



Joseph M. Centorino, Inspector General

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

DATE: January 17, 2024
PROJECT: Follow-Up Review of Selected BDO Audit Recommendations
(#s 27, 31, 38, 55, and 56)
OIG No. 24-01
PERIOD: October 1, 2022, to September 30, 2023 (2022/23 Fiscal Year)

Upon discovering a \$3.6 million fraud in 2016 involving its Treasury and ACH disbursements, the City Administration and Finance Department, among other responsive actions, hired the independent firm of BDO USA, LLP (BDO) to perform an audit. After extensive testing, interviews, and analysis, BDO issued a report on May 17, 2017, containing 60 findings with recommendations on mitigating the City's risk exposure on these disbursements, affecting other Finance Department functions, including payroll and accounts payable. The City Finance and Information Technology Departments worked together to take corrective action to mitigate the identified risks and attain the desired outcomes.

In response to the BDO audit report, the then-existing Office of Internal Audit was assigned to perform periodic reviews of selected recommendations to ensure that these outcomes continue to be achieved by the City. On November 1, 2019, the Office of Internal Audit was subsumed into the Office of the Inspector General (OIG), which has opted to continue performing these reviews. This follow-up review focuses on testing City staff's compliance with BDO recommendations numbered 27, 31, 38, 55, and 56. This report is separated by each sampled BDO recommendation and the City's associated management response. It also includes OIG staff's current testing results and conclusions.

1. *BDO Recommendation #27 - Munis should be modified so as not to allow significant payments to be issued unless the approvals of at least two different City officers have been documented in the system. Further, Munis should be modified so as not to allow payments exceeding \$1,000,000 to be issued unless the approval of the City Manager has been documented in the system.*

Management Response: The City amended the workflow approval policy to say that the City Manager approves disbursement over \$1 million except for debt service payments (principal, interest, and fees on bonds, loans and notes). These items are approved by the CFO (Chief Financial Officer), Deputy Finance Director or Assistant Finance Director. The debt service workflow was revised in April 2017.

Current Testing Results #27 - Since the approval of the Disbursement Workflow Citywide Procedure (Procedure) on January 22, 2019, and its subsequent update on December 3, 2019, in which two departmental approvals for "Accounts Payable Invoices" or API transactions over \$100,000 are required, OIG staff has performed periodic testing to (1) determine whether the Munis system configurations for approving API transactions are correctly aligned with the Procedure; and (2) whether pertinent transactions are being approved by at least two different designated supervisors at the departmental level. This testing is repeatedly performed because deficiencies are routinely identified, and it could facilitate mismanagement and/or result in fraud.

The Munis system is the City enterprise resource planning system.

The first related test results were presented in a report issued by the OIG on October 25, 2019, for transactions equal to or greater than \$100,000 but less than \$500,000. All 264 pertinent API transactions occurring between March 1, 2019, and August 31, 2019, were tested, with the results summarized in the following table.

Type of Issue	Number of Instances	Amounts of Invoices and Overall Total
(1) The Munis system configuration is not aligned with the Procedure, as transactions equal to or over \$100,000 are released for payment with only one department approval.	3	1) \$ 332,315.67 2) \$ 104,822.90 3) \$ 204,000.00 Total \$ 641,138.57
(2) The Munis system is correctly configured to request two departmental approvals on transactions equal to or over \$100,000. Still, the same department official made both approvals.	4	1) \$ 180,238.99 2) \$ 106,137.40 3) \$ 104,745.78 4) \$ 201,400.00 Total \$ 592,522.17

OIG staff expanded its scope to include all transactions equal to or more than \$100,000 to determine whether similar shortcomings existed in subsequent analyses. For example, all 437 API transactions that satisfied these criteria and occurred between September 1, 2019, and March 31, 2020, were tested. A report issued by the OIG on June 29, 2020, concluded that two different supervisors at the department level did not approve the following six transactions:

