



OFFICE OF  
CITY MANAGER

# CITY OF RIVIERA BEACH

600 WEST BLUE HERON BLVD. • RIVIERA BEACH, FLORIDA 33404  
(561) 845-4010 FAX (561) 840-3353

January 9, 2014

Mr. Dennis Schindel, Director of Audit  
Office of the Inspector General, Palm Beach County  
100 Australian Avenue, Fourth Floor  
West Palm Beach, FL 33406

Dear Mr. Schindel:

The City of Riviera Beach is in receipt of Draft Report, Audit of Riviera Beach Cash Disbursements (2014-A-DRAFT) for the period of October 1, 2012 through September 30, 2013. Before addressing specific Findings and Recommendations presented within the Report, I would first like to take this opportunity to thank the staff of the Office of the Inspector General (OIG) for their efforts and the manner in which this review was undertaken. The City appreciates the OIG's recognition of the City's proactive initiatives to improve internal controls. Though the City disagrees with the OIG on a number of Findings and Recommendations within the Report, the elected officials and city staff embrace the ongoing efforts of the OIG and look forward to a continued cooperative relationship.

As defined with in the Report we agree that not all Questionable Costs are indication of potential fraud or waste. Although the OIG Report identified \$880,506 of Questionable Cost, the City can only identify \$163,190 in expenditures that did not completely follow contracting or procurement guidelines. However, these purchases have been made public, have been properly approved, and are for valid business expenses within the budget.

Secondly, I would like to take this opportunity to advise the OIG of administrative projects and undertakings that have taken place within the City since the beginning of Fiscal 2013 that will not only strengthen the City's Purchasing and Accounts Payable processes, but overall internal controls.

1. Over the four-month period of June-September 2013, I directed the Director of Finance and Administrative Services to perform an evaluation and analysis of the Purchasing and Accounts Payable processes. The internal review consisted of meetings with departmental as well as purchasing and accounts payable staff, a thorough review of policies, manuals and ordinances, a review of the American Bar Association Model Procurement Code, a review of the Government Finance Officers' Association Best Practices, discussions with software and procurement-card providers, discussions with vendors along with hands-on resolution and research.

In October 2013, a multi-point plan was submitted for my review and implementation. Many of the areas of concern identified by City staff are the same or similar to those contained in the Report. While a number of the recommendations have been or are in the process of being implemented, City staff put an equal number of the recommendations on hold awaiting the results of the OIG Report.

In August 2014, the City hired its first ever Internal Auditor (CIA, CGAP). This additional resource will perform risk assessments, conduct audits, and provide ongoing support in areas critical to the City's success, including purchasing and accounts payable.

2. The City hired its first ever Contract Administrator at the beginning of December 2014. The Contract Administrator is in the process of reviewing current processes, procurements, and anticipated procurements in order to initiate the following:
  - a. Establishing a Master Procurement Status Tracking Log to track the status of contracts, purchase orders, check requests, and anticipated procurements. The log will include the following fields: Contractor; Vendor Number; Resolution Number; Procurement Award/Solicitation Number; Department/Code; Title/Description; Solicitation Type, Date, and Due Date; Council Approval Date; Procurement Estimate; Requestor; Award Begin and End Dates; Value; Dollars Spent; Variance; Buyer; Comments. This Master Procurement Status Tracking Log will be maintained and updated on an ongoing basis to assist the City as a tool in monitoring the spending limits and terms remaining on procurements.
  - b. Reviewing the information in the current Procurement Code, Electronic Requisition Manual, and Senior Procurement Specialist Desk Manual for identification of conflicting instructions and possible revisions, and developing a consolidated Procurement Policy & Procedure Manual for guidance and training purposes.
  - c. Conducting training with appropriate staff in all departments to ensure compliance with Procurement Policies & Procedures and to clearly define roles and responsibilities regarding procurements.
3. The City is in the process of implementing Bidsync, an industry leader in end-to-end procurement solutions for the public sector. The contract for Bidsync was executed in February 2014.
4. The City separated the Director of Purchasing and Information Technology position into two positions effective October 1, 2014. One individual will head Purchasing and one individual will head Information Technology.

