER OFFICIAL

The tables in this section, organized by Charter Official, outline a total 104 report recommendations from 20 prior audits. See [Exhibit A](#) for a more detailed explanation of how each status is defined.

Per action taken by the City Commission on January 20, 2015, the Information Technology Department was moved under the control of the City Manager. As a result, the responsibility for implementing audit recommendations related to IT has moved to the City Manager. The motion approved by the City Commission also prohibited the City Auditor and Clerk from auditing the IT Department for a period of two (2) years (January 20, 2015 – January 19, 2017).

For a detailed listing of prior audit recommendations and management responses that remain open, please refer to [Exhibits B and D](#) for the City Manager and City Auditor and Clerk, respectively. [Exhibit C](#) contains audit items that are considered open pending re-audit confirmation that action has been taken to address outstanding risks for the City Manager.

Internal Audit regularly meets with the Charter Officials to discuss any “do not concur” audit items for a decision to either act on the observation or accept the level of residual risk associated with taking no action. Internal Audit also presents audit observations that have not been resolved over a significant length of time. The Charter Officials can review the observation, recommendation and prior management responses and decide whether to accept the risk or to continue to seek a resolution.

Progress in implementing audit recommendations is recorded in the tables that appear on the following pages and is organized by Charter Official. Please note that column headings in the tables refer to the status of audit items as follows:

- C= Closed;
- OPR= Open Pending Re-audit;
- O= Open;
- D= Do not Concur (these items are regularly elevated to the Charter Officials for a consensus decision on whether the item requires action).

CITY ATTORNEY

The City Attorney's Office does not have any open items as of April 30, 2017; however, it should be noted that the implementation of some audit recommendations is dependent upon the assistance of the City Attorney. For those items, the City Attorney is aware of the needed assistance and has indicated that he is working with the appropriate Charter Official to remedy the items.

CITY AUDITOR AND CLERK

The results of our review indicate:

- Implementation has occurred for 13 of the 16 recommendations applicable to the City Auditor and Clerk (81.3%); and
- 3 items are open (18.7 %)

Of the 3 open audit items that require management action, all items have management action dates that occur after May 31, 2017 or remain open, but are dependent on actions taken by other departments (see Exhibit D for details).

<i>Department(s) Responsible</i>	<i>Report Date</i>	<i>Audit Number/Title</i>	<i>Total Report Items</i>	<i>C</i>	<i>OPR</i>	<i>O</i>	<i>D</i>
<i>Reports with open items that appeared on March 16, 2016 status report (and current status):</i>							
City Auditor and Clerk	July 2009	09-02: Citywide Risk Assessment	2	1	0	1	0
City Auditor and Clerk	July 2014	EX 14-01: Citywide Continuity of Operations Plan	4	2	0	2	0
City Auditor and Clerk	January 2015	14-08: Payroll Operations	1	1	0	0	0
<i>Reports added since previous status report:</i>							
City Auditor and Clerk/ Pensions Office	March 2017	FY 2016 General Employees' Pension Plan Management Letter – External Auditors	3	3	0	0	0
City Auditor and Clerk/ Pensions Office	March 2017	FY 2016 Police Officers' Pension Plan Management Letter – External Auditors	3	3	0	0	0
City Auditor and Clerk/ Pensions Office	March 2017		3	3	0	0	0
TOTAL RECOMMENDATIONS			16	13	0	3	0

CITY MANAGER

Management has implemented 61 of the 95 recommendations applicable to the City Manager (64.2%);

- 20 items are open (21.1%); and
- 14 items are open pending re-audit (14.7%);

Since the time of the last remedial actions update issued to the City Commission in March 2016, management has acted to close 16 audit items.

Of the 34 open audit items that require management action:

- 17 have a management action date that occurs after 5/31/17;
- 17 did not have management action dates, most of which are Observations pending re-audit or recent audits.

<i>Department(s) Responsible</i>	<i>Report Date</i>	<i>Audit Number/Title</i>	<i>Total Report Items</i>	<i>C</i>	<i>OPR</i>	<i>O</i>	<i>D</i>
<i>Reports with open items that appeared on March 16, 2016 status report (and current status):</i>							
Information Technology*	April 2008	IN 08-02: Internal Investigation of Alleged Fraud Involving IT	5	4	1	0	0
City Manager	July 2009	09-02: Citywide Risk Assessment	3	2	0	1	0
Information Technology*	July 2009	09-02: Citywide Risk Assessment	1	0	0	1	0
Information Technology*	July 2009	09-08: IT General Controls	5	3	1	1	0
City Manager/Public Works	August 2009	09-09: Public Works COOP Drill Observation	3	3	0	0	0
Neighborhood and Development Services	October 2009	09-12: Local Business Tax Receipts Internal Controls Review	10	9	0	1	0
Risk Management	February 2010	EX 10-01: Risk Management Liability Claims Administration	3	2	1	0	0
Financial Administration	April 2011	11-06: City Purchasing Cards	7	6	0	1	0
City Manager/Various Departments	July 2014	EX 14-01: Citywide Continuity of Operations Plan	7	5	2	1	0
Financial Administration	January 2015	14-08 Payroll Operations	9	7	0	2	0
Sarasota Police Department	July 2014	14-10: SPD Property and Evidence	8	8	0	0	0
City Manager/Various Departments	January 2015	15-01: Fiscal Year End 2014 Citywide Inventory Report	3	3	0	0	0
<i>Reports added since previous status report:</i>							
Sarasota Police Department	January 2016	15-05: SPD Property and Evidence	7	7	0	0	0
City Manager/Various Departments	February 2016	16-01: Fiscal Year End 2015 Citywide Inventory Report	3	1	2	0	0
Public Works	September 2016	16-15: Fuel Operations Audit	4	0	4	0	0
City Manager/Various Departments	March 2017	17-01: Fiscal Year End 2016 Citywide Inventory Report	3	0	0	3	0
Financial Administration/Purchasing	May 2017	17-04 City Purchasing Cards	7	0	3	4	0

Parks and Recreations	May 2017	16-04 Robert L. Taylor Community Center	7	2	0	5	0
TOTAL RECOMMENDATIONS			95	61	14	20	0

- *Column headings in the above table refer to the status of audit items as follows: C= Closed; OPR= Open Pending Re-audit; O= Open; D= Do not Concur (this item will be elevated to the Charter Officials). See [Exhibit A](#) for definitions of audit statuses.*

EXHIBIT A- AUDIT ITEM STATUS DEFINITIONS

Audit Item Status Definitions

Internal Audit classifies observations as follows:

- **Open (O)**- Management has not adequately addressed the audit observation to reduce risk to an acceptable level. Remedial action(s) may have been proposed with a future target date of completion (to be tested later) or parts of the recommendation have been addressed with some remaining areas still open.
- **Open pending re-audit (OPR)**- Management has indicated that action has been taken to address the audit observation. The item is considered open until Internal Audit has had the opportunity to confirm through follow-up testing that the stated actions have fully addressed prior recommendations.
- **Closed (C)**- Management actions in response to audit observations have been effectively implemented. Items are closed upon successful verification by Internal Audit (based on sufficient evidence or positive retesting of controls) that the item has been addressed. Internal Audit may also close an item if it is no longer relevant given organizational or other changes.
- **Do not Concur (D)**- This is a new classification to be used when management does not agree with Internal Audit's observation in the audit report. Per the March 23, 2009 response to the external auditor's 2008 governance letter, as part of each semi-annual report Internal Audit will elevate items where management provided a response of "Do not concur" to the Charter Officials for resolution in the form of written memo signed by the three Charter Officials indicating a consensus of whether they believe the item should remain on the semi-annual remedial action report.

It should be noted that each time Internal Audit begins a new audit engagement the preliminary survey includes a review of the current status of all previous audit recommendations in the audited area. Items that were previously considered closed may be re-opened if Internal Audit observes that the controls are not functioning as intended.

EXHIBIT B- "OPEN" ITEMS: CITY MANAGER

2009 09-02 Citywide Risk Assessment

Observation #1; Internal Control Framework; City Manager

Recommendation: To assist employees in achieving the City's objectives and to ensure the existence of basic and consistent business controls throughout the City, management formally adopt an enterprise risk management framework (such as COSO), and provide both reference materials and training on specific methods to be used by departmental management and staff responsible for designing, monitoring and reporting on the effectiveness of internal controls.

City Manager Response:

12/4/09: Management changed response to "Concur". Management will develop standards for internal controls and will update risk assessment on an annual basis.

4/11/12 Update: The City Auditor and Clerk and City Manager met with Internal Audit on 4/11/12 to discuss outstanding audit items. Management has agreed to explore an enterprise risk management model for the City and will work with directors to achieve this. Financial Administration will take the lead on this project and management indicated that a status report will be provided on May 1, 2012.

2/20/15 Update - The City's departments have some unique operations where some functions of enterprise risk management (ERM) is more effective at a department level than at an entity wide level. Other functions that are more uniform to the organization, such as payroll and procurement follow entity wide policies and procedures. Ultimately, overall oversight for most of the departmental financial functions end up being the responsibility of the City's Financial Administration department.

ERM was enhanced at the City when departments documented their cash receipts procedures and incorporated internal control elements like, separation of duties, authorization, documentation and reconciliation. Managers at the department level are responsible to ensure that actions that impact internal controls are carried out properly and in a timely manner. As a result, Department Management performs various on-going monitoring activities to ascertain that controls are operating as designed and are effective. Ongoing monitoring activities include various management and supervisory activities that evaluate and improve the design, execution, and effectiveness of internal controls. Monitoring activities are directed at all processes but focus at the high-risk areas. The use of spot checks of transactions can provide a reasonable level of confidence that the controls are functioning as intended. As part of these on-going monitoring activities, Department Management are required to perform tests of the internal controls to determine that they are working as described in their cash receipts procedures manual at least semi-annually.

We believe that the steps taken since 2009 to establish internal controls procedures, the processes to monitor compliance with those procedures, and the reporting on the effectiveness of internal controls has accomplished our goal of reducing our exposure to risks

7/16/15 Update - Decision of the Charter Officials was to leave this item open for further consideration.

Charter Officials agreed to review the adoption of an enterprise risk management framework.

2016 Auditor's Comment - Decision of the Charter Officials was to leave this item open for further consideration. Charter Officials agreed to review the adoption of an enterprise risk management framework. (7/16/15)

No target date

The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).

Current Management Response: No action has been taken

Auditor's Comment – The Auditor acknowledges that internal controls are in place and monitored by the various departments, or in the case of financial functions by the Financial Administration Department. However, the recommendation was that the City formally adopt an Enterprise Risk Management Program (ERM), such as COSO and train management and staff responsible for designing, monitoring and reporting on the effectiveness of internal controls. To date the City has not formally adopted an ERM, and this Audit Observation remains open.