Type of Issue	Number of Instances	Amounts of Invoices and Overall Total
(1) The Munis system configuration is not aligned with the Procedure, as transactions equal to or over \$100,000 are released for payment with only one department approval.	2	1) \$ 204,000.00 2) \$ 110,000.00 Total \$ 314,000.00
(2) The Munis system is correctly configured to request two departmental approvals on transactions equal to or over \$100,000. Still, the same department official made both approvals.	4	1) \$ 117,714.65 2) \$ 906,887.45* 3) \$ 375,117.79 4) \$ 125,867.76 Total \$1,525,587.65

* The transaction with the highest dollar amount, \$906,887.45, was also approved at level 55 (granted to the Assistant City Managers, Executive Staff, or the City Manager), as required by the Procedure for transactions between \$500,000 but less than \$1,000,000; however, it does not satisfy the two required departmental approvals criterion.

Next, a report issued by the OIG on June 29, 2020, contained the following response from the Information Technology Department: *Deputy Finance Director contacted the Munis System Administrator to discuss the said findings and developed a plan of action to update the workflow business rules for all cost centers so that (1) approvers are only assigned to approve at one step in the workflow except for level 5 which is not an approval authority; and (2) at least 2 department approvers are assigned to approve transactions \$100,000 and above. Task completed in early April. We are currently working on building a report to validate these changes.*

Later that same year, in a report issued on October 22, 2020, OIG staff similarly tested all 278 transactions of \$100,000 and above, approved between April 1, 2020, and September 30, 2020, to determine compliance with the stated criteria in the Procedure. No discrepancies were noted, as the needed internal controls appeared to have been implemented.

Similar testing was then performed in a report issued by the OIG on February 1, 2022, testing all applicable 542 transactions occurring between October 1, 2020, and September 30, 2021, in which eight deviations from the stated Procedure were noted, as shown below in the following table.

Type of Issue	Number of Instances	Amounts of Invoices and Overall Total
(1) The Munis system configuration is not aligned with the Procedure, as transactions equal to or over \$100,000 are released for payment with only one department's approval.	2	1) \$ 118,489.50 2) \$ 112,734.00 Total \$ 231,223.50
(2) The Munis system is correctly configured to request two departmental approvals on transactions equal to or over \$100,000, but the same department official made both approvals.	6	1) \$ 127,104.81 2) \$ 129,230.18 3) \$ 123,498.18 4) \$ 123,109.94 5) \$ 440,680.00 6) \$ 1,500,000.00* Total \$2,443,623.11

Next, OIG staff tested all applicable 623 transactions approved between October 1, 2021, and September 30, 2022, in which seven deviations from the stated Procedure were noted, as shown below in the following table. Unlike previous results, all seven deviations were related to Munis system configurations for approving API transactions not correctly aligned with the Procedure.

Type of Issue	Number of Instances	Amounts of Invoices and Overall Total
The Munis system configuration is not aligned with the Procedure, as transactions equal to or over \$100,000 are released for payment with only one department's approval.	7	1) \$ 246,521.35 2) \$ 980,850.00* 3) \$ 500,000.00* 4) \$ 981,316.67* 5) \$ 984,450.00* 6) \$ 296,349.57 7) \$ 441,484.63 Total \$ 4,430,972.22

*These transactions were approved by Executive Staff personnel, as required by the Procedure for transactions equal to or over \$500,000 but below 1 million; however, this does not satisfy the two required departmental approval criteria.

OIG staff performed this test during this review to determine whether deviations still occur. Consequently, all applicable 645 transactions approved between October 1, 2022, and September 30, 2023, were tested, and nine (9) deviations from the stated Procedure were noted, as shown in the table below. Similar to the prior 2021/22 fiscal year review, all nine deviations were related to Munis system configurations for approving API transactions that were not correctly aligned with the Procedure. Exhibit A at the end of this report provides more detail on these nine exceptions.

