

City of Fort Lauderdale, Florida

Schedule of Findings and Questioned Costs (continued)

Sanitation Fund Receivable:

The Treasury Division will review all miscellaneous type Accounts Receivable balances and make inquiries as to why amounts have not been received. If an account is not paid in full and permission is received to write off the balance an entry will be posted to reflect the impact of this uncollectible account on bad debt expense.

Unbilled Receivables

A new utility billing system was implemented in June 2010. City staff was in the transitioning stage and not all necessary reports were available from the new billing system to perform the required calculations. The City is now better equipped with the appropriate reporting tools to allow for an accurate manual calculation and supervisory review.

2010-2 Calculation of Compensated Absences

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/Cause

During our testing of the compensated absences liability, we identified errors in the underlying data used in the calculation. Specifically, we noted that accumulated sick hours per the City's compensated absences detail did not always correspond to the City's payroll system records. The City performed an analysis to extrapolate the errors identified and estimate the total dollar impact on the liability. An estimate was necessary as although the City could identify the amount of sick hours owed to employees as of fiscal year end based on the payroll system records, the rate of pay corresponding to the hours owed was estimated by using an average rate. Per City policy, sick days are accrued at the pay rate in effect in the period in which they are earned and days taken are used on a last in first out (LIFO) basis. Accordingly, applying the employees' current rate of pay to the hours owed as of fiscal year end would overstate the actual amount of the liability since part or all of the hours owed may have been earned at lower rates of pay. A manual process is completed at employee termination in order to determine the actual payment amount

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based on the rate of pay as sick time was earned and used over the period of employment. As performing the manual calculation for all employees was not feasible, an average rate of pay over the length of employment for each individual was used.

Effect

Compensated absences of the City were understated by approximately \$1,000,000, of which approximately \$758,000 was properly corrected in the government-wide state of net assets as it pertained to governmental activities.

Recommendation

We recommend that the City review the current inputs into the compensated absences calculation process and implement monitoring controls to ensure that the data used in the calculation is accurate and complete. Further, the City should review the mechanics of the sick leave payable and determine if the process can be automated in order to alleviate the need for manual calculations.

Management Response and Corrective Action Plan

In order to ascertain that current inputs into the compensated absences calculation process are accurate and complete the City will perform manual calculations on a sample of the population after applying the analysis to extrapolate the errors identified as mentioned above under Condition/Cause.

2010-3 Valuation of Pension Investments

Criteria

The City reports its investments at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Controls should be designed and operating effectively to ensure that investments are properly valued in the financial statements.