The Draft Report, Audit of Riviera Beach Cash Disbursements (2014-A-DRAFT), as the City understands it, is the result of a standard review cycle developed by the OIG and not based on a

specific complaint. The City is proud of the minimal number of findings presented by the OIG. After nearly eleven months of auditing, the Report contains only fifteen Findings. During the City internal review of October 2013, prior to the OIG audit, ten of the fifteen Findings in this OIG report had previously been identified by the City. The City disagrees with three other Findings. However, the OIG has presented two Findings that had not been identified during the City's internal review.

### **Questionable Costs**

In lieu of addressing Questionable Costs within the response to individual Findings, I would like to address the topic upfront. A detailed response to each finding is presented in EXHIBIT 1. The OIG has identified \$880,506 of cost identified as questionable. As defined within the Report, it is important to note that not all the Questioned Costs are indicative of potential fraud or waste. In fact, the City believes that the transactions questioned by the OIG were for payment of goods and services provided. The City agrees that there were some deficiencies in our process. However, upon further investigation it has been determined by the City that the process deficiencies did not lead to waste since the good and services were indeed provided.

Questionable Cost, as defined by the OIG, includes costs incurred pursuant to a potential violation of:

- a) A provision of law, regulation, contract, grant, cooperative agreement, or other agreement, or
- b) A document governing the expenditure of funds, and/or a finding that such costs are not supported by adequate documentation, and/or
- c) A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable in amount. There are places to argue "unnecessary or unreasonable in amount."

Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate.

As we review the overall findings, we noted that the OIG did acknowledge that the City has already taken actions to address some of the processes identified in your report and we also acknowledge your recommendations that the City can consider to improving controls over expenditures and ensure assets are adequately safeguarded. In addition, the OIG questions some items as not meeting a public purpose or consider them "unnecessary", while the OIG makes this claim, it's important that the public understand it's merely your opinion with no true basis, while the City makes these critical decisions based on a need to provide services to the public. Again we appreciate your recommendation and I believe it's important that the City continue to take steps to maintain the public's trust and ensure the efficient use of tax payer's dollars.

With respect to questionable transactions with a high dollar amount noted in Findings (1) Contracts, the OIG documented questionable costs and services of \$571,087 while the City

reviewed those same transactions and noted that \$101,795 of the cost and service may have required a different procurement process but were required to provide services.

Additionally, the OIG noted on several occasions that some contracts signed by the City Manager exceeded the City Manager's authority under a 1957 ordinance. As we noted during our meeting, the 2012 ordinance supersedes the 1957 ordinance you referred to in your findings. In fact, language in ordinance number 4010 adopted in 2012 reads as follows:

***Section 5: That all sections or parts of sections of the Code of Ordinances, all ordinances or parts of ordinance, and all resolutions or parts of resolutions in conflict herewith, be and the same are hereby repealed to extent of such conflict.***

Regarding the Fuel Program, the OIG noted \$196,718 of questionable fuel transactions. The City believes all fuel transactions were justified and as noted we are taking steps to improve our fuel management system.

In closing, again I would like to thank the OIG for the opportunity to respond to the Findings and Recommendations of the Report. We note that not all the Questioned Costs are indicative of potential fraud or waste. In fact, the City believes that the transactions questioned by the OIG were for payment of goods and services provided. It is important to recognize and acknowledge that the City is demonstrating due diligence in addressing the findings and proactively striving to improve overall operations & compliance with Policies & Procedures. The City is committed to make the appropriate corrections to processes and procedures so that the findings are not repeated in the future.

Sincerely,



Ruth C. Jones  
City Manager

cc: City Council  
Danny Jones, Deputy City Manager  
Randy M Sherman, Director of Finance & Administrative Services  
William Brown, Internal Auditor  
Randy Wood, Contract Administrator  
John A. Carey, Inspector General

Attachments: Finding and Recommendations  
Exhibit 1



## **FINDING AND RECOMMENDATIONS**

### **Finding (1): CONTROLS ARE INADEQUATE TO ENSURE THAT CONTRACTS ARE COMPETITIVELY PROCURED, PROPERLY APPROVED, AND EFFECTIVELY MANAGED (Page 4)**

Response: The City concurs with finding (1). The City previously identified this deficiency. The City adopted the American Bar Association Model Procurement Code in January 2012. The ordinance was adopted without the personnel infrastructure to support the required administration. The related policies, manuals and procedures were not modified to coincide with the ordinance.

