

Audit Project #11-03C:

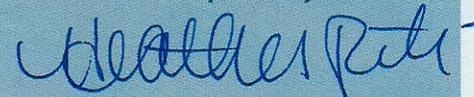
Remedial Action Update

Audit Item Status as of March 31, 2011

Detailed Audit Report

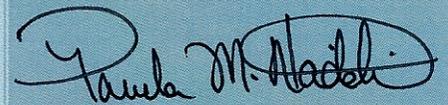
Office of the City Auditor and Clerk
Internal Audit

Prepared by:



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Reviewed and Approved by:



Pamela M. Nadalini
City Auditor and Clerk

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www.sarasotagov.com



OFFICE OF THE CITY AUDITOR AND CLERK
Internal Audit Division

Date: April 1, 2011

To: Mayor Kelly Kirschner, Vice Mayor Fredd "Glossie" Atkins, Commissioner Richard Clapp,
Commissioner Suzanne Atwell, and Commissioner Terry Turner

From: Pamela M. Nadalini, City Auditor and Clerk 

Subject: Remedial Action Update #11-03C (status as of March 31, 2011)

Attached is a copy of the project report listed above. As the report states, Internal Audit will produce this report twice annually. The next report of this type will be issued to the City Commission on or about September 30, 2011.

If you have any questions, please do not hesitate to call me at (941) 954-4169.

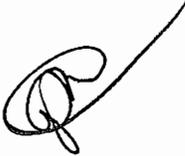
Attachment(s):

Remedial Action Update #11-03C Detailed Report
Remedial Action Update #11-03C Executive Summary Report

c: Robert Bartolotta, City Manager
Robert Fournier, City Attorney
Heather Riti, MPA, CIA, CGAP, Manager, Internal Audit
File



OFFICE OF THE CITY AUDITOR AND CLERK
Internal Audit Division

Date: April 1, 2011
To: Robert J. Bartolotta, City Manager
From: Pamela M. Nadalini, City Auditor and Clerk 
Subject: Remedial Action Update #11-03C (status as of March 31, 2011)

Attached are copies of the project report listed above. The attached report is for distribution to the City Commission. The next update (for management only) will be for the quarter ending June 30, 2011.

If you have any questions, please do not hesitate to call me at (941) 954-4169.

Attachment(s):

Remedial Action Update #11-03C Detailed Report
Remedial Action Update #11-03C Executive Summary Report

c: Robert Fournier, City Attorney
Marlon Brown, Deputy City Manager
Christopher Lyons, CPA, CGFO, CPFO, Director, Financial Administration
Heather Riti, MPA, CIA, CGAP, Manager, Internal Audit
File

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BACKGROUND AND INTRODUCTION

Internal Audit is committed to providing semi-annual reports¹ to Charter Officials and the City Commission which identify outstanding open audit observations and management's associated responses. Internal Audit uses the reports to monitor the disposition of audit recommendations and to assist city officials in their decision-making and oversight role.

An additional two reports per year² are provided to the Charter Officials as a courtesy to assist them in addressing remedial actions year-round.

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 through employee inquiries, observation and review of documents provided by management as of March 31, 2011.

AUDIT STANDARDS

The Internal Audit Division plans on having a peer review within the next two years by the Institute of Internal Auditors (IIA). While the Internal Audit Division strives to follow the guidance included in the IIA's International Professional Practices Framework, the Standards do not allow the department to note that the department is in accordance with IIA Standards until the peer review indicates such compliance.

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 September 30, 2010 and March 31, 2011. The database currently includes all internal audit observations for years 2005-2011 and external audit management letter findings for years 1999-2010 to allow for proper tracking and monitoring.

¹ Semi-annual reports are distributed to the City Commission and Charter Officials on or about March 31st and September 30th.

² Additional reports are distributed only to the Charter Officials on or about June 30th and December 31st.

2. Charter Officials were provided a detailed listing of all outstanding recommendations within their respective areas and were requested to provide written updates on the current status of progress towards addressing each recommendation.
3. Upon receipt of management's written 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.

For descriptions of audit status definitions, please refer to [Exhibit A](#).

NOTEWORTHY ACCOMPLISHMENTS

Internal Audit wishes to acknowledge the efforts taken by the staff of the Van Wezel Performing Arts Hall for closing all audit items from Audit #08-09: VWPAH Sponsorships Follow-up.

OPEN AUDIT ITEMS BY CHARTER OFFICIAL

The table below outlines 88 report recommendations from 16 prior audits (77 recommendations from audits prior to 9/30/10 and 11 new recommendations since 9/30/10).

The results of our review indicate:

- Management has implemented 52 of the 88 recommendations (59%);
- 20 items are open (1 of which is partially implemented) (23%);
- 8 items are open pending re-audit (9%); and
- 8 items (9%) will be elevated to the Charter Officials as "do not concur" items that require consensus to close.

Since the time of the last remedial actions update issued to the City Commission in September 2010, management has taken action to close 7 audit items.

Of the 20 open audit items that require management action:

- 5 have original management action dates that occur after 3/31/11;
- 13 have original action dates that are considered past-due as of 3/31/11; and
- 2 did not have original action dates as they were originally "do not concur" items.

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

Management's response to the FY 2008 Management Letter indicates that disagreements with audit observations will be resolved through a consensus of the Charter Officials. Based on that response, Internal Audit will elevate the eight "do not concur" audit items in [Exhibit D](#) to the Charter Officials for a decision to either take action on the observation or accept the level of residual risk associated with taking no action.

