



CPAs & ADVISORS

COMMISSION AUDITOR
AUDIT PLAN FOR FISCAL YEAR
ENDING 2022

CITY OF COOPER CITY



CITY OF
Cooper City
Florida

Presented By
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MSL, P.A.
Commission Auditor



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To the Mayor and City Commissioners
Cooper City, Florida

We hereby submit the risk assessment and audit plan for Cooper City, Florida (the City) for the fiscal year ending September 30, 2022. We conducted a risk assessment for the City by applying a broad-based, business view of risk linked to the annual budget and operations of the City. We conducted interviews with all members of the City Commission as well as executive City management. Based on procedures performed, we developed this audit plan for the fiscal year ending September 30, 2022.

The audit plan is a working document, in that, as Commission Auditor, we may need to perform work not specified in the audit plan, when deemed necessary in our professional judgment, or as directed by the City Commission. Our audit plan contains a list of potential internal audits based upon our procedures and a consensus of City Commissioners interviewed. We are also including a schedule showing the audit plan budgeted dollars. However, should we determine during the performance of our internal audit procedures additional procedures are required which would result in costs exceeding the estimate provided, we will not proceed without approval from the City Commission.

The ultimate objective of a risk assessment is to develop a proposed internal audit plan, based on the resources allocated. The goal of which is to give the City sufficient and continuous internal audit coverage of areas determined as having a relatively high-risk profile or that otherwise require internal audit attention for various reasons. We have included the potential significant risks and internal audit strategy for each of the functions in the proposed internal audit plan in this report.

We would like to thank the City Commission, City Manager's Officer, management, and various departments and staff involved in assisting with the risk assessment process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Wm. Blend". The signature is written in a cursive style and is underlined with a blue line.

WILLIAM BLEND, CPA, CFE
City Commission Auditor

RISK ASSESSMENT OVERVIEW

The objective of a risk assessment is to analyze organizational risk, including its inherent risk and impact on City operations. Our approach is based on the widely accepted Committee of Sponsoring Organizations (“COSO”) guidance on monitoring Internal Control Systems as shown below:



Preparing the proposed internal audit plan from the risk assessment will ensure that resources are focused on areas of most immediate concern to the City Commission. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently high risk may be included in the audit plan; although their inclusion does not mean ‘issues’ or concerns currently exist, but rather that the high-risk nature of the function is such that a higher potential exists for issues to develop.

This audit plan is a *dynamic* document, in that factors change, and situations arise that may require changes to the plan. The proposed internal audit plan generally focuses on areas or functions that are high exposure and high priority. When performing individual internal audits, we will consider factors that arise which may not have been considered during the initial planning state and modify our approach based upon our professional judgement.

CITY RISK ASSESSMENT

Risk management is a process that is impacted by the City Commission, City Administration and other personnel engaged in strategy setting across the City. It is designed to identify potential events that may affect the entity and manage risk to within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

The Institute of Internal Auditors (IIA) emphasizes that organizations should fully understand that management remains responsible for risk management. Internal Auditors should provide advice, challenge, or support management's decisions on risk, as opposed to making risk management decisions.

Risk assessment is based on a set of complementary operational, financial reporting and compliance objectives linked across all levels of the City. The process is designed to identify and analyze internal and external risks affecting achievement of objectives at both the activity and the City level. The overall goal of the enterprise risk assessment process is to provide governance and management with the knowledge necessary to effectively manage risk.

Our consideration of risk was focused on: Financial, Compliance, and Public Perception. The risk assessment process was conducted using an industry-accepted methodology, which focuses on the following risk factors:

Control Environment

- Describes the overall tone and control consciousness of the sub-entity/function. It involves the integrity, ethical values and competence of personnel, as well as management philosophy and operating style.

Change

- Addresses the extent to which change has impacted or is expected (in the near term) to impact the sub-entity/function, including changes in key personnel, the organization, its products, services, systems, or processes.

Process Risk

- Addresses the inherent risk of the activities performed by the sub-entity/function, including the assets managed or in the custody of the sub-entity/function. Process risk addresses the extent of support the sub-entity/function provides to vital business functions, including the threat to continuity of the business caused by failures or errors; the probability of failure due to the amount of judgment, academic or technical skill required to manage the unit or perform key activities.

External Factors

- Describes the environment in which the sub-entity/function operates, and the type and amount of external interaction in which the sub-entity/function engages. Factors to consider include overall City and regulatory environment, the level of interaction with users and success in satisfying user requirements, the financial reporting environment, and results of regulatory compliance audits.

