CITY OF FORT LAUDERDALE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

2012-4	(Reported in 2011 as PY-3) 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:	During our testing of the compensated absences liability, we identified errors in the underlying data used in the calculation. Additionally, errors were noted in prior year calculations. Specifically, errors were noted in the calculation of accrued leave using the approved leave accrual rates and recalculation of some balances was not possible because underlying supporting data was not available.
Context:	Six of 33 items sample contained errors or were not adequately supported with underlying documentation.
Cause:	Controls are not fully developed and the detail subsidiary ledger does not contain adequate controls for complete and accurate calculations of accrued leave balances.
Effect:	Compensated absences of the City may not reflect actual liability amounts, based on the method of estimation. Payouts to employees could be substantially different from the accrued amount, based on the change each individual employee's rate of pay at the time the compensated absence hour was earned.
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's Response:	The City has reviewed the mechanics of the sick leave calculations and determined that there is no feasible way to automate the process. We have implemented a plan in FY2012 to compare manual calculations to the calculations based on the payroll system. However, the data base in place is not sufficient to eliminate the manual procedures and the City is currently contemplating changes that would simplify the computation of sick leave payouts.