

McGladrey & Pullen

Certified Public Accountants

City of Miami, Florida

Single Audit Reports in Accordance with
OMB Circular A-133 and the Florida Single
Audit Act in Accordance with the *Rules of the
Auditor General* of the State of Florida
Year Ended September 30, 2007

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City of Miami, Florida

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2007**

Federal Grantor/State Agency Pass-through Grantor/ Program Title	CFDA/CSFA		Expenditures	
	Number	Grant/Contract Number	Federal	State
<u>U. S. Department of Agriculture</u>				
Pass-through Florida Department of Education:				
Summer Food Service Program	10.225	04-0899	\$ 384,626	\$ -
Pass-through Florida Department of Health:				
Child Care Food Program	10.558	S-576	49,316	-
Pass-through Florida Department of Health:				
Out of School Time Snack Program	10.558	A-2384	92,924	-
Total Department			526,866	-
<u>U. S. Department of Health & Human Services</u>				
Americorps Volunteers in Service to America (VISTA)	94.013	B9319P1	5,000	-
<u>U. S. Department of Environmental Protection</u>				
Brownsfield Assessment and Cleanup Cooperative Agreement	66.818	BF-96412504-1	152,888	-
Brownsfield Assessment and Cleanup Cooperative Agreement	66.818	BF-96412404-1	105,789	-
Total Department			258,677	-
<u>U.S. Department of Homeland Security</u>				
South Florida Urban Search & Rescue Program	97.025	EMW-2003-CA-0105	352,376	-
FEMA GSA Fleet Maintenance Garage Wind Retrofit	97.017	PDMC-054	564,968	-
FEMA / USAR Grant Award	97.025	EMW-2005-CA-0281	32,482	-
FEMA / USAR Grant Award	97.025	EMW-2006-CA-0218	675,047	-
FEMA / USAR Grant Award	97.025	EMW-2007-CA-0164	216,226	-
Buffer Zone Protection Program Grant	97.078	2006-BZPP-DADE-2-N5-009	80,274	-
Pass-through Florida Department of Financial Services:				
State Homeland Security Grant Program (SHSGP)	N/A	07-DS-5N-13-00-16-217	52,850	-
Pass-through FL Dept. of Community Affairs:				
FEMA Hazard Mitigation – Flagami Area Drainage Improvement				
Construction Phase II	97.039	04HM-MS-11-23-02-010	2,859,115	-
Disaster Relief Funding	97.036	01-RM-L5-11-23-02-029	2,089,767	-
FEMA Hurricane Katrina	97.036	06-KT-B&-11-23-00-524	181,668	-
FEMA Hurricane Wilma	97.036	06-WL-K&-11-23-02-562	3,797,743	-
Urban Area Security Initiative Grant Program II 2004	97.067/97.008	05-DS-2M-AA-23-02-386	618,307	-
Urban Area Security Initiative Grant Program IV 2005	97.067/97.008	06DS-4H-11-23-02-342	6,480,031	-
Domestic Preparedness Grant	97.067	06DS-3W-05-52-16-318	89,550	-
Staffing for Adequate Fire and Emergency Response (Safer) Grant	97.083	EMW-2005-FF-02434	1,056,575	-
Pass-through Miami Dade County:				
Port Security Grant Program	97.056	2005-V0984-FL-GB	382,767	-
Total Department			19,529,746	-

(Continued)

City of Miami, Florida

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2007**

Federal Grantor/State Agency Pass-through Grantor/ Program Title	CFDA/ CSFA		Expenditures	
	Number	Grant/Contract Number	Federal	State
<u>U. S. Department of Housing and Urban Development (HUD)</u>				
Section 8 Housing Assistance Payment – Vouchers	14.871	FL145MR0001/002	\$ 1,700,665	\$ -
Section 8 Housing Assistance Payment – Modern Rehabilitation	14.856	FL145MR0001/002	1,789,897	-
Emergency Shelter Grant (ESG)	14.231	S-06MC120002	502,803	-
HUD Lead Hazard Control Grant	14.900	FLLHB0269-04	242,729	-
Housing Opportunities for Persons with Aids	14.241	F-LH-06-F005	11,127,682	-
Home Investment Partnership	14.239	M-06-MC-120211	5,503,468	-
Community Development Block Grant	14.218	B-06-MC-120013	8,718,489	-
EDI: Economic Development Initiative – Prior to 2006	14.246	B-05-SP-FL-0420	99,200	-
Subtotal Direct Programs			29,684,933	-
Pass-through Miami-Dade County Homeless Trust:				
Super NOFA Supportive Services	14.218	FL14B000003	307,779	-
Human Alliance	N/A	N/A	46,756	-
Subtotal Pass-through Programs			354,535	-
Total Department			30,039,468	-
<u>U. S. Department of Justice</u>				
Bulletproof Vest Partnership Grant II	16.607	9900297	10,525	-
COPS MORE 98	16.710	98-CL-WX-0199	4,742,535	-
US Law Enforcement Trust Fund	16.000		256,252	-
Subtotal Direct Programs			5,009,312	-
Pass-through State of Florida, Office of the Attorney General:				
Victims Of Crime Act (V.O.C.A.)	16.575	FY 2006-2007 VOA II	26,227	-
Paul Coverdell Forensic Science Improvement Grant	16.742	2006-DN-BX-0029	47,231	-
Edward Byrne Memorial Justice Assistance Grant	16.580	2005-DBX0650	491,740	-
Edward Byrne Memorial Justice Assistance Grant II	16.580	2006-DJ-BX-0695	284,401	-
High Intensity Drug Trafficking Area (HIDTA)	N/A	N/A	15,879	-
High Intensity Drug Trafficking Area (HIDTA)	N/A	N/A	3,202	-
School Resource Officer Project	16.580	N/A	14,778	-
Criminal Justice Record Improvement Project	16.579	N/A	22,177	-
			905,635	-
Total Department			5,914,947	-
<u>U.S. Department of Transportation</u>				
Pass-through State of Florida Department of Transportation:				
FDOT – Greenway Flagler	20.205	AOQ04	720,610	-
FDOT – NE 4th Street Improvements	20.205	AOK53	578,769	-
Total Department			1,299,379	-

(Continued)

City of Miami, Florida

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2007**

Federal Grantor/State Agency Pass-through Grantor/ Program Title	CFDA/ CSFA		Expenditures	
	Number	Grant/Contract Number	Federal	State
<u>U.S Corporation for National and Community Service</u>				
Emergency Prevention and Readiness Outreach	94.002	04SVSFL001	\$ 8,558	\$ -
<u>State of Florida, Department of Children and Families</u>				
Outreach to Homeless Detainees	60.015	KF121	-	16,582
<u>State of Florida, Department of Environmental Protection</u>				
NE 71 Street	37.039	LP6755	-	185,969
Belle Meade Storm Sewer Phase II	37.039	LP6703	-	500,000
Total Department			-	685,969
<u>State of Florida, Department of Health</u>				
State of Florida Emergency Medical Services Matching Grant	64.003	M5090-0506	-	116,874
State of Florida Emergency Medical Services Matching Grant	64.003	M5091-0506	-	11,279
State of Florida Emergency Medical Services Matching Grant	64.003	M5092-0506	-	22,204
EMS Matching Grant	64.003	M6136	-	20,025
Subtotal Direct Programs			-	170,382
Pass-through Miami-Dade County:				
Emergency Medical Services County Grant	64.005	C4013	-	51,545
Total Department			-	221,927
<u>State of Florida, Department of Transportation</u>				
Dupont Plaza Project	55.022	AL-285	-	11,360
Miami DUI Checkpoint Pilot Project	20.601	K8-07-06-35	-	13,284
FDOT – Brickell Ave Lighting	55.014	AOC88	-	28,869
FDOT – Biscayne Boulevard	55.014	AOC58	-	384,643
FDOT – Miami Streetcar Projects	55.014	AOA01	-	2,252,480
Total Department			-	2,690,636
<u>State of Florida, Department of Juvenile Justice</u>				
Cops Helping Our Inner City Children Excel	80.029	DP522	-	31,624
<u>State of Florida, Housing Finance Agency</u>				
State Housing Initiative Project (SHIP)	52.901	N/A	-	2,368,556
<u>State of Florida, Department of State</u>				
Virrick Park Branch Library	45.020	07-PLC-10	-	678,161
<u>State of Florida, Department of Community Affairs</u>				
Florida Forever Act – Fern Isle Park Expansion	52.002	06-025-FF6	-	5,988,620
Total Expenditures for Federal Awards and State Financial Assistance			\$ 57,582,641	\$ 12,682,075

N/A – Not Available

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

City of Miami, Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2007

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal award programs and state financial assistance projects of the City of Miami, Florida (the "City") for the year ended September 30, 2007. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Basis of Accounting