Observation #3; Logging/Monitoring Issues; Information Technology
<p>Recommendation: Due to the critical nature of information security, Internal Audit recommends management prioritize establishing proper identification of events to be logged, and assure adequate resources (software and personnel) are available to perform timely log reviews for each system so that follow-up action is taken promptly on suspicious activity. Due to the constantly changing nature of threats to information security, ongoing security training and certification for IT personnel is critical. Priority - High</p> <p>Concur. Currently, the IT Department is in a transitional phase and, before the department can adequately focus on logging and monitoring, staff needs to address several other issues and vulnerabilities. There is a long-term plan to enhance security over information technology resources, which will include further training and log review. IT staff will work with department staff to identify critical events to monitor through activity and error logs.</p> <p>4/29/12 Update: The IT Department is working to restore the health of its systems and infrastructure. Once that is accomplished, further enhancements to security oversight will be implemented.</p> <p>1/14 Update - Concur. The IT Dept. is working to centralize system (not application level) monitoring, which will enable a much higher level of visibility and responsiveness. We expect this to be completed and tuned by the end of this year.</p> <p>2/17/2015 Update: IT manually reviews the logs on Keys servers daily. IT has plans to buy the Log aggregation piece of Solar Winds next fiscal year to automate this process.</p> <p>01/05/16 Update - No changes on server logs. We have bought checkpoint firewall log aggregation software and are implementing for faster response to security, spam and IPS alerts.</p> <p>2016 Auditor's Comment – Per IT comment, there is still work to be done. Audit Observation remains open.</p>
12/31/15 12/31/17
<p>The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).</p> <p>Current Management Response: ITD purchased the log aggregator called Logrhythm. Implementation is currently at 5% and ITD is moving critical systems daily. There are close to 200 devices to move to Logrhythm with completion by the end of 2017.</p> <p>Auditor's Comment – Revised implementation date has not occurred. Audit Observation remains open.</p>

2009 09-08 IT General Controls

Observation # 3; Ensure Continuous Service; Information Technology
<p>Recommendation: To reduce the probability and impact of a major IT service interruption on key business functions, develop, maintain and test an IT-specific continuity plan. To ensure that IT employees are adequately prepared for their roles, provide periodic continuity plan training</p> <p>Priority – High</p> <p>Concur. IT will work to develop and test an IT-specific Continuity of Operations Plan. Staff members will be educated of their roles responsibilities so that they will be prepared to support the City in the event the COOP is activated.</p> <p>1/31/14 Update: This does not currently exist in any formalized document. As IT has begun to work on a viable COOP, the lack of a definitive plan has become evident. The IT Department has many process and procedures in place for redundancy and continuity, but the plan needs to be detailed and formalized.</p> <p>2/17/15 Update - IT will begin to work on a formal write-up of these procedures in the event of COOP.</p> <p>1/05/16 Update - No change. ITD is changing all aspects of ITD and will update COOP Plan once upgrades are completed.</p> <p>Auditor's Comment – Audit Observation remains open.</p>
12/31/15 Undetermined
<p>The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).</p> <p>Current Management Response: ITD has completely updated the COOP to reflect changes within the Department taking into account the new disaster recovery plan.</p>

Auditor's Comment – Move to "Open Pending Re-audit".

Observation #5; Provide IT Governance; Information technology

Recommendation: In order for an information technology strategic plan to ensure that the City's IT investment is appropriately aligned with key city objectives it must:

- a) Be based on the input and support of all key affected parties (i.e. Charter Officials, Department Directors, etc.) and organizational units;
- b) Be reviewed and revised on a frequent basis (such as annually) based on the input of an Information Technology Steering Committee comprised of key decision-makers; and
- c) Be supported by an approved, detailed, and up-to-date tactical plan outlining the resource needs, prioritization and scheduling of projects.

Priority - High

Concur. The creation of an IT Strategic Plan with an accompanying Tactical Plan is critical to aligning technology needs with the City's strategic initiatives. The plan will be based on input from key decision-makers.

4/19/12 Update: Once hired, the new IT Director will be tasked with implementing this recommendation.

01/14 Update: Concur. The Information Technology Strategic Plan that includes tactical objectives was created based on input from all Charter Officials and Department Directors. It was approved on October 1, 2013 and disseminated internally and externally (via the public web site). The Strategic Plan for 2014 will include a separate Tactical Plan.

2/17/15 Update - IT will submit a new strategic plan that includes security, redundancy, backup and wireless as the basis of enabling IT's vision for 2020.

01/05/2016 Update: The plan has been created and submitted to City Manager. It's been funded with \$790,000 of CIP and it's currently being implemented. It includes new infrastructure, internet connectivity, uplinks, firewalls, wireless and disaster recovery.

2016 Auditor's Comment – IT Strategic plan was a presentation to the City Manager, but has not been prepared as a formal, written document. Audit Observation remains open.

Implementation Date: ~~12/31/15~~ Undetermined

The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).

Current Management Response: ITD will prepare a formal, written document as requested.

Auditor's Comment – Audit Observation remains open.

2009 09-09 2009 COOP Drill Observation

Observation #1; Drill Performance; Emergency Operations Manager

Recommendation: Due to the City's geographical risk, Internal Audit recommends developing an action plan to perform a more comprehensive city-wide disaster recovery drill covering key functions. Internal Audit believes that a target goal of performing a comprehensive test within the next three to five years is both achievable and realistic. Senior management should pursue additional resources to support preparing for this effort, such as possible funding from the Department of Homeland Security.

Priority - High

Concur. Staff will develop an action plan to perform a more comprehensive city-wide disaster recovery drill covering key functions with a target goal of performing a comprehensive test within the next three to five years (Complete by October 1). Staff will also pursue resource and grant opportunities to support this effort (On-Going).

2/20/15 Update - Conducted September 23, 2014. Also, Emergency Manager is in the process of developing a **1/22/16 Update-** Emergency Manager in the process of developing a long-range training plan. County Emergency Management Training position has just been filled. Emergency Manager has just completed the State Sponsored Readiness Training Identification and Preparedness Planning course. Anticipate completions of City's long-range training plan within State standards by end of February 2016.

long-range training plan.
2016 Auditor's Comment – Implementation date has not occurred. Audit Observation remains open.
Implementation Date: 6/1/15 2/28/16 7/6/17
The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).
Current Management Response: Emergency Manager is coordinating a COOP planning meeting to occur on July 6, 2017. Each individual department will have a COOP program manager in attendance. That meeting will outline general requirements for each Department and lay the foundation for each Department to conduct Departmental COOP exercises. Additionally, the Emergency Manager has completed the long-range training plan.
2017 Auditor's Comment - On September 9, 2017, The City initiated the Emergency Operation Center (EOC) under a state of emergency declared for Hurricane Irma. The EOC was in operation until September 11, 2017 and operated within the parameters designed for its operation. While this was an actual activation, rather than a drill, it fulfilled the audit recommendation. The Emergency Manager will be modifying the emergency action plan based on the lessons learned from this exercise. Audit Observation is closed.

2009 09-12 LBTR Internal Controls Review

Observation #1; LBTR Database Action Plan; Neighborhood Development Services
Recommendation: To increase efficiency of the LBTR process and reduce the risk of theft or fraud, either a new computer application for LBTR should be implemented or deficiencies in the current application should be addressed.
Additions or modifications to the application should include: <ul style="list-style-type: none"> • Acceptance of electronic payments and applications, • Work flow processing (requiring electronic management approval of documents rather than allowing the manager's name to print on the receipt automatically), • Utilization of electronic mail and submission capabilities for electronic processing and record-keeping, • A method to prevent tax receipts from being printed until full payment is received, • Controls over input entry into record fields (validation controls), and • Reports for use in monitoring revenues and user activity in the application.
Priority - High
Concur. NDS management is aware that the current Lotus based computer system is inadequate and action has already been taken to address these issues. The process of developing a new computer system has started with the IT department taking the lead. The new system will be designed to incorporate the suggested activities. This process to purchase and implement the new computer system will be in connection with the replacement of the building division computer program, and may take up to 24 months to implement.
2/14 Update - The Purchasing Department is currently negotiating with a vendor for a replacement system for the current software. Implementation is not expected to occur until the 2014/15 fiscal year.
2/15/15 Update - The Purchasing Department is currently negotiating with a vendor for a replacement system for the current software. Implementation is not expected to occur until the 2015/16 fiscal year.
12/28/15 Update - NDS is in the process of purchasing a new computer system. We have settled on a Mitchell Humphries system and have started contract negotiations. Our goal is to get the contract to the City Commission by early summer.
2016 Auditor's Comment – Implementation date has not occurred. Observation status remains open.
Implementation Date: 03/31/16 2017 April 2018
Current Management Response: LBTR module is being installed by Mitchell Humphries and has just gone live. Work will continue to finalize all the payment and control issues.
Auditor's Comment – Auditor spoke with the IT Director, as noted above the Local Business Tax Receipts module has been installed and the Code Compliance module is in the installation process. Expected completion date is April 2018.

2011 11-06 City Purchasing Cards

Observation #5; Updates to Administrative Regulation; Financial Administration/Purchasing

Recommendation: To ensure that the policy is current and outlines actual business practices, update Administrative Regulation No. 024.A015.0707 to reflect:

- Changes in purchasing limits (thresholds for quotes have increased);
- A "designee" may provide purchasing transaction approval in lieu of a department director;
- Employee social security numbers are no longer needed to establish a purchasing card;
- A reference on the Cardholder Understanding Agreement that acknowledges an employee must also abide by the City's Food and Refreshment Policy;
- Circumstances under which cardholders may purchase gift cards;
- Card deactivation timelines for terminated employees; and
- Departments not under the purview of the City Manager may purchase their own IT equipment with the purchasing card.

Priority – Medium

Concur. Purchasing will update Administrative Regulation No. 024.A015.0707.

4/11/12 Update: The City Auditor and Clerk and City Manager met with Internal Audit on 4/11/12 to discuss outstanding audit items. The City Manager indicated this item was discussed with appropriate personnel and he would ensure that it gets completed. A status report will be provided May 1, 2012.

03/14 Update - Per discussion with the Financial Administration Director and the Purchasing Manager, Administrative Regulation No. 024.A015.0707 has not been replaced by a new ordinance or Administrative Regulation. No date for implementation of a new ordinance has been set.

2/20/15 Update - The Administrative Regulation will be updated upon implementation of the new software by Bank of America. The software is open for use but has had a few bugs that are being worked out.

12/22/15 Update - The Purchasing Division has completed the implementation of the new Bank of America software and has completed training for Purchase Card holders in August 2015. Administrative Regulation No. 024-A015.0707 will be updated by March 2016.

Implementation Date: ~~10/1/15~~ 3/31/2016

The Charter Officials met to discuss this item, consensus was to leave it open for Management to respond (December 21, 2016).

Current Management Response: The new Administrative Regulation has been updated to and outlines actual business practices.

Auditor's Comment – Audit Observation is closed.

Observation #7; Clarify the Food and Beverage Policy; Financial Administration/Purchasing

Recommendation: To ensure that City funds are used for appropriate purchases, management should clarify the approval process and spending limitations for social events held for exclusive groups, such as Advisory Boards and donors.

Priority - Medium

2/22/12: Management changed response to "Concur". Management will review the policy and disallow inappropriate expenditures in the future.

4/11/12 Update: The City Auditor and Clerk and City Manager met with Internal Audit on 4/11/12 to discuss outstanding audit items. The City Manager indicated he would review the policy, and in the future, he would not allow such expenditures to occur.

03/14 Update - Per discussion with the Financial Administration Director and Purchasing Manager, Administrative Regulation No. 024.A017.0308 remains in effect. No timeframe for developing a new ordinance or administrative regulation has been set.

2/20/15 Update - No Change

12/22/15 Update - Administrative Regulation No. 024.A017.0308 is still in effect. The Purchasing Division will review this Administrative Regulation and make recommendation to the Charter Officials for their consideration.