Since the adoption of the Procurement Code in 2012, the City has hired, as notated above, an Internal Auditor and a Contract Administrator. The City has also performed, in the summer of 2013, prior to the OIG review, its own evaluation of the Purchasing and Accounts Payable process. The City is taking actions as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in EXHIBIT 1.

### **Recommendations**

1. The City should establish policies and procedures for contract monitoring and contract administration that provides guidance on contract activities; such as monitoring of progress, and inspection and acceptance of work performed prior to payments.

Response: As noted above, the City has hired a Contract Administrator. The primary task of this position will be the monitoring and administration of all contracts. This individual has been tasked with writing policies and procedures regarding contracting activities. In addition, this individual will conduct training with appropriate staff to ensure compliance with Procurement Policies & Procedures and to clearly define roles and responsibilities regarding procurements with the objective of ensuring compliance with the Procurement Policies and Procedures.

2. The City should establish a position under the Director of Purchasing to oversee all contracting activities. Centralized contract management would aid the City in improving its management oversight of City contracts. Also, an effective monitoring process would help prevent payments in excess of the maximum contract amounts.

Response: The City previously identified the need for a Contract Administrator. Funding was included in the current budget and the position has been filled effective December 01, 2014.

## **FINDING AND RECOMMENDATIONS**

3. The Finance Department should review invoices and payment requests for proper review and approval by the originating department. The originating department should document their review and approval process with a signature. In the absence of this documentation the Finance Department should not process the invoice for payment.

Response: The Finance Department staff reviews every invoice presented for payment. Staff has been retrained in which sign-offs are essential to obtain prior to issuing a payment.

4. City staff should be knowledgeable as to the scope of contract work, contract deliverables or types of services allowable under established contracts. This would help ensure that payments are not made for goods or services that are outside the scope of the contract.

Response: The reporting and contract monitoring provided by the Contract Administrator will provide staff a simple tool to reference when reviewing contracts for payment. The Contract Administrator sign-off has been added to the required approvals.

5. The City Manager should work with the City Council to determine what level of contracting authority should be delegated to the City Manager than the \$1,500 currently established; the City Ordinance should be amended accordingly.

Response: The City holds the position that this Section 2-176(a) of the Code of Ordinances has been superseded by the Procurement Code. However, the City will make the appropriate modifications to the Code to provide clarity for the future.

6. The City Council should reassess Sec. 16.2-63 of the City's Procurement Code to ensure that it encourages the use of competitive procurement whenever possible.

Response: The City has adopted the American Bar Association Model Procurement Code. The City does not believe changes need to be made to the Procurement Code regarding the use of competitive procurement.

### **Finding (2): THE CITY IS NOT CONSISTENTLY OBTAINING QUOTES ON PURCHASES UNDER \$25,000 AS REQUIRED BY CITY ORDINANCE (Page 11)**

**Response:** The City concurs with finding (2). The City had previously identified this deficiency. The City is taking actions as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in EXHIBIT 1.

#### **Recommendations**

7. The City Manager should ensure compliance with the City's Procurement Code that requires obtaining competitive quotes on small purchases between \$2,500 and \$25,000.

## **FINDING AND RECOMMENDATIONS**

Response: The City previously identified this need. The City is committed to, and has already begun, the retraining of staff to the specifics of the Procurement Code. All purchases for goods and services will go through the Procurement office.

8. The Director of Purchasing should initiate a review of all current City purchasing guidelines to ensure that guidance that conflicts with the City Procurement Code is identified and corrected.

Response: The City previously identified this need. With the adoption of the new Procurement Code, discrepancies exist with the policies and procedures manual. A review and rewrite have already been initiated.

### **Finding (3): THE CITY DEPARTMENTS ARE MAKING PURCHASES THAT BY-PASS THE ELECTRONIC REQUISITION SYSTEM (Page 13)**

**Response:** The City concurs with finding (3). The City had previously identified this deficiency. The City is taking actions as outlined below in the response to the Recommendations.

#### **Recommendations**

9. The City Manager should direct City staff to utilize the requisition system to procure goods and services.

Response: The City previously identified this deficiency. The policies and procedures manual revision will state the required use of requisitions. In addition, the City Manager has stressed this requirement in Department Staff Meetings. The City Manager will continue to ensure enforcement of this requirement with a follow-up memorandum stating the need for compliance and reiterating this message in future Department Staff Meetings as deemed necessary.