Revenue Source

- Describes resources available to the sub-entity/function. Factors to consider include maximizing revenues, obtaining additional revenue sources, and producing revenues outside the standardized tax base.

AUDIT PLAN

INTER-LOCAL AGREEMENT - BROWARD SHERIFF'S OFFICE

The objective of this project is to review the Inter-Local Agreement with the Broward Sheriff's Office (BSO) and identify rights and responsibilities of the BSO and the City. As applicable, we will identify and request data from the BSO to be used for the creation of a cost benefit analysis of the agreement. The usefulness of a cost benefit analysis prepared related to the BSO agreement is dependent upon the level of cooperation from the BSO and the detail of the data they would provide.

Relevant data to achieve this purpose would include, but not be limited to: the number of officers assigned to patrol the City limits, staffing levels and related costs, assets used by BSO in providing public safety services, emergency response time data, BSO activity reports identifying the number and types of calls responded to by BSO personnel, and identification of any fees collected by the BSO from activities performed within City limits.

This project would include the following procedures:

- Obtain and review the BSO agreement
- Use BSO and Broward County public information requests to obtain various data
- Review and, if possible, identify costs by reviewing BSO or Broward County financial and budget information

INTER-LOCAL AGREEMENTS – EXCLUDING BROWARD SHERIFF'S OFFICE

The objective of this project is to review the Inter-Local Agreements entered into by the City. The goal of these agreements should be to share resources in common among governments to provide the highest level of public service and safety without unduly burdening any one particular tax base.

This project would include the following procedures:

- Obtain a listing of all active Inter-Local Agreements the City has entered into
- Review the agreements and prioritize which agreements should be evaluated based upon our professional risk assessment
- Review selected agreements to gain an understanding of the significant components
- Determine what data is available for evaluation of the agreements
- Develop procedures to test the available data
- Evaluate the services provided by the City, compared to those provided to the City, and determined if the relationship is equitable

FINANCE DEPARTMENT REVIEW

The objective of this audit is to review and determine whether the Finance Department has effective controls over the City's financial accounting and reporting. The objectives of this internal audit will be to evaluate the Finance Department's internal controls over the following areas:

- Revenue receiving and recording
- Ensuring expenditures are made for valid purposes
- Maintaining accurate and complete accounting records
- Segregation of duties over its operations

UTILITY BILLING PROCESS

The objective of this project will be to determine if the City has adequate internal controls in place to ensure the goals and objectives of the City are met related to ensuring Utility bills are properly prepared, billed and collected. To accomplish our internal audit objective we will perform the following procedures:

- Interview City personnel within the Utility Department to understand the policies and procedures in place for the billing process
- Walkthrough of the utility billing process
- Evaluate the water meter reading process and determine if the process is effective and efficient
- Evaluate and assess the utility billing software controls
- Review of policies and procedures, and evaluate internal controls related to:
 - Billing for monthly service charges
 - Penalties charged on delinquent accounts
 - Opening new accounts
 - Adjustments
 - Meter exceptions
 - Work orders
 - Refunds
 - Cash receipting

GENERAL INSURANCE REVIEW

The objective of this project is to evaluate the City's procedures in obtaining insurance policies that include, general, auto, etc. This area requires monitoring of controls surrounding the administration of the insurance policies, compliance with related contract requirements, and cost control measures. This project will perform the following:

- Review the City's insurance plan documents, benefit summaries, benefit descriptions, and any other applicable documentation to gain an understanding of the insurance plan(s)
- Gain an understanding of eligibility requirements, services covered under the plans, and the plan structure
- Perform an evaluation of insurance costs and where applicable, identify potential cost savings measures

LOCAL BUSINESS TAX RECEIPTS

The objective of this audit is to evaluate the process the City currently utilizes to capture businesses operating within the City and to ensure appropriate occupational license fees have been charged and collected.

The scope of this internal audit will include the following:

- Evaluate how the City currently monitors businesses within the City to ensure that it is collecting the appropriate fees
- Prepare a test comparing county business license information to addresses located within the City's boundaries and determine if these entities have paid the appropriate City license fees
- Identify City businesses that are also registered with the State's Division of Corporations
- Evaluate occupational license fees charged by the City to other regional/comparable cities
- Identify areas where the City's processes could be strengthened and provide recommendations for improvement

PROCUREMENT PROCEDURES

The objective of this audit is to determine if the City has adequate internal controls in place over procurement. In addition, we will evaluate, based on testing a sample of recent awards, that City policies and applicable state laws were complied with in the procurement process.