Implementation Date: ~~No Date Provided~~ 10/1/2017

Current Management Response: The new Administrative Regulation has been distributed and comments received. The new Administrative Regulation should be finalized by October 1st.

Auditor's Comment – Observation status remains open

2014 14-08 Payroll Operations

Observation #7; Time and Attendance Tracking; City Manager/Financial Administration

Recommendation: We recommend staff from the Payroll Division offer to consult with the departments using a manual process to increase the use of the City's time and attendance software and reduce the current duplication of efforts.
Priority – Medium

The Payroll Division is always willing to provide assistance to departments to become more efficient utilizing existing resources. As modifications are made to collective bargaining agreements, it is expected that automation of additional functions will become more practical.

12/22/15 Update - The collective bargaining agreements have not been modified. As modifications are made, it is expected that automation of additional functions will become more practical. The Payroll Division is always willing to provide assistance to users to provide assistance to become more efficient utilizing existing resources.

Implementation Date: 2016-2018

Current Management Response: The last group of employees not currently using the time and attendance system are PBA represented Police Officers. A new PBA collective bargaining agreement was approved in FY 2017 which we believe will simplify the automation of time and attendance tracking. On 5/10/2017, a small group of Police Officers were assigned to a test group to begin using the time and attendance system to capture start and end times. This initial test will be completed by 8/1/2017. At the completion of the test, we will review the results with the project team and plan the roll-out to more groups of Police Officers.

Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #8; Overtime; City Manager

Recommendation: We recommend Regulations 8.6 (A) and 8.8 be reviewed for possible modification to reflect actual processes currently in place or that the Regulations currently in place be enforced as written.
Priority - Medium

Management would recommend a review and update of the Overtime approval and authorization rule to reflect the current practice that is necessary for the departments to manage effectively.

Implementation Date: 2016 2020

Current Management Response: The Human Resources Department, in partnership with the City Attorney's Office, is tasked with updating Personnel Rules and Regulations that govern both general civilian and sworn employees. The timeline for this objective is approximately a two-year timeframe with completion of all Rules (22 of them currently) reviewed by 2019 or the beginning of 2020. If any rule revisions impact terms and conditions of employment, these revisions will need to be bargained with the City's labor unions. The current audit Observation for 8.6(A) and 8.8 refers to the approval of Overtime being obtained from a Charter Official prior to the Overtime worked. This is not operationally possible and the department agrees that this language needs to be revised to reflect more accurately the current

operational process. Rule 8 will be put at the top of the priority list for revisions to bring forward to the Commission for approval.

Auditor's Comment: Implementation date has not occurred. Observation remains open.

2014 EX 14-01 Citywide Continuity of Operations

Observation #1; Comprehensive Citywide COOP; Emergency Operations Manager

Recommendation: To ensure that there is a comprehensive response to City emergencies which may require either an individual or group activation of Charter Officials' or City Departments' COOPs, Internal Audit recommends the City Manager incorporate existing Charter Officials' and City Departments' COOPs into a Comprehensive Citywide COOP.
Priority – Medium

The City Emergency Manager recommends the creation of a Continuity of Government (COG) plan that is approved by the City Commission. This new plan will work in conjunction with the City's Comprehensive Emergency Management Plan (CEMP) that will also be approved by the City Commission. I concur with both recommendations. 2/19/2015 Update: The Emergency Manager has submitted a "draft" Continuity of Government Plan to the City's Charter Officials. The Emergency Manager is waiting on County Emergency Management to complete the review and approval process of the Comprehensive Emergency Management Plan in-order-to move forward with keeping the hierarchy of plans aligned. 2/19/15 Update – Emergency Manager has submitted a "draft" Continuity of Government Plan to the City's Charter Officials. The Emergency Manager is waiting on County Emergency Management to complete the review and approval process of the Comprehensive Emergency Management Plan in order to move forward with keeping the hierarchy of plans aligned.

1/22/16 Update- This should be completed by 9/30/16.

2016 Auditor's Comment – Revised implementation date has not occurred. Audit Observation remains open.

Implementation Date: 6/1/15 9/30/16-9/30/17

Current Management Response: The Emergency Manager has prepared the Continuity of Government (COG) Plan to be approved by the Charter Officials. This should be completed by September 30, 2017.

Auditor's Comment – Revised implementation date has not occurred. Audit Observation remains open.

Observation #7; COOP Testing and Exercises; Emergency Operations Manager

Recommendation: Internal Audit recommends an action plan be developed to hold a comprehensive city-wide COOP drill covering key functions. We further recommend developing a series of tests and exercises to test components of the COOPs, such as evacuation drills, training, notification processes, etc. We also recommend any training include drills that verify the training levels of individual participants.

Priority - High

The City Manager will coordinate with the City Emergency Manager on the type of exercise that is most appropriate and cost effective to implement.

2/19/15 Update - The City Manager has discussed this plan with the Emergency Manager and this is currently being developed.

1/22/16 Update- Emergency Manager beginning annual department meetings with Directors. As part of that meeting, we are identifying potential time windows for a small-scale exercise to be completed by 12/31/16.

Implementation Date: 5/1/15 12/31/16-7/6/17

Current Management Response: Emergency Manager is coordinating a COOP planning meeting to occur on July 6, 2017. Each individual department will have a COOP program manager in attendance. That meeting will outline general requirements for each Department and lay the foundation for each Department to conduct Departmental COOP exercises.

Auditor's Comments – Emergency Manager has scheduled a meeting for 7/6/17 with each department's emergency operations designee. That meeting will outline general requirements for each Department and lay the foundation for each Department to conduct Departmental COOP exercises. Hurricane Irma required a 3 day activation of the City's Emergency Operations Center providing the equivalent of a multi-day exercise. Emergency Manager will coordinate exercises to address concerns noted in the activation. Audit Observation is closed.

2016 16-01 Citywide Inventory

Observation #1; Inventory Software

Recommendation: Implement the inventory software by:

- posting stock purchases and issues,
- utilizing an acceptable costing system (LIFO),
- assigning locations for stock items,
- set reorder levels
- identify slow-moving or obsolete stock
- utilize reporting system for inventory worksheets
- identify and separate used inventory from new inventory
- determine if used inventory should have a zero value

Priority - **High**

- Inventory software (New World) implementation to be completed by 30May16.
- Stock prices to be posted utilizing issuing invoices or comparative match from like vendor.
- Locations to be posted to software program after completion of stockroom reset.
- A default reorder level of 5 will be utilized unless movement supports other.
- Identification of Slow moving and obsolete stock – Complete
- Inventory reports will be generated from New World once implementation is complete.
- Stockroom Reset to be implemented to support separation of new stock items from used recycled items. Only new stock items to be posted and tracked by New World system. This will allow for a true real-time cost analysis of the SPD stockroom.
*Note 1, possible requirement for a one-time financial adjustment on balance sheet for SPD once reset and implementation is complete.

Implementation Date 3/30/16

This Observation is superseded by Observation #1, Audit 17-01, Citywide Inventory. Observation is closed.

17-01 Citywide Inventory – Various Departments

Observation #1 SPD Inventory Software:

Recommendation: Implement the use of inventory software for all items in inventory, new purchases, and equipment issuance.

Use of inventory software should provide up to date inventory stock levels and cost information and provide better tracking of stock items.

Current implementation of CribMaster is taking place including items on hand, new purchases, equipment issuance, and item location. CribMaster has an acceptable costing system.

Priority - Medium

Implementation Date: 6/30/17

Current Management Response: No response required, implementation date has not occurred.

Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #2 Utilities Zero Cost Items

Recommendation: Request cost information from the departments that provided inventory to Utilities (if available) and update item costs to more accurately reflect the cost of goods on hand.

Exact cost-of-goods provides a more accurate inventory valuation.

Priority - Medium

Utilities will obtain the cost for all the inventory items received from other departments and update the software (Cartegraph) to reflect such prices in our inventory.

Implementation Date: ~~4/1/17~~ 9/30/17

Current Management Response: Due to recent staffing turnover, the Utility Stores operation is approximately 75% complete in assigning new part numbers and valuations to the previously listed zero cost items. It is estimated that this task will be complete by September 30, 2017.

Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #3 SPD Freight Charges

Recommendation: Freight charges (when applicable) should be added to item cost to provide exact cost-of-goods information.

Exact cost-of-goods provides a more accurate inventory valuation.

Priority - Medium

This will occur with the implementation of CribMaster.

Implementation Date: 6/30/17

Current Management Response: No response required, implementation date has not occurred.

Auditor's Comment: Implementation date has not occurred. Observation remains open.

17-04 City Purchasing Card

Observation #1 Training

Recommendation: To encourage proper spending habits and promote awareness of Administrative Regulation No. 024.A015.0707, periodic purchasing card refresher training sessions should be required of cardholders. Specifically, training should emphasize:

- Dividing transactions into smaller purchases in order to achieve the purchasing thresholds and circumvent the purchasing rules is prohibited;
- Every effort should be made to ensure sales tax is not included in the purchase total;
- Itemized receipts with item descriptions, quantities, and unit costs should always be obtained from the vendor (specifically including food/ restaurant purchases); and
- Cardholders and Approvers should abide by processing and approval timelines specified by policy.

Priority - Medium

We started working on this issue last year. We identified that a refresher training curriculum needed be develop. The new P-card Administrative Regulation (024.A015.0117) is currently being routed for signature. This new Regulation contains requirements for refresher training every two years. The Human Resource (HR) Department will be tracking training dates. We are anticipating starting the new training program at the beginning of FY2018. It will include a review of the new P-card Regulation and the items recommended by the audit. We currently have not decided whether this will be an instructor lead course or a video based course. Once the Accountholder completes the course they will be required to execute a new Cardholder Agreement verifying the training date. This will also be signed by the Department Director or designee. A complete Procurement Class catalog was developed in October 2015 and Purchasing Card Refresher Training was included in this initial catalog for development.

