



CITY OF MIAMI, FLORIDA

Single Audit Reports in Accordance
with OMB Circular A-133 and the
Florida Single Audit Act

Year ended September 30, 2003

CITY OF MIAMI, FLORIDA

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

Honorable Mayor and City Commissioners
of the City of Miami, Florida:

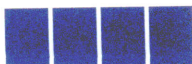
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida as of and for the year ended September 30, 2003, which collectively comprise the City of Miami, Florida's basic financial statements and have issued our report thereon dated February 27, 2004, which referred to our use of the reports of 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Miami, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Miami, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Miami, Florida, in a separate letter dated February 27, 2004.



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

KPMG LLP

February 27, 2004



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**Independent Auditors' Report on Compliance
and Internal Control Over Compliance with Requirements
Applicable to Each Major Program in Accordance with
OMB Circular A-133 and Chapter 10.550, *Rules of the
Auditor General***

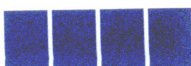
Honorable Mayor and City Commissioners
of the City of Miami, Florida:

Compliance

We have audited the compliance of the City of Miami, Florida 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, respectively, for the year ended September 30, 2003. The City of Miami, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Miami, Florida's management. Our responsibility is to express an opinion on the City of Miami, Florida's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 of Miami, Florida'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 of Miami, Florida's compliance with those requirements.

As described in Item 2003-1 in the accompanying schedule of findings and questioned costs, the City of Miami, Florida did not comply with requirements regarding equipment and real property management that is applicable to the Community Development Block Grant program, compliance with such requirement is necessary, in our opinion, for the City of Miami, Florida to comply with the requirements applicable to that program.



In our opinion, except for the noncompliance described in the preceding paragraph, the City of Miami, Florida 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, 2003. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as items 2003-2 and 2003-3.

Internal Control over Compliance

The management of the City of Miami, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Miami, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Miami, Florida's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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 as of and for the year ended September 30, 2003, and have issued our report thereon dated February 27, 2004, which referred to our use of the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Miami, Florida'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, City Commissioners, the Auditor General, and management of the City of Miami, Florida, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 27, 2004

CITY OF MIAMI, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2003

Federal grantor/state agency pass-through grantor/program title	CFDA/CSFA number	Grant/contract number	State	Expenditures		Total
				Federal	Federal	
U.S. Department of Agriculture: Pass-through Florida Department of Education: Summer Food Service Program for Children	10.559	04-0899	\$	—	417,834	417,834
U.S. Department of Environmental Protection Pass-through Florida Department of Environmental Protection: Miami River Brownsfields Project	66.811	FL-96-07170576C		—	33,612	33,612
U.S. Department of Homeland Security Pass-through Florida Department of Community Affairs: Urban Areas Security Initiative	16.007	04DS-IS-11-23-02-199		—	141,276	141,276
U.S. Department of Housing and Urban Development (HUD) Lower Income Housing Assistance Programs – Section 8 Moderate Rehabilitation	14.856	FL195MK002		—	2,975,047	2,975,047
Emergency Shelter Grants	14.231	M5099		—	608,772	608,772
Housing Opportunities for Persons with AIDS	14.241	FL-H02-F005		—	10,687,748	10,687,748
Home Investment Partnership	14.239	M-02-MC-12-011		—	2,523,238	2,523,238
Community Development Block Grant (CDBG)	14.218	B97-MC120013		—	13,160,027	13,160,027
Housing Loan Recovery Fund	14.218	N/A		—	83,370	83,370
Human Alliance	14.218	N/A		—	74,587	74,587
Super NOFA Supportive Services	14.218	FL-98-B1002-0002		—	332,386	332,386
Total Department				—	30,445,175	30,445,175
U.S. Department of Justice: Bulletproof Vest Partnership	16.607	99002927		—	9,879	9,879
Gang Resistance Education and Training (GREAT)	16.544	95696038		—	27,911	27,911
Weed and Seed	16.595	N/A		—	503	503
COPS MORE	16.710	97-CL-WX-0067		—	12,340	12,340
Advancing Community Policing-Demo Center	16.710	97-PA-PA-WX-K007		—	26,751	26,751
Law Enforcement Block Grant	16.592	2002-LB-BX-2152		—	798,002	798,002
Distressed Neighborhood Grant	16.710	98-CQ-WX-0016		—	1,515,307	1,515,307
COPS MORE	16.710	98-CL-WX-0199		—	570,364	570,364
COPS 311	16.710	1999CKWX0025		—	16,894	16,894
Domestic Preparedness Equipment Program	16.007	2000-TE-CX-0138		—	13,028	13,028
U.S. Law Enforcement Trust Fund	16.000	N/A		—	2,341,211	2,341,211
COPS Universal Hiring II (Police - 29)	16.710	95-CC-WX-0075		—	2,205	2,205
Pass-through Dade County Community Action Agency: Anti-Terrorism Grant	16.321	N/A		—	9,082	9,082