Type of Issue	Number of Instances	Amounts of Invoices and Overall Total
The Munis system configuration is not aligned with the Procedure, as transactions equal to or over \$100,000 are released for payment with only one department's approval.	9	1) \$ 298,663.48 2) \$ 339,042.41 3) \$ 222,148.95 4) \$ 101,922.56 5) \$ 147,603.96 6) \$ 350,520.00 7) \$ 373,212.00 8) \$ 112,584.44 9) \$ 300,000.00 Total \$ 2,245,697.80

In sum, five of the last six reviews performed by OIG staff have identified a total of 23 transactions, with a cumulative value of \$7,863,032.09, that were released for payment with only one departmental approval due to an incorrect workflow configuration. In addition, 14 transactions with a cumulative value of \$4,561,732.93 were approved twice by the same department official.

The Munis System Administrator previously informed the OIG Auditor that the Munis system is not equipped to flag transactions over \$100,000 released with only one approval or to detect and preclude a sole authorized user from performing both approvals. The OIG considers this an internal control weakness that may jeopardize the legitimacy of a transaction and could facilitate mismanagement or possibly fraud, if not sufficiently and promptly resolved.

OIG Recommendation:

For the transactions released for payment with only one approval as noted in Exhibit A, the corresponding City's departments (Tourism & Cultural Development, Economic Development, Public Works, Facilities and Fleet Management) should review department personnel approval levels to ensure at least two department disbursement approval levels for all transactions equal to or more than \$100,000.00. Modifications should be promptly submitted to the Information Technology Department to be configured as needed for compliance.

Information Technology Department Response:

Modifications should be promptly submitted to the Information Technology Department to be configured as needed for compliance.

Finance Department Response:

The Finance Department has segregated the findings into 2 categories. Items 1-3 will be referred to as category A issues and items 4-9 will be referred to as category B issues.

Category A issues occurred during a transitional period as responsibilities for Cost Center 7010 were transferred between Tourism and Culture and the Economic Development Departments. Subsequently, the workflow was corrected to include additional approval levels appropriate to the dollar values of these items. Finance has also obtained additional manual approvals for these transactions.

Category B issues are attributed to another transitional period in the Fleet and Facilities Department. Based on data and research completed by Finance and information received from the City's Information Technology Department, Finance has determined that this error was attributed to the resignation of the Department's Director without an immediate replacement of another employee into the role at level 40. Once the Director was terminated in the Munis system, the role of Level 40 ceased to function. This action resulted in a "gap" in the workflow, resulting in these items to be identified as fully approved at level 38 in error.

To function correctly, the Munis system requires immediate placement of another approver, segregated from the lower level to properly approve these disbursements. This "gap" was subsequently corrected with the full implementation of the Interim Director at level 40 and the addition of separate employees at level 38. Finance has also confirmed that appropriate employees have been assigned at levels 55 and 60. Manual dual departmental approvals have been received to be consistent with City policy.

To facilitate in minimizing these types of issues – the Finance team has modified its process to review all disbursements over \$100,000 to ensure that all the API levels 40, 55 and 60 are appropriately received as required per policy. Items requiring correction/modification will have the option of obtaining manual approval or resubmitting for "rerouting" to appropriate approvals. To further minimize these issues in the future, the City will modify/create an interdepartmental process to include specific steps to ensure proper replacements are identified and established for all Munis system workflow levels once an approver has terminated employment with the City.

OIG Response:

The OIG appreciates the detailed response received and the efforts in categorizing and addressing the identified deficiencies. Although the current deficiencies may only pertain to the

Tourism and Culture, Economic Development, and Information Technology Departments, previous findings involved various other City departments like CIP, Human Resources, and Planning and occurred, at a minimum, during the last several years in which related testing was conducted. Consequently, the OIG has concluded that the identified deficiency is a long-standing, reoccurring systemic issue that needs to be promptly corrected.

The Disbursement Workflow Citywide procedure states, "It is the responsibility of the Departments/Divisions designee to ensure that the approvals are properly reviewed and approved in Munis..." Also, the BDO audit consistently referred to transaction approvals as "documented in the system," which further emphasizes the necessity of using the Munis system for all approval processes. The OIG agrees that the optimal and most effective procedure to prevent this deficiency from reoccurring is to require City departments to immediately notify the Information Technology Department upon reassigning or terminating pertinent departmental approvers so that it can promptly restructure the associated approval queue in the Munis system. Unfortunately, it is difficult to immediately update the Munis system approval queue before reviewing and processing any payments due to various constraints (the need for relevant staff to perform other duties, or they are out of the office, etc.).