Implementation Date: November 1, 2017

Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #4 City Purpose of Purchase and Receipt of Goods
<p>Recommendation: Purchasing card transactions should provide support of the purpose/program of the transaction. This not only provides more validity to the purchase but it also identifies and matches costs to individual projects, if applicable.</p> <p>The support should also include verified receipt of goods by someone other than the cardholder. This provides stronger controls over verifying that the goods and services purchased have been received and are for City purposes.</p> <p>Priority - Medium</p> <p>The Purchasing Division reviews each transaction to ensure that every transaction has adequate detail. This is reviewed at a minimum of two levels within the Department, two levels in the Purchasing Division and a review in the Finance Department. The invoice cannot be modified by the Cardholder once it is sent to the Approver. However, based on the recommendation of this Audit, the Purchasing Division will examine a possible process for providing verification of physical receipt of the items purchased. After examining previous transactions, there have been no fraudulent transactions attributed to altered invoices. Depending on the process it could increase the cost and time of processing transactions. This may defeat the purpose of the P-card Program. In any process, there is a level of trust and integrity that must be considered. This is emphasized with the "Cardholder Understanding" form. There is a point where too many controls make a program counter productive. The Purchasing Division will examine a pilot program for FY2018. Consideration will be given to the cost of the control verses the benefit and has past fraud been identified due to lack of this control.</p>
Implementation Date: 12/31/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #6 Annual Certification of Cardholders
<p>Recommendation: In addition to the items currently included in the re-authorization process each cardholder's credit utilization during the year could be included to help provide a greater understanding of the cardholder's uses of the card/monthly limit. This would be another way for department directors to determine if cardholders have excessive limits relative to actual use.</p> <p>Priority - Low</p> <p>In the past, the Purchasing Division has done reviews to include the numbers. The Division will examine the feasibility of adding this numbers to the annual report. This may require an adjustment in the current tracking program. However, the Division is in agreement that this is an excellent recommendation.</p>
Implementation Date: 9/30/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #7 Clarify the Food and Beverage Policy
<p>Recommendation: To ensure that City funds are used for appropriate purchases, management should clarify the approval process and spending limitations for social events held for exclusive groups, such as Advisory Boards and donors.</p> <p>This Administrative Regulation is under review. It is anticipated to be routed for review in as soon as management review is completed.</p>
Implementation Date: 11/1/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

16-04 Robert L. Taylor Community Complex

Observation #1 Outside Agencies
<p>Recommendation: We recommend procedures be established to monitor all outside organizations utilizing the facility.</p> <p>Confirmation that background checks have been completed on all third-party staff utilizing the facility should be obtained. Background screenings should be completed to ensure the safety of all minors.</p> <p>We recommend a certificate of liability insurance be obtained from all non-profit organizations administering a program at Robert L. Taylor. Liability insurance can reduce the City's exposure to claims.</p> <p>Priority - High</p> <p>A volunteer background check policy has been developed for all persons that volunteer their time with programming at the Robert L. Taylor Community Complex.</p>

Implementation Date: 6/12/17
Current Management Response: No response required, implementation date has not occurred.

Observation #2 Management and Facility Usage Reports
Recommendation: We recommend software and its usage be evaluated for the generation of management and facility usage reports for management's review. Trends may be identified that will assist in program development or cost savings and assist with marketing strategies.
Priority - Medium
Staff currently maintains facility usage via a handwritten calendar book. The current software (CSI Spectrum/NG) does not easily generate facility usage reports for events. We are looking at evaluating new software that will better suit the needs of this facility.
Implementation Date: 10/1/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #3: Program Expenses
Recommendation: We recommend separate account codes be used to identify each activity or program. Identifying actual program costs should help match a program's expenses with its revenues, providing management with a full accounting of the program.
Priority - Medium
Programs expenses are tracked via spreadsheets kept by RLT Staff. They are not separate lines items shown in the FMS Budget Inquiry.
Auditor Comment - During the audit, RLTC staff was unable to provide expense reports of individual programs. During post-audit work Auditor reviewed spreadsheets
Implementation Date: Completed
Auditor Comment – Audit Observation is closed

Observation #4 Retail Purchases
Recommendation: We recommend that a policy be established verifying purchases are received on site.
Priority - Medium
The Staff of RLTC have developed a written policy on receiving items purchased with either a P-card or Purchase Order. Receipts for items purchased will be signed and verified by another RLTC Supervisor or Administrator.
Implementation Date: 5/1/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #5 Membership Rates and Facility Rental Fees
Recommendation: We recommend new rate comparison with other similar facilities be conducted and rates adjusted to maximize income. Rate adjustments should help to maximize revenue and cover costs.
Priority - Medium
Event Rental fees will be reviewed every 12 months to ensure we remain competitive in the local market. Rates charged for Fitness and Full Passes will also be reviewed annually to remain competitive locally.
Implementation Date: 5/1/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

Observation #6 Liability Insurance
Recommendation: We recommend management determine if obtaining an umbrella liability insurance policy including Robert L. Taylor would reduce the exposure risk for the City. Any risk reduction could potentially save the City additional costs in the event of a claim.
Priority - Medium
The Robert L. Taylor Community Center was added to the City's General Liability Policy effective 10/1/2016. Insurance coverage beginning 10/1/2016 is provided through Nautilus Insurance Company.
Implementation Date: 10/1/16
Auditor Comment – Audit Observation is closed

Observation #7 Inspection Report Management
<p>Recommendation: We recommend policies and procedures be established to manage inspection reports. Inspection reports should be both dated and signed. Required corrective actions should be tracked for completion. Signed and dated inspection reports assign individual responsibility for the reviews.</p> <p>Priority - Medium</p>
A policy has been developed to manage all Robert L. Taylor safety inspections and inspections for the Pool, Slide, Commercial Kitchen and Fire System.
Implementation Date: 5/1/17
Auditor's Comment: Implementation date has not occurred. Observation remains open.

EXHIBIT C- "OPEN PENDING RE-AUDIT" ITEMS: CITY MANAGER

2008 IN 08-02 Internal Investigation of Alleged Fraud Involving IT

Observation #3; Inventory; Information Technology

Strengthen inventory practices in IT; segregate duties and account for all items, even small and obsolete ones.

Priority - Medium

Concur. It will work with relevant parties to review existing processes in place and implement changes which more appropriately protect taxpayer investments in information technology assets.

2015 Auditor's Comment: Per discussion with the IT Director – All inventory items have been secured in a cage and are issued via the work-order system.

1/5/16 Update: Only create accounts as directed by Human Resources. Move to a bar code inventory application.

2016 Auditor's Comment – Internal Audit has been unable to re-audit, due to City Commission action. Audit Observation remains open.

No projected date for re-audit

Current Management Response: ITD only creates AD accounts on PAP forms from HR or approval from any other category without a PAP. ITD has funding in CIP in Fiscal Year 2017-18 for a new application that bar codes inventory.

Auditor's Comment – Audit Observation remains open, pending re-audit.

2009 09-09 2009 COOP Drill Observation

Observation #3; Re-testing Prior Drill Issues; Utilities

Re-test known deficiencies from previous drills to ensure they are fully resolved, preferably as soon as possible after drill exercise day.

Priority - High

Concur. The Duty Managers laptop has been periodically updated and presently serves as a good tool for managing incidents. After last year's drill, Public Works identified some issues resulting from not having access to the Emergency Operations work order software. Since then, the Public Works department has successfully accessed and received training on the use of this software, thus enabling Public Works to have uncorrupted information transmitted to the field crews for mitigation. Additionally, Public Works will work with IT on certain connectivity issues related to the use of air-cards.

10/21/09 Management Update: PW is continuing to work with IT on connectivity issues related to the use of air cards. An IT service request was issued at the end of July 2009 to address this issue. Currently Public Works has in place other forms of communication to relay information to field crews such as hand-held radios, vehicle radios and cellular and satellite phones.

2/19/15 Update - All City of Sarasota field units will be required to conduct all business through the City's EOC and not directly contact the County. Once the County has established a below ground redundant fiber optic network from the Terrace Building to their data center, the emergency manager will conduct an analysis to determine the City's suitability to utilizing the County system. The Emergency Manager is currently conducting an analysis as to the purchase of our own same or similar program to the County.

1/22/16 Update- County still has not completed redundant fiber optic network. Emergency Manager working on the purchase of satellite communications equipment in-order-to maintain communications with County EOC. City maintains Liaison Officers and Joint Information Center personnel at the County EOC. City Communications Unit includes Parking Management personnel to act as couriers during lost data/voice communications.

2016 Auditor's Comment – Audit Observation remains open pending re-audit.

No projected date of compliance

Current Management Response - In September 2016, the Emergency Manager purchased two satellite phones to maintain communication with the County EOC. The City also maintains Liaison Officers and Joint Information Center personnel at the County EOC. Additionally, the Utilities has purchased 4 satellite phones.

2017 Auditor's Comment – Hurricane Irma activation provided multiple day exercise. Audit Observation is closed.

2010 EX 10-01 Risk Management

Observation # 1; Automated System Action Plan; Human Resources/Risk Management

Evaluate and acquire a RMIS if financially viable.

Priority - **High**

Concur. If funds can be secured in the FY 2011 budget, Risk will issue an RFP to purchase a web-based system.

System implementation will be phased throughout 2010 and 2011.

In the interim, Risk is exploring the possibility of temporarily utilizing a Windows-based data management system.

02/14 Update - Per discussion with Human Resources Director, no progress has been made toward acquiring any sort of software. There has been no further progress toward implementing an ERP solution.

2/20/15 Update - A RIMS system does not appear to be financially viable. We have a desire for this system but do not have the means to afford a fully operating RIMS system. During the last update with Audit, information was provided on the Access database that was developed in-house to track our Risk data and it is now outdated. A new City Risk Manager was hired in April 2014 who has experience with a RIMS system that may be affordable. In addition to this, an RFP was done for our Property & Casualty Broker and it included information to quote an optional RIMS system. The information received on this quote was more than \$51,000 over a 5-year period. This is not affordable for our department. At this time, we track Risk claims in excel and we track Workers Compensation claims & costs through our TPA's software which is web based. We are also working with IT on integrating much of our data onto maps for property, flood plans, liability claims, public art, etc. Unless RIMS systems become more affordable in the future, we will not be able to purchase this.

12/28/2015 Update - Much research of pricing and software was done over the years to acquire this type of system. Not only is it important to reach a conclusion for this audit item but the most important function is for the monitoring and efficient processes for the City's Risk Management unit. With the addition of an experienced Risk Manager in April 2014, she was able to provide the direction for this project and a company that was a viable and affordable option. The RIMS system called Topiary was acquired at a reasonable annual cost and the project plan for implementation will begin in January 2016. This software will retain Risk information from general liability, fleet, property insurance and many other fields in order to provide access to the Risk Manager and the assigned City Attorney personnel. This purchase should close out this open item to automate and more efficiently track Risk Management items for the City.

2016 - Auditor's Comment - Audit Observation is moved to "Open Pending Re-Audit" and remains open.

Implementation Date: **Unknown**

Current Management Response - **Pending Auditor's review. No management comment required.**

2014 14-08 Payroll Operations

Observation #2; Lack of Signed Supervisory Approvals for Leave; City Manager/Human Resources

Departments implement procedures to maintain signed copies of supervisory approvals as required for all categories of time off.

Priority - **High**

City Manager - The Human Resources Department monitors the leave requests that are required by the City's Rules and Regulations and notifies departments on outstanding leave approval slips. Only specific approvals are required to be received by Human Resources and retained in employees' files. A report is run that indicates that leaves requiring an attendance slip to be completed. This report is tracked by Human Resources as the leave slips are received. Supervisor and department head approval of time within the time and attendance system is not considered implied approval but rather explicit approval of all time worked for their unit or department. Time off requests can be, and are for most

departments, an automated process within the Time and Attendance software. The approval process for this time off is electronic and signed copies would not be needed.

2/20/15 Update - Time off requests, as stated in Management's response, are being completed within the Time and Attendance system. This is an electronic approval process and hard copies do not need to be printed and retained. Any outstanding leave slips that are required per the current Rules to be retained within the personnel file are being requested from the departments on a biweekly basis. No further action is required.

12/28/2015 Update – Human Resources expends much labor time following up with departments on leave slips that are required. This continues to ensure that the Rules and Regulations are followed as to the leave slips required to be received and placed in employees' files.

Auditor's Comment: In discussion with the Human Resources Director, Internal Audit recommended the Personnel Rules be revised to reflect the current business process. Audit comment remains open, pending revision of current Personnel Rule.

Implementation Date: Completed per City Manager/Human Resources

Auditor's Comment: This item was reviewed during Audit 16-10, Payroll Operations Follow-up Audit. Auditor tested 15 leave forms for appropriate signatures; no exceptions were noted. Audit Observation is closed.