The accompany Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments and Non-profit Organizations* and Chapter 10.550, *Rules of the Auditor General*, State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Note 3. Subrecipients

Of the Federal awards and state expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance, the City provided the following federal and state awards to subrecipients:

Name of Program/Project	CFDA/CSFA Number	Amount Provided to Subrecipient
South Florida Urban Search and Rescue Program	97.025	\$ 641,619
Urban Area Security Initiative Grant	97.067	3,964,053
Community Development Block Grant	14.218	3,203,011
Emergency Shelter Grant (ESG)	14.231	502,803
Total Federal		<u>\$ 8,311,486</u>

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's 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**

To the Honorable Mayor and Members of the
City Commission
City of Miami, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with 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. We did not audit the financial statements of the Southeast Overtown Park West Redevelopment Agency, the Omni Redevelopment Agency, the Miami Midtown Community Redevelopment Agency, the Gusman and Olympia Special Revenue Fund, the Virginia Key Beach Park Trust, the Liberty City Community Revitalization District Trusts, the Firefighters' and Police Officers' Retirement Trust and the General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trusts, the Miami Sports and Exhibition Authority, Downtown Development Authority, Bayfront Park, and the Civil Investigative Panel, as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items IC 2007-01 to IC 2007-08, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items IC 2007-01, IC 2007-02, IC 2007-03, IC 2007-05, IC 2007-06, IC 2007-07 and IC 2007-08 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the City in a separate letter dated July 22, 2008.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, management of the City, federal and state awarding agencies, pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
July 22, 2008

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance With Requirements Applicable to Each
Major Federal Program and State Project and on Internal
Control Over Compliance in Accordance With OMB
Circular A-133 and Chapter 10.550, *Rules of the Auditor General*
and on Schedule of Expenditures of Federal Awards and
State Financial Assistance**

To the Honorable Mayor and Members of the
City Commission
City of Miami, Florida

Compliance

We have audited the compliance of the City of Miami, Florida (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as items CF-2007-01 through CF 2007-14.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items IC 2007-06, IC 2007-07, IC 2007-08 and IC2007-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items IC 2007-06, IC 2007-07 and IC 2007-08 to be a material weakness.

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2008. Our report was modified to include a reference to other auditors. Our audit and the audit of other auditors was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, the members of the City Commission, management of the City, federal and state awarding agencies and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
July 22, 2008

The City Miami, Florida

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2007

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No

Identification of major programs:

The programs tested as major were as follows:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnership
14.241	Housing Opportunities for Persons with AIDS
14.871	Section 8 Housing Choice Vouchers Program
14.856	Section 8 Housing Assistance Payment – Modern Rehabilitation
16.710	Community Policing (COPS) More 98
97.067/97.008	Urban Area Security Initiative (UASI) Grant
97.025	FEMA / Urban Search & Rescue (USAR) Grant
97.036	Public Assistance Grants – FEMA
97.039	Hazard Mitigation Grant Program (HMGP)

Dollar threshold used to distinguish between type A and type B programs:	\$ 1,727,479
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

The City Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
 Fiscal Year Ended September 30, 2007

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported

Type of auditor's report issued on compliance for major projects:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*

 X Yes No

Identification of major projects:

The projects tested as major were as follows:

<u>CFSA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
37.039	State of Florida Legislative Appropriation – NE 71st Street Storm Sewer Project
37.039	State of Florida Legislative Appropriation – Belle Meade Storm Sewer Project Phase II
45.020	Virrick Park Branch Library
52.002	Florida Forever Act – Fern Isle Park Expansion
52.901	State Housing Initiative Program ("SHIP")

Dollar threshold used to distinguish between type A and type B projects:

\$ 380,462

The City Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

II – Financial Statements Findings

Number	Description
A. Internal Control	
IC 2007-01	Post Closing and Financial Reporting Process
IC 2007-02	Significant Issues Documentation
IC 2007-03	Oracle Training
IC 2007-04	Recording Accruals and Accounts Payable
IC 2007-05	Bank Reconciliations
IC 2007-06	Grants Management
IC 2007-07	Filing for Grant Reimbursements
IC 2007-08	Capital Asset Management

B. Compliance

None Noted

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

I – Financial Statements Findings

A. Internal Control

IC 2007-01 – Post Closing and Financial Reporting process

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process. The post closing and financial reporting process, including the accurate recording and accounting of transactions is a critical function of the City and should be completed in a timely manner.

Condition: We noted that numerous adjustments were required to be made to the City's trial balance in order to comply with accounting principles generally accepted in the United States ("GAAP"). The adjustments related to routine transactions as well as certain unusual transactions. We also noted that the City does not have a formalized financial reporting process which would include the review and approval of changes/revisions made. Preparation and review of year end financial statements are performed solely by the Finance Director. As a consequence, the preparation of the financial statements is not subjected to an independent review.

For several balance sheet accounts, detailed reconciliations were not maintained on a current basis or were not reconciled to supporting documentation.

The routine adjustments were a result of improper cut-off of accounts payable, untimely reconciliation of subledgers to supporting documentation, improper revenue recognition, lack of control over capital asset transactions and recognition of unusual accounting transactions.

We also noted several instances where management did not have a process in place to adequately evaluate, summarize, and report significant or unusual transactions. For example, the recording of refunded debt, recording loan guarantees, properly calculating year end compensated absence balance, and accounting for the impairment of capital assets.

Context: The finding is considered systemic in nature.

Effect: The lack of adequate closing policies and procedures and proper reviews can result in material misstatements to the financial statements.

Cause: There is a lack of a formal period end closing process in which all departments and functions perform a detailed review of account balances and a thorough review and sign-off by supervisory personnel.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued) Fiscal Year Ended September 30, 2007

Recommendation: We recommend that management adopt and adhere to a policy that will help ensure that all routine as well as significant and unusual transactions are recorded properly in the financial statements.

The City should develop procedures and formal processes to ensure that all account analysis and schedules have been formally reviewed and approved by supervisory finance department personnel. Preparation and review of financial statements should not be performed by same individual.

Views of Responsible Officials and Planned Corrective Action: The Finance Department has been working diligently to correct each of the issues and with the cooperation of other City departments, we expect that the issues can be corrected going forward.

Each condition found by the auditors was a result of extraordinary circumstances which existed throughout fiscal year 2007 and are discussed below:

Fiscal year 2007 was the first year the City closed its books with the new financial management system, Oracle. The City went live with the new system on October 1, 2006, the start of fiscal year 2007. Many of the adjustments were a result of the City not fully understanding how the new system worked at the time. Also, the go-live effort fully utilized all available staff in the Finance Department and significantly delayed all normal closing processes. Additionally, monthly reconciliations were not completed in a timely manner which led to an overall delay in the year end closing process. Many of the formal processes and documentation thereof were foregone due to timing.

During fiscal year 2007, the Finance Department had been experiencing an exorbitant amount of vacancies of many of its senior accounting level staff, including an Assistant Director, two Chief Accountants, five Senior Accountants and several staff members. This extraordinary amount of vacancies resulted in many of the normal operating processes to be missed and/or conducted late. During the preparation of year end, supplemental staff was brought in to assist and the City was able to catch up with all critical reconciliations and schedules for the external audit. Formal working papers were not prepared or maintained in all instances.

Adjustments were primarily a result of the implementation of the new system and not fully understanding the system on how all the transactions work. Coordination with other City departments also needs to be improved. Additionally, due to the go-live at the beginning of the year, the City was unable to keep current with all reconciliations and numerous vacancies within the Finance Department did not allow for thorough review and research of new/unusual accounting transactions.

Numerous vacancies in the Finance Department as well as the extreme effort mandated by the go-live of the new system, did not allow for sufficient research and evaluation of new and unusual accounting policies. Additionally, lack of coordination with various City departments resulted in the Finance department not being made aware of certain transactions.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

The preparation of the financial statements are typically performed by the Assistant Finance Director and are reviewed and finalized by the Director. During all of fiscal year 2007, the City did not have an Assistant Finance Director. An Assistant Director was hired subsequent to year end. The Assistant Director did not possess sufficient knowledge of the City and how the financials are prepared, therefore the financial statements were prepared by the Director with the assistance of the Treasurer and the new Assistant Director. Currently, the Assistant Director position is again vacant; therefore preparation of the fiscal 2008 financial statements will again be prepared by the Director.

The Finance department, with the cooperation of all other City departments is in the process of addressing and correcting each of these situations. The Finance Department will implement new procedures to ensure compliance. However, until the department is fully staffed and full cooperation from all City Departments is achieved, this type of finding will continue to repeat itself.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-02 – Significant Issues Documentation

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and accounting of routine transactions as well as significant and unusual transactions. Also, such policies and procedures at a minimum, require that all such transactions be analyzed, reviewed and reduced to writing.

