

CITY OF FORT LAUDERDALE, FLORIDA

COMPLIANCE REPORTS

September 30, 2022

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**Management Letter Required By
Chapter 10.550, Rules of the Auditor General of the State of Florida**

Honorable Mayor Members of the City Commission, Audit
Advisory Board, City Manager and Director of Finance
City of Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the discretely presented component unit and remaining fund information of the City of Fort Lauderdale, Florida (the City), as of and for the year ended September 30, 2022, and have issued our report thereon dated July 21, 2023. We did not audit the financial statements of the Police and Firefighters' Retirement System and Supplemental Share Plan which represents 59%, 42% and 58% of the total assets, fund balance/net position and revenues/additions, respectively, of the discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police and Firefighters' Retirement System and Supplemental Share Plan is based on the reports of the other auditors. Our report does not address their respective internal controls or compliance. Our report included an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective October 1, 2021. Our report also included an emphasis of matter paragraph for restatement related to a correction of an error.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports 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 financial audit report. There were no findings and recommendations made in the preceding financial audit report.

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. This information is disclosed in Note 1 of the City's financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Sunrise Key Safe Neighborhood Improvement District (the District) reported the following information which has not been subjected to the auditing procedures applied in the audit of the basic financial statements of the City, and accordingly, we do not express an opinion or provide any assurance on it:

- a. There were no employees compensated in the last pay period of the District's fiscal year.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as one.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as none.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$84,431.
- e. There were no construction projects with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes. This is disclosed in Appendix A.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Honorable Mayor, Members of the City Commission and Audit Advisory Board and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM VS LLP

Fort Lauderdale, Florida
July 21, 2023

City of Fort Lauderdale, Florida

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Sunrise Key Safe Neighborhood Improvement District

For Fiscal Year Ended September 30, 2022

	Original and Final Budget Amounts	Actual Amounts	Variance with Budget
REVENUES			
Property taxes	\$ 141,730	\$ 139,158	\$ (2,572)
Investment gain	-	2	2
Miscellaneous	-	1,780	1,780
Total revenues	141,730	140,940	(790)
EXPENDITURES			
Current:			
General government	137,000	121,862	15,138
Total expenditures	137,000	121,862	15,138
Net change in fund balance	\$ 4,730	\$ 19,078	\$ 14,348
Fund Balance - beginning of year	121,818	121,818	-
Fund Balance - End of year	\$ 126,548	\$ 140,896	\$ 14,348

**Independent Accountant's Report
on the Examination of the City's Compliance
with Section 218.415, Florida Statutes**

Honorable Mayor, Members of the City Commission, Audit
Advisory Board, City Manager and Director of Finance
City of Fort Lauderdale, Florida

We have examined the City of Fort Lauderdale, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* (the specified requirements) during the period October 1, 2021 to September 30, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City complied, in all material respects, with the specified requirements during the period October 1, 2021 to September 30, 2022.

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

RSM US LLP

Fort Lauderdale, Florida
July 21, 2023

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards**

RSM US LLP

Independent Auditor's Report

Honorable Mayor, Members of the City Commission and the City Manager
City of Fort Lauderdale, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the City of Fort Lauderdale, Florida (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 21, 2023. Our report included an emphasis of matter paragraph for the restatement of the financial statements as of October 1, 2021, to adopt a new accounting standard and correct an error.

Our report also includes a reference to other auditors who audited the financial statements of the Police and Firefighters' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Fort Lauderdale, Florida
July 21, 2023

Schedule of Findings

IC 2022-001—Financial Reporting

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and disclosure of accounting transactions.

Condition: Material accounting adjustments were made to the financial statements for the Post-Retirement Pay Steps Pension Plan to comply with generally accepted accounting principles. This included adjustments to the financial statements and related footnote disclosures, as follows:

- Restatement of the beginning balance of the net pension liability for the Post-Retirement Pay Steps Pension Plan due to use of the wrong discount rate

Additionally, there were minor adjustments made to the other post-employment benefits (OPEB) liability.

Finally, there were misstatements identified which resulted in passed adjustments for the year ended, as follows:

- To accrue liabilities for amounts due at year-end that were not recorded
- Adjust accounts receivable balances for payments received prior to year-end and not applied as of year-end
- Record unavailable revenues for an accounts receivable transaction that was not collected within the period of availability

Context: Systemic in nature.

Cause: A depletion analysis was not performed by the City's actuary on the Post-Retirement Pay Steps Pension Plan. When the analysis was performed it was determined that a crossover interest rate should have been applied which caused a decrease in the applied discount rate and increase in the liability amount. In addition, the City was undergoing the implementation of a new enterprise resource planning system and had vacancies in the finance department which placed constraints on resources and as a result some items were not detected through the normal control processes that were in place. As part of this, established controls requiring the reconciliation and review of account balances combined with the lack of the depletion analysis resulted in a failure to detect the errors noted.

Effect: The October 1, 2021 net position balance of the governmental activities opinion unit was restated to properly report the net pension liability balance for the Post-Retirement Pay Steps Pension Plan. Additionally, there were passed adjustments related to accounts payable, accounts receivable and revenues balances as of year-end.

Recommendation: We recommend that management review the design of established controls and implement the changes necessary to allow for the accurate recording and disclosure of accounting transactions on an ongoing basis.

Views of Responsible Officials and Planned Corrective Action: The Post-Retirement Pay Steps Plan (PPS) is an OPEB plan that was established in FY2019. Since there was a cash payment due to the beneficiaries of the plan, it was determined that the appropriate accounting standard to follow was pension standard GASB 67/68. Based on an analysis of the PPS plan establishment documents by the City's actuarial consultant, the recommendation/advice given to the City's Finance Leadership was that a depletion analysis was not required for the PPS plan. The City decided to use the then prevailing discount rate, however after further discussion it was determined that a crossover rate should be applied.

Schedule of Findings

IC 2022-001—Financial Reporting (Continued)

Given the complexities and constraints the City is facing implementing its new ERP, the City's unaccrued liabilities and unrecognize receivables were not the result of unidentified transactions, but rather conscious decision made based on materiality and operational feasibility. Moving forward the City does not anticipate these issues reoccurring once the new ERP system is completely implemented.

The City recorded unavailable revenue that it deemed material, even though it was outside of the availability period because the current availability period (60 days) is overly restrictive. To rectify this issue the City will modify its availability period to greater than 60 days (but no longer than a year) to ensure grant reimbursements and other similar revenues are appropriately captured.