Observation #3; Negative Leave Balances; Human Resources

Human Resources should review all negative leave balances and a consistent policy established as to how negative balances will be handled.

Priority – Medium

City Manager - Human Resources reviews negative balances within ABRA's attendance module on a bi-weekly basis. Departments are notified verbally or via email to address the issues. Generally, a request will be made to rectify the negative balance by using another leave balance that is available and not in the negative, i.e. bonus time instead of vacation time. Negative balances can then be eliminated from the employee's attendance file.

2/20/15 Update - This is currently being done and is evidenced in Management response. Rule 11.9 outlines the Directors ability to use discretion at approving Sick Leave over 72 hours within one year. No further action is required.

The City has discussed a donation bank of time that employees would have access to but this did not get developed this year. It is a possible project for the future if the support remains for this project.

12/25/2015 Update – Any extended sick leave over 72 hours is being monitored by Human Resources by reviewing attendance reports. If there appears to be an overage, research is initiated to see if FMLA needs to be applied and a request for additional sick leave needs to be approved via the Charter Official. Discussion of Paid Time Off (PTO) and other parameters for leaves were vetted but no support was gained for this. Additionally, this would be considered a benefit and a term and condition of employment which is a negotiable item with both Unions. This additionally did not get any support.

Auditor's Comment: Auditor reviewed current personnel records and noted twelve (12) employees with negative sick pay, three (3) employees with negative military leave (two (2) carried over from prior fiscal year) and two (2) employee with negative Bonus time. Three (3) of twelve (12) employees with negative sick time had PAP forms on file for FMLA; two (2) of three military leave balances were cleared from beginning balances; two (2) employees with negative Bonus time had time cleared with allocation from another leave category. Audit Observation remains open.

Implementation Date: Completed per City Manager/Human Resources

Auditor's Comment: This item was reviewed during Audit 16-10, Payroll Operations Follow-up Audit. Auditor tested 17 records of employees with negative balances. We noted that negative balances were adjusted against other accrued leave, except for extended sick leave. Audit Observation is closed.

Observation #6; Department Leave Balances; City Manager/Human Resources

Individual employee department leave balances did not always match the Abra leave balances.

Priority – Medium

We recommend each department compare their documented leave balances against the Abra system balances and resolve any discrepancies.

2/20/15 Update - The HRIS system (ABRA) has an attendance module that is used throughout the City for accrual and tracking of attendance time for all employees. Each department does not establish their own procedures for tracking

attendance time; ABRA has an attendance module that is used for citywide attendance plan monitoring. The Police Department's sworn officers are the only unit that does not accrue vacation time within the HRIS system. An element of their vacation process is governed by the collective bargaining agreement and is in discussion currently. Again, this is an efficiency process that we are currently discussing during the negotiation process.

12/28/2015 Update – I believe this audit item only pertains to the Police department, all other departments do not have leave balances outside of the automated system in ABRA. The Police Vacation plans in ABRA are the only non-accrual plan among all other vacation plans in the City. Transitioning this plan into an accruing plan in ABRA has been discussed extensively and we continue to work towards this objective.

The payroll personnel at the Police Department do not have access to change attendance accruals in ABRA. They may present in writing any information for adjustments to the HR department. This information is screened and review to ensure it is accurate prior to entering into the system. There should be no external values that are different than the official record in ABRA.

Implementation Date: 6/1/15

Auditor's Comment: This item was reviewed during Audit 16-10, Payroll Operations Follow-up Audit. This issue focused on police department personnel who may work 8, 10 or 12 hour shifts and accrue leave based upon those schedules. The City's software needs to be manually adjusted for non-standard (10 – 12 hour) schedules. SPD has implemented a quarterly reconciliation process with Human Resources. This Audit Observation is closed.

Observation #9; New Hire Documentation Verification; Human Resources

Human Resources should review existing procedures to ensure all newly hired employees are screened for proper documentation.

Priority – Medium

The I9 forms and process is governed by Department of Homeland Security and it is against the law to request identification documents prior to an offer of employment. Human Resource staff discussed the issue with the City Attorney and any future incidents that are unclear will be reviewed immediately by the City Attorney. No further action needed.

12/22/15 Update - The collective bargaining agreements have not been modified. As modifications are made, it is expected that automation of additional functions will become more practical. The Payroll Division is always willing to provide assistance to users to provide assistance to become more efficient utilizing existing resources.

Auditor's Comment – Audit Observation is moved to "Open Pending Re-Audit" and remains open.

Implementation Date: Complete per City Manager/Human Resources

Auditor's Comment: This item was reviewed during Audit 16-10, Payroll Operations Follow-up Audit. Auditor tested 15 new hires and found no issues. Audit Observation is closed.

2014 14-10 SPD Property & Evidence – Sarasota Police Department

Observation #2; Weighing of Narcotics; Sarasota Police Department

Weigh and document the weight of all narcotics upon each transfer into and out of the Property and Evidence Unit. Monitoring the weight of packaged narcotics will allow for better control over the contents and offer better detection to identify when packages are altered.

Priority – High

1. Review IAPE Standards (Version 2.4/Rev. 30 Sept 2012) regarding weigh and document weight of all narcotics upon transfer into and out of P&E Unit.
2. Review CLEA standards manual (Edition 4.0.24 dated February 2012) regarding best practices.
3. Implement recommendations in SPD G.O. 731 - Property Control.

2/19/15 Update - Completed in 9.19.14. IAPE and FLEA standards were reviewed. The Property Managers recommendations were given via a memo to the SSD Captain dated 9.19.14. Property Unit personnel never open narcotics packages. The recommendation is for the officers to continue to weigh narcotics only for trafficking offenses. The labs testing the narcotics weigh the narcotics for charging purposes. Any narcotics leaving the unit for undercover investigation are weighed before & again upon return. Continue to weigh narcotics when scheduled for destruction.

12/31/15 Update - All narcotics taken into property will be weighed (packaging included) by the submitting officer and will be weighed again upon destruction. The weight will be measured in grams and will be designated on the property receipt. Narcotics sent to the SSO Lab for testing will be weighed upon receipt and return by the technician at the SSO Lab. A scale will have to be purchased and placed in the Property Intake room for the weighing of narcotics. This scale will be calibrated annually. G.O. 731.62.1 will be revised to reflect these changes.

Implementation Date ~~9/19/14~~ Undetermined

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Auditor noted that narcotics are weighed in accordance with IAPE Standards and SPD General orders. Audit Observation is closed.

2014 EX 14-01 Citywide Continuity of Operations Plan

Observation #4; IT & SPD MIS Disaster Recovery Plan Development; Information Technology and Sarasota Police Department

In order to ensure the City's Vital Records, applications, networks, services and functions can be recovered after an emergency when and if it is declared, Internal Audit recommends Information Technology and Management Information Systems develop Disaster Recovery Plans for each of their areas.

Priority - High

Information Technology: IT is evaluating the current capabilities for disaster recovery and putting realistic numbers to recovery time objectives. IT has met with all departments to set preliminary levels of expectation. Once the current capabilities are documented and realistic recovery timeframes identified, Information Technology will present options to better our DR posture, along with cost scenarios.

SPD MIS: We are in the process of re-evaluating our current disaster recovery strategy to ensure that the Sarasota Police Departments vital records, applications, networks, services and functions can be recovered after an emergency.

2/19/15 Update - IT will revisit the COOP plan and review lessons learned. IT will streamline as needed. IT is in the process of re-evaluating our current disaster recovery strategy to ensure that all vital records, applications, networks, services and functions can be recovered after an emergency. Once identified we will create a list of realistic recovery times and a testing strategy to ensure that recoveries can be performed both quickly and reliably. Due to critical staffing shortages, this was not completed for SPD. SPD Server tech will coordinate with EOC Manager.

IT 01/05/16 Update - No change. ITD is implementing CIP projects first and then will update COOP. Disaster recovery has a piece in our CIP. ITD completed a full backup and sent via tapes to a bunker in St. Petersburg. Working on a plan to replicate data to Virginia.

SPD 12/29/15 - MIS has tested and made sure the DATA Recovery was functional. This was completed on 08-24-15.

EOC 1/22/16 - on-going process. New staff on board as well as new programs

Implementation Date: IT – 12/31/15; SPD – 12/31/15

Current Management Response: ITD has fully implemented and tested a new disaster recovery model, using new software and new backup targets using both tape and disks. We do test restores on a weekly basis and archive our data outside of our geographic location. We fully tested this live on 8/16 with the ransomware hit.

Auditor's Comment – Audit Observation is closed.

Observation #5; All Hazards Risk Assessment; Emergency Operations Manager

In order to assist in securing proper facilities in the event of an emergency, Internal Audit recommends development of an annual review process and "all hazards" risk assessment for City facilities (for those that have changed). Without a current evaluation of Citywide facilities for hazards, alternate facilities may be incapable of supporting COOP relocations.

Priority – High

The City Emergency Manager has initiated the process of creating a database of city owned/leased property.

2/19/15 Update - The Emergency Manager is currently developing the data base of facilities and working with Risk Management on current insurance issues. Upon adoption of the City's Continuity of Government Plan, the City will have a formalized approach to dealing with COOP locations.

1/22/16 Update- Software has been purchased by Risk Management. Data is currently being uploaded. Anticipate June 2016 for completions of data base. FY2017 project groundwork being laid for creation of designated Department COOP Program Manager and City Committee.

Implementation Date: 10/1/15 6/30/16

Current Management Response: The Emergency Manager has completed an all hazards risk assessment for City Facilities.

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation # 6; Physical Access; Human Resources, Sarasota Police Department

In order to assist in securing facilities before and during an emergency, Internal Audit recommends Human Resources coordinate with MIS to ensure City employees who leave or terminate City employment surrender any MIS issued access devices and notify MIS so access rights to the SPD building can be terminated.

Priority - Medium

Human Resources: Human Resources has a termination process in place for notifying the City's IT to terminate access to systems and eliminate email address and others technology rights, including door fob access rights. The termination checklist is a Citywide checklist but does not appear to have a notification to the Police departments MIS unit regarding access rights for City employees that are not located within the Police Department. The Coordinator, Terminal Agency position within the Police department has responsibility for assigning access rights and door fobs for City employees that are not located within the Police building. This position along with the Emergency Coordinator within the HR department worked together to assign access rights for the EOC located on the 4th floor of the Police building and to distribute door fobs to all EOC assigned personnel beginning in 2012. The process of notification to the Coordinator, Terminal Agency of employees that are no longer with the City was not documented on the Termination Checklist. Currently a monthly report is being generated by the Coordinator and sent to HR to review for terminated employees. The termination checklist/process is currently being modified to include HR receiving all fobs, ID's and other access items in order to notify the involved departments. For departments that have COOP alternative sight (sic) relocation to the EOC, door fobs can be distributed and access rights limited to that area through the Coordinator, Terminal Agency.

2/20/15 Update - Termination checklist has been updated to include providing all door fobs and access keys to HR. HR will then submit these back to SPD along with informing them to terminate employees access. Additionally, SPD will proactively send a listing of door access fobs to HR to review at least quarterly. This will have the added benefit of ensuring all names are current employees. No further action needed.

Completed Per Human Resources

Auditor's Comment - Remains open, pending re-audit.