Condition: We noted that the financial statements required significant corrections, including corrections to the prior periods, in order to comply with GAAP. We also noted that the City does not have a formalized system and/or personnel that are responsible for analyzing significant, non-routine and unusual transactions to help ensure that they are identified, addressed and concluded on, and that they coincide with GAAP. Examples of such transactions noted included:

- Revenue recognition treatment, including deferral of grant recognition;
- Compensated Absence Calculation and the treatment of vesting;
- Impairment of capital assets (Orange Bowl Stadium);
- Union contract compensation liability;
- Parrot Jungle Loan guarantee (recognition issues);
- Component Unit treatment (i.e. assessing if a Component Unit meets the treatment for blending versus discrete presentation); and
- Land purchases (related to easements and Florida Forever Act Grant).

Context: The condition is considered systemic.

Effect: Increase the risk of material misstatement of the financial statements.

Cause: Lack of formalized policies and procedures and/or personnel responsible assigned to perform routine analysis.

Recommendation: The City is involved in and faced with various complex transactions which require a rigorous analysis of the facts and adequate accounting research. We recommend that management develop and implement formal policies and procedures necessary to ensure that all non-routine and significant transactions are properly reported in the financial statements. A “best practice” may include that the City: (1) document the fact pattern related to the transaction; (2) summarize the terms of the transactions; (3) analyze the accounting implications; (4) conduct the adequate research or consult others as considered necessary; (5) document conclusions reached; and (6) implement a formal review of the conclusions.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

View of Responsible Officials and Planned Corrective Action: The Finance Department does have proper procedures in place to ensure the adequate review of amounts recorded on the books and records. However, these procedures were not conducted timely as a result of the go-live of our financial management system, Oracle, on October 1, 2006. All essential Finance Department resources were consumed by the implementation of the new system, and as a result, the necessary procedures and reviews were not conducted thoroughly. Additionally, during fiscal year 2007 (and for most of fiscal year 2008), there were over ten vacancies in the Finance department which caused many functions to be missed or were conducted late. Subsequently most of these vacancies have been filled and will now be tasked with performing research, review and analysis on the City's accounting transactions. Also, the Finance Department will begin to formalize processes and document procedures as they relate to preparation of financial statements and review of complex transactions.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-03 – Oracle Training

Criteria: A comprehensive knowledge of an organization's accounting software system is paramount to effectively maintaining and producing financial data consistent with management's assertions.

Condition: The City implemented a new software program (Oracle) for financial reporting in during fiscal year 2007. The finance department is not fully versed in the application and operation of the Oracle accounting system, and as a consequence they are not able to fully utilize the system at its optimum to properly produce the necessary information, and reports needed that would allow authorized personnel to properly initiate, authorize, record and process financial data in a viable manner.

Context: The condition was noted during the detail testing of the accounting records.

Effect: The lack of knowledge of the system could result in incorrect financial reporting and difficulty producing appropriate support for financial activity.

Cause: Lack of training with the Oracle accounting system.

Recommendation: We recommend that the applicable users of the Oracle program receive ongoing training to help them fully utilize the capabilities of the software.

View of Responsible Officials and Planned Corrective Action: The City understands that the system and its users are in a very immature stage; the system went live only at the start of the fiscal year (October 1, 2006). There are many critical modules that have yet to be implemented such as Capital (Fixed) Assets, Payroll, and Labor Distribution. Additionally, certain other modules were not running and could not be used during fiscal year 2007 such as Cash Management which is used to reconcile the City's bank accounts. Lack of resources dedicated to the project has proven to make the implementation and consistent training efforts difficult.

The City is moving forward with implementing all modules and will continue with the training of all users of the system; however, we expect several years to pass before all modules are implemented and users become fully proficient on all the capabilities of the software.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-04 – Recording of Accruals and Accounts Payable

Criteria: Internal control procedures should be established that enable the proper recognition of liabilities under the accrual or modified accrual basis of accounting. Furthermore, the month end close and reconciliation of subledgers, is a critical control function of the City.

Condition: We noted expenditures that should have been accrued at fiscal year end but were not recorded due to a lack of review by supervisory personnel. Additionally, we noted that accrual adjustments were not timely recorded due to other City departments not submitting the necessary information to the Finance Department.

Context: \$2.5 million of year end accruals.

Effect: The City's liabilities could be materially understated.

Cause: The cause is due to a breakdown in the internal control system and lack of effective oversight, review and untimely submission of information.

Recommendation: We recommend the City establish procedures to ensure the following takes place on a routine basis.

- The City establish procedures to enable outstanding invoices that have not been approved and entered into the system for payment be manually accrued for at year end.
- The accounts payable subledger is reconciled to the general ledger on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: The Finance Department prepares and communicates year end closing policies and procedures to all departments to ensure that invoices are approved and received timely to be properly accrued for at year end. Better coordination with City departments is necessary to ensure all year end invoices are submitted. The Finance Department will continue its efforts to obtain relevant year end financial information on a timelier manner.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-05 – Bank Reconciliations

Criteria: Internal control policies and procedures should exist which requires the monthly reconciliation and supervisory review of all bank accounts in a timely manner.

Condition: We noted the following deficiencies as it relates to bank reconciliations:

- Monthly bank reconciliations for the main depository, workers' compensation, and payroll account for the months of June 2007 through September 2007 were not prepared timely. Actually, there were prepared subsequent to fiscal year end.
- The September 30, 2007 bank reconciliation for the main depository account listed significant items as miscellaneous unreconciled amounts that could not be explained by management.
- The Cigna bank account reconciliation was not adjusted for checks outstanding at year end.
- The monthly bank reconciliations were not reviewed and formally approved by supervisory personnel on a consistent basis.

Context: The finding is considered systemic in nature.

Effect: The lack of adequate internal control procedures requiring the timely reconciliation and supervisory review of bank accounts can result in material misstatements to the financial statements and/or misappropriation of cash.

Cause: The cause is a lack of oversight and review by supervisory personnel.

Recommendation: We recommend that management adopt and adhere to a policy that will ensure that bank account reconciliations be prepared and reviewed by a supervisor on a monthly basis. In addition, all significant reconciling items should be properly investigated, recorded and disposed of in a more timely manner.

Views of Responsible Officials and Planned Corrective Action: The Finance Department has been working diligently to correct each of the issues. Each condition found by the auditors was a result of extraordinary circumstances which existed throughout fiscal year 2007 and are discussed below:

The Finance Department does have policies and procedures to ensure that bank reconciliations for all accounts are prepared and reviewed on a monthly basis; however, these procedures were not conducted timely as a result of the go-live of the new financial management system, Oracle, on October 1, 2006. Staff was consumed by the go-live and as a result, processes were not formally documented. The Finance Department has since formalized the monthly reconciliation process of all accounts and maintains supporting documentation to evidence such work.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

During fiscal year 2007 (also during most of fiscal year 2008) the Cash Management module of the new financial management system, Oracle, had not been operational. Issues during conversion caused the implementation of the module to be delayed; therefore, the City has had to reconcile its bank accounts manually on Excel spreadsheets which resulted in delays and inconsistencies. The unreconciled amounts are due to not fully understanding how the Oracle system records transactions in the subledgers and how they affect the City's cash accounts. The \$110,000 unreconciled balance was a result of timing differences between when deposits were recorded in the Projects and Grants Module of the Oracle System and the application of the cash received in the Accounts Receivable Module. Funds were being directly deposited in the bank before the receipts were identified and recorded in the system, causing reconciling differences. This process has since been corrected and the Cash Management module has been implemented and is being used to reconcile the City's bank accounts.

All bank reconciliations for fiscal year 2007 had been reviewed by the appropriate supervisory personnel; however, formal documentation of such review was not kept as evidence to support it. Going forward, a formal process has been implemented and proper supporting documentation of supervisory review is being maintained for all accounts.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-06 – Grants Management

Criteria: The design of a control structure and related policies and procedures should provide for coordination between the City's Finance Department and specific departments directly administering the grant programs regarding the progress of projects, expenditures incurred, and compliance with grant requirements.

Condition: The City's grant program operates in a decentralized format. We noted instances where there are no formalized communications between the Finance Department and the department responsible for administering the grant, as to the progress of the projects, expenditures incurred during the year, and compliance with grant requirements.

We noted that the initial schedule of expenditures of federal awards and state financial assistance ("SEFA") required numerous adjustments and revisions, including the addition of grant programs that were erroneously excluded.