A summary of the progress in implementing recommendations by Charter Official is as follows:

CITY MANAGER

<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 September 30, 2010 status report (and current status):</i>							
Information Technology/ City Manager	December 2002	FY 2002 Management Letter- External Auditors	5	4	1 <small>(partially implemented)</small>	0	0
Information Technology/ City Manager	April 2008	IN 08-02: Internal Investigation of Alleged Fraud Involving IT	5	3	1	1	0
Van Wezel Performing Arts Hall	November 2008	08-09: Van Wezel Performing Arts Hall Sponsorships Follow-up	9	9	0	0	0
City Manager/Information Technology	February 2009	FY 2008 Management Letter- External Auditors	2	2	0	0	0
Information Technology	July 2009	09-08: IT General Controls	5	2	0	3	0
City Manager	July 2009	09-02: Citywide Risk Assessment	4	1	1	2	0
City Manager/Public Works	August 2009	09-09: Public Works COOP Drill Observation	3	0	2	1	0
Sports Facilities: Ed Smith Stadium	September 2009	09-11: Ed Smith Stadium 2009 AAU Tournament Follow-up	8	7	0	1	0
Neighborhood and Development Services	October 2009	09-12: Local Business Tax Receipts Internal Controls Review	10	9	0	1	0
Neighborhood and Development Services (Now at Sarasota Police Department)	October 2009	09-10: Parking Internal Controls Review	13	7	0	6	0
Public Works/Sarasota Police Department	January 2010	10-01: Fiscal 2009 Physical Inventory Observation	3	2	0	1	0
Risk Management	February 2010	EX 10-01: Risk Management Liability Claims Administration	3	2	0	1	0
Van Wezel Performing Arts Hall/ Public Works/ Information Technology	February 2010	FY 2009 Management Letter-External Auditors	3	3	0	0	0
Sarasota Police Department	June 2010	EX 10-03: Property and Evidence	4	1	3	0	0
<i>Reports added since previous status report:</i>							
City Manager	December 2010	EX 10-04: Construction Contract Oversight- SPD Headquarters Building	10	0	0	2	8
City Manager/Financial Administration	February 2011	FY 2010 Management Letter- External Auditors	1	0	0	1	0
TOTAL RECOMMENDATIONS			88	52	8	20	8

Notes:

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.

Management has addressed audit recommendations for audits highlighted in green above.

CITY ATTORNEY

The City Attorney's Office does not have any open items as of March 31, 2011.

CITY AUDITOR AND CLERK

<i>Department(s) Responsible</i>	<i>Report Date</i>	<i>Audit Number/Title</i>	<i>Total Report Items</i>	C	OPR	O	D
<i>Reports with open items that appeared on September 30, 2010 status report (and current status):</i>							
City Auditor and Clerk*	July 2009	09-02: Citywide Risk Assessment	2	0	1	1	0
TOTAL RECOMMENDATIONS			2	0	1	1	0

**Recommendations from this audit rely on the joint action of the City Auditor and Clerk and the City Manager. Until action is taken by the City Manager, the City Auditor and Clerk's items remain open.*

OPEN AUDIT DUE TO COMPETING PRIORITIES OR RESOURCE SHORTAGES

Management's update on the status of open audit items indicated that audit recommendations in the table below could not be implemented due to competing priorities or insufficient resources. These items are reported to highlight what management has indicated; Internal Audit does not necessary feel that additional resources are needed to implement recommendations.

Audit #	Audit Name	Item #	Audit Summary Recommendation	Resource Needed per Management	Resource to be Requested?
09-02	Citywide Risk Assessment	3	Enable critical security item logging and perform periodic monitoring.	A new full-time Information Security Manager position. *Auditor Note: Internal Audit is not recommending the creation of a new position to satisfy this recommendation.	Requested as part of 2011-2012 budget, but denied.

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" AUDIT ITEMS

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2008 IN 08-02 Internal Investigation of Alleged Fraud Involving IT									
4	SCRAP System	Department = City Manager	Finance and Accounting periodically follow up on open SCRAP requests.	Routine	Concur. The SCRAP system involves multiple departments including the requesting department, the receiving department, General Services and Finance. A team review of the system will be scheduled.	6/14/2008	6/30/2011	3/29/11 Update: The open items in SCRAP are there waiting to go to auction because Purchasing cannot take possession of the items until the auctioneer collects them. When the City reorganized, the Purchasing Division gave up the warehouse storage space where the items were stored for auction. The majority of the items in SCRAP are from SPD because of the move. Items were not sent to auction because SPD changed their minds on keeping items. Staff is working on sending the remaining items to auction in May. SCRAP is anticipated to be replaced as part of the new ERP (Enterprise Resource Planning) solution. The ERP selection and procurement process is expected to be finished in August, 2011. Installation of the ERP is scheduled to begin in October, 2011. The software roll-out will be determined by the vendor selected (i.e. Financials being required before Community [Notes] or it can be installed after).	Auditor reviewed reports of items entered into the SCRAP system from 1/1/10 to 3/4/11 and noted of the 509 total items entered into the system during that period, 129 items were pending ("waiting for response") as approvals/disapprovals had not been entered into the system. 25% of items entered into the SCRAP system from 1/1/10- 3/4/11 had not been fully processed as of the date of the auditor's review on 3/4/11. Item remains open.
2009 09-02 Citywide Risk Assessment									
1	CAC Action Plan- Internal Control Framework Issue	Department = 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),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.	High	CAC Response: Concur. Action to be determined. Completion date to be determined.		3/1/2011	3/29/11 Update: Awaiting meeting of the CAC and the CM. 12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has agreed to assume responsibility for updates to the annual Risk Assessment. Discussions concerning logistics will occur in the future between Internal Audit and management.
1	City Manager Action Plan- Internal Control Framework Issue	Department = City Manager	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.	High	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. Do not concur. This would require a new strategic organizational direction to centralize that would include, at a minimum, one staff person at an additional budget cost which is impractical in this environment.		6/30/2011	3/29/11 Update: Awaiting meeting of the CAC and the CM. 12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has agreed to assume responsibility for updates to the annual Risk Assessment. Discussions concerning logistics will occur in the future between Internal Audit and management.