CITY OF MIAMI, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2003

Federal grantor/state agency pass-through grantor/program title	CFDA/CSFA number	Grant/contract number	State	Expenditures	
				Federal	Total
Pass-through Monroe County, Florida:					
Cali Cartel Enforcement	N/A	I2PMIP5101	—	53,445	53,445
Pass-through Federal Bureau of Investigation:					
Wynwood HDTA IV	N/A	I2PMIP590/I3PMIP586	—	27,335	27,335
Pass-through Florida Department of Children and Families					
Pass-through Miami Dade County:					
Gang Reduction Activities and Sports Program	16.544	95699038	—	2,016	2,016
Stop Violence Against Women	16.588	LJ180	—	161,262	161,262
Pass-through Florida Department of Law Enforcement					
Stop Active Vandalism Everywhere (SAVE)	16.579	HSB421	—	88,087	88,087
Total Department			—	5,675,622	5,675,622
Federal Emergency Management Agency (FEMA):					
FEMA/Assistance to Firefighters Grant Award	83.554	EMW-2002-FG-15718	—	244,691	244,691
Urban Search and Rescue	83.526	EMW-2002-CA-0447	—	114,667	114,667
South Florida Urban Search and Rescue	83.526	N/A	—	446,764	446,764
Weapons of Mass Destruction	83.526	EMW-2003-CA-0059	—	28,607	28,607
Total Department			—	834,729	834,729
Florida Department of Health and Human Services:					
Emergency Medical Services	64.005	C2013	126,945	—	126,945
Florida Department of Law Enforcement:					
Violent Crime and Drug Control Council Grant	71.004	N/A	19,777	—	19,777
Florida Department of Environmental Protection:					
Lummus Park Historic Structure Restoration	45.032	SC128	104,000	—	104,000
Florida Department of Transportation:					
Watson Island Aviation & Visitors Center	55.004	AA226	264,133	—	264,133
State of Florida – Law Enforcement Trust Fund:					
Law Enforcement Trust Fund (Florida Statutes)	N/A	N/A	2,812,047	—	2,812,047

CITY OF MIAMI, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2003

Federal grantor/state agency pass-through grantor/program title	CFDA/CSFA number	Grant/contract number	State	Expenditures Federal	Total
State of Florida Housing Finance Agency: State Housing Initiative Project (SHIP)	52.901	N/A	\$ 1,981,894	—	1,981,894
Total Expenditures of Federal Awards and State Financial Assistance			\$ 5,308,796	37,548,248	42,857,044
N/A—Not Available					

See accompanying 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**

September 30, 2003

(1) General

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) presents the expenditures of all federal awards and state financial assistance programs of the City of Miami, Florida (the City) for the year ended September 30, 2003. The City's reporting entity is described in note 1 to the City's basic financial statements. Federal awards and state financial assistance expended from federal and state agencies, and federal awards and state financial assistance passed through other government agencies are included on the Schedule.