10. The Purchasing Director should review the City's procedural manuals that provide guidance on use of the requisition system and clarify guidance that requires staff to submit requisitions for all purchases.

Response: The City previously identified this deficiency. The policies and procedures manual revision will provide guidance on the use of requisitions.

### **Finding (4): WE IDENTIFIED SEVERAL PROCEDURAL DEFICIENCIES IN PROCESSING PAYMENTS FOR PURCHASES (Page 14)**

**Response:** The City concurs with finding (4). The City had previously identified this deficiency. The City is taking actions as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in EXHIBIT 1.

## **FINDING AND RECOMMENDATIONS**

### **Recommendations**

11. The City Manager should ensure that purchase orders, check requests and travel requests are not processed for payment without the proper approval and adequate documentation to support the payment.

Response: This is a repeat of Recommendation (3). As stated above, the Finance Department staff reviews every invoice presented for payment. Staff has been retrained in which sign-offs are required prior to issuing a payment.

12. City departments need to ensure that all purchasing documents such as purchase orders and check requests have descriptions and amounts that match the invoice being submitted for payment.

Response: This will be stated in the revision of the policies and procurement manual.

### **Finding (5): THE CITY'S MANAGEMENT POSITION, DIRECTOR OF PURCHASING AND INFORMATION TECHNOLOGY CREATES A SEGREGATION OF DUTIES RISK (Page 15)**

**Response:** The City concurs with finding (5). This item was identified in FY13. The position has been split into two positions. The City is taking actions as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in the Table above.

### **Recommendations**

13. We recommend that the City Manager separate the duties of managing the City's information technology operations and the City's purchasing operations. If this is not practical, additional mitigating controls need to be put in place such as additional levels of review and approval for IT purchasing.

Response: On October 1, 2014, the City split the Director of Purchasing and Information Technology position into two positions. No further action needs to be taken by the City.

14. The appropriate City department should develop a current list of cell phones and iPads identified by serial number, service number if applicable, and name of staff assigned to the equipment.

Response: The City changed telecommunication providers in May 2014. At that time, an updated listing was developed.

15. Approved cellular request forms demonstrating need should be on file for City staff in accordance with the City policy. A formal request and approval form should be established for iPads.



## **FINDING AND RECOMMENDATIONS**

Response: Phone and I-Pad authorizations have been revisited. A complete file of the authorizations is maintained by both the Purchasing office and City Administration.

### **Finding (6) POLICIES AND PROCEDURES ESTABLISHED FOR CONTROL OVER P-CARDS AND CORPORATE CARDS ARE NOT BEING FOLLOWED (Page 18)**

**Response:** The City concurs with finding (6). The City had previously identified this deficiency. The City is in the process of selecting a new P-Card provider. An updated policies and procedures manual will be adopted at the time of the conversion. The policies and procedures will encompass P-Cards, Corporate Cards and Store Cards.

No recommendations from the OIG.

### **Finding (7): WE IDENTIFIED P-CARD AND CORPORATE CARD PURCHASES THAT DID NOT HAVE A CLEAR PUBLIC OR BUSINESS PURPOSE (Page 20)**

**Response:** With the exception of vehicle rentals, the City disagrees with finding (7). All of the items questioned by the OIG have been reviewed for public purpose consideration. The City found no instances of expenditures that, in its opinion, did not meet the public purpose criteria. The City is taking actions as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in EXHIBIT 1.

### **Recommendations**

16. The City Manager should ensure that established P-Card and Corporate Card procedures are consistently followed by both cardholders and responsible management officials. Key controls such as the review and approval of monthly cardholder statements by responsible officials need to be performed timely and consistently. Supporting documentation such as receipts and/or invoices should accompany each purchase and the requirement for completing a Missing Receipt Form should be enforced.
17. The Finance Department should develop a process for documenting and notifying both the P-Card Administrator and the City Manager of recurring violations of the P-Card policy, such as not submitting monthly reports timely or not providing supporting documentation for credit card purchases. As provided for in the P-Card Manual, disciplinary action should be taken, when appropriate, for violation of the procedures.
18. The P-Card and Corporate Card administrator should develop formal policies and procedures for the increase and decrease of single purchase limits and cumulative monthly card limits. Increases and decreases to card limits should be adequately documented.