Items shaded in gray have management action dates that have not yet occurred.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
3	City Manager Action Plan- IT Event Logging/ Monitoring Issue	Department = City Manager	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.	High	City Manager Response: 12/4/09: Management changed response to "Concur". Management will review this as part of the 2010-2011 budget process to see about adding a Security Officer and log review tool. Departments will determine which events to log and will review activity quarterly. Do not concur. Items to be logged are the responsibility of the process owner and they are reviewed in accordance with records requirements, regulatory requirements, laws and ordinances.		12/1/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that resources to implement this recommendation are not currently available due to budget constraints. This item is to be re-evaluated as part of budget discussions.
2009 09-08 IT General Controls									
2	2a Action Plan- AI 1 Identify automated solutions-(also includes AI 2-5, 7; PO 10)	Department = Information Technology	For the City to achieve the benefits of proper project management (resource planning, standardization of hardware and software, reduced maintenance issues and version conflicts), management should consider: a) Adopting full project management framework for large projects	Medium	a) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner)	10/1/2009	3/31/2011	3/29/11 Update: With the intent now understood, the City conducts monthly CIP meetings of which the IT Department participates. Further, the IT Director attends Commission agenda follow-up meetings and senior staff meetings which combined are held on a weekly basis where projects are discussed. The IT Department also meets annually with each department to plan strategic technology directions for each department. Evidence of IT's involvement in projects included its participation in SEHC, RLT, and the ERP (related to LBTR Internal Controls audit).	This item was not addressed previously due to a misunderstanding of the intent of the recommendation. Management indicated on 12/9/10 that a policy would be written to guide the acquisition of new technology.
2	2b Action Plan- AI 1 Identify automated solutions-(also includes AI 2-5, 7; PO 10)	Department = Information Technology	For the City to achieve the benefits of proper project management (resource planning, standardization of hardware and software, reduced maintenance issues and version conflicts), management should consider: b) Formalize and communicate the project management framework all affected departments, and	Medium	b) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner)	10/1/2009	3/31/2011	3/29/11 Update: See comments under 2a.	See comments under 2a.
2	2c Action Plan- AI 1 Identify automated solutions-(also includes AI 2-5, 7; PO 10)	Department = Information Technology	For the City to achieve the benefits of proper project management (resource planning, standardization of hardware and software, reduced maintenance issues and version conflicts), management should consider: c) Involve IT during the needs assessment phase	Medium	c) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner)	10/1/2009	3/31/2011	3/29/11 Update: See comments under 2a.	See comments under 2a.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
3	3 Action Plan- DS 4 Ensure Continuous Service	Department = Information Technology	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.	High	Concur. An IT-specific COOP will be developed based on COBIT. (IT is control owner)	10/1/2009	12/31/2011	3/29/11 Update: The development of the IT COOP plan is being done in conjunction with Audit #10-03 Continuity of Operations Plan. The City is currently engaged with an outside consultant to develop a citywide comprehensive COOP. Specific testing related to IT of the plan can be done at the completion of the COOP development. <i>Auditor Note: There is no Audit #10-03; the reference should be to Audit #11-04.</i>	Per discussion with the IT Director, an IT COOP is in the process of development, as are other city departmental plans. Auditor was provided with a preliminary draft of the IT COOP and noted that although some progress has been made, there is still much work to be done before this plan can be considered complete. Item remains open and will be tested as part of the upcoming COOP Audit.
5	5a Action Plan- ME 4 Provide IT Governance	Department = Information Technology	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 (ie. Charter Officials, Department Directors, etc) and organizational units;	High	a) Concur. The IT strategic plan will be based on the framework established by COBIT. (IT is the control owner)	10/1/2009	7/1/2011	3/29/11 Update: The IT Department completed a strategic and tactical plan for FY 2010/11. That plan was "signed" by all Directors and the City Manager. It was not signed by the City Auditor and Clerk, even after several modifications were made to the plan as per the CAC's request. The last comment from CAC was on 12/8/2010 indicating she would review the document. The IT Department will continue to solicit input from each department and charter office for development of the IT strategic plan. However, it will remain an IT governance and management tool and will not be sent around to other departments for "adoption" or "approval". No other City departments send their strategic plans to every department for "adoption" and the IT Department will follow suit with this approach. Similarly, for an example, Internal Audit develops its annual audit plan with input from departments, but it does not require the other departments to "sign-off" on it. The FY 2011/12 IT Strategic Plan will be available 7/1/2011.	IT had originally indicated that the IT Strategic Plan would be approved by all key stakeholders, as evidenced by the signature page in the document. At the 12/9/10 meeting of the Charter Officials, the City Manager indicated that a copy of the modified IT Strategic Plan would be routed to the City Auditor and Clerk for signature as the requested changes had been made. Since the time of that meeting, the IT Strategic Plan was never distributed to the City Auditor and Clerk. COBIT, the governance model selected by the IT Director, defines the IT Strategic Plan as, "a long-term plan, i.e., three- to five-year horizon, in which business and IT management co-operatively describe how IT resources will contribute to the enterprise's strategic objectives (goals)". Since all City departments are reliant on IT for business needs, the auditor continues to encourage adoption of the IT Strategic Plan by all key decision-makers.
5	5b Action Plan- ME 4 Provide IT Governance	Department = Information Technology	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: 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	High	b) Concur. The strategic plan will be updated annually to be aligned with each fiscal year budget. (IT is the control owner)	10/1/2009	10/31/2011	3/29/11 Update: See comments under 5a.	This item remains open until there is sufficient evidence for the auditor to test that the plan is regularly updated.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
5	5c Action Plan- ME 4 Provide IT Governance	Department = Information Technology	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: c) Be supported by an approved, detailed, and up-to-date tactical plan outlining the resource needs, prioritization and scheduling of projects.	High	c) Concur. A tactical plan will be developed with each years strategic plan. The tactical plan will be a base document for all project plans (recom #2) stemming from the strategic plan. (IT is the control owner)	10/1/2009	7/1/2011	3/29/11 Update: See comments under 5a.	Auditor has been provided with a copy of a finalized Tactical Plan. However, this document should derive from the IT Strategic Plan, which is not yet approved in its finalized version. The item will remain open until auditor can review both documents to ensure they agree and communicate the same objectives.
2009 09-09 2009 COOP Drill Observation									
1	Drill Performance	Department = Public Utilities	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.	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).	10/1/2014		12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	The original management action date has not yet occurred.
2009 09-10 Parking Controls Review									
1	1b Fund Status Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	b) Recommend that City parking space assets be categorized and inventoried on a schedule to allow for multi-year analysis and statistical trending.	High	b) Concur. Commitment to continue to collect inventory information for on street within the CRA area and process through existing database.	10/1/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that this is in progress. There has been some confusion as to whose responsibility it is to perform this inventory (SPD indicated that they do not have the manpower or expertise to perform necessary measurements of parking spots, etc). It is suggested that the City Manager determine whether Engineering/Planning can assist SPD in this effort.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2	Collection Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	Consider changes that could have an immediate positive effect on the receivables balance, such as turning uncollected balances over to a collection agency as soon as possible, and/or instituting additional late fines.	High	Concur. A recent development in the year-long process of coordinating two collection efforts simultaneously (NRA and Complus) has recently halted due to the inability of one agency (Complus) to transmit restricted data to a second agency (NRA) for continued collection efforts based on privacy agreements associated with the respective agreements held between Complus and the DHSMVs. Staff is working to resolve issue and pursue additional collections options. Please note, per aforementioned action 1a, late fees have been increased \$5 per violation. Auditor comment: Prior semi-annual updates on this item have not disclosed issues in implementing a collection agency.	10/1/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that it is in the process of hiring a new Parking Manager and that this issue will be addressed once the new manager is in place.
