



OFFICE OF THE CITY AUDITOR

TO: Community Redevelopment Agency Board of Commissioners
THRU: Margaret Krym, City Auditor
FROM: Oscar B. Claudio, Assistant City Auditor
DATE: October 2, 2014
SUBJECT: Follow-up Audit of CRA Transition Audit

Attached is a summary of the status of recommendations as determined from our follow-up review of the Community Redevelopment Agency (CRA) Transition Audit issued on March 12, 2013. The purpose of the follow-up audit is to determine the implementation status of prior audit recommendations. Our test procedures included: 1) personnel inquiries; 2) examination of contracts, lien documents, CRA Board minutes, financial transaction documents and other related documents; and 3) review of the status of recommended corrective actions provided by management.

The follow-up audit results disclosed the following:

- The CRA Board decided to discontinue the Façade Grant Program since the change in governance and the program was not further funded. **The CRA Board action satisfies the closure of recommendations number 1 through 5 because all of these recommendations were dependent on the existence of the Façade Grant Program.** However, management should be aware of the risks presented in these audit findings if the recommendations for corrective actions are not implemented prior to, if and when the Façade Grant Program or any similar program is to continue or be pursued in the future.
- The liens against property owned by program grantees were already properly recorded in the Lee County Clerk of Court's Public Records Office. **The recording of the liens under the appropriate property owners' names satisfies the closure of recommendation number 6 and part of recommendation number 1.**
- Management revised the purchasing card policy and procedures by amending the guidelines on purchase exceptions and requiring the use of "Purchase of Food and Entertainment" Form when purchasing these items. Management also had designated a liaison to the CRA Board who will review and approve all purchasing card purchases to ensure compliance with the City's financial policies. The audit tested 10 purchasing card transactions to determine if reviews were performed and were properly authorized. Audit disclosed that the 10 purchases were reviewed and approved accordingly. **Management's actions on these matters satisfy the closure of recommendation number 7.**
- There was only one contract found during the transition period. This contract was tested to determine if the City Attorney's Office reviewed it prior to CRA Board's approval. The audit disclosed that the contract was reviewed by the City

Attorney's Office prior to approval by the CRA Executive Director/City Manager. ***This action satisfies the closure of recommendation number 8.***

- Follow-up test of financial transactions disclosed that nine out of ten payment documents were signed or approved for payment by either the Director of Finance or CRA Board as appropriate. The audit discovered one invoice for the installation and repair of a Clock Tower in the amount of \$4,045 was paid without the signature of authorization or approval to pay. ***Since majority of the financial transactions were approved for payment, we consider management's action satisfies closure of recommendation number 9.*** However, we strongly recommend that approval for future financial commitments must be in compliance with policies set forth in the CRA By-laws and the Procurement Procedures and Payables Policies and Procedures employed by the City.
- Test of payment documents charged to the CRA Fund for the CRA Storm Water Redevelopment Phase I project disclosed that approval for payments were obtained and payment documents have adequate information that complied with contract terms. ***This action satisfies closure of recommendation number 10.***
- The City had implemented the disclosure of indebtedness that the CRA revenues are obligated to repay in a footnote in the CAFR Fiscal Year 2012. ***This action satisfies closure of audit recommendation number 11.***

Based on the follow-up audit results, we conclude that management had implemented all 11 recommendations mentioned in the original audit report.

Attached is a grid that defines the underlying finding, the recommendation and Management's agreed upon follow up action response.

We appreciate the assistance provided by management and staff for their efforts to complete the audit recommended actions and eliminate or mitigate the associated risks.

We are available to respond to any questions or concerns you may have about the information contained in this document. You may contact us at 242-3382.

C: John Szerlag, City Manager / CRA Executive Director
Victoria Bateman, Director of Financial Services
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Audit Committee

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	Finding	Recommendation	Management Response	Contact Person	Target Completion Date
1	One of the seven facade matching grant funds was not secured by a lien against the grantee's property.	Since the facade grant program guidelines make no mention of any exceptions to the requirement for a recorded lien, a lien should be immediately placed against this property as required by the CRA Facade Matching Grant Program guidelines. CRA should also ensure that the lien is recorded in the Lee County Clerk of Circuit Court's Public Records Office. Lastly, management should request the City's Legal Department to review and determine the validity of the "Guaranty Agreement" between the CRA and the property owner.	<p><i>The CRA Executive Director will be recommending to the CRA Board that the facade grant program be discontinued at this time.</i></p> <p><i>Finance will ensure that all liens will be placed against the property. The lien will be recorded in the Lee County Clerk of Circuit's Public Records Office.</i></p> <p><i>The CRA Executive Director will work with the City Attorney's office to determine the validity of the "Guaranty Agreement".</i></p>	Victoria Bateman	06/2013 AR System 6/30/13
2	Individual Receipts and invoices supporting grantee expenditures showed no indication of being verified by the CRA as valid payments prior to reimbursement of project costs.	Management should require verification of all facade grant expenditures prior to approval of payment of project cost reimbursements in order to avoid or eliminate payment of ineligible expenses. Also, in order to create an adequate audit trail, responsible staff should initial all receipts and invoices to evidence review and approval of the submitted documents for payment.	Same as #1	Victoria Bateman	06/2013 AR System 6/30/13

