

City of Hollywood, Florida

Management Letter in Accordance With
Chapter 10.550, *Rules of the Florida*
Auditor General

September 30, 2014

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**Management Letter in Accordance with Chapter 10.550,
*Rules of the Florida Auditor General***

To the Honorable Mayor, Members of the
City Commission and City Manager
City of Hollywood, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hollywood, Florida (the City), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 30, 2015. Our report was modified to include a reference to other auditors. This management letter does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors. Our report also includes an emphasis of matter paragraph relating to the City's pension plans adoption of Government Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plan*.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required By OMB Circular A-133 and Chapter 10.550, *Rules of the Florida Auditor General*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Florida Auditor General*. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined these two reports are in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Such recommendations are included in Appendix A – *Current Year Findings and Recommendations to Improve Financial Management*.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Fort Lauderdale, Florida
April 30, 2015, except for the
examination report on the City's compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* and the
report on compliance for each major federal program and state
project and report on internal control over compliance, for which
the date of each report is June 26, 2015

City of Hollywood, Florida

Appendix A – Current Year Findings and Recommendations to Improve Financial Management

ML 2014-01 – Procurement Policy

Criteria: An entity’s procurement policy and practice should allow for the purchases of goods and services to only qualified vendors and not to exceed the pre-established dollar limitations, except when purchasing goods or services that are considered recurring in nature i.e. – utility services, postage, licenses and permits, etc.

Condition: We noted an instance whereby the City procured for services which exceeded the authorized dollar limitations. We also noted that not all procurement of goods and services utilize the purchase requisition and purchase order function, such as, services categorized as “other professional services” and “temporary employment services”. The absence of the use of a purchase requisition and purchase order system helped to contribute to the instance of improper payments for unauthorized purchases beyond the pre-established dollar limitations.

Cause: The City’s direct payment method allowed services categorized as “other professional services” and “temporary employment services” to be paid through the use of a direct payment voucher approved by a user department’s head and department head designee. A purchase requisition and purchase order was not utilized, in order to expedite payments on approved purchases.

Effect: Services may be paid for in a manner that is not in accordance with the City’s established procurement policy, which requires adherence to established procurement methods and spending authority thresholds, such as City Manager and/or Commission approval for amounts over \$25,000 and \$50,000, respectively

Recommendation: We recommend that management change the City’s direct payment policy to follow the City’s established procurement policies, which require that all goods and service be procured by Procurement Services through the utilization of a purchase requisition and purchase order to control costs being incurred on an ongoing basis; except for goods or services that are truly considered recurring in nature – utility services, postage, licenses and permits, etc.

Views of Responsible Officials and Planned Corrective Actions: Management has already taken steps by changing the direct payment voucher form and procedures. Procedural changes have increased the amount of supporting information related to the purchase that must be provided to process the direct payment voucher. Management has also included the additional level of review for direct payment vouchers, now all direct payment voucher go to Procurement Service Division for review prior to going to General Accounting payment processing. Management now requires that temporary employment services be put on blanket purchase order agreements and processed via requisition/purchase order.

City of Hollywood, Florida

**Appendix A – Current Year Findings and Recommendations to Improve
Financial Management (Continued)**

ML 2014-02 – User Access Reviews

Criteria: An organization's key financial reporting applications and data files should be restricted to personnel with the proper authorization, based on their respective function and responsibilities.

Condition: We noted periodic user access reviews are not being performed for the network, HTE (utility billing application), and GEMS systems to validate that employee system access rights are appropriate based on the employee's roles and responsibilities.

Cause: The City does not have established policies and procedures in place requiring the review of user access rights on a periodic basis.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: We recommend that management establish formal policies and procedures to allow for the proper administration of user access rights on an ongoing basis. Such policies and procedures should address the proper provisioning, modifying, removing, and periodic review of access rights assigned to employees. Management should determine as part of the user access review that configured access rights are appropriate based on the employee's roles and responsibilities. This review should indicate who performed the review, when the review was performed, and if any access changes are required.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with auditor observations and will take steps to create formalized procedures to review user access rights for the network, HTE (Munis in the future) and GEMs at least annually.

City of Hollywood, Florida

Appendix A – Current Year Findings and Recommendations to Improve Financial Management (Continued)

ML 2014-03 – Change Management

Criteria: General Information Technology (IT) controls should provide reasonable assurance that program changes, application configuration changes, system changes and maintenance (including changes to system software and data structures), production processing changes (including new jobs, schedule changes), and emergency changes are standardized, documented, approved, and subject to formal change management procedures.

Condition: We noted that there is no formal established policies and procedures in place requiring the documentation of the submission, tracking, approving, reviewing, testing, and deploying of changes to financially significant information technology applications. In addition, no tool is in place to formally document and track network changes until resolution.

Cause: The City does not have a formal change management program in place for its information technology applications.

Effect: Unauthorized changes may be moved to the production environment without management's awareness.

Recommendation: We recommend that management adopt and implement a formal change management program, including related policies and procedures that addresses the submission, tracking, approving, reviewing, testing, and deployment process for all changes to the City's IT systems.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with auditor observations. Management will take steps to document procedures used to manage changes to financial reporting applications and the network. Management will also create a formalized system log that documents the system to be modified, the affected department(s), existing version, proposed version, changes implemented, updates applied, who tested for verification, when tested for verification and when placed into production.



Independent Accountant's Report

Honorable Mayor, Members
of the City Commission, and City Manager
City of Hollywood, Florida

We have examined the City of Hollywood, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Florida Auditor General, the Honorable Mayor, Members of the City Commission, the City Manager and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Fort Lauderdale, Florida
June 26, 2015