4	Access Reviews Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	Conducting quarterly user access reviews may help management identify any operational or security issues relating to both access and use of the Complus system.	High	Concur. SPD will perform quarterly reviews of User Access levels beginning 2009/ 2010 2nd quarter.	3/31/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that it is in the process of hiring a new Parking Manager and that this issue will be addressed once the new manager is in place. SPD is also in the process of implementing a new parking management IT system.
5	Cash Office Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	Train backup staff (consider staff outside of Parking Division) to cover unexpected absences and create a list of temporary system access backup staff would need. Due to segregation of duties concerns when Enforcement staff or outside staff perform collection activities, promptly perform additional log review of the activity performed by these employees.	High	Concur. Currently the Police Department staff are located in another building from Parking Collections. In the spring of 2010 the Parking Collections function will join the Police Department in the new facility. This will allow for cross training and coverage opportunities for the Collections office from available SPD team members. User access log reviews will take place on an as-needed basis for employees who fill-in on a temporary basis.	6/1/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	SPD has indicated that other staff will be trained to cover for Parking Collections staff.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
8	Management Oversight Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	Management review its program financial oversight and recordkeeping controls. Ensure that management regularly assesses controls to provide reasonable assurance that risks are appropriately minimized. Recordkeeping controls should be reviewed and monitored to ensure records are available for internal performance analysis as well as for ensuring compliance with state recordkeeping statutes.	High	Concur. Once the FMS/Complus reconciliation is designed Management will perform monthly review with biannual testing. Management will review statistical reports listed below. Recordkeeping, while adjusted for the recent restructuring, is continually improving with well identified roles and responsibilities. Auditor comment: The Parking Function was recently transferred to the Sarasota Police Department. The FY 09/10 budget has a partial Manager position (a .31) full-time equivalent in the City Manager's Office.	3/31/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that it is in the process of hiring a new Parking Manager and that this issue will be addressed once the new manager is in place.
9	Statistical Review Issue Action Plan	Department = Sarasota Police Department, Division = Parking Division	Compare actual performance against appropriate parking industry benchmarks monthly. Examples of useful monthly efficiency and effectiveness ratios to be monitored include: 1) Percent of tickets collected by age outstanding; 2) Tickets written per enforcement hour; 3) Collection dollars per collection employee hour; 4) Percentages of appeals upheld and dismissed (voided) as a percentage of total tickets per month; and 5) Percentage of tickets voided by reason code as a percentage of total tickets.	High	Concur. Appropriate benchmarks will be developed and put in place for monthly analysis.	3/31/2010	9/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	Management has indicated that it is in the process of hiring a new Parking Manager and that this issue will be addressed once the new manager is in place.
2009 09-11 Follow up to Ed Smith Stadium AAU Tournaments									
3	3a Purchasing	Department = Sports Facilities, Division = Ed Smith Stadium	To ensure required procurement practices are followed and City disbursements are made in a fair, equitable and responsible manner, update Administrative Regulation No. 024.A007.0195 to reflect the current tiers of City purchasing limits. This Administrative Regulation should be updated on a timely basis for any future changes.	High	Concur. Management agrees with finding. Regulation has been referred to the City Attorney for review.	6/30/2009	6/30/2011	3/29/11 Update: Still awaiting the City Attorney's feedback. 12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	The City Attorney indicated that this item has taken some time to complete as it provided an opportunity to perform a comprehensive review of several purchasing rules and regulations. The City Manager and City Attorney indicated that June 2011 is a good target date for adoption of the new ordinance.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2009 09-12 LBTR Internal Controls Review									
1	LBTR Database Action Plan	Department = Neighborhoods and Development Services	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: -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.	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.	10/1/2011		12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	The original management action date has not yet occurred.
2010 10-01 Fiscal 2009 Physical Inventory Observation									
1	Sarasota Police Department Action Plan		Ensure the user list only contains current users and access is limited to role. Segregate duties of Quartermaster to stock keeping (remove ability to add/modify prices). Reassign receiving and pricing function to someone other than the Quartermaster. Bring system administration function under IT, document baseline settings and perform quarterly review of access logs to ensure that system security is monitored.	High	Concur. A compensating control will be put in place with respect to the Quartermaster's duties which will be segregated to extent currently feasible another employee or the Support Services Manager will check in and sign when receiving inventory. Dependence on the outside vendor is being addressed. The MIS unit will begin performing a quarterly review of access logs and baseline settings will be documented along with any changes.	6/30/2010	6/30/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	SPD has indicated that the implementation of a new system is currently in process and that the auditor will be notified when it is available for testing.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2010 EX 10-01 Risk Management									
3	Automated System Action Plan	Department = Human Resources, Division = Risk Management	Evaluate and acquire a RMIS if financially viable.	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.	4/15/2010	9/30/2011	3/24/11 Update: No change. The RMIS system requirements have been incorporated into the ERP bid requirements and await prioritization once an ERP solution is implemented. Anticipate no change in this status for FY 2011 and 2012.	This item will remain open until an ERP system has been implemented by the City and incorporates management of claims information.
2010 EX 10-04 Construction Contract Oversight: SPD Headquarters Building									
4	Change Order Approvals	Department = City Manager	Advise staff to comply with local purchasing rules and the City Code, especially concerning large construction projects where cost overruns and unapproved changes are a major potential risk. The City Commission should be apprised of all major monetary changes to any project, as stipulated by City Code. Changes to the scope of work should commence only after the appropriate approvals have been obtained.	High	Concur. At the beginning of a large complex project purchasing will met with staff to review City's policy and procedures.	Ongoing		3/29/11 Update: This is an on-going process. There is no completion date.	Management has indicated that this is an ongoing process. Auditor will review the next major project to determine if progress has been made.
5	Change Order Detail	Department = City Manager	Provide detailed information to the City Commission concerning change orders that require their approval to assist them in their decision-making responsibilities. All change orders brought before the City Commission should include itemized detail of the funds requested for approval. This will help keep a documented, detailed record of changes to the project and establish a record of approval.	High	Concur. On May 3, 2010, staff went before the City Commission seeking approval of a do not exceed amount of \$1,133,000.00, in changes, to be executed by the City Manager to complete the police headquarter's [sic] construction project. The exact amount was unknown because staff was still negotiating the costs. Based upon the City Commission's authorization and after the changes were finalized [sic], the City Manager was able to approve the detailed change orders. In fact the change orders came in under one million dollars. Amend change order policy - Purchasing	6/30/2011		3/29/11 Update: This is an on-going process. There is no completion date.	The original management action date has not yet occurred. Management's original proposed action is to update the change order policy. This item is considered open until a new policy has been adopted.

