CITY OF FORT LAUDERDALE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Significant Deficiency

2012-4            (Reported in 2011 as PY-3) Calculation of Compensated Absences

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| Criteria: | Controls over the process of calculating the liability for compensated absences should be designed and operating effectively to ensure that the amounts recorded in the financial statements are an accurate representation of the amounts actually due to employees as of the end of the fiscal year. |
| Condition: | The City's policy is to accrue sick leave at the pay rate in effect at the time the hours are earned. Sick leave used is paid at the employee's current pay rate at the time of use. Accordingly, the calculation of the unused sick leave liability is based on different pay rates depending on when the hours were earned. The calculation is performed manually using a spreadsheet. |
| Context: | Not applicable |
| Cause: | The City is unable to electronically track the unused sick liability for certain employees because of system limitations. |
| Effect: | This calculation is performed manually and can be cumbersome depending on an employee's length of service, which increases the potential for errors in the calculation of the unused sick liability as of the end of each fiscal year. |
| Recommendation: | The City should review the mechanics of the unused sick leave liability calculation and determine whether the process can be automated in order to alleviate the need for manual calculations. |
| Management's Response: | The City has reviewed the data and process for the sick leave payout calculations and determined that it is not possible to automate the process, given the current data storage and payroll systems.  The City is in the process of working with a consultant to develop a Request for Proposal (RFP) for an Enterprise Resource Planning (ERP) solution to replace the current payroll system, which should improve the processing of such calculations in the future.  Also, the City has simplified the computation of sick leave payouts for two Employee Groups (Police Officers and Sergeants; and Police Lieutenants and Captains) through their Collective Bargaining Agreements (CBA).  For these employee groups, future sick leave payout calculations will be based on 28% of total hours at the final rate of pay. The CBAs for the remaining unions are open for negotiations, which will include discussion of these calculations. |