



Memorandum

Memo No: 21/22-21

Date: 8/16/2022

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA
Interim City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2022/2023

The City Auditor's Office (CAO) has performed a review of the FY 2022/2023 Proposed Budget. The budget is compiled by the City Manager of the City of Fort Lauderdale, pursuant to section 4.09 of the City Charter. Our evaluation consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions.

CONCLUSION

The FY 2022/2023 Proposed Budget of the City of Fort Lauderdale is considered balanced as presented. All known and determinable revenues and expenditures are reasonable and materially correct. In addition, the priorities established in the Commission Annual Action Plan all show funding allocations in the coming year. Also, the proposed millage is in compliance with Florida Statutes. However, as the new fiscal year begins there are still pending issues that have not been resolved regarding final budget allocations. Therefore, the CAO cannot provide assurance that the FY 2022/2023 budget completely addresses all unknown budgetary items that may occur.

Objectives

The primary focus of our review was to ensure that the budget is balanced, revenue and expenditure estimates are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes. We did not attempt to identify operational areas where additional cost savings might be achieved; however, the CAO was involved in meetings as they pertained to ERP, Employee pay negotiations, the upcoming election, and other areas of interest by the CAO for budget review purposes.

Scope

The CAO analyzed the City Manager's Proposed Budget for FY 2022/2023 as presented to the City Commission. The material reviewed included the Budget Message, Executive Summary

including supporting tables and schedules, as well as revenue and expenditure detail reports from the City's budget preparation system, SHERPA. The CAO further examined items of interest identified by the City Commission and Budget Advisory Board (BAB) and considered other issues that may impact the City and the City's obligations.

The CAO would like to recognize that the Office of Budget and Management (OMB) has continued its constructive dialogue with the Budget Advisory Board and Revenue Estimating Committee. Budget staff have maintained a robust approach to organizing and compiling budget information and supporting documentation.

As in the past several years, the CAO considered the review of the proposed budget to be a lower risk engagement due to the following criteria:

- The CAO budget review is performed every year.
- Multiple enhancements to the budget process have been incorporated over the last few years and the process continues to be improved as needed.
- Ongoing and frequent communication between Management, the Budget Advisory Board, the CAO, and the City Commission continue.
- OMB has had some turnover in the last year, but continuity of work product within OMB has remained consistent and the quality of their work has also remained consistent.
- No significant errors or misstatements were noted on previous reviews.

Methodology

The CAO performed various analytical procedures, reviewed budget supporting documentation, and made inquiries of OMB, Finance Department, and individual department budget coordinators as needed. Additionally, the CAO compared the line-item detail based on audit criteria from the FY 2022/2023 Proposed Budget to the projections of actual expenditures through September 30, 2022, and the FY 2021/2022 Adopted and Amended Budget. Furthermore, the CAO analyzed trends and variances of the three prior fiscal years' budget vs. actual to gain a historical perspective.

As part of our audit work, we attended all the Revenue Estimating Committee meetings, relevant meetings as they related to the development of the new proposed budget, as well as the individual department budget presentations with the BAB. This participation provided further insight into potential future operating conditions and budget requests. By coordinating with staff during the preparation of the budget, rather than after its presentation to the City Commission, we were able to implement a continuous audit approach. This resulted in a deeper understanding of the departmental budget requests and service level enhancements.

This review was conducted in accordance with generally accepted government auditing standards. These standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objectives.

Areas of Concern

The “Areas of Concern” are the items that do not impact our overall conclusion; however, bear consideration for both the proposed budget and future years’ impacts.

1. Collective Bargaining Agreements

Although the OMB is anticipating a new collective bargaining agreements with Federation of Public Employees, Fort Lauderdale Police (FOP) Lodge 31 Police Lieutenants & Captains, FOP Lodge 31 Officers & Sergeants, International Association of Firefighters (IAFF) Local 765 Battalion Chiefs, IAFF Local 765 Rank & File, and Teamsters, the actual costs are still unknown. These unknown salary and benefit increases will have an impact once resolved and should be conservatively estimated.

Management Response: Management concurs with this assessment as shared in Preliminary Budget Memo and the City Manager’s Budget message. The management team is engaged in ongoing negotiations with every bargaining unit and wishes to expedite the process. The FY 2023 budget estimates are based upon five-year average increases for cost-of-living adjustments/75th percentile adjustments and existing merit/step plans included in current collective agreements. In addition, management has included a contingency account to fund negotiated wages and benefits in excess of budgeted amounts.

2. Community Investment Plan (CIP)

Regarding all construction projects in the CIP, it should be noted that the recent increase in inflation will also have an impact on the cost of materials and labor as the city proceeds with current and new projects. The potential increase is difficult to quantify; however, it should be strongly considered as a high likelihood of occurring. Hence, if current projects are delayed or there is a delay in new projects starting, this could potentially have a significant impact on the city.

Management Response: Management concurs that inflationary considerations will disproportionately impact capital projects as there is a delay between initial project approval and completion of the procurement process. Therefore, individual projects are being reviewed as updated cost estimates are received. This logic was shared in the Preliminary Budget Memo and the City Manager’s Budget message. Management has included a modest contingency amount in the FY 2023 budget to offset inflationary increases in project budgets.

3. ERP Implementation

Phase 1 of the ERP implementation is scheduled for October 2022. However, several risk factors had been identified. Those risks that could impact the final schedule and the budget include, but are not limited to, turnover in City leadership and consultants, staffing

shortages, data scrubbing and conversion, etc. Based on our current assessment and the history of the ERP project, the CAO foresees additional costs are more likely to be incurred.

Management Response: The City has entered into a multi-year agreement with the ERP vendor. The FY 2023 CIP and Operating budget are funded consistent with this agreement and ongoing costs associated with legacy systems. The Executive Steering Committee will continue to closely monitor this high-priority project.

cc: Greg Chavarria, City Manager
Alain Boileau, City Attorney
David Soloman, City Clerk
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