**"Open" Audit Items
as of 3/31/11**

EXHIBIT B

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2010 FY2010 Management Letter- External Auditors									
1	Grant Centralization	Department = City Manager	We recommend that the City consider centralizing grant management oversight in the Finance Department under a grants management analyst. This position's responsibility might include review and assistance in grant applications and being a central collection point for all pertinent grant information for the purpose of monitoring grant management and compliance. The individual could assure that finance has the information to properly record grant receivables, revenues and expenditures, and to reconcile the grant reimbursement reports to revenue and expenditures recorded in the general ledger. For year-end audit, this position would be responsible for preparation of the required Schedule of Expenditures of Federal Awards and State Financial Assistance. One person would monitor the status of all City grants at any point in time.	High	Concur. We concur with the finding and the spirit of the recommendation. The current state of the economy and municipal finances requires us to look at performing more with less. Accordingly, the Financial Administration Department has explored several options for strengthening the controls in this area. As a result, we have developed a plan utilizing existing resources to strengthen the controls over grant management. Commencing on January 1, 2011, the Financial Administration Department has met with all of the departments that administer grants to enhance the oversight of grants managements. Each department must now submit to the Deputy Finance Director a grant worksheet on a quarterly basis that provides the grant name, grant number, award amount, the fund/department/cost center/project codes where the budget was established, grant start and end dates, reporting frequency, the employee(s) responsible for program and financial reporting, amount of reimbursement requests outstanding, and the date that reimbursement requests were submitted. In addition, the departments will need to supply supporting documentation for the calculation of all receivables and payables that are due at year end.	9/30/2011		No update- Recommendation recently released.	The original management action date has not yet occurred. Management indicated that supporting documentation will be provided at year-end.

