

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Review of the Proposed Budget for Fiscal Year 2019/2020

Report #18/19-09

September 9, 2019



Memorandum

Memo No: 18/19-10

Date: 8/16/2019

To: Honorable Mayor and Commissioners

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

Re: Review of the Proposed Budget for Fiscal Year 2019/2020

The City Auditor's Office (CAO) has performed a review of the FY 2019/2020 Proposed Budget. The budget is compiled by the City Manager of the City of Fort Lauderdale, pursuant to section 4.09 of the City Charter. Our evaluation consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions.

CONCLUSION

At this time we believe that the proposed budget of the primary government is balanced and that all known and determinable revenues and expenditures are reasonable and materially correct, except as otherwise described below, and that the proposed millage is in compliance with Florida Statutes.

In addition, the priorities established in the Commission Annual Action Plan (CAAP) all show funding allocations in the coming year.

Objectives

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

Scope

We analyzed the City Manager's Proposed Budget for FY 2019/2020 as presented to the City Commission. The material reviewed included the Budget Message, Executive Summary including supporting tables and schedules, as well as revenue and expenditure detail reports from the City's budget preparation system (BPREP). The CAO further examined items of interest identified by the City Commission and Budget Advisory Board (BAB), and considered other issues that may impact the City and the City's obligations.

The CAO would like to recognize that the Budget office has continued its constructive dialogue with the Budget Advisory Board and Revenue Estimating Committee. Budget staff have developed a robust approach to organizing and compiling budget information and supporting documentation.

As in past several years, the CAO considered the review of the Budget Department to be a low risk engagement due to the following criteria; however, concerns do remain as noted below in “Other Observations”:

- The CAO budget review is performed every year.
- Multiple enhancements to the budget process have been incorporated over the last few years and the process continues to be improved as needed.
- Ongoing and frequent communication between management, the Budget Advisory Board, the CAO, and the City Commission.
- The Budget Office has had continuity of staff within the department and the staff has remained consistent in the quality of their work.
- No significant errors or misstatements were noted on previous reviews;

Methodology

We performed various analytical procedures, reviewed budget support worksheets and made inquiries of the Budget Office, Finance Department, and individual department budget coordinators as needed. Additionally, we compared the line item detail from the Proposed Budget to the projections of actual expenditures through 9/30/19. Furthermore, we analyzed trends and variances of the three prior fiscal years’ budget vs. actual to gain a historical perspective to identify opportunities to improve the accuracy of revenue and expenditure estimates.

Finally, as part of our audit work we attended all of the Revenue Estimating Committee meetings, Infrastructure Task Force Committee meetings, as well as the individual department budget presentations with the BAB. This participation provided further insight into potential future operating conditions and budget requests. By coordinating with staff during the preparation of the budget, rather than after its presentation to the City Commission, we continue to implement a continuous audit approach. This resulted in a deeper understanding of the departmental budget requests and service level enhancements.

Areas of Concern

1. It is unclear whether the amounts budgeted for capital improvement projects are sufficient. The CAO is unable to assess the accuracy of the amounts for CIP projects.

For example, the Fiveash Water Treatment Reliability Upgrades & Disinfection Systems Replacement Project RFP came in with the lowest bid at \$47,291,000, and the City’s budget allocation is \$32,000,000. If this is an example of a disparity between current construction costs and the City’s engineering estimates, the City may not have sufficient funds in the CIP to execute the projects currently planned.

2. The Enterprise Resource Planning system implementation process is behind schedule and likely over budget. The impact on the 2020 budget cannot be determined at this time.
3. As discovered on 7/11/19 Entrance Conference and based upon interview with the Budget Manager:

- a. The Budget Office has not factored in funding in the budget for the possible cost of the implementing a Florida Retirement System defined benefit pension for current non-uniformed personnel.
 - b. The Budget Office included an anticipated cost saving related to current collective bargaining with the Teamsters and Federated unions. Those saving may or may not materialize and will have to be covered from fund balance.
4. Concern regarding the Beach CRA based upon the current City Commission decisions:
 - a. There is the possibility that the Aquatics Complex Renovations may exceed the available Tax Increment Financing (TIF). New legislative changes covering CRAs and the use of park impact fees may reduce the availability of funds needed to complete the projects.
5. Any amount less than 100% recovery from FEMA for storm claims will need to be made up by another fund to make the Hurricane Fund whole.

cc: Christopher Lagerbloom, City Manager
Alain Boileau, City Attorney
Jeff Modarelli, City Clerk
Rob Hernandez, Deputy City Manager



Memorandum

Memo No: 18/19-11

Date: September 9, 2019

To: Honorable Mayor and Commissioners

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

Re: Review of the Proposed Budget for Fiscal Year 2019/2020 - Update

The City Auditor's Office (CAO) has performed a review of the changes made to the City Manager's FY 2019/2020 Proposed Budget between its submittal to the City Commission in July and the draft to be considered at the first Budget Hearing.

CONCLUSION

The draft budget includes a number of modifications to both revenues and expenditures. We believe these modifications are generally reasonable. However, we were not able to independently verify the accuracy of the proposed reduction of \$1,150,000 for overtime, described in more detail below. While the savings may be achievable, detailed support for this amount was not available.

Observation 1 - The Police Department is estimating total overtime savings of \$1,250,000. Of that amount, \$700,000 is already reflected in the proposed budget as part of the changes made to the detention program. The additional \$550,000 reduction of overtime was an estimated amount reached between the Police Chief and the Budget Director based upon FY 2018 net payroll savings of \$681,779 and FY 2019 projected net payroll savings of \$725,976. The elimination of overtime, P/T positions and related costs for the police detention program is intended to be cost neutral with the hiring of 15 new detention officers. Reasons provided to the Budget Advisory Board are as follows: filled vacancies, field training time reduced from 16 weeks to 8 weeks, and some positions changed from uniformed to civilian.

Observation 2 - The Fire Department is estimating total overtime savings of \$600,000. This is based upon changing the way the Family Medical Leave Act (FMLA) is applied, reducing daily ocean rescue hours from 10 to 8, and re-organizing the department back to how it operated in prior years (changes made to operations this past year resulted in large increases to overtime costs). Human Resources is developing a new policy for FMLA that will require it to be used in blocks of 12 days versus individual days.

cc: Christopher Lagerbloom, City Manager
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