Some of the adjustments and revisions were as follows:

- Certain expenditures were listed under incorrect Catalog of Federal Domestic Assistance ("CFDA")/Catalog of State Financial Assistance ("CFSA") CFDA(s)/CFSA(s) numbers and certain federal pass-through grant awards were misclassified as state assistance. This was significant in determining whether a program was a Major (Type A) Program for federal or state testing purposes.
- The Section 8 Housing Choice Vouchers Program (CFDA # 14.871) initially had expenditures of \$1,885,071 on the schedule of federal awards provided to auditors and this program met the criteria for Major (Type A) Program and was tested as a Major Program. On the final schedule of federal awards, the expenditure amount was \$1,700,665 and this program did not meet the requirement for testing as Major (Type A) Program.
- The COPS More 98 (CFDA # 16.710) expenditures increased from \$1,973,478 on the initial schedule to \$4,742,535 on the final schedule due to adjustments.
- The City entered into a grant agreement with the Department of Community Affairs (DCA) to purchase a property in connection with the expansion of Fern Isle Park. The City did not record the portion (\$5,998,620) of the contribution/grant from DCA nor initially include the grant (CSFA # 52.002) on the schedule of federal and state awards/projects.
- There were several adjustments to the SEFA for accruals that amounted to \$2,689,293 in additional expenditures which the Finance Department had not accrued prior to providing the schedule to the auditors. The final SEFA had expenditures of \$57,582,641 and \$12,682,075, respectively, an increase in federal expenditures of \$5,674,030 and state expenditures of \$6,419,562 when compared to the initial SEFA provided to auditors.

Effect: Lack of effective and regular coordination between the City's departments involved in grant programs may result in noncompliance with grant requirements, disallowance of program expenditures, and potential untimely recognition in the accounting records of financial transactions related to the program.

Context: The finding is considered systemic in nature.

Cause: The cause is lack of communication between the departments directly administering the grants and the Finance Department in communicating the financial and programmatic aspects of grant programs.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

Recommendation: We recommend that the design of the control structure and existing policies and procedures be reviewed as they relate to the coordination between, the City's Finance Department and specific departments directly administering grant programs to ensure that grants and fiscal requirements are complied with.

The design of the internal control structure should require reconciliation and review of the schedule of federal and state awards/projects and the accounting general ledger. As soon as a request for reimbursement is made, the information should be remitted to the finance department to enable proper recording in the accounting records. A comprehensive review should be performed of the schedule of federal and state awards/projects to provide a reasonable assurance that all expenditure amounts, CFDA/CFSA numbers and grant/contract numbers are correct.

Views of Responsible Officials and Planned Corrective Action: The Finance Department is charged with reporting grant transactions of the City, however, the grant programs and grant managers are decentralized throughout the City departments. Coordination between the many different departments and programs has proven difficult as there is no direct reporting to the Finance Department.

The Finance Department does have policies and procedures whereby grant information is requested monthly from the individual departments, however, complete cooperation and coordination has not been achieved. The Finance Department is in the process of filling vacancies and obtaining additional positions to assign departmental grant liaisons to help ensure timely submission of financial information.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

IC 2007-07 – Filing for Grant Reimbursements

Criteria: The City's internal control system should be designed to ensure that claims for reimbursements be filed in a timely manner, soon after the incurrence and payment of qualified related expenditures.

Condition: In fiscal year 2006, the City recorded a receivable of \$16.5 million for reimbursable hurricane-related expenditures. As of April 2008, \$9.5 million had not been collected/reimbursed from the grantor and \$7.3 million of the \$9.5 million of expenditures had not been properly submitted to the grantor for reimbursement (over 24 months since the expenditures were incurred). The initial submission was rejected due to filing with the wrong grantor agency and the correction has yet to be submitted to the grantor.

Excluding the FEMA \$7.3 million discussed above, the City had approximately \$19 million of other grant receivables that had not been collected within 60 days of September 30, 2007. Reasons for the delay in the receipt of this grant funding appears to result from: (1) individual departments not filing/submitted requests in a timely manner to the grantor agencies and/or (2) the departments not drawing down authorized funding from the grantor in a timely manner.

Context: Condition was noted during the testing of grants receivable.

Effect: The delay in requesting for reimbursements can have an adverse effect on the cash flow of the City's operations or affect the collectibility of the amount due.

Cause: Individual departments administering grants did not compile and file the proper documentation needed to receive such reimbursements or the City did not draw down authorized funding from grantor in a timely manner after the incurrence and payment of a qualified related expenditure.

Recommendation: We recommend that the City establish a control system to ensure that amounts expended are timely submitted for reimbursement, and all required forms are compiled and prepared in the format prescribed by the grantor.

Views of Responsible Officials and Planned Corrective Action: The Finance Department is charged with reporting grant transactions of the City, however, the grant programs and grant managers are decentralized throughout the City departments and it is their responsibility to submit reimbursement requests. The Finance Department does not have the personnel or the authority over the individual departments to ensure compliance. The Finance Department monitors the individual grants, however coordination between the many different departments and programs has proven difficult as there is no direct reporting to the Finance Department.

The Finance Department does have policies and procedures in place whereby grant information is requested monthly from the individual departments, however, complete cooperation and coordination has not been achieved. The Finance Department is in the process of filling vacancies and obtaining additional positions to assign departmental grant liaisons to help ensure timely submission of financial information.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued) **Fiscal Year Ended September 30, 2007**

The Fire-Rescue Department will continue to make a diligent effort to submit reimbursements in a timely manner. However, FEMA Disaster Relief Funding Agreement reimbursement requests may not be filed for long-term projects until the project is 100% completed and the final inspection is performed by the State. Part of the delay is also due to the agreed estimated cost share submission of allowable State road debris clearance expenditures under the Federal Highway Administration (FHWA)/ FDOT, if applicable, prior to submitting to FEMA for final reimbursement. The various City departments responsible for filing the project reimbursements should submit Invoice Requests to the Finance Department's Projects and Grants (PnG) Division on a timely basis to ensure that the receivables are properly recorded, and that monthly reconciliations are performed between accounting records and amounts reported to grantors. Currently, key Fire personnel meet at least twice a month with PnG staff.

The \$7.3 million in question was submitted to FEMA under accepted Public Assistance regulations. Because the road work in question was within the jurisdictional boundaries of FHWA and because FHWA has instituted a relatively new procedure to process FHWA claims directly through their agency rather than through FEMA as has been the practice in years past, the projects totaling \$7.3 million were returned by FEMA for submission through the FHWA process. This added time to the processing of the claims. The documentation for both Hurricane Katrina and Hurricane Wilma have recently been submitted. It is expected that FHWA will close out the claim by September 30, 2008 and that payment to the City should occur within 45 to 60 days.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

IC 2007-08 – Capital Asset Management

Criteria: Organizations are required to adopt adequate internal controls to properly record, summarize, and report accounting transactions to provide reasonable assurance that the financial statements are not materially misstated.

Condition: We noted the City's capital asset detail schedule did not reconcile to the general ledger control account. As a consequence, numerous material adjustments were required to properly state the year-end balance. We also noted the following deficiencies relating to capital assets:

- Management could not provide a detailed listing of capital assets.
- Capital assets are tracked by an Excel spreadsheet, rather than a formalized software program.
- Assets are not being assigned asset identification numbers (IDs) or detailed description for proper record keeping.
- Assets grouped in categories (Construction in Progress ("CIP"), buildings, etc.) which are not consistent with the nature of the assets (i.e. trucks are improperly recorded as CIP).
- There are no controls in place to ensure that items being deleted are removed from detail assets schedules.
- Completed construction projects are not transferred to proper asset categories in a timely manner. We noted in excess of \$29 million in projects still listed in CIP that had been completed but not transferred.
- Depreciation expense is not being calculated properly on an annual basis.
- Reconciliation of the capital outlay to the capital assets is only done at year end. Controls do not exist to ensure that the capital asset addition listing agrees to the General Ledger (capital outlay accounts).
- When the City sells assets at auctions, the sales list are not being forwarded in a timely basis to Finance for them to make the necessary adjustments to asset schedules for disposals, resulting in audit adjustments to properly state year end balances.
- Capital asset inventory was performed two (2) years ago. The City's policy is to perform annual departmental inventory counts, however this not being performed as required.
- Capital asset acquisition reports are not reviewed by someone independent of the purchasing function.
- Equipment purchased with grant funds are not being tagged.

While the City had policies and procedures in place to account for capital assets, internal controls did not function effectively to prevent the material errors that occurred. This issue was compounded through the use of manual spreadsheets as opposed to the utilization of the City's automated accounting software system.

Context: The finding is considered systemic in nature.

Effect: Capital assets represents a significant account balance for the City and improper accounting could result in a material financial statement misstatement.

Cause: The cause is the lack of oversight and procedures between departments/functions to provide reasonable assurance that capital assets are properly reported.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued) Fiscal Year Ended September 30, 2007

Recommendation: We recommend the City implement internal controls to their current system to provide reasonable assurance that the following occurs on a routine basis:

- Assign asset identification numbers and detailed description for all capital assets acquired.
- Reconcile the detailed listing of capital assets to the general ledger.
- Reconcile capital outlay (governmental funds) to capital asset additions.
- Review and sign-off of the reconciliations by a supervisor which should include verifying the City's records agree to the general ledger.
- Reclassification of transactions not meeting the capitalization threshold.
- Review transfers between fund types to ensure the accounting is proper.
- Review disposals and separately track assets sold and assets written off.
- Implementation of procedures to receive notification of completed CIP projects to enable the close-out of the project is proper and timely.
- Capital asset inventory is performed periodically.
- Assets are classified in proper categories i.e. land, buildings, equipment, etc.
- Depreciation expense and accumulated depreciation balances are properly calculated and recorded.
- Properly tag and track all assets acquired with grant funds.