2015 15-01 Citywide Inventory

Observation #2; Implement Inventory Software, SPD

Implement the inventory software by:

- posting stock purchases and issues
- utilizing an acceptable costing system (FIFO – First In, First Out),
- assigning locations for stock items,
- setting reorder levels
- identifying slow-moving or obsolete stock
- utilizing reporting system for inventory worksheets
- Consider having the inventory storeroom staffed by someone to oversee, organize and maintain the inventory storeroom along with performing the functions listed above. A policy should also be implemented for releasing inventory items during unstaffed hours. (We did note that a posting for the Quartermaster position is currently open and a potential candidate has been identified.)

Priority – High

The current Cribmaster program is military based. The new Quartermaster can evaluate whether it is feasible to update and start utilizing the Cribmaster program or if the inventory program with New World (the agencies new Report Writing

System) would be better. Once that decision is made, implement training on the software and begin utilizing the computer based program to track and order inventory. The SPD is no longer going to utilize their inventory room to keep large amounts of equipment/clothing etc. on hand. Only critical items will be stocked with identified levels of items to keep on hand. With current ease of online ordering, the majority of items can be ordered on an as needed basis.

2/19/15 Update: Management Action date has not occurred.

7/31/15 Update: SPD has decided to implement the inventory module for the New World software. Implementation was to be completed by 7/25/15, but the Quartermaster's Office has not been set up. Estimated implementation date changed to 9/30/15.

12/29/15 Update: Implementation of the New World System has begun with an estimated completion of April 30th, 2016.

Implementation Date: ~~9/30/15~~ Revised Implementation Date 4/30/16

Auditor's Comment: This item was reviewed during Audit 17-01, Citywide Inventory. Inventory software is still not being utilized as intended. See Observation #1, Audit 17-01, which supersedes this Observation. Audit Observation is closed.

2015 15-05 SPD Property & Evidence – Sarasota Police

Observation #1; Weighing of Narcotics

1. Follow procedures in SOP 731.30 to weigh drugs

Review IAPE standards – Best Practices (Version 2.5/Rev. March 8, 2015) regarding weigh and document weight of all narcotics upon transfer in and out of P&E Unit.

2. Review CFLEA standards manual (Edition 4.33 dated Feb 2015) regarding best practices

Weigh and document the weight of all narcotics upon each transfer into and out of the Property and Evidence Unit.

Monitoring the weight of packaged narcotics will allow for better control over the contents and offer better detection to identify when packages have been altered.

Priority – **High**

All narcotics taken into Property will be weighed (packaging included) by the submitting officer and will be weighed again upon destruction. The weight will be measured in grams and will be designated on the property receipt. Narcotics sent to the SSO lab for testing will be weighed upon receipt and return by the technician at the SSO lab. A scale will have to be purchased and placed in the Property intake room for the weighing of the narcotics. This scale will be calibrated annually. GO 761.62.1 will be revised to reflect these changes.

Implementation Date 2/15/16

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Auditor noted that narcotics are weighed in accordance with IAPE Standards and SPD General orders. Audit Observation is closed.

Observation #2; Currency Maintained in Evidence

Deposit all currency received by Property and Evidence into SPD bank accounts unless there are evidentiary or other reasons to maintain the original currency (AIEP Standard 10.3: Money – Documentation of Movement Standard).

Priority – **High**

The State Attorney's Office recommended that currency be retained in the Property Unit. Currency from cases that are over is taken to the Fiscal Dept. for deposit in the City Fund. Currency from forfeitures is taken to the Fiscal Dept. for deposit into the LETF as soon as the State Attorney's Office informs us it is no longer needed to be held as evidence.

Implementation Date Completed

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Currency is still being held in Property and Evidence, though most has been deposited. See Observation #1, Audit 17-11, which supersedes this Observation. Audit Observation is closed.

Observation #3 ICAD Data Records

Conduct complete physical inventory to identify all evidence items for transfer into New World Systems Software.

Priority – **High**

A complete inventory of the Property Unit is currently in progress. The inventory is expected to be completed by March 1, 2016.

Implementation Date 3/1/16

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. The auditor noted issues with the New World Systems software, primarily multiple entries for new items. Auditor also noted that older evidence items continue to be maintained in the ICAD Software. SPD personnel were conducting another complete inventory of the Property Unit. See Audit Observation #2, Audit 17-11, which supersedes this Observation. Audit Observation is closed.

Observation #4 Incorrect Current Vehicle Location

Regularly review vehicle records and update to their current location. All evidentiary items should be able to be immediately located.

Priority – Medium

Vehicles located in the SPD garage are vehicles that have been forfeited to the Police Department or are in the process of being **forfeited**. The Property Manager will check with the Narcotics Unit monthly to determine the status of these vehicles.

Implementation Date 1/29/16

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. All vehicles tested were located per the New World software. Audit Observation is closed.

Observation #5 Inconsistent Investigation Use Drug Sample Measurements

All samples removed from investigative drug use should be measured in the same units of measure. The SOP should be updated to indicate the proper units of measure.

Priority - Medium

The unit of measurement for the weight of all narcotics will be in grams. This change will be noted in GO 731.

Implementation Date 2/15/16

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Narcotics tested had weights recorded, in grams as specified in GO731. Audit Observation is closed.

Observation #6 Evidence Report Generation

Staff should review software and receive additional training to allow the preparation of all available property & evidence reports.

Priority – Medium

Additional training in the New World Records Management System was requested by the Property Manager on 12/29/15. Training was requested to take place within 30 days.

Implementation Date 2/1/16

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Property and Evidence staff received additional training on the New World software and were able to produce all requested reports. Audit Observation is closed.

Observation #7 Monetary Forfeiture

Confirm proper destination of all forfeiture funds.

Priority Medium

Location corrected 12/29/15

Implementation date 12/29/15

Auditor's Comment: This item was reviewed during Audit 17-11, Sarasota Police Department Property & Evidence. Forfeiture funds were deposited into the proper account(s). Audit Observation is closed.

2016 16-01 Citywide Inventory

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Observation #2; Fuel Operations Inventory Procedures Manual

We recommend that inventory procedures are documented, maintained and updated as is necessary.

Priority - Medium
Prepare standard operating procedure for monthly and annual inventory of fuel maintained for PW 12th Street Fuel /Island.
Implementation Date 2/29/16
Current Management Response: Inventory procedures have been documented and are included in the Fuel Operations Procedures.
Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation #3; Fuel Operations Inventory Adjustment Review
We recommend that fuel inventory variances and adjustments be reconciled on a monthly basis and thoroughly reviewed and approved by management.
Priority - High
SOP will include review and approval by management
Implementation Date 2/29/16
Current Management Response: A monthly variance report is signed off on and inventory level reconciled per Fuel Operations Procedures.
Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

16-15 Fuel Operations Audit – Public Works

Observation #1; Comprehensive City-Wide Policies and Procedures of the Fuel Program
We recommend the City develop a comprehensive fuel program policy and related procedures to address: <ul style="list-style-type: none"> • Authority and conditions for the issuance of fuel key, employee fuel pin, and WEX fuel cards; • Employee training and acknowledgement of responsibilities for fuel program; • Recordkeeping, termination of a fuel key, employee fuel pin and WEX fuel card; • Software security and monitoring; • Management monitoring of consumption and operating procedure compliance.
Priority - High
9/13/16 Management Response: A written policy will be developed to include: <ul style="list-style-type: none"> • Authority for issuance of fuel key, PIN, and WEX cards • Employee training and documented acknowledgement upon receipt of PIN regarding proper use of the City's Fuel Program • Method of record keeping for employees who have terminated or changed departments for proper billing. • Use of available security features contained in the Fuel Management System software to provide limits for individual fuel keys. • Monthly reporting to user departments of fuel consumption for their review and monitoring.
Implementation Date: 10/1/16
Current Management Response: <ul style="list-style-type: none"> • Fuel Operation Procedures include authority level for issuing access requests • Training and signed acknowledgement form now prerequisite for PIN issuance • User lists updated monthly per report from HR. Fuel key and Wex cancelled upon surplus • IT is maintaining software security and monitoring • Exception reports generated and reviewed daily • Authority for fuel keys, PIN, and WEX cards in Fuel Operation Procedures • Fuel Operation Procedures include acknowledgement requirement • Procedures include updating user list per monthly HR report • Procedures include setting limits on fuel quantities through current software

- Procedures include providing department with monthly usage reports
- **Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.**

Observation #2; Internal Controls over Fuel Usage

We recommend management implement a comprehensive system of controls over the fuel program by implementing the following controls:

- Fuel usage should be monitored at a minimum on a monthly basis. Departments receiving monthly fuel billing worksheets should review them to ensure vehicles and usage being billed actually belongs to their department. Without the appropriate level of review, unusual fueling transactions and errors may go unnoticed;
- Fuel key parameters should be reviewed to determine fuel limits, fuel type and key purpose are appropriate for the key's;
- Develop and require a Driver Authorization form to be submitted by the employee's department prior to entering the employee into FMS;
- All fuel using employees should be trained on the fuel program, including how to properly complete a fuel transaction and allowable fuel key usage;
- All employees should sign an acknowledgement that they understand the prescribed procedures, obligations and responsibilities of being an authorized employee fuel user;
- Procedures should be put in place to perform periodic user access reviews to ensure only appropriate users have access to the fuel pumps, and that the access is appropriate for users' job responsibilities;
- Documentation from departments authorizing new fuel users as well as documentation informing fuel operations of fuel user terminations. Failure to timely terminate unused accounts creates a significant risk that could result in unauthorized or inappropriate access to the pumps.

9/13/16 Management Response:

- Fleet will provide for each user department a monthly report of fuel consumption for their review.
- Fleet will update the Fuel Management System based on a monthly report provided by Human Resources which provides employee terminations and changes in department status.
- Annually, Fuel Key parameters will be reviewed by the Fleet Manager to insure appropriateness.
- Fleet will request authorization from department head or approved designee for assignment of PIN prior to issuance.
- Upon receipt of Fuel PIN number employees will be instructed on the fuel system and restricted use of fuel keys. Employees will be required to sign a form acknowledging receipt of instruction.

Implementation Date 9/1/16

Current Management Response:

- Procedures include providing departments with monthly usage reports by vehicle. Daily exception reports are run for unusual transactions
- Fuel keys now programmed by individual parameters
- Procedures include authorization requirements prior to fuel program access
- Procedures include training and allowable usage prior to PIN issuance
- Procedures include acknowledgement of procedures, obligations, and responsibilities prior to PIN issuance
- Procedures include monthly review for transferred and terminated employees per HR report
- Documentation maintained for new users and termed users

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation #3; Internal Controls Over Fuel Management

We recommend management implement a comprehensive system of controls over fuel management by providing for a separation in the duties of the department. No one individual should be able to authorize a transaction, record the transaction, and maintain custody of the asset resulting from those transactions. Incompatible duties should be separated among different individuals within the same department.

We also recommend that receiving documents provide evidence notating the employee who received the fuel as well as agreement with the quantity of fuel delivered.

Segregation of Duties will include: Individual ordering Fuel, Separate Individual acknowledging and documenting receipt of fuel and 3rd individual processing for payment.