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3	<p>Facade grant program project costs submitted by the grantees for reimbursement were discovered to be ineligible expenditures.</p>	<p>Management should require mandatory verification of all facade grant expenditures prior to approval of payments of project cost reimbursements in order to avoid or eliminate payment of ineligible expenses. Also, in order to create an adequate audit trail, responsible staff should initial all receipts and invoices to indicate review and approval of all submitted documents for payment.</p>	<p>Same as #1</p>	<p>Victoria Bateman</p>	<p>06/2013 AR System 6/30/13</p>
4	<p>Some facade grant program grantees did not seek competitive prices or obtain at least three estimates for project costs in excess of \$20,000.</p>	<p>Management should require all facade grant program grantees to comply with the established procurement procedures. Internal controls in this area should be strengthened by requiring the staff responsible for the facade grant program to monitor and review the grantees' procurement processes. Proper oversight procedures provide management with reasonable assurance that functions are performed accordingly.</p>	<p>Same as #1</p>	<p>Victoria Bateman</p>	<p>06/2013 AR System 6/30/13</p>

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5	The CRA has no documentation to evidence that actual inspections were performed on the completed facade improvement projects.	Management should require inspections of completed improvement projects to be documented in inspection reports to ensure errors, discrepancies and other deficiencies are noted or reported. Any errors, discrepancies or deficiencies should be fixed prior to final reimbursement of project costs. This process should be made a mandatory requirement before grantees are reimbursed with project costs. The inspection reports should serve as a mechanism to define and monitor the progress of correcting deficiencies with established and necessary actions. Implementation of these recommended controls could provide management with reasonable assurance that the terms of the agreements are honored.	Same as #1.	Victoria Bateman	06/2013 AR System 6/30/13
6	Liens against properties owned by facade grant program grantees were not properly recorded in the Lee County Clerk of Circuit Court's Public Records Office.	The CRA should implement supervisory controls that will ensure staff's performance are monitored and reviewed to avoid this error from happening in the future. More importantly, the CRA should immediately take action to correct the erroneous recording of these liens in the Lee County Clerk of Circuit Court's Public Records Office.	Same as #1. Finance will ensure that the liens are properly recorded at the Lee County Clerk's Office.	Victoria Bateman	06/2013 AR System 6/30/13

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7	Some items paid with a purchasing card were not in compliance with the purchasing card policy and procedures.	Management should revise the purchasing card policy and procedures by providing new guidelines that will be applicable to City's current practices. City employees should be informed and trained about these new guidelines.	The CRA Executive Director has designated a liaison to the CRA Board. This person will review and approve all purchase card items to ensure compliance with City's financial policies. Any exceptions will be provided to the City's Finance Director for handling. This will allow two reviews of all purchases.	Victoria Bateman	06/2013 AR System 6/30/13
8	One contract examined did not include evidence of having been reviewed by legal counsel.	Management should ensure that binding contractual agreements, as required by policy, be reviewed by legal counsel and that this review be evidenced on the document.	The CRA Executive Director will ensure that the City Attorney reviews and signs all contracts prior to them going to the CRA Board.	Terri Hall	Ongoing AR System 3/12/14
9	For one of the transactions we examined the CRA Board of Commissioners had delegated their approval authority to the CRA Executive Director.	We recommend that approval for future financial commitments be in compliance with the policies set forth in the CRA By-laws and/or the Procurement and Payables Policies and Procedures employed by the City. Approval authority should not be delegated unless specifically defined and allowed by the By-laws and policies.	All financial transactions are approved by the CRA Executive Director or the Finance Director (designee) for items under \$5k. Items over \$5K are to be approved by the CRA Board.	Victoria Bateman	Ongoing AR System 3/12/14

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10	A contract for services stipulated payment based on an hourly rate for hours worked (with a weekly maximum amount) but detail of hours worked were not provided on the invoices.	We recommend that approval for future financial commitments be withheld if invoices do not provide adequate information to ensure compliance to contract terms.	Agreed. Will implement recommendation ASAP.	Terri Hall	Ongoing AR System 3/12/14
11	The Fiscal Year 2011 Consolidated Annual Financial Report (CAFR) did not disclose the September 30, 2011 remaining amount of indebtedness that future CRA revenues were obligated to repay.	Management should include in the FY 2012 CAFR a footnote to disclose the amount of indebtedness that the CRA revenues are obligated to repay.	Agreed. Will be implemented with the upcoming issuance of the CAFR.	Victoria Bateman	Ongoing AR System 3/12/14