In addition to the items noted above, we recommend the City take the necessary steps to accurately transfer/convert the manual capital asset spreadsheets into the database software in order to manage the recordkeeping of capital assets.

Views of Responsible Officials and Planned Corrective Action: The conditions found were due to extraordinary circumstances in the Finance Department during the year and are discussed below.

During fiscal year 2007 (also during fiscal year 2008) the Fixed (Capital) Asset module of the new financial management system, Oracle, has not been operational. Issues during conversion have caused the implementation of the module to be delayed, therefore, the City has had to track its fixed assets manually on Excel spreadsheets which results in manual errors and inconsistencies.

During fiscal year 2007 (and also for most of 2008) four of the five positions charged with monitoring City fixed assets were vacant. This resulted in normal processes, such as timely tagging of assets, recording deletions, reconciling additions, transfers from grouped categories, cycle inventory counts, and calculation of depreciation expense and maintenance of accumulated depreciation to be incomplete.

The City acknowledges certain limitations as a result of the current financial system utilized to track capital assets and due to the various vacancies. The Finance Department is moving forward with implementing the fixed asset module of Oracle which is expected to go-live on October 1, 2008 (the start of fiscal year 2009). The module has the necessary system controls in place to ensure the proper recording of assets, transfers, deletions, etc. Additionally, the Finance Department is in the process of filling the existing vacancies to ensure sufficient personnel to perform the daily functions of maintaining the City's assets.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

B. Compliance

None noted.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

III –Federal Awards and State Financial Assistance Findings and Questioned Costs

A. Internal Control over Compliance

IC 2007-06 – Grants Management

See Part II – Financial Statement Findings reported as item IC 2007-06.

IC 2007-07 – Filing for Grant Reimbursements

See Part II – Financial Statement Findings reported as item IC 2007-07.

IC 2007-08 – Capital Asset Management

See Part II – Financial Statement Findings reported as item IC 2007-08.

IC 2007-09 – Payroll Certification

**U.S. Department of Housing and Urban Development:
HOME Investment Partnership Program (CFDA #14.239)
Grant Number M-02-MC-120211**

**U.S. Department of Homeland Security
Urban Search and Rescue (CFDA #97.025)
Grant Number EMW-2003-CA-0105**

**U.S. Department of Homeland Security
Urban Area Security Initiative Grant Program II 2004 (CFDA #97.067)
Grant Number 05-05-2M-AA-23-02-386**

Criteria: OMB Circular A–87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Condition: Certifications were not prepared for employees who worked solely on a program.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

Effect: Unallowable costs may have been charged to the program.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

Cause: The City does not have a formalized internal control process to ensure compliance with OMB Circular A-87, which requires proper certification by employees who work solely on a program.

Recommendation: The City should implement procedures whereby semi-annual payroll certifications are signed by employees who work solely on one federal program.

Views of Responsible Officials and Planned Corrective Action:

CFDA # 14.239

There were no employees who were charged solely to the HOME Program for fiscal year 2007. However, the City does prepare bi-weekly payroll certifications for all employees which are reviewed and approved by department director. Going forward, the City will prepare semi-annual "Employee Effort Certifications" forms for all grant program employees.

CFDA # 97.025/ 97.067

Effective October 1, 2008, the Fire-Rescue Department will implement semi-annual "Employee Effort Certification Forms" for all Federal Grant Programs employees, as required by OMB Circular A-87.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
 Fiscal Year Ended September 30, 2007

III –Federal Awards and State Financial Assistance Findings and Questioned Costs

B. Compliance Findings

Finding Number	Description	CFDA/CFSA No.
<u>Federal</u>		
CF-2007-01	Activities Allowed or Unallowed and Allowable Cost/Cost Principles	14.239
CF-2007-02	Davis Bacon Act	14.239
CF-2007-03	Program Income	14.239
CF-2007-04	Activities Allowed or Unallowed and Allowable Cost/Cost Principles	14.241/14.239/97.025/97.067
CF-2007-05	Activities Allowed or Unallowed and Allowable Cost/Cost Principles	14.241
CF-2007-06	Level of Effort	14.241
CF-2007-07	Eligibility	14.871
CF-2007-08	Eligibility	14.871
CF-2007-09	Period of Availability	97.036
CF-2007-10	Equipment and Real Property Management	97.025/97.067
CF-2007-11	Period of Availability	97.025
<u>State</u>		
CF-2007-12	Reporting	37.039
CF-2007-13	Activities Allowed or Unallowed and Allowable Cost/Cost Principles	52.901
CF-2007-14	Reporting	37.039

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

B. Compliance Findings

CF 2007-01 – Activities Allowed or Unallowed and Allowable Cost/Cost Principles

**U.S. Department of Housing and Urban Development:
HOME Investment Partnership Program (CFDA #14.239)
Grant Number M-02-MC-120211**

Criteria: OMB A-87 defines direct costs are those costs that can be identified specifically with a particular activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Those costs should be recorded in a timely manner and charged to the correct program and may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.

Condition: We noted instances of costs representing over payments, amounts paid prior to the completion of projects and payments for activities that were not allowed under the grant agreement.

Questioned Costs: \$24,751

Context: Of the 23 expenditure transactions selected for testing, we obtained the corresponding disbursement/payment packages and noted two disbursement/payment packages to have exceptions.

Effect: Expenditures/payments may result in an unallowable activity or cost and may cause the City to reimburse the grantor.

Cause: The City's review process failed to detect and prevent over payments and expenditures of unallowable activity.

Recommendation: We recommend that the City reinforces its supervisor review of all expenditures for allowability prior to submitting costs for reimbursement and ensure the costs are allocated to the proper grant program.

Views of Responsible Officials and Planned Corrective Action: Current procedures require the Contract Manager or the Assistant Director in the Contract or Housing Section, as appropriate, approve the budget before entering into a contract. Each payment request is reviewed against the "contract budget" by a Fiscal Analyst, reviewed and signed by a Contract Manager or an Assistant Director in the appropriate area. Documentation is provided to the Finance department to approve or reject the payment request, with updates in the financial management system (Oracle) to be approved by the Department Director or his delegate. Check payment is finally issued by the Finance Department.

No payments can be made unless electronic approval is provided by the Assistant Director or Department Director or his designee.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-02 – Davis Bacon Act

**U.S. Department of Housing and Urban Development:
HOME Investment Partnership Program (CFDA #14.239)
Grant Number M-02-MC-120211**

Criteria: 24 CFR Part 92, Subpart H, requires that contracts for the construction (new construction or rehabilitation) of housing that includes 12 or more units assisted with HOME funds must contain a provision requiring payment of not less than the prevailing wage in the locality to all laborers and mechanics employed in the development of any part of the housing. Further, the wage provisions must be contained in the contract so as to cover all laborers and mechanics employed in the development of the entire project including portions other than the units funded with HOME funds.

29 CFR Part 3, states that Contractors and Subcontractors on Public Building or Public Work Financed, in Whole or in Part, by loans or grants from the United States Department of Housing and Urban Development, requires that contractors and subcontractors submit a weekly statement with respect to payment of wages. Those submissions are required to be examined by management.

Management should indicate its review and approval of all payrolls by way of signature and maintain the records for three years after the completion of the construction project.

Conditions:

While examining certified payrolls, we noted:

- a. The wage rate determination for a project was not provided;
- b. No documented evidence of review by management to verify compliance of subcontractors for the prevailing wage rates and fringe benefits was documented;
- c. Missing payrolls for the December 2006 and the August 2007 periods where cost reimbursements were made and payrolls were not signed nor included the work classification; and
- d. One contractor submitted certified payrolls for the period January 2006 to May 2007 on September 20, 2007. These certified payrolls should be submitted weekly.

Questioned Costs: Undetermined.

Context: Out of seven (7) subcontractors selected for testing, all had exceptions.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

Effect: Unavailability of the wage rate determination and untimely submission of certified payrolls may result in instances of noncompliance with the award.

Recommendation: To ensure that the full amount of wages and bona fide fringe benefits due are paid at rates not less than those contained in the wage determination by the U.S. Secretary of Labor, the City should implement procedures whereby the prevailing wage clause is incorporated into all grant related construction contracts. In addition, personnel responsible for review of certified payrolls should document such review in all instances. The review should be evidenced by signature on the payroll indicating compliance with the wage rate determination for the contract.