Implementation Date 9/1/16

Current Management Response:

- All roles in the procurement process of fuel have been separated
- Receiver signs delivery manifest, records Veeder-Root reading, and verifies against manifest

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation #4; Fuel Tax Returns

We recommend procedures be developed that provide guidance for preparing the monthly fuel tax returns. The procedures should include steps for reconciliation of monthly fuel tax returns against amounts reported in FMS, differences, if any, should be identified and resolved prior to uploading the returns to FDOR.

We recommend a receivable and revenue entry be recorded to properly account for the fuel tax return transaction along with providing any supporting documentation of the transaction. Payments that are received from FDOR should be reconciled against the expected payment and any differences resolved. Additionally, at year end the revenue accounts should be reviewed to ensure all months have been properly accounted for and included in the correct fiscal year.

Step added to the State Fuel Tax Return procedure to provide the Finance Department with copy and appropriate backup documentation of the monthly Sales Fuel Tax Return upon submittal to the State. Based on the submittal, the Finance Dept. will establish an accounts receivable. Upon receipt of the actual payment, the Finance Dept. will reconcile the actual payment to the receivable. The Finance Dept. will notify Fleet of any differences to be resolved.

Implementation Date 9/1/16

Current Management Response: Step have been added to the State Fuel Tax Return procedure to provide the Finance Department with copy and appropriate backup documentation of the monthly Sales Fuel Tax Return upon submittal to the State. Based on the submittal, the Finance Dept. will establish an accounts receivable. Upon receipt of the actual payment, the Finance Dept. will reconcile the actual payment to the receivable. The Finance Dept. will notify Fleet of any differences to be resolved.

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

17-04 City Purchasing Card

Observation #2 Deactivation of Cards

To eliminate the potential that a purchasing card could be used after a cardholder's employment termination date, the deactivation of a purchasing card should either occur prior to or coincide with the cardholder's termination date.

The Purchasing Division is now receiving automatic notification of termination of an employee. When the Human Resources Department updates an employee's status to terminated in the system it sends out automatic notifications. The Purchasing General Manager and the Assistant Purchasing General Manager are now receiving these notifications.

Implementation Date 4/1/17

Current Management Response: No response, audit completed after Remedial Action Update cut-off.

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation #3 Cardholder and Department Director Approval of Purchases

To prevent purchasing card misuse and for adequate enforcement of Administrative Regulation No. 024.A015.0707 section 3.1, identify the cardholders that are in noncompliance. Determine the cause, if any, for the noncompliance and possible solutions or consequences to help the cardholder and or Department Director achieve timely approval of transactions.

The Purchasing Division began in November 2015 issuing reports an average of twice during each billing cycle that identifies overdue sign-offs. This report is sent to all Cardholders and Charter Officials. In addition, the Division has determined that transaction not signed off by the last business day of the month will result in the Accountholders card being locked or frozen. As of FY2017 the Division is conducting quarterly audits on transaction sign-off. The 1st FY2017 Report was finalized on February 22, 2017. The report revealed that sign-off rates are now at 85%. This is an improvement over the audit Observations from FY2016. This audit will be conducted each quarter of FY2017. Beginning in FY2018 the Purchasing Division will begin a rigid enforcement program. The audit will identify Cardholders who are at a 40% or more sign-off failure rate each quarter. The following will be implemented and cover a 24-month period:

1. 1st Violation: Sign-offs receiving a rating of 40% or more within a quarter will be notified by email that they have exceed the 40% threshold.
2. 2nd Violation: If Accountholder exceeds the threshold a second time during the same 24-month period as the 1st violation, the Accountholder must meet with the Purchasing General Manager or Designee.
3. If Accountholder exceeds the threshold for a third time during the same 24-month period as the 1st and 2nd violation, the Accountholder and their Approver must meet with the Purchasing General Manager and justify why the Accountholders card should not be cancelled.
4. If an Accountholder exceeds the threshold for four quarters within the same 24-month period, then the Accountholder's P-Card privileges will be suspended for the next Fiscal Year. The Accountholders Charter Official or designee may waive this suspension.

Implementation Date: Completed

Current Management Response: No response, audit completed after Remedial Action Update cut-off.

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

Observation #5 Cardholder Agreement Retention Policy

The "Request for Purchasing Card" and "Cardholder's Understanding" forms should be maintained in a cardholder file to provide evidence and support for cardholder's issuance and ownership of the purchasing card. Retaining these forms provides evidence that the cardholder understands the policies and procedures of the card and the cardholder is aware of potential disciplinary action due to abuse or misuse.

Secondary authorized card users should be issued their own purchasing card and complete the same processes as any other cardholder: Request for Purchasing Card, Cardholder Understanding and purchasing card user training.

Beginning FY2017 the Purchasing Division maintains these forms. The previous Procurement Management policy was to dispose of the forms once the Cardholder appeared on the annual recertification list. In addition, beginning with FY2018 a copy of all "Cardholder Understanding" forms will be forwarded to the HR Department to be filed in the Cardholders personnel file. The Cardholder will also complete a new form every two years when they complete refresher training.

Secondary users, as of FY2017, also complete a "Cardholder Understanding" form. However, secondary users or proxy approvers do not make purchases. They only serve in an administrative capacity for the Cardholder. There has been no fraudulent transaction identified with the Proxy Program.

Implementation Date: Completed

Current Management Response: No response, audit completed after Remedial Action Update cut-off.

Auditor's Comment – Audit Observation remains open, move to Open Pending Re-audit.

EXHIBIT D – “OPEN” AUDIT ITEMS: CITY AUDITOR AND CLERK

2009 09-02 Citywide Risk Assessment

Observation #1; Internal Control Framework Issue, City Auditor and Clerk

To assist employees in achieving the City's objectives and to ensure the existence of basic and consistent business controls throughout the City, management formally adopt an enterprise risk management framework (such as COSO (the Committee of Sponsoring Organizations of the Treadway Commission), and provide both reference materials and training on specific methods to be used by departmental management and staff responsible for designing, monitoring and reporting on the effectiveness of internal controls.

Priority - High

4/19/12 Update: The City Auditor and Clerk agrees with the City Manager's most recent response that Financial Administration will be responsible for spearheading this effort in the near future and supports the action.

1/31/14 Update - Although no formal framework has been adopted by the overall City, practices of the Office of the City Auditor and Clerk regularly include a discussion of internal controls. To facilitate awareness of the importance of internal controls in our department, discussions concerning departmental activities and tasks often include a discussion about the associated controls and responsibility for oversight. On a quarterly basis, departmental staff meetings are held that now incorporate training for employees to make them aware of the need for controls within our business practices (i.e., access controls and physical controls over computer equipment, etc.). On an annual basis, all employees in our office work with supervisors to be a part of the Annual

Risk Assessment process where they review current processes and controls, the design of those controls, and whether or not the controls are effective in relation to the process.

2/19/15 Update - At this point in time, we feel that this item has been addressed to the best of our ability as a department. Any City-wide attention to this matter will involve input from the City Manager's Office.

Please refer to the 1/31/14 update for more detail on current implementation efforts (Original Management Response column).

3/18/16 Update - Original management response is still relevant.

On-going

Current Management Response (12/13/17) – Original management response is still relevant. As previous stated, although no formal framework has been adopted by the overall City of Sarasota, The Office of the City Auditor and Clerk is committed to continuing regular discussions of internal controls. To facilitate awareness of the importance of internal controls in our department, discussions concerning departmental activities and tasks often include a discussion about the associated controls and responsibility for oversight. On a quarterly basis, departmental staff meetings are held that now incorporate training for employees to make them aware of the need for controls within our business practices (i.e., access controls and physical controls over computer equipment, etc.). On an annual basis, all employees in our office work with supervisors to be a part of the Annual Risk Assessment process where they review current processes and controls, the design of those controls, and the resulting effectiveness of those controls in relation to the process.

Auditor's Comment – While Management has taken several actions that are related to the recommendation and is monitoring internal controls, there has been no movement toward adopting the original recommendation citywide. Audit Observation remains open.

2014 IN 14-01 Citywide Continuity of Operations

Observation #1; Comprehensive Citywide COOP; City Auditor and Clerk

To ensure that there is a comprehensive response to City emergencies which may require either an individual or group activation of Charter Officials' or City Departments' COOPs, Internal Audit recommends the City Manager incorporate existing Charter Officials' and City Departments' COOPs into a Comprehensive Citywide COOP. This should include the City

<p>Attorney and Parking Operations' COOPs once these are completed. This includes modifying the "General Procedures" document by providing the "General Procedures" document to the other Charter Officials (City Auditor and Clerk and City Attorney) for their input as to how the Charter Officials will coordinate with each other and interact in the case of their COOP activation.</p> <p>Priority – High</p>
<p>City Auditor and Clerk: Management concurs and will provide a copy of the COOP which includes the Office of the City Auditor and Clerk and Information Technology to the City Attorney and the City Manager. The three Charter Officials should meet to develop a comprehensive, city-wide COOP. In addition, the Charter Officials should assure the integration of individual departmental plans into a cohesive plan to address the City-wide COOP to include all Charter Officials and reporting departments. The General Procedures should be reviewed to incorporate the Office of the City Auditor and Clerk and the City Attorney's Office and address interactions between the Charter Officials in the event of activation of the COOP. To have a cohesive plan, Officials should designate a top-tier team to incorporate the individual COOPs into one integrated City-wide COOP with the goal of developing one overall plan to provide clear and unambiguous direction in the event of a large scale or Citywide.</p> <p>2/19/15 Update - Original management response is still relevant (except for the IT Department). One meeting was held with the Charter Officials to determine how to move forward in developing an overall City COOP; the City Auditor and Clerk will await future meetings to continue to move forward. A phone tree was developed for and distributed to the Charter Officials in 2014 in order to facilitate conversation during emergencies between the City Manager, City Attorney, and City Auditor and Clerk.</p> <p>3/18/16 Update – Prior comments remain valid.</p> <p>2016 Auditor's Comments – The response from the City's Emergency Manager indicated that this issue would be resolved by 09/30/2016. Implementation date has not occurred, Audit Observation remains open.</p>
<p>Timeline for completion dependent on input from others</p>
<p>Current Management Response (6/12/17) – Original management response is still relevant (with the exception of the IT Department). A meeting was held with the Charter Officials to determine how to move forward in developing an overall City COOP; the City Auditor and Clerk anticipates future meetings in effort to improve processes. An updated phone tree was developed for and distributed to the Charter Officials and City Commission on Friday, June 2, 2017 in order to facilitate conversation during emergencies between the City Commission, City Manager, City Attorney, and City Auditor and Clerk.</p> <p>NOTE: Attached is a copy of the updated phone tree.</p> <p>Auditor's Comment – The City's Emergency Manager has drafted a Continuity of Government document for the Charter Officials to approve. He anticipates this will be completed by September 30, 2017. Approval of this document should resolve this issue. Audit Observation remains open.</p>
<p>Observation #7; COOP Testing and Exercises; City Auditor and Clerk</p>
<p>Internal Audit recommends an action plan be developed to hold a comprehensive city-wide COOP drill covering key functions. We further recommend developing a series of tests and exercises to test components of the COOPs, such as evacuation drills, training, notification processes, etc. We also recommend any training include drills that verify the training levels.</p> <p>Priority - High</p>
<p>City Auditor and Clerk: Management concurs and will provide a copy of the COOP which includes the Office of the City Auditor and Clerk and Information Technology to the City Attorney and the City Manager. The three Charter Officials should meet to develop</p> <p>2/19/15 Update - We feel that this is an on-going item and will await the Emergency Manager's plans to go forward with an all-City COOP exercise. On a departmental level, we completed a COOP exercise for the Office of the City Auditor and Clerk in the summer of 2014 and anticipate planning another exercise in the future to ensure staff is aware of actions to take in the event of an emergency.</p> <p>3/18/16 Update - Original management response is still relevant.</p> <p>2016 Auditor's Comments – Emergency Manager has indicated an implementation date of 12/31/2016. Audit Observation remains Open.</p>
<p>On-going 12/31/16 7/6/17 (Date set by Emergency Manager for EOD meeting – See Auditor's Response</p>
<p>Current Management Response (6/12/17) - Original management response is still relevant (except for the IT Department). The City Auditor and Clerk concurs and as previously stated, this is an on-going item and will await the Emergency Manager's plans to go forward with an all-City COOP exercise. On a departmental level, we continue to stay committed to performing</p>

future COOP exercises for the Office of the City Auditor and Clerk to ensure that staff is aware of actions to take in the event of an emergency.