In addition, the Finance Department's response also addresses resubmitting transactions for "rerouting" to correct any incomplete approvals or using manual approvals. The OIG opposes using manual approvals and endorses the practice of resubmitting transactions through the Munis system in those instances when the departmental approval queue has been affected. Approving payments within a system, as opposed to manual approvals, enhances transparency and provides a clear audit trail, ensures consistent application of policies, minimizes human errors, speeds up the approval process, prevents fraud through built-in controls, and reduces the risk of tampering or data loss, making it a more effective and secure approach overall.

2. *BDO Recommendation #31 - Munis should be modified so as not to allow payments exceeding \$500,000 to be issued without having the invoice entry approval of at least two employees with approval levels between 40 and 55 documented in the system.*

City Response to BDO Recommendation #31 – The necessary workflow analysis and modification in Munis is anticipated to be completed by June 2017. The IT resources required to implement this recommendation are currently supporting the Munis: HR/Payroll project implementation which is scheduled to go-live in May 2017.

Current OIG Testing Results – The OIG Auditor tested all 176 related API transactions exceeding \$500,000 occurring between October 1, 2022, and September 30, 2023. It was observed that the transactions that were categorized as "*Direct Pay (DP) for Debt Services and Payroll Related Items*" were all approved by the Finance Department's Treasury Manager, Assistance Director Finance and/or Chief Financial Officer. The transactions that were considered not to be under the "*Direct Pay (DP)*" category, that either equaled or exceeded \$1 million were found to be approved by the City Manager. Lastly, the transactions under \$1 million were approved by at least two Department Management employees and/or an Assistant City Manager, as the Disbursement Workflow Policy requires. As a result, it was determined that the selected transactions were approved per the Disbursement Workflow Policy and were properly aligned with the Munis approval configuration.

OIG Conclusion - No exceptions were noted as the City was found to be compliant with BDO Recommendation #31 for the examined period.

3. *BDO Recommendation #38 - An employee independent of IT and with no rights to request or make changes to the approval queues should be responsible for reviewing an audit trail with the history of approval queue activity to verify whether changes to the invoice approval queues are authorized.*

City Response to BDO Recommendation #38 - IT has generated a report for Internal Audit to review the audit trail with the history of approval queue activity to verify whether changes to the invoice approval queues are authorized. Internal Audit will create a process to review the audit trails on a semi-annual basis by August 2017.

Current OIG Testing Results – The OIG Auditor requested access to the Role Assignment Changes report from the Information Technology Department to obtain the history of approval activity performed between October 1, 2022, and September 30, 2023, to verify whether the role assignment changes were authorized. Additional information such as role/permission description, employee name, department was added to the report for a better selection criterion. Fifteen Munis users with role assignment changes were then selected from the population for further analysis. This judgmental sample was based on such risk factors as permissions granted that allow employees to add, edit, override, modify, approve, process, or delete transactions.

The OIG Auditor requested the authorizations for the fifteen sampled Role Assignment Changes to determine whether the Munis System Administrator kept records of changes in roles and permissions made in the Munis system. OIG staff did not assess the appropriateness of the role/permission change, but only whether it was authorized, and the supporting documentation maintained.

Copies of the authorization emails were received to support the changes since the Information Technology Department regularly handles change approvals on an email-based workflow. Testing determined that the Munis System Administrator documented the authorization for the fifteen Role Assignment Changes in charge of performing these changes in the Munis system.

OIG Conclusion - No exceptions were noted as the Information Technology Department was compliant with BDO Recommendation #38 for the examined Role Assignment Changes.