(2) Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in note 1 to the City's basic financial statements. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

(3) Subrecipients

Of the federal and state expenditures presented in the schedule of federal awards and state financial assistance, the City provided federal awards to subrecipients as follows:

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
Federal:		
U.S. Department of Housing and Urban Development – Community Development Block Grant	14.218	\$ 9,623,058
U.S. Department of Housing and Urban Development – Housing Opportunities for Persons with AIDS	14.241	7,702,654
U.S. Department of Housing and Urban Development – Home Investment Partnership	14.239	<u>2,053,949</u>
Total Federal		<u>\$ 19,379,661</u>

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ X yes _____ no

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

Identification of major programs:

<u>CFDA number</u>	<u>Name of federal grantor/program or cluster title</u>
14.218	U.S. Department of Housing and Urban Development – Community Development Block Grant
14.241	U.S. Department of Housing and Urban Development – Housing Opportunities for Persons With AIDS
10.559	U.S. Department of Agriculture – Equitable Sharing Program – Law – Summer Food Service Program for Children
83.526	Federal Emergency Management Agency (FEMA)

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

\$ 1,126,447

Auditee qualified as low-risk auditee?

_____ yes X no

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

State Financial Assistance

Internal control over major projects:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' 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*? _____ yes X no

Identification of major projects:

<u>CSFA number</u>	<u>Name of state project or cluster</u>
N/A	State of Florida – Law Enforcement Trust Fund
55.004	Watson Island Aviation & Visitor Center
45.032	Lummus Park Historic Structure Restoration
64.005	Emergency Medical Services

Dollar threshold used to distinguish between type A and type B projects \$ 300,000

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

Section II – Financial Statement Findings

There were no findings relating to the basic financial statements which are required to be reported in accordance with *Government Auditing Standards*.

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

Section III – Federal Awards Findings and Questioned Costs

**Finding
Number**

Program

2003-1

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT – COMMUNITY
DEVELOPMENT BLOCK GRANT (CDBG) – (CFDA No. 14.218)**

Criteria

A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. Accordingly, the City is required to tag property and equipment acquired with federal funds for the purpose of proper identification.

Condition Found

We noted that equipment purchased with federal funds were not adequately tagged and accounted for in a manner to allow for proper inventory tracking purposes and the ability to identify assets purchased with federal program funds.

Questioned Costs

Undetermined

Perspective

The finding is considered systemic in nature.

Effect

Failure to properly identify equipment purchased with federal funds could result in the inappropriate use of the equipment and/or to properly reimburse the proper federal program if and when the equipment is sold or otherwise disposed of.

Recommendation

The City should establish policies and procedures to ensure that all capital assets purchased with federal funds are tagged and appropriately identified in the capital asset module of the accounting information systems.

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

**Finding
Number**

Program

2003-2

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT – COMMUNITY
DEVELOPMENT BLOCK GRANT (CDBG) – (CFDA No. 14.218)**

Criteria

The (IDIS) quarterly reports submitted to the granting agencies should include all activity of the reporting period and be supported by accurate and complete accounting records.

Condition Found

We noted differences in the amounts of expenditures reported on the IDIS system reported to the granting agency when compared to the amounts recorded in the general ledger.

Questioned Costs

None

Perspective

The finding is considered isolated nature.

Effect

Inaccurate amounts of federal award activities could be reported.

Recommendation

The City should perform a reconciliation of expenditures recorded in IDIS reporting system and the City's general ledger to ensure accuracy of balances reported to the federal agency in their annual performance reports.

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

**Finding
Number**

Program

2003-3 **Federal Emergency Management Agency (FEMA) – Urban Search and Rescue –
(CFDA No. 83.526)**

Criteria

The City is required to submit to FEMA financial status reports – FEMA Form 20-10 on a quarterly basis and Performance Reports every 120 days.

Condition Found

The required reports for fiscal 2003 were neither prepared nor submitted to the agency within the required timeframe.

Questioned Costs

Not applicable

Perspective

The finding is considered systematic in nature.

Effect

Failure to comply with reporting requirements may result in loss or repayment of funding.

Recommendation

The reports should be prepared and submitted to the grantor within the specified timeframe.

CITY OF MIAMI, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2003

Section IV– State Financial Assistance Findings and Questioned Costs

None.