## **FINDING AND RECOMMENDATIONS**

19. The City Manager should remind all cardholders and responsible officials of the requirements in the P-Card Manual to ensure that no sales tax is charged on cred card purchases. The Finance Department and the P-Card Administrator should regularly review monthly cardholder's statements and supporting documentation and notify cardholders and responsible officials when sales tax had been improperly charged.

Response to Recommendations 16-19: The City is in the process of selecting a new P-Card provider. At the time of the conversion, a new set of policies and procedures will be adopted providing for more stringent controls.

20. The City Manager should evaluate whether there is a need for Council members to be issued both P-Cards and Corporate Cards.

Response: As stated above, the City is in the process of selecting a new P-Card provider. At the time of the conversion, the need for both P-Cards and corporate cards will be evaluated.

21. The City Manager should remind cardholders and responsible officials of the need to review all credit card purchases to ensure that they have a clear public or business purpose.

Response: As stated above, the City is in the process of selecting a new P-Card provider. At the time of the conversion, a new set of policies and procedures will be adopted providing for more stringent controls.

### **Finding (8): THE CITY DOES NOT HAVE WRITTEN POLICIES AND PROCEDURES FOR STORE CREDIT CARDS (Page 24)**

**Response:** The City concurs with finding (8). The City will include Store Credit Cards within the revised policies and procedures for P-Cards. The City is taking actions as outlined below in the response to the Recommendations.

#### **Recommendations**

22. The City should develop written policies and procedures over the issuance and use of store cred cards. The procedures should include documented approval, review and monitoring of the procedures and processes to ensure the safeguarding of City's assets.

Response: As stated above, the City will include the policies and procedures for store credit cards within the revised policies and procedures for P-Cards.

## **FINDING AND RECOMMENDATIONS**

23. The Purchasing Department should develop a current list of all authorized City store credit cards. This list should be reconciled at least annually to the actual credit cards or credit card authorizations at the retail store.

Response: The City will prepare and reconcile a listing of store credit cards.

24. The Purchasing Department should request the return of the Costco Card from the Department Head and City staff for safekeeping.

Response: The City will request that all cards held by departments be stored in Finance to provide safekeeping.

### **Finding (9): STORE CREDIT CARDS ARE NOT BEING CANCELLED WHEN CITY EMPLOYEES TERMINATE (Page 25)**

**Response:** The City concurs with finding (9). The City has previously corrected this issue. The City is taking further actions as outlined below in the response to the Recommendations.

#### **Recommendations**

25. The Purchasing Department should work with the Human Resources Department to provide written guidance on the collection of City owned assets when an employee is separating from the City.
26. The separation checklist should include all City assets and provide for a notification process related to store credit cards. This would also add additional benefit to ensure control of other items such as P-Cards, Corporate Cards, iPads and Cell Phones.

Response to 25 & 26: The City currently has a separation list to collect City-owned assets from the terminating employee. The separation information will be shared with Purchasing and Finance for card control purposes.

### **Finding (10): THE CITY IS NOT EFFECTIVELY MONITORING RECURRING PAYMENTS FOR UTILITY BILLS (Page 26)**

**Response:** The City disagrees with finding (10). The City staff reviews each invoices in both the billing process and the payment process. A zero reading, does not necessarily equate to a problem. The City currently has in place a process to review zero read accounts. The City finds no further actions required as outlined below in the response to the Recommendations. Comments relating to specific OIG references and Questionable Costs are presented in the Table above.

## **FINDING AND RECOMMENDATIONS**

### **Recommendations**

27. The Water Utility should general and review exception reports in order to identify questioned meter readings or unusual usage. The reports and billing registers should be initiated and dated to document the review process.
28. The Finance Department should review both the FPL utility bills and the water utility bills for to insure timely payment of the appropriate amount.

### **Finding (11): MONTHLY BANK STATEMENTS ARE NOT PROPERLY RECONCILED (Page 27)**

**Response:** The City disagrees with finding (11). The City reconciles bank accounts on a monthly basis. An unidentified transaction that is properly disclosed in the reconciliation, does not equate to “not properly reconciled”. The City finds no further actions required as outlined below in the response to the Recommendation (28). The City is taking further actions as outlined below in the response to the Recommendation (29).