EXHIBIT C- “OPEN PENDING RE-AUDIT” ITEMS

**"Open Pending Re-Audit" Audit Items
as of 3/31/11**

EXHIBIT C

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2002 Ext- 2002 FY 2002 Management Letter									
3	3a IT Steering Committee	Department = Information Technology	Establish IT steering committee	High	Concur. We believe the Information Technology Steering Committee can be most effective if it is composed of a small number of internal & external members, such as Information Technology executives in local government and other industries, other entities with which we engage in information sharing and dissemination, and other strategic partners in our electronic government initiative. We are extremely thankful to the Sarasota Memorial Hospital CIO who has already agreed to serve on the committee.	12/31/2008	5/15/2010	4/21/10 Management Update: Please revise Management Response to read "An I.T. Steering Committee will be formed by May 15, 2010."	The first meeting of the committee has recently taken place; auditor will follow-up at a later date to ensure committee remains in effect. At a meeting on 12/9/10, Charter Officials indicated they were interested in taking time to review the composition of the committee to determine whether the appropriate individuals had been included.
2008 IN 08-02 Internal Investigation of Alleged Fraud Involving IT									
3	Inventory	Department = Information Technology	Strengthen inventory practices in IT, segregate duties and account for all items even small or obsolete ones.	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.	6/14/2008	6/30/2009		Good progress has been made on this item as a new process has been implemented. Auditor to revisit to determine whether this item can be closed.

**"Open Pending Re-Audit" Audit Items
as of 3/31/11**

EXHIBIT C

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2009 09-02 Citywide Risk Assessment									
4	CAC Action Plan- Compliance Issue	Department = City Auditor and Clerk	Internal Audit believes that the City administration would benefit greatly from establishing a compliance committee to include representatives from all departments under the City Manager and City Auditor and Clerk to document compliance requirements by department as well as track their accomplishments. Management should consider inviting a representative from the City Attorney's Office to help ensure that legal requirements are brought to the committee as well as given proper review by members. Centralized tracking and discussion of requirements would help ensure that institutional knowledge is not lost due to staffing changes and is also shared across departments. This type of committee requires significant work to initially implement, but should save both time and resources in the long-run.	Medium	CAC Response: Concur. While the City Auditor and Clerk's Office faces similar resource shortages as those of the City Manager, the repercussions of not proactively addressing compliance issues cannot be ignored. In light of the recent compliance incidents that required extensive use of resources to investigate, the City Auditor and Clerk believes that a multidisciplinary city-wide committee is essential to sharing compliance knowledge across departments as well as keeping the City Commission apprised of management's efforts in complying with laws and regulations. It is believed that a full-time compliance officer would not be required to accomplish this. Completion date to be determined.	N/A	12/1/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	The Charter Officials have decided that, rather than creating a new committee, they will incorporate discussions about compliance issues and other areas of broad interest into their Agenda Follow-up Meetings. This avoids any cost associated with staffing a committee and also accomplishes the goal of communicating about broad City issues.
4	City Manager Action Plan- Compliance Issue	Department = City Manager	Internal Audit believes that the City administration would benefit greatly from establishing a compliance committee to include representatives from all departments under the City Manager and City Auditor and Clerk to document compliance requirements by department as well as track their accomplishments. Management should consider inviting a representative from the City Attorney's Office to help ensure that legal requirements are brought to the committee as well as given proper review by members. Centralized tracking and discussion of requirements would help ensure that institutional knowledge is not lost due to staffing changes and is also shared across departments. This type of committee requires significant work to initially implement, but should save both time and resources in the long-run.	Medium	City Manager Response: 12/4/09: Management changed response to "Concur". Management will convene a compliance committee and review issues on a quarterly basis. Do not concur. To have an effectively functioning compliance committee would include a compliance officer for regulatory, risk, internal audit issues, emergency management, security issues, etc.	N/A	3/1/2011	12/9/10 Update: The City Auditor and Clerk, City Manager, and City Attorney met with Internal Audit on 12/9/10 to discuss outstanding audit items. Refer to the column titled "Internal Audit Comments" for further information.	The Charter Officials have decided that, rather than creating a new committee, they will incorporate discussions about compliance issues and other areas of broad interest into their Agenda Follow-up Meetings. This avoids any cost associated with staffing a committee and also accomplishes the goal of communicating about broad City issues.