Views of Responsible Officials and Planned Corrective Action: During construction, contractors submit payrolls for review by the Assistant Director's designee and if non-compliance is determined, contractor restitution is ordered by the City. Evidence of Management review of weekly payrolls is documented on each payment reimbursement or construction draw payment is approved. The Assistant Director's designated staff member is required to sign each payment requested by a contractor indicating that all Davis Bacon requirements have been reviewed and compliance has been met.

The Auditor has indicated that four (4) payrolls of approximately 350 instances or 1% were not available for review. The City can and will obtain any delinquent payrolls or request a resubmission from the appropriate contractor to conduct missing certifications identified.

Labor Regulations, 29 CFR Part 3.4 requires contractors and subcontractors to preserve payroll records for a period of three years from the completion of the contract. The City requested Contractors to resubmit payrolls identified by the Auditors. In the instance cited, the batch of payrolls received was reviewed at the time that the payment reimbursement was requested.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-03 – Program Income

**U.S. Department of Housing and Urban Development:
HOME Investment Partnership Program (CFDA #14.239)
Grant Number M-02-MC-120211**

Criteria: 24 CFR Part 92, Subpart K, Program Administration, requires that program income from the grant be used in accordance with the requirements of the HOME program. The United States Department of Housing and Urban Development (“HUD”) requires that program income be expended prior to requesting additional HOME funds.

Condition: We noted that program income earned was not recorded in the IDIS system and therefore not reported to HUD or reprogrammed to fund allowable activities.

Questioned Costs: Not applicable.

Context: The finding is considered systemic in nature.

Effect: Not reporting program income could result in amounts earned and not being expended on eligible activities.

Recommendation: To prevent continuing instances of noncompliance, the City should report the amount of program income earned during fiscal year 2007 to HUD.

Views of Responsible Officials and Planned Corrective Action: The City has subsequently reported all program income to HUD via the IDIS system. Going forward, the City will ensure adherence to this regulation by reviewing on a monthly basis program income from all funding sources and recognizing such revenue in IDIS.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-04 – Activities Allowed or Unallowed and Allowable Cost/Cost Principles

**U.S. Department of Housing and Urban Development:
Housing Opportunities for Persons with AIDS (CFDA #14.241)
Grant Number FL-H0-6-F0-05**

**U.S. Department of Housing and Urban Development:
HOME Investment Partnership Program (CFDA #14.239)
Grant Number M-02-MC-120211**

**U.S. Department of Homeland Security
Urban Search and Rescue (CFDA #97.025)
Grant Number EMW-2003-CA-0105**

**U.S. Department of Homeland Security
Urban Area Security Initiative Grant Program II 2004 (CFDA #97.067)
Grant Number 05-DS-2M-AA-23-02-386**

Criteria: OMB Circular A-87 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Condition: We noted that certifications were not prepared and properly executed by employees who worked solely on the program.

Questioned Costs: \$52,731 (CFDA #14.241); undeterminable (CFDA #14.239, 97.025, 97.067).

Context: This finding is considered systemic in nature.

Effect: Unallowable costs may have been charged to the program.

Cause: The City does not have a formalized process to ensure compliance with OMB Circular A-87 which requires proper certification by employees who work solely on a program.

Recommendation: The City should implement procedures whereby semi-annual payroll certifications are signed by employees who work solely on a specific federal program.

Views of Responsible Officials and Planned Corrective Action: In addition to the biweekly certification prepared for all employees which is signed by the Departmental Director, the City will begin to prepare a semi-annual report for those employees working solely on one Federal program.

Effective October 1, 2008, the Fire-Rescue Department will implement semi-annual "Employee Effort Certification Forms" for all Federal Grant Programs employees, as required by OMB Circular A-87.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-05 – Activities Allowed or Unallowed and Allowable Cost/Cost Principles

**U.S. Department of Housing and Urban Development:
Housing Opportunities for Persons with AIDS (HOPWA) (CFDA #14.241)
Grant Number FL-H0-6-F0-05**

Criteria: OMB Circular A-87 requires that direct costs are those costs that can be identified specifically with a particular activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. These costs should be recorded in a timely manner and allocated to the correct program in order to capture all direct costs associated with a particular program.

Condition: We noted instances where unallowable costs were charged to the program. In one instance, we noted the acquisition of equipment and real property, specifically the construction and refurbishing of office facilities. In another instance, we noted the acquisition of uniforms for personnel who did not work solely on the program.

Questioned Costs: \$7,680.

Context: Two of the 23 items selected for testing had exceptions.

Effect: The City requested reimbursement for unallowable costs.

Cause: The City misinterpreted the allowability of administrative costs.

Recommendation: The City should establish procedures whereby monthly expenditures charged to the program are reviewed by a supervisor to determine if amounts are allowable per the grant agreement.

Views of Responsible Officials and Planned Corrective Action: The department believed that the expansion of the Community Development Conference room facility to accommodate the monthly HOPWA and other related staff meetings and the purchase of uniforms for Housing Quality Monitoring personnel of the Department were legitimate expenses properly chargeable to Community Development and directly allocable to each of the Applicable grants. However, in the future, the Department will ensure prior approval from HUD when such expenses, which are not categorically stated in the regulations, are anticipated.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-06 – Level of Effort

**U.S. Department of Housing and Urban Development:
Housing Opportunities for Persons with AIDS (CFDA #14.241)
Grant Number FL-H0-6-F0-05**

Criteria: 24 CFR section 574.300(b)(10)(i)-(ii) states that each grantee may not charge more than 3% of the grant amount as administrative costs.

Condition: We noted that the City charged amounts in excess of the 3% limit for administrative costs to the grant program during the 2007 fiscal year.

Questioned Costs: \$161,969.

Context: Amount represents the total amount charged in excess of the 3% limitation.

Effect: Failure to appropriately calculate earmarking amounts may result in reimbursement in excess of allowable amounts.

Cause: The City failed to comply with administrative costs limits.

Recommendation: To prevent instances of noncompliance with earmarking thresholds, we recommend that the City comply with the required administrative cost limit pursuant to federal guidelines.

Views of Responsible Officials and Planned Corrective Action: The City believes that HOPWA regulations, as well as the AIDS Housing Opportunity Act (42 U.S.C. 12902), allows funds to be used for program delivery based on the services it provides. However, based on the auditor's interpretation of the regulations, the City will stop charging direct costs to program delivery and will request a formal opinion from U.S. Department of HUD regarding the City's ability to charge up to 7% of program delivery costs based on the services that the City provides.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-07 – Eligibility

**U.S. Department of Housing and Urban Development:
Section 8 Housing Choice Vouchers (CFDA #14.871)**

Criteria: 24 CFR 982.202 states that the City must have written policies in its Housing Choice Vouchers Program for selecting applicants from a waiting list and the City's documentation must indicate that it followed these policies when selecting applicants for admission.

Condition: We noted that prior to May 2007, a waiting list was not used by the City when admitting applicants to the program.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

Effect: Failure to adhere to the waiting list provision could result in a violation of grant agreement.

Cause: The City failed to adopt a policy of maintaining a waiting list of applicants.

Recommendation: The City should implement procedures whereby all participants admitted to the program are selected from an established waiting list.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the auditor. The procedures recommended by the auditor have been implemented starting May of 2007.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-08 – Eligibility

**U.S. Department of Housing and Urban Development:
Section 8 Housing Choice Vouchers (CFDA #14.871)**

Criteria: 24 CFR Section 982.516 states that family income and composition should be reexamined at least once every 12 months to adjust the tenant's rent and housing assistance payment as necessary using documentation from third party verification. Lease agreements should be renewed annually. The City has an internal policy that the lease agreement renews annually if a new lease is not executed.

Condition: We noted that the City made annual rental payments related to a lease agreement that was not fully executed by the landlord and tenant. There was no evidence that the City timely performed its annual reexamination of the tenants income and composition and verification to third party documentation (Public Housing Agency Eligibility).

Questioned Costs: \$14,832

Context: Of the six participants selected for testing, there was one item that had an exception.

Effect: Participants may no longer be eligible under the program and the City may have requested reimbursement for unallowable costs.

Cause: Clerical oversight.

Recommendation: The City should implement procedures whereby lease agreements are properly executed and signed by all parties prior to filing a request for reimbursement from the grantor agency and family income and composition is verified at least annually.

Views of Responsible Officials and Planned Corrective Action: The City did perform the annual reexamination of the tenant in question, however, it was not conducted within the 12 month period; it was completed three weeks late. Going forward, the City will be sure to perform the reexamination within the required period.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-09 – Period of Availability

U.S. Department of Homeland Security:
Pass-through-State of Florida Department of Community Affairs
Public Assistance Grants CFDA #97.036

Criteria: A-102 common rule states that, non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency. Non-federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

Condition: We noted that costs submitted to the grantor agency for reimbursement were incurred outside the initial period of availability allowed under the grant agreement and prior to the request of a period of availability time extension.