4. *BDO Recommendation #55 - The Payroll Processor's rights to create a new employee or change employee information in Eden should be revoked.*

City Response to BDO Recommendation #55 - The City will be converting to Munis in May 2017. The Payroll Processor's rights to create a new employee or change employee information in Munis were removed in May 2017.

Current OIG Testing Results - The OIG Auditor requested a list of Finance Department employees involved in payroll processing and was informed that three Finance Department staff were assigned as payroll processors. The OIG Auditor designed a test in the Munis system, the City enterprise resource planning system, to validate this information and to verify User Attributes related to creating a new employee or changing employee information for these three Finance Department employees.

Testing verified that only these three Finance Department's employees were assigned active roles as Payroll Processors corresponding to role key: F_PR_PAYROLL_PROC. In addition, it was determined that effective permission to create a new employee or change employee information was not granted to any of these Finance Department staff assigned as payroll processors.

OIG Conclusion - No exceptions were noted as the Finance Department is currently compliant with BDO Recommendation #55.

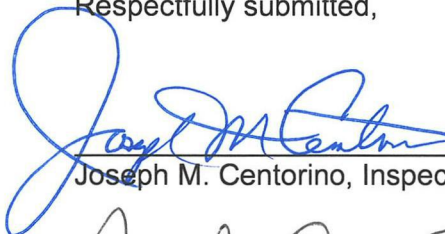
5. *BDO Recommendation #56 - The Payroll Processor should not be permitted to perform the two levels of approval of the payroll process that is required in Eden.*

City Response to BDO Recommendation #56 - The City will be converting to Munis in May 2017: HR/Payroll in May 2017. With the implementation of Munis, the Payroll Processor will not be able to perform two levels of approval.

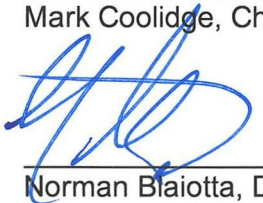
Current OIG Testing Results - The OIG Auditor requested the Finance Department provide a list of all employees assigned as Payroll Processors for the examined period. In response, he was informed that three Finance Department employees were assigned to the Payroll Processors function. A test was then conducted in the Munis system to verify User Attributes for the employees assigned to processing payroll. No role corresponding to the description of Payroll Approval was found in Munis Role Assignments for these employees. In addition, it was verified that the Finance Department personnel with Payroll Approval roles are not granted permissions related to processing payroll.

OIG Conclusion - A proper segregation of duties was observed, and no exceptions were noted as the Finance Department complied with BDO Recommendation #56.

Respectfully submitted,

 01/17/2024
Joseph M. Centorino, Inspector General

 01/17/2024
Mark Coolidge, Chief Auditor

 1/17/24
Norman Blaiotta, Deputy Chief Auditor

cc: Jason Greene, Chief Financial Officer
Frank Quintana, Chief Information Officer

Exhibit A

#	Doc Num	Approval Step Number	Position	Department	Approval Date	Amount	Check/Wire Date	Check/Wire Number
1	386812	38	ADMIN SERVICES MANAGER	TOURISM & CULTURAL DEVELOPMENT	10/12/2022	\$ 298,663.48	10/21/2022	8764
2	396499	38	ADMIN SERVICES MANAGER	TOURISM & CULTURAL DEVELOPMENT	12/5/2022	\$ 339,042.41	12/7/2022	8944
3	401609	38	ADMIN SERVICES MANAGER	ECONOMIC DEVELOPMENT	1/26/2023	\$ 222,148.95	1/30/2023	9156
4	426552	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	7/3/2023	\$ 101,922.56	7/11/2023	490814
5	430708	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	7/24/2023	\$ 147,603.96	7/25/2023	491543
6	435996	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	8/9/2023	\$ 350,520.00	8/10/2023	492393
7	436473	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	8/17/2023	\$ 373,212.00	8/22/2023	492879
8	436696	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	8/15/2023	\$ 112,584.44	8/17/2023	492710
9	436906	38	ASSISTANT DIRECTOR PROPERTY	PUBLIC WORKS PROPERTY MGMT	8/15/2023	\$ 300,000.00	8/17/2023	492714

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