The objectives of our audit of the procurement procedures will include the following:

- Evaluate compliance with applicable Florida Statutes and City policies
- Observe whether there are adequate records and documentation for competitive bid contracts to establish an audit trail and that policies and procedures are followed
- Determine if there are adequate controls to prevent and detect duplicate and/or fictitious vendors
- Determine if there are adequate controls to prevent and detect related-party transactions
- Determine if documentation for bid exceptions, such as sole-source and state contracts, are properly implemented and ensure the City receives the best pricing
- Review the bid protest policies and ensure proper implementation and use
- Evaluate any waivers of procurement policies for appropriateness
- Review the adequacy and effectiveness of controls over contract monitoring and compliance

INFORMATION TECHNOLOGY (IT)

The objective of this audit is to assess whether the existing internal IT processes and controls ensure confidentiality, integrity, reliability, and availability of information and IT resources, as well as compliance with legal and regulatory requirements.

Our internal audit will include an evaluation of the following:

- IT governance, risk management and business continuity planning
- Information systems acquisition, implementation, vendor and change management
- Information systems operations, maintenance and management, such as data backup and recovery, logging and monitoring and vulnerability management
- Physical and logical security
- Opportunities for improvement within the IT Department

COMPLIANCE HOTLINE

The objective of this project is to provide City Commission various options for the implementation of a compliance hotline.

Currently, the City does not have an anonymous way for citizens, employees, or third parties to report suspected fraud, waste, and abuse at the City. Compliance hotlines provide the City an anonymous whistleblower reporting service for these parties to report anonymously. Proactive detection measures, such as hotlines, have consistently been identified by the Association of Fraud Examiners (ACFE) as a vital tool in the detection of fraud, waste, and abuse in governments. It is also recommended that these hotlines be monitored by an independent, third-party.

To accomplish this objective, we will research and identify for the City Commission at least three options including costs and third-party monitoring options and present these to the City Commission for their consideration.

ASSET MANAGEMENT

The objective of this audit will be to evaluate and assess the City's policies and procedures for its management of physical assets. The scope of this audit will include an evaluation of:

- The City's policies and procedures over asset management
 - Including defined roles and responsibilities
 - Timely recording, capitalization, depreciation and tagging of assets
 - Effective tracking of asset movement
 - Periodic verification and reconciliation of assets

RECREATION DEPARTMENT REVIEW

The objective of this audit is to review the Recreation Department's operational activities and cash collection and revenue controls.

Our review will determine if the Recreation Department's:

- Cash collections and revenue controls are in place and operating effectively
- Controls over safeguarding of assets are in place and operating effectively
- Controls over compliance with its policies and procedures, as well as City-wide policies, are in place and operating effectively

GRANT (FEDERAL AND STATE) ANALYSIS

Our analysis will focus on the City's approach in obtaining grant revenue from federal and state sources. It will also include a review of the City's policies and procedures regarding grants.

The analysis will include the following:

- Review the City's policies and procedures over its grants
- Benchmark City grant revenue and expenditures with other municipalities
- Offer solutions for increasing the City's grant revenue, as applicable

CASH HANDLING PROCEDURES

The objective of the is audit is to determine if policies and procedures over cash handling and petty cash have strong internal controls and adequate segregation of duties.

The audit will include the following procedures:

- Review City-wide policies and procedures, as well as Departmental policies and procedures, over cash handling and petty cash
- Conduct a risk assessment to identify high risk departments as applicable
- Interview staff responsible for cash handling and conduct walkthroughs of processes
- Assess the adequacy of current internal controls over cash handling and petty cash

City of Cooper City
Audit Plan Budgeted Dollars

Fiscal Year Ending September 30, 2022

Internal Audit Areas	Budgeted Dollars
Inter-local Agreements - Broward Sheriff's Office	\$ 10,000-20,000*
Inter-local Agreements - Excluding Broward Sheriff's Office	16,500
Finance Department Review	13,500
Utility Billing Process	22,500
General Insurance Review	8,500
Local Business Tax Receipt	17,500
Procurement Procedures	19,500
Information Technology	15,500
Compliance Hotline	5,500
Asset Management	9,500
Recreation Department Review	18,500
Grant Analysis	13,500
Cash Handling Procedures	14,500

** The costs of this engagement will be dependent on the amount of cooperation from the Broward County Sheriff's Office.*

The City Commission will be responsible for choosing the audit projects to be performed.