### **Recommendations**

29. The City should ensure that bank statements are reconciled on a monthly basis to provide accurate accounting records and to enable the operation of a key internal control over the City’s cash. The City should implement procedures to ensure that bank account activity is monitored routinely and potential errors and irregularities are addressed on a timely basis.

Response to 27, 28 & 29: This process has long been the practice within the City. No action is required on this recommendation.

30. The City should complete a new authorized signature card on the bank account and replace the incorrect signer with the current signer in order to correctly transact business on that bank account.

**Response:** The bank has been contacted and a new authorized signature card has been filed.

### **Finding (12): THE CITY IS NOT EFFECTIVELY UTILIZING THE TRAK SYSTEM TO MONITOR AND CONTROL FUEL TRANSACTIONS (Page 30)**

**Response:** The City concurs with finding (12). However, the City does not believe that this amount was the result of any inappropriate, illegal or prohibited fueling activities. Comments relating to specific OIG references and Questionable Costs are presented in the Table above.

### **Recommendations**

## **FINDING AND RECOMMENDATIONS**

31. The City should utilize the features of the TRAK system, including production of exception reports to monitor fuel transactions. If the existing system cannot provide the appropriate functions for monitoring and control, management should evaluate the cost/benefit of replacing the system.

32. The City should work with the vendor to resolve the problems with malfunctioning SMARTags and increase the use of the SMARTag option for access to the fuel depot.

Response to 31 & 32: The City is in the process of abandoning the TRAK system. TRAK has had numerous problems that it is not capable of addressing permanently. The City acquired a new system in October of 2014 and is waiting to fully vet the new fuel management policy before implementing in January of 2015.

33. The City should consider utilizing the dual access options available in the System to identify the specific employee executing the fuel transaction.

Response: The new fueling system purchased by the City in October 2014 provides for dual access control which will be fully implemented by the City in January 2015.

### **Finding (13): WE IDENTIFIED A SIGNIFICANT NUMBER OF FUEL TRANSACTIONS WITH INCORRECT MILEAGE ENTRIES OR OTHER QUESTIONABLE FUELING PATTERNS (Page 31)**

**Response:** The City concurs with finding (13). However, the City does not believe that this amount was the result of any inappropriate, illegal or prohibited fueling activities. Comments relating to specific OIG references and Questionable Costs are presented in EXHIBIT 1.

### **Recommendations**

34. The Public Works-Vehicle Maintenance should ensure that employees are properly trained on the importance of entering the correct mileage entry to initiate fuel transactions.

Response: the City has purchased a new fueling system that will be fully implemented in January 2015. In conjunction with the acquisition of a new system, a new policy has been drafted. All staff having or needing access to the fuel depot will be trained on the new system and related Vehicle Fueling Policy.

35. The City should discontinue the practice of employees entering mileage readings of “0” or “1” to initiate fuel transactions.

**Response:** The new Vehicle Fueling Policy eliminates this practice.

## **FINDING AND RECOMMENDATIONS**

36. New key fobs should be added to the TRAK system specifically designed for fueling small equipment and containers. These fobs should be programmed with a gallon limit equal to the size of the small equipment or containers being used.

**Response:** The City is abandoning the TRAK system and has purchased a replacement system. The function in the new system that provides for programming limits will be fully implemented in January 2015.

### **Finding (14): THE CITY IS NOT ACCURATELY RECONCILING AND ALLOCATING MONTHLY FUEL USAGE (Page 33)**

**Response:** The City concurs with finding (14). The newly purchased fueling system and policy address these concerns.

#### **Recommendations**

37. The City should provide for the development and regular review of fuel transaction reports which identify the vehicle, fueling assignment and fuel usage by department.

**Response:** The reporting function in the newly acquired fueling system provides management with new tools and information that was lacking from the prior system.

### **Finding (15): THE CITY DOES NOT HAVE POLICIES AND PROCEDURES FOR THE OPERATION OF THE CITY FUEL DEPOT (Page 33)**

**Response:** The City concurs with finding (15). Policies have been drafted and will be implemented along with a new fueling system.

#### **Recommendations**

38. The City should create and document policies and procedures to govern the City's fuel program and once established they should be clearly communicated.