**"Open Pending Re-Audit" Audit Items
as of 3/31/11**

EXHIBIT C

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2009 09-09 2009 COOP Drill Observation									
2	Remote Connectivity	Department = Public Utilities	City IT staff should work with the County to resolve connectivity issues and fully test remote connectivity. It is also recommended that IT work with Public Works to test remote connection to the County periodically during the year (especially during hurricane season) to ensure it remains functional.	High	Concur. The IT Department will resolve connectivity issues and fully test the connection periodically. (IT control owner)	9/1/2009	6/30/2011	10/21/09 Management Update: The EM software is only available during actual incidents. Access to the test environment should have been granted by the County at this time. The County and City utilize two different and incompatible software applications for VPN (remote access) connectivity. This has impacted testing. Various configurations for access via a wireless solution are still being tested.	Auditor to test as part of COOP audit in April 2011.
3	Re-testing Prior Year Drill Issues	Department = Public Utilities	Re-test known deficiencies from previous drills to ensure they are fully resolved, preferably as soon as possible after drill exercise day.	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.	9/1/2009	6/30/2011	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.	Auditor to test as part of COOP audit in April 2011.
2010 EX 10-03 SPD Property and Evidence									
1	Action Plan- Chain of Custody	Department = Sarasota Police Department	Chain of custody information should be enhanced to comply with Accreditation Standard 35.02M and General Order 731.72.5 to maintain a more thorough and accurate history of the transfer of evidence.	High	Concur. 731.72.5 Is used by Criminalistics for Evidence Processing Procedures, this procedure is followed by Criminalistics. Property and Evidence follow the procedure listed in 731.71.2 & 731.71.3 under Temporary Release of Property. All transfers will be documented on stored video.	6/1/2010			Department has indicated this is ready for review. Auditor to revisit as part of Audit #EX 11-01, which is currently in progress.

**"Open Pending Re-Audit" Audit Items
as of 3/31/11**

EXHIBIT C

#	Subject	Categories	Recommendation	Priority	Original Management Response	Expected Completion Date	Revised Expected Completion Date	Most Recent Management Update	Internal Audit Comments
2	Action Plan- Biometric Access Monitoring	Department = Sarasota Police Department	Develop a process for monitoring biometric access entry logs to ensure appropriate security is in place, especially over high-security areas within SPD. User access rights should be reviewed for all users periodically to ensure that access is in line with each user's job needs.	High	Concur. Biometric access entry logs are being printed on a weekly basis and forwarded to the Property and Evidence Manager for review. Biometric access to Property and Evidence will only be granted with the approval of the Commander of the Criminal investigations Division. Video recordings are available to document any biometric access denials.	6/1/2010			Department has indicated this is ready for review. Auditor to revisit as part of Audit #EX 11-01, which is currently in progress.
4	Action Plan- Converting Items to Department Use	Department = Sarasota Police Department	To ensure appropriate disposition and use of items, document all instances in which an item is converted to department use as prescribed in General Order 731.86.9.	Medium	Concur. All instances where items are converted to Department use will be documented and comply with General Order 731.86.9. All transfers will require written permission from the Chief of Police, original approvals will be maintained in Property and Evidence files.	6/1/2010			Department has indicated this is ready for review. Auditor to revisit as part of Audit #EX 11-01, which is currently in progress.

EXHIBIT D- “DO NOT CONCUR” AUDIT ITEMS

**"Do Not Concur" Audit Items
as of 3/31/11**

EXHIBIT D

#	Subject	Categories	Recommendation	Priority	Original Management Response	Most Recent Management Update	Internal Audit Comments
2010 EX 10-04 Construction Contract Oversight: SPD Headquarters Building							
1	Assignment of the Project Manager	Department= City Manager	Assign a knowledgeable Project Manager at the inception of each construction project to ensure the City's best interests are considered throughout the project and to provide adequate oversight of all vendors' compliance with contract terms. The individual should be someone who understands both constructability and the City's resource needs.	High	Management's [sic] plan for large projects that span multiple years will be to continue to use a team approach beginning with the initiation of the project that includes staff from multiple City departments and specialized consultants/owner representatives to assist the project manager. The team approach will be used to provide the knowledge base from multiple disciplines and reduce the risk of knowledge loss associated with employee turnover.	N/A	Management has indicated "do not concur", but the response appears to indicate otherwise as a "team approach" is suggested to help assist the project manager and enhance skill sets. Ensuring that knowledgeable people have accountability over a large project such as this \$46 million project is essential to its success. The implementation of this model will satisfy the audit recommendation when it is established at the inception of the project and includes an assigned project manager.
2	Project Manager Tools and Oversight	Department= City Manager	Consider developing a Project Manager Handbook for project/ construction management to provide consistent guidance and clear definition of responsibilities for employees charged with managing aspects of construction projects. Also, consider investing in training or memberships offered by professional organizations, such as the Construction Management Association of America, to provide project managers with added knowledge and resources.	High	Provide continuing education through SCTI's public works academy and professional associations. Work with SCTI's public works academy in the development of resources to assist project managers.	N/A	Management has indicated "do not concur", but the response appears to indicate otherwise. Although management has not accepted the auditor's specific recommendation, a different plan of action has been identified by management which also aids in the reduction of risk associated with lack of resources or tools. Management plans to offer educational sessions and develop project resources, which, if implemented to appropriately equip project managers with tools, will successfully address the audit observation.
3	Excessive Authority for Project Manager	Department= City Manager	Establish authorization limits for the Project Manager to prevent issues associated with excessive authority; one individual should not have complete control over all final decisions. Adding a level of oversight for higher dollar thresholds (ie, department director) introduces another layer of accountability over the project and reduces the probability of excessive changes and the potential for misuse of authority.	High	Ordinance No. 03-4440 and Ordinance [sic] No.07-4763	N/A	Management has referenced ordinances relating to administrative approval of contracts; the auditor assumes management is referencing the clause for change orders, which must be approved by the City Commission after reaching a specified amount. Management's response does not answer the audit recommendation, which suggests that by adding department director oversight there will be more direct accountability over the project, as he/she reports directly to the City Manager. The Owner's Representative has indicated through discussions with the auditor, that it would have been more appropriate to have a department director oversee the actions and decisions of the project manager rather than granting the project manager unlimited authority.