Auditor's Comments – Emergency Manager has scheduled a meeting for 7/6/17 with each department's emergency operations designee. That meeting will outline general requirements for each Department and lay the foundation for each Department to conduct Departmental COOP exercises. Audit Observation remains open.

2016 Management Letter - External Auditor's Letter

The following three comments were made in the audit reports for the City's defined benefit plans (General Employees, Firefighters and Police Officers). It has been the policy of the Internal Audit Office to include the Observations of the External Auditors in the Remedial Action Update.

2016-001 Actuarial Reporting

Recommendation: Management should understand how to properly close out the fiscal year in the actuarial database and keep participant data current throughout the year. Additionally, information should be sent to the actuary no later than 60 days after fiscal year end to allow for accurate and timely financial reporting.

Management's Response: While the actuarial software was not closed out from the fiscal year ended September 30, 2015, census data for both active and retired Plan participants was maintained in Pension Administration throughout the fiscal year. Once an accessible version of the actuarial software was made available, Pension Administration was able to upload the relevant and necessary data for the fiscal year ended September 30, 2016. In working to avoid any delay in the submission of Plan member census data at the close of the fiscal year, Pension Administration will work with relevant parties to ensure that the database is accessible, and that data is entered and kept current throughout the year to expedite timely close-out at the end of the fiscal year.

Unspecified

Current Management Response 6/12/17 - As previously stated to the financial auditors Mauldin & Jenkins, while the actuarial software was not closed out from the fiscal year ended September 30, 2015, census data for both active and retired Plan participants was maintained in Pension Administration throughout the fiscal year. Once an accessible version of the actuarial software was made available, Pension Administration was able to upload the relevant and necessary data for the fiscal year ended September 30, 2016. In working to avoid any delay in the submission of Plan member census data at the close of the fiscal year, Pension Administration continue to work with relevant parties to ensure that the database is accessible, and that data is entered and kept current throughout the year in order to expedite timely close-out at the end of the fiscal year.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a two-day *Government & Non-Profit Auditing & Accounting Update held on May 30 & 31, 2017*, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Pension staff has implemented the actuarial software and is maintaining current data. Internal Audit is unable to determine effectiveness of corrective action until year-end close out. Audit Observation remains open.

2016-002 Financial Reporting

Recommendation: Management should carefully review the financial records and applicable reporting requirements at year-end to ensure that all information and financial data is being properly reported.

Management's Response: We fully understand and agree that it is imperative our financial statements properly reflect all activity of the Plan's operations and accurately reflect the Plan's financial position. The Pension Administration Division will post all transactions and implement a monthly financial statement soft close and review process that will help to identify and capture unrecorded receivables, liabilities, revenues and expenses. These monthly financial statement soft closes will facilitate our year-end hard close and ensure all pertinent financial information is being properly identified and recorded.

Unspecified

Current Management Response (6/12/17) - As previously stated to the financial auditors Mauldin & Jenkins, we fully understand and agree that it is imperative our financial statements properly reflect all activity of the Plan's operations and accurately reflect the Plan's financial position. The Pension Administration Division has posted all transactions and implemented a monthly financial statement soft close and review process to assist with identifying and capturing

unrecorded receivables, liabilities, revenues and expenses. These monthly financial statement soft closes will facilitate our year-end hard close and ensure all pertinent financial information is being properly identified and recorded.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a **two-day Government & Non-Profit Auditing & Accounting Update held on May 30 & 31, 2017**, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Like the comment above, the effectiveness of these procedures will be determined after the year-end close. Audit Observation remains open.

2016-003 Investment Reconciliation

Recommendation: Management should review the monthly spreadsheet to ensure general ledger amounts recorded agree to corresponding investment statements and that activity is properly reflected in the financial records.

Management's Response: The current policies and procedures over investment reconciliations were not followed during the year. Immediate corrective action is being taken to properly reconcile the investments on a monthly basis, as per our policy. We will also adjust our investment reconciliation spreadsheet as needed to enhance the clarity and completeness of the data presented on a month to month basis. Investment activity will be recorded and reconciled in our accounting software to ensure the Plan's investments are properly stated. These monthly investment reconciliations will be reviewed and agreed to their respective investment manager statements, custodian statements and our general ledger. The Pension Administration staff will also attend additional training over accounting for investments to strengthen investment and accounting knowledge.

Unspecified

Current Management Response (6/12/17) - As previously stated to the financial auditors Mauldin & Jenkins, current policies and procedures over investment reconciliations were not followed during the year. Immediate corrective action has been taken to properly reconcile the investments on a monthly basis, as per our policy. We have also adjusted our investment reconciliation spreadsheet as needed to enhance the clarity and completeness of the data presented on a month to month basis. Investment activities have been properly recorded and reconciled in our accounting software to ensure the Plan's investments are properly stated. These monthly investment reconciliations have been reviewed and agreed to their respective investment manager statements, custodian statements and our general ledger.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a two-day *Government & Non-Profit Auditing & Accounting Update held on May 30 & 31, 2017*, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Reconciliation procedures have been modified to provide data monthly to be posted to the accounting software. Accuracy and completeness of reconciliation process to be determined as part of year-end close procedures. Audit Observation remains open.

2016 Management Letter – External Auditors Letter

The following three comments were made in the audit reports for the City's defined benefit plans (General Employees, Firefighters and Police Officers). It has been the policy of the Internal Audit Office to include the Observations of the External Auditors in the Remedial Action Update.

2016-001 Actuarial Reporting

Recommendation: Management should understand how to properly close out the fiscal year in the actuarial database and keep participant data current throughout the year. Additionally, information should be sent to the actuary no later than 60 days after fiscal year end to allow for accurate and timely financial reporting.

Management's Response: While the actuarial software was not closed out from the fiscal year ended September 30, 2015, census data for both active and retired Plan participants was maintained in Pension Administration throughout the fiscal year. Once an accessible version of the actuarial software was made available, Pension Administration was able to upload the relevant and necessary data for the fiscal year ended September 30, 2016. In working to avoid any delay in the submission of Plan member census data at the close of the fiscal year, Pension Administration will work with relevant

parties to ensure that the database is accessible, and that data is entered and kept current throughout the year in order to expedite timely close-out at the end of the fiscal year.

Unspecified

Current Management Response 6/12/17 - As previously stated to the financial auditors Mauldin & Jenkins, while the actuarial software was not closed out from the fiscal year ended September 30, 2015, census data for both active and retired Plan participants was maintained in Pension Administration throughout the fiscal year. Once an accessible version of the actuarial software was made available, Pension Administration was able to upload the relevant and necessary data for the fiscal year ended September 30, 2016. In working to avoid any delay in the submission of Plan member census data at the close of the fiscal year, Pension Administration continue to work with relevant parties to ensure that the database is accessible, and that data is entered and kept current throughout the year in order to expedite timely close-out at the end of the fiscal year.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a two-day *Government & Non-Profit Auditing & Accounting Update held on May 30 & 31, 2017*, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Pension staff has implemented the actuarial software and is maintaining current data. Internal Audit verified that the actuarial information was sent to the actuaries in a timely manner. Audit Observation is closed.

2016-002 Financial Reporting

Recommendation: Management should carefully review the financial records and applicable reporting requirements at year-end to ensure that all information and financial data is being properly reported.

Management's Response: We fully understand and agree that it is imperative our financial statements properly reflect all activity of the Plan's operations and accurately reflect the Plan's financial position. The Pension Administration Division will post all transactions and implement a monthly financial statement soft close and review process that will help to identify and capture unrecorded receivables, liabilities, revenues and expenses. These monthly financial statement soft closes will facilitate our year-end hard close and ensure all pertinent financial information is being properly identified and recorded.

Unspecified

Current Management Response (6/12/17) - As previously stated to the financial auditors Mauldin & Jenkins, we fully understand and agree that it is imperative our financial statements properly reflect all activity of the Plan's operations and accurately reflect the Plan's financial position. The Pension Administration Division has posted all transactions and implemented a monthly financial statement soft close and review process to assist with identifying and capturing unrecorded receivables, liabilities, revenues and expenses. These monthly financial statement soft closes will facilitate our year-end hard close and ensure all pertinent financial information is being properly identified and recorded.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a **two-day Government & Non-Profit Auditing & Accounting Update held on May 30 & 31, 2017**, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Internal Audit monitored the year-end close-out process reviewed the unaudited year-end financial statements. Audit Observation is closed.

2016-003 Investment Reconciliation

Recommendation: Management should review the monthly spreadsheet to ensure general ledger amounts recorded agree to corresponding investment statements and that activity is properly reflected in the financial records.

Management's Response: The current policies and procedures over investment reconciliations were not followed during the year. Immediate corrective action is being taken to properly reconcile the investments on a monthly basis, as per our policy. We will also adjust our investment reconciliation spreadsheet as needed to enhance the clarity and completeness of the data presented on a month to month basis. Investment activity will be recorded and reconciled in our accounting software to ensure the Plan's investments are properly stated. These monthly investment reconciliations will be reviewed and agreed to their respective investment manager statements, custodian statements and our general ledger. The Pension Administration staff will also attend additional training over accounting for investments to strengthen investment and accounting knowledge.

Unspecified

Current Management Response (6/12/17) - As previously stated to the financial auditors Mauldin & Jenkins, current policies and procedures over investment reconciliations were not followed during the year. Immediate corrective action has been taken to properly reconcile the investments on a monthly basis, as per our policy. We have also adjusted our investment reconciliation spreadsheet as needed to enhance the clarity and completeness of the data presented on a month to month basis. Investment activities have been properly recorded and reconciled in our accounting software to ensure the Plan's investments are properly stated. These monthly investment reconciliations have been reviewed and agreed to their respective investment manager statements, custodian statements and our general ledger.

Additionally, The Pension Administration staff has attended training pertaining to accounting for investments to strengthen investment and accounting knowledge. Most recently, staff attended a two-day *Government & Non-Profit Auditing & Accounting Update* held on May 30 & 31, 2017, a complimentary CPE course taught by industry expert Lynda Dennis PhD., CPA where 16 hours of credit were attainable. Specifically, up to 16 hours of Audit & Accounting credits.

Auditor's Comment – Reconciliation procedures have been modified to provide data monthly to be posted to the accounting software. Internal Audit monitored the reconciliation process and verified completeness and accuracy. Audit Observation is closed.