**Response:** The City agrees that new internal processes and policies are needed as it relates to fuel management and the City has taken a proactive approach to this issue by finalizing a new Vehicle Fueling Policy. Staff will be trained accordingly.



**QUESTIONABLE COST RESPONSE**

**Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:**

Finding	Subject Area	Question Costs		Response
		OIG	City	
	Contracts			
1	Contract payments without City Council or City Manager approval	\$93,267	\$7,051	The Council approved \$86,205 in change order authority. The change orders were approved by staff, not the City Manager as required. Payments against the change orders were properly authorized and approved by the consulting engineer. As-built drawings document the change orders performance. Only \$7,051 was spent above Council approval.
	Contracts exceeding City Manager authority and payments exceeding contract amounts	37,987	2,033	The City disagrees with the OIG's reading of the City's ordinance. The City adopted the American Bar Association Model Procurement Code in 2012. The City's intent, and continuing practice, is for the City Manager to have \$25,000 signing/approval authority. The City takes the position that the 2012 ordinance supersedes the 1957 ordinance referred to by the OIG. Only \$2,033 exceeded the contract maximum amount.
		71,515	11,515	The City concurs that the issuance of new Purchase Orders in lieu of exercising the two year extension option on the original Purchase Order should have been documented and a new solicitation should have been undertaken for the \$11,515 spent in excess of the total \$60,000 authorized amount on the Purchase Orders. The City, however, disagrees with the OIG's reading of the City's ordinance regarding the City Manager's signing authority and, therefore, rejects \$60,000 in Questionable Costs.
		42,506	0	The City entered into two contracts for two different technology/software projects. Technology/software is selected on functionality before price. The City holds that this was within the scope of the Procurement Code and the City Manager's authority. The City takes the position that the 2012 ordinance supersedes the 1957 ordinance referred to by the OIG.
		33,191	33,191	The City concurs that a contract modification

**QUESTIONABLE COST RESPONSE**

Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:

Finding	Subject Area	Question Costs		Response
				should have been executed.
	Sole source contract award not in compliance with City ordinance	42,351		The contractor in question has a familiarity with the City networking and electrical infrastructure. This transaction may have been mislabeled by the Purchasing as Sole Source procurement; however, the Code does provide the ability to contract through negotiations based on experience and skill.
1 (cont.)	Emergency procurement not in compliance with City ordinance	6,500	0	The City agrees that by definition, this contract should not have been labeled as an "Emergency" procurement. Notwithstanding, the City followed the proper process in entering into this contract. The City rejects the OIG assertion that the dollar scope was outside the City Manager's signing authority. The City takes the position that the 2012 ordinance supersedes the 1957 ordinance referred to by the OIG.
	Inadequate review or approval on contract payments	61,966	0	The City agrees with the OIG that a payment was processed in error from a change order. This error, however, was immediately caught by the City and corrected. The actual funds spent on this transaction were a net of zero dollars and should have been reported accordingly by the OIG.
		55,340	0	<p>The Marina project ran two concurrent purchase orders for equal amounts for two different sections of the docks. Each purchase order was releasing retainage in the amount of \$55,340. The consulting engineer only signed one of the two payment applications submitted. The retainage was due and payable and therefore, should not be considered questionable.</p> <p>The City takes exception to the OIG comments regarding retainage. The OIG has made an interpretation on the City's contract that is not accurate with the intent of the parties nor in concert with standard construction contract administration. The multi-year, multi-</p>

**QUESTIONABLE COST RESPONSE**

**Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:**

Finding	Subject Area	Question Costs		Response
				component multi-phase, project was noticed to proceed by dock section. Each section had a retainage which was released as the respective section was completed. Requiring a contractor to wait for final certificate of completion on the entire project unnecessarily burdens the contractor and would have a negative cost impact.
	Inadequate review or approval on contract payments	46,984	0	<p>The OIG claims an invoice for architectural services was not approved for payment. The City provided documentation to the contrary; however, the item was not removed from the Report.</p> <p>The OIG also found the purchase order was unsigned. The City's practice does not require signed purchase orders for payment. The only individuals with the ability to enter a purchase order are the staff of the Purchasing office. If a purchase order has been entered into the City's electronic system, the purchase order is considered approved. An actual signature on a printed document is not necessary and is highly inefficient. When the City issues the revised Policy and Procedures Manual, a provision will be included that clarifies the following: Purchasing Department's issuance of the Purchase Order in the system serves as an electronic signature of approval of the Purchase Order for City purposes.</p>
1 (cont.)	Consulting contracts with multiple deficiencies	12,285	12,285	The City concurs that work was requested and payment was made outside the scope of the contract. A written change order was not signed by the parties. The change was conveyed through verbal communication.
		35,720	35,720	The City concurs that the agreement with the vendor was improperly executed and a 90-day window occurred where service was provided and payments were made outside of a contract.
		6,475	0	The City disagrees with the OIG conclusion that