Questioned Costs: Not applicable.

Context: Of the 23 items selected for testing, there were three items that had exceptions.

Effect: Noncompliance with the allowed costs requirements set forth by the grantor may subject the City to grantor-imposed sanctions or loss of future funding or repayment of funds received.

Cause: The program administrator charged costs incurred outside of the period of availability to the grant program.

Recommendation: Policies and procedures should be implemented to review all expenditure documentation for compliance prior to charging costs to a grant program and submitting amounts for reimbursement to help ensure that allowable costs are incurred within the period of availability. In addition, monitoring controls should be adopted to allow for the filing of necessary time extensions with the grantor in a more expedient manner.

Views of Responsible Officials and Planned Corrective Action: The City concurs with recommendation of the auditors and will work towards implementing those procedures.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-10 – Equipment and Real Property Management

**U.S. Department of Homeland Security
Urban Search and Rescue (CFDA #97.025)
Grant Number EMW-2003-CA-0105**

**U.S. Department of Homeland Security
Urban Area Initiative Grant Program II 2004 (CF #97.067)**

Criteria: In accordance with the Readiness Cooperative Agreement, 44 CFR Part 13 and A-102 Common Rule, an appropriate system must be in place to manage and safeguard equipment acquired with federal funds. Equipment records shall be maintained and a physical inventory of equipment shall be taken at least once every two years and reconciled to the records. In addition, property records must include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and ultimate disposition data including the date of disposal and sale price of the property.

Condition: We noted that the City does not have an inventory listing representing all equipment acquired with federal funds. In addition, management has not performed a physical inventory within the past two years.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

Effect: Failure to properly identify all equipment acquired with federal funds may result in management not being able to accurately track them. This could result in improper disposition and misappropriation of an item acquired with federal funds.

Cause: Management has not maintained an inventory listing of capital assets acquired with federal funds nor performed a physical inventory within the past two years.

Recommendation: We recommend that the City review its procedures to account for all equipment acquired with federal funds and ensure that all items are properly listed in a manner consistent with the requirements of the Cooperative Agreement, 44 CFR Part 13 and A-102 Common Rule. In addition, policies should ensure that a physical inventory is taken and reconciled to the control listing.

Views of Responsible Officials and Planned Corrective Action: The Fire-Rescue Department is reviewing its current procedures on equipment tracking, to ensure that the OMB federal guidelines are met in addition to the sponsoring agency. The UASI Grant Program has contracted the services of an accounting firm to assist with implementing inventory processes and procedures, and identify best practices in equipment management. The State of Florida Division of Emergency Management has also provided a system to all the Florida UASI's in an effort to maintain an accurate list for the entire State.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-11 – Period of Availability

**U.S. Department of Homeland Security
Urban Search and Rescue (CFDA #97.025)
Grant Number EMW-2003-CA-0105**

Criteria: OMB Circular A-102 and OMB A-110 specify that the City may charge to the award only costs resulting from obligations incurred during the funding period.

Condition: We noted an expenditure related to vehicles was incurred in January 2007 and subsequently paid in August 2007, which was outside of the October 31, 2006 period of availability for the receiving award. The City obtained an extension of the period of availability from the grantor after the condition was identified during the audit.

Questioned Costs: \$74,470.

Context: We selected 23 items for testing and noted one exception.

Effect: The City requested and received reimbursement for an unallowable cost as a result of not complying with the period of availability criteria.

Cause: The City inadvertently charged costs incurred outside the period of availability to the grant program.

Recommendation: The City should ensure that there is a review of all expenditure documentation for compliance with the period of availability criteria prior to charging costs to a grant program and submitting amounts for reimbursement. Unless the federal agency granted an exemption, the City should immediately return the amounts reimbursed by the granting agency that were determined to be outside the period of availability.

Views of Responsible Officials and Planned Corrective Action: The Fire-Rescue Department provided documentation to auditors from the sponsoring agency which stated the purchase was eligible, and extended the period of performance to August 31, 2007.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

CF 2007-12 – Reporting

**State of Florida Department of Environmental Protection: (CFSA #37.039)
Grant Number: LP6755 & LP6703**

Criteria: Pursuant to paragraph 5 of the state grant agreement, progress reports shall be submitted to the State of Florida Department of Environmental Protection describing the work performed, problems encountered, problem resolution, schedule updates, and a comparison of the project budget to actual costs to date.

Condition: We noted that the actual project costs reported to the grantor agency was less than actual costs incurred by the City. We also noted that the September 30, 2007 fiscal year budgeted amounts reported on the progress report did not agree to the budgeted amounts approved by the City for the project.

Questioned Costs: Not applicable.

Context: The finding is considered systemic in nature.

Effect: Failure to submit accurate progress reports could result in noncompliance with established grant requirements.

Cause: An internal reporting tool was utilized in preparing the progress reports; however, a discrepancy resulted and was not identified and addressed prior to submitting the report to the grantor.

Recommendation: We recommend the City submit revised progress reports which provide accurate budget to actual information for the project.

Views of Responsible Officials and Planned Corrective Action: The City's financial system, Oracle, is now being utilized to report actual costs. The discrepancies noted are being rectified in the most recent progress report being prepared for submittal for the quarter ending June 2008. The report submitted for the quarter ending March 2008 also contained corrections to prior figures. Budgeted amounts for projects are subject to increase as additional funding sources are identified and allocated to specific projects. Grant funding has not been withheld by the DEP.

The City of Miami, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007**

State Financial Assistance

CF 2007-13 – Activities Allowed or Unallowed and Allowable Cost/Cost Principles

**State Housing Initiatives Program (“SHIP”): CFSA # 52.901
Grant Number: LP6755 & LP6703**

Criteria: Pursuant to the Florida Single Audit Act relating to allowable costs, direct costs are those costs that can be identified specifically with a particular activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. These costs should be recorded in a timely manner and allocated to the correct program in order to capture all direct costs associated with a particular program.

Condition: Expenditures were improperly charged to SHIP for costs related to another grant program. The costs incurred were by a developer who had no contract with the City for the specific SHIP project.

Questioned Costs: \$7,467.

Context: Of the 23 items selected for testing, one item had an exception.

Effect: The City may have requested and received reimbursement for unallowable costs.

Cause: The lack of review by supervisory personnel.

Recommendation: The City should amend contracts with developers or other third parties that properly describe the funding source and relevant compliance requirements.

Views of Responsible Officials and Planned Corrective Action: The City will expedite preparation of amendments with developers or other third parties to avoid instances of inconsistencies in contractual records.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

CF 2007-14 – Reporting

State of Florida Department of Environmental Protection: (CFSA #37.039)
Grant Number: LP6755 & LP6703

Criteria: Pursuant to the Florida Single Audit Act relating to reporting and the grant agreement, progress reports shall be submitted to the State of Florida Department of Environmental no later than twenty (20) days following the completion of the quarterly reporting period. Progress reports are due 20 days following each quarter ending March 31, June 30, September 30, and December 31.

Condition: The progress report for the quarter ending June 30, 2007 was submitted on July 27, 2007, to the grantor after the due date of July 20, 2007.

Questioned Costs: N/A.

Context: The finding is considered isolated in nature.

Effect: Failure to submit progress reports in a timely manner could result in noncompliance with grant requirements.

Cause: The City does not have a formalized process to ensure that all required reporting is complied with.

Recommendation: We recommend the City submit its required progress reports by the required due dates.

Views of Responsible Officials and Planned Corrective Action: A system of controls will be implemented within the Capital Improvements Program Department to identify all grants and their reporting requirements in order to ensure that future reports are, submitted on time. Further, timely grant reporting is measured and reported as a specific goal under the departments Balanced Scorecard.