**"Do Not Concur" Audit Items
as of 3/31/11**

EXHIBIT D

#	Subject	Categories	Recommendation	Priority	Original Management Response	Most Recent Management Update	Internal Audit Comments
6	Document Management System	Department= City Manager	<p>Request copies of all records relating to this project from the key vendors so that the City has a complete record of the project in its custody.</p> <p>Utilize one central document management system, of which the City has control, to effectively manage, catalogue, retrieve, and retain project documentation for future projects.</p> <p>Keeping an accurate record of the project from initiation until completion is essential to comply with state recordkeeping requirements.</p>	High	A City staff member was on the job site for record retention. Purchasing staff pursuant to comment contacted PDI, ADG and Kraft to verify that City had all documentation [sic] concerning this project. It was determined that the City had all copies as does Kraft and ADG.	N/A	<p>Management has indicated "do not concur", but the response appears to indicate otherwise.</p> <p>Management has indicated that staff contacted vendors and successfully reports that all records have been obtained by the City, which satisfies the first portion of the auditor's recommendation.</p> <p>The auditor encourages management to consider utilizing one central records repository, of which the City has control, for future projects. It is important to take into account that the City is ultimately responsible for compliance with state recordkeeping requirements and adhering to Florida's public records law.</p>
7	Invoice Review and Approval	Department= City Manager	<p>Document a formal payment review and approval process and communicate the process to all project team members at the beginning of each project to ensure expectations are understood.</p> <p>Avoid requiring excessive signatures so that only individuals with real responsibility and accountability over project deliverables and City funds are involved in the payment process.</p>	High	Administrative Regulations No. 037.A006.0802 and 037.A004.1008 were in place well before the project commenced.	N/A	<p>Management has indicated that there are policies and procedures to guide invoice review and approval processes.</p> <p>The audit observation speaks to the fact that the controls were not functioning as intended as payment approvers did not understand or were uncomfortable with their approval responsibilities. A policy or process cannot be considered effective unless the participants are engaged and understand their role in the process.</p> <p>The audit recommendation encourages management to document participant responsibilities at the beginning of large projects, which will increase understanding and accountability of all involved.</p>
8	Signatory Authority	Department= City Manager	<p>Document authorization limits and specify which individuals have signatory authority over a project in a formal Authorization Document at the beginning of each large project to ensure accountability over funds.</p> <p>Ideally, the City Manager should approve of and sign the document for validation.</p>	High	City Commission approved contracts. Administrative Regulation No. 037.A004.1008 details staff authorization for approval purposes.	N/A	<p>Similar to the audit item above, the auditor encourages documenting project participants' responsibilities at the inception of the project. While there is an administrative regulation in place to prescribe how to delegate signatory authority, the auditor was unable to locate forms for some payment approvers and unable to verify that specific funds were authorized for others. It was not clear who was ultimately responsible for all expenditures associated with the project.</p> <p>Confusion over spending authority may be better avoided by documenting responsibilities at the beginning of a project and by assigning a contract owner who has ultimate responsibility over the terms in the contract to ensure nothing is overlooked.</p>

**"Do Not Concur" Audit Items
as of 3/31/11**

EXHIBIT D

#	Subject	Categories	Recommendation	Priority	Original Management Response	Most Recent Management Update	Internal Audit Comments
9	Instruments of Service	Department= City Manager	<p>Consider whether the City desires to own the rights to Instruments of Service on future projects.</p> <p>At management's discretion, the auditor recommends pursuing one of two options:</p> <ul style="list-style-type: none"> • Seek ownership of instruments of service on new projects to avoid future costs- contract language should stipulate that the City owns the documents, which may be purchased from the Architect. <p>Or</p> <ul style="list-style-type: none"> • Include cost of instruments of service in cost negotiations- if Architect wishes to own the rights, the City should negotiate a lower price for losing those rights. <p>Further, to ensure the originality of the building design, consider including a provision in the contract where the Architect must warrant the originality of the design.</p>	Medium	Will review on project by project basis.	N/A	Management has indicated "do not concur", but the response appears to indicate otherwise as management states that this recommendation will be considered on a project by project basis.
10	Contract Changes	Department= City Manager	<p>Ensure that amendments to contracts are properly introduced to and approved by the City Commission.</p> <p>The Fourth Amendment to the Architect's contract should be scheduled to re-appear before the City Commission at a future meeting so that approval of the Amendment can be appropriately documented in the record of official proceedings.</p>	Medium	On May 3, 2010, staff went before the City Commission seeking approval of a do not exceed amount of \$1,133,000.00, in changes, to be executed by the City Manager to complete the police headquarter's [sic] construction project. The referenced amendment was part of the overall request for the do not exceed funding to complete the project. The amendment was executed by the Mayor. As stated perviously [sic], the actual total of changes was under \$1,000,000.00 as compared to the approved \$1,133,000.00.	N/A	While the auditor believes that management may have intended to request and obtain approval for the Fourth Amendment to the Architect's contract during the May 3, 2010 City Commission meeting, it was not actually formally communicated to the City Commission at that time. The auditor encourages management to present the Fourth Amendment to the City Commission for formal approval at an upcoming meeting and inclusion in official meeting minutes.