### QUESTIONABLE COST RESPONSE

Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:

Finding	Subject Area	Question Costs		Response
				the City Manager did not have the authority to enter into the contract. The City disagrees with the OIG's reading of the City's ordinance. The City adopted the American Bar Association Model Procurement Code in 2012. The City's intent is for the City Manager to have \$25,000 signing/approval authority. The City takes the position that the 2012 ordinance supersedes the 1957 ordinance.
		25,000	0	The City disagrees with the OIG conclusion that the City Manager did not have the authority to enter into the contract. The City disagrees with the OIG's reading of the City's ordinance. The City adopted the American Bar Association Model Procurement Code in 2012. The City's intent is for the City Manager to have \$25,000 signing/approval authority. The City takes the position that the 2012 ordinance supersedes the 1957 ordinance.
2	Payments related to quotes and bids	53,274	53,274	The City concurs that the Desk Manuals are in conflict with the procurement Code. Corrections are taking place.
4	Unapproved Travel	3,659	3,659	The City agrees that several travel requests were processed for payment without all of the required signatures. A revised Travel Policy was adopted by the Council in November 2013.
5	Unnecessary phone and iPad usage	20,444	0	The City believes that the OIG has not substantiated its claim of 40 cell phones and 19 I-Pads as "unnecessary". The OIG did not perform an evaluation or review of job functions, duties or responsibilities. The City holds that it is presumptive on the part of the OIG to conclude the efficiency devices are not necessary. This matter seems subjective and only reflects an undocumented opinion of the OIG.
7	Questionable P-Card charges	3,750	832	The City agrees that the documentation supporting the 16 tickets for the youth of the City to attend a Miami Dolphins game was not properly maintained.

**QUESTIONABLE COST RESPONSE**

**Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:**

Finding	Subject Area	Question Costs		Response
				<p>The City disagrees with the OIG that the balances of the items are questionable.</p> <p>Note: The City's Finance Department has drafted a policy provision for the purposes of clarifying what are allowable costs.</p>
7	Questionable corporate credit card charges	9,861	0	The City disagrees with the OIG that the transactions identified do not represent or provide a public purpose.
10	Recurring Expenditures	21,716	3,630	<p>The City maintains numerous water and electric utility meters throughout the city. It is quite common, especially during a construction project, to register zero electric usage. It is also quite common for a city water meter to reflect zero usage in any given month as billings only occur every 1,000 gallons and certain meters are operated solely on demand (Irrigation). The City holds that it is presumptive on the OIG's part to conclude that the charges are questionable.</p> <p>The statement by the Finance Director indicating a review of water utility billing is correct, however, it appears that it was misinterpreted by the OIG. The Finance Director was not referring to City held accounts, but all residential and commercial accounts. The fact that a subsequent month's meter reading is zero does not indicate that the review process is not ongoing, nor does it indicate a problem.</p>
13	Fuel Depot transactions	196,718	0	<p>The City concurs that the fuel management system is outdated and in need of replacement. This had been identified prior to the review of the OIG.</p> <p>The City does understand the concerns of the OIG; however, the City does not believe that this amount was the result of any inappropriate,</p>

**QUESTIONABLE COST RESPONSE**

Regarding the OIG conclusion wherein categorical support or justification is not provided, the City must speculate. Based on the City review of the specific items identified by the OIG, the City presents the following response:

Finding	Subject Area	Question Costs		Response
				illegal or prohibited fueling activities. This is the result of a failed fuel management system that the City is working diligently to correct.
<b>Total</b>		<b>\$880,506</b>	<b>\$163,190</b>	