City of Miami, Florida

**Schedule of Prior Year Findings and Questioned Costs
Fiscal Year Ended September 30, 2007**

Finding #	Finding Title	Status	Explanation
Findings related to financial statements:			
06-01	Internal Control over Financial Reporting		
	Condition 1 Liabilities initially recorded by the City were not valid. City Finance Department personnel were not aware of these discrepancies until notified by the auditors.	Corrected	The City implemented a new accounting software (Oracle) which prevents duplicate payments on the same item through an electronic validation process.
	Condition 2 An excessive amount (131) of journal entries, many of which were significant, were required to be proposed by the auditors to ensure that the financial statements of the City were not materially misstated. Additionally, numerous entries were to correct bookkeeping errors and other adjustments that should have been made by the Finance Department prior to providing the auditors with final trial balances.	Not corrected	See current year's observation and management's response at IC 2007-01.
06-02	Financial Records and Closing Process		
	Condition 3 It was noted that, for several balance sheet accounts, detailed analysis and reconciliation of the amounts reflected on the final trial balance was not reconciled to supporting documentation and/or subsidiary schedules.	Not Corrected	See current year's observation and management's response at IC 2007-01.
	Condition 4 It was noted that the CDBG loans receivable reflected on the City's books and records were not in agreement with the subsidiary schedule provided by the Community Development Department.	Corrected	The City reconciled a detail listing of CDBG loans outstanding.
	Condition 5 It was noted that the transfers in and transfers out between the City's various funds as reported on Report 9, Detailed Revenues and Expenditures, were not in agreement. Further, we noted that the transfer balances reported on Report 9, were not in agreement with the amounts reflected on Report 16, Trial Balances by Fund.	Corrected	The City reviewed the propriety of transfers and balances on a monthly basis.
	Condition 6 The City, in the prior fiscal year, signed a \$4 million loan agreement for the Wagner Square Mixed Use Redevelopment Project. The loan is guaranteed under the Department of Housing and Urban Development Section 108 Loan Guarantee program. During June 2005, a drawdown of \$1,000 was made and deposited into a separate bank account. We noted that the drawdown and the related cash account were not recorded on the books and records until the 2006 fiscal year. Additionally, the appropriate disclosures were not made in the financial statements until the 2006 fiscal year.	No Longer Applicable	This was an isolated incident.

City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

Finding #	Finding Title	Status	Explanation
06-03	Grant Accounting and Reimbursements		
	Condition 7 Receivables for FEMA, the Urbanized Area Security Initiatives (UASI), and Urban Search and Rescue (USAR) grants were not properly calculated and recorded on the books and records as of the fiscal year end. We also noted that for grants where the funding received exceeded expenditures incurred, deferred revenues were not recorded. City Finance Department personnel did not validate the correct amounts to be recorded until March 2007.	Corrected	The City corrected the specific finding in the prior year end closing process. However, see current year's findings in regards to grants management IC 2007-06 and filing for grant reimbursements IC 2007-07.
	Condition 8 Payments received by the City for the UASI grants, as well as payments made to Miami-Dade County, a subrecipient of the grant, were not properly reflected on the books and records for a portion of the fiscal year. We noted that these transactions were recorded in a balance sheet account, rather than being reflected as a revenue and an expenditure.	Corrected	The City corrected the specific finding in prior year end close process. However, see current year's findings in regards to grants management IC-2007-06 and filing for grant reimbursements IC-2007-07.
	Condition 9 We noted that, for the UASI grant, a reconciliation between the expenditures reflected in the books and records to the reports filed with the grantor for reimbursement was not performed. We noted that a claim filed for reimbursement included duplicate items as well expenditures that were claimed in the previous year. As a result, a journal entry was proposed by the auditor to record the deferred revenue for these excess reimbursements.	Corrected	The City corrected the specific finding in prior year end close process. However, see current year's findings in regards to grants management IC 2007-06 and filing for grant reimbursements IC 2007-07.
06-04	Capital Assets		
	Condition 10 The City has established expenditure accounts to record capital assets. There is no input validation to detect and correct classification errors. Review of the detailed reports indicated that amounts charged to these expenditure accounts included items under the City's capitalization threshold of \$1,000, as well as amounts that did not meet the definition of a capital asset. Further, through our audit procedures, we noted that capital asset acquisition costs are not, in all instances charged to the accounts established for this purpose.	Not Corrected	See current year's internal control finding and management's response at capital asset management IC 2007-08.

City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

Finding #	Finding Title	Status	Explanation
Condition 11	Schedules initially provided to the auditors detailing the City's capital assets, by category, were not accurate. The City does not have a system in place to properly account for and track the financial reporting of construction-in-progress. Schedules initially provided were incorrect and had to be revised on numerous occasions by City personnel.	Not Corrected	See current year's internal control finding and management's response at capital asset management IC 2007-08.
Condition 12	We noted that billings from the project management consultants did not identify a specific project that they were billing for. Consequently, these costs are not included as part of the City's cost of construction since they are expensed rather than capitalized.	Corrected	City implemented changes to require specific project identification.
Condition 13	During the 2006 fiscal year, the City retained an outside appraisal company to perform an inventory of machinery and equipment owned by the City as of September 30, 2005. It was subsequently determined by Finance Department personnel that the appraisal report was incomplete and the appropriate due diligence was not performed to validate the report. As a result, it was determined that the City's records were more accurate and would be the basis for reporting the machinery and equipment amounts in the financial statements rather than the appraisal report.	Not Corrected	See current year's internal control finding and management's response at capital asset management IC 2007-08.
06-05	Accounts Payable		
Condition 14	During the course of the audit, it came to our attention that duplicate payments, some material in amounts, were made to several vendors. City personnel, in the two instances noted, were aware of these instances and had ensured that the appropriate refunds were subsequently made.	Corrected	The City implemented a new accounting software (Oracle) which prevents duplicate payments on the same item through an electronic "validation" process.
Condition 15	It was noted that invoices pertaining to the Community Development Department did not appear to have all required authorizations prior to payment being made. Also, packages were sent to the Finance Department from the Police Department which detailed accruals for "invoices pending delivery" as of the fiscal year end. This process presented a potential for bills to be paid by the City for merchandise not received, as well as for duplicate payments to occur.	Corrected	The City's policies and procedures require authorization and receipt of good or services before payment to vendors can be made.

City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

Finding #	Finding Title	Status	Explanation
06-06	<p>Loans Receivable</p> <p>Condition 16 It was noted that the maturity dates reflected on the borrower/lender statements were not accurate. Department personnel indicated that these dates are for internal use only. Further, we noted that numerous loan statements had maturity dates that had expired, yet the loans were still outstanding. We were advised that many of the loan repayment terms had been extended to future periods.</p>	No Longer Applicable	Client represented that the prior year finding resulted from a misunderstanding in regards to the use of the data in the system.
06-07	<p>Segregation of Duties</p> <p>Condition 17 Review of cash receipts procedures at the Dinner Key Marina indicated that there is currently inadequate segregation of duties in that the individuals responsible for opening mail and collecting cash also complete the cash receipt forms and input the data in the Marina's management system.</p>	Not Corrected	Client determined that cost to address this finding outweighs the benefits, further action will not be taken to address this issue.
06-08	<p>Audit Committee</p> <p>Condition 18 During the course of the audit engagement, several attempts were made to set up a meeting with the Committee to discuss audit issues. However, a quorum could not be obtained, although several attempts were made.</p>	Corrected	City policy in that external auditor will have access to meetings with the audit committee.
06-09	<p>Excess of Expenditures over Appropriations</p> <p>Condition 19 The City's 2006 financial statements indicate that the Fire Rescue Services Special Revenue Fund exceeded its budgetary authorization by \$34.8 million. The over expenditures are attributable to costs incurred as a result of Hurricane Wilma.</p>	Not Corrected	Repeated in current year. Several funds and/or departments exceeded their fiscal year 2007 budget. See Management Letter.

City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2007

Finding #	Finding Title	Status	Explanation
Findings and questioned costs in administering federal awards:			
06-16	Overall Comment for all Program Accounting - Schedule of Expenditures of Federal Awards and State Financial Assistance Projects Preparation and Completeness	Not Corrected	See current year finding IC 2007-06, grants management.
06-17	Reconciliation Process Pertaining to: CFDA #16.011 U.S. Department of Homeland Security - Urban Area Security Initiative Grant (UASI)	Corrected	
	CFDA #97.036 U.S. Department of Homeland Security - FEMA Disaster Relief Funding Agreement - Hurricane Katrina	Corrected	
	CFDA #97.025 U.S. Department of Homeland Security - Urban Search and Rescue Grant Award (USAR)	Corrected	
	CFDA #20.205 U.S. Department of Transportation - Federal Highway Administration (FHWA)	No Longer Applicable	The City received no funding from this grant in fiscal year 2007.
06-18	CFDA #16.011 & 97.008 - U.S. Department of Homeland Security - Urban Area Security Initiative Grant (UASI).	Corrected	
06-19	Equipment Tagging as it pertains to: CFDA #16.011 & 97.008- U.S. Department of Homeland Security - Urban Area Security Initiative Grant (UASI).	Not Corrected	See current year finding CF 2007-10.
	CFDA #14.241- U.S. Department of Housing and Urban Development - Housing Opportunities for Persons with Aids (HOPWA)	Not Corrected	See current year finding CF 2007-10.
06-20	CFDA #14.241- U.S. Department of Housing and Urban Development - Housing Opportunities for Persons with Aids (HOPWA)	Corrected	
06-21	CFDA #16.011 & 97.008- U.S. Department of Homeland Security - Urban Area Security Initiative Grant (UASI).	Corrected	
06-22	CFDA #16.011 & 97.008 - U.S. Department of Homeland Security - Urban Area Security Initiative Grant (UASI).	Corrected	
06-23	CSDA #52.901 - State Housing Initiatives Partnership (SHIP)	Corrected	