

**CITY OF MIAMI, FLORIDA**

COMPLIANCE REPORTS

SEPTEMBER 30, 2005

# CITY OF MIAMI, FLORIDA

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**Report of Independent Certified Public Accountants 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***

Honorable Mayor, City Commission and City Manager  
City of Miami, Florida

We have audited the accompanying 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 fiscal year ended September 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 13, 2006. We did not audit the financial statements of the Southeast Overtown Park West Redevelopment Agency, the Omni Redevelopment Agency, the Gusman and Olympia Special Revenue Fund, the Virginia Key Beach Park Trust, the Model City Community Revitalization District Trust, the Firefighters' and Police Officers' Retirement Trust and the General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trust which represent 92% and 83%, respectively, of the assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Downtown Development Authority, the Department of Off-Street Parking, the Miami Sports and Exhibition Authority, the Bayfront Park Management Trust and the Civilian Investigation Panel discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate remaining fund information and discretely presented component units is based on the reports of the other auditors. Our report herein does not address their respective internal control. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01 through 05-05.



A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting 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 none of the reportable conditions described above is a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 05-13 through 05-16.

We noted certain additional matters that we reported to management of the City in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the Mayor, City Commission, management and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Miami, Florida  
April 13, 2006

**Management Letter in Accordance with the Rules of the Auditor General of the State of Florida**

Honorable Mayor, City Commission and City Manager  
City of Miami, Florida

We have audited the basic 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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 13, 2006. We did not audit the financial statements of the Southeast Overtown Park West Redevelopment Agency, the Omni Redevelopment Agency, the Gusman and Olympia Special Revenue Fund, the Virginia Key Beach Park Trust, the Model City Community Revitalization District Trust, the Firefighters' and Police Officers' Retirement Trust and the General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trusts, which represent 92% and 83%, respectively, of the assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Downtown Development Authority, the Department of Off-Street Parking, the Miami Sports and Exhibition Authority, the Bayfront Park Management Trust and the Civilian Investigation Panel discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate remaining fund information and aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters and our Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Projects and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated April 13, 2006, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.



In connection with our audit of the basic financial statements of the City for the year ended September 30, 2005, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit, except as reported in the accompanying Summary Schedule of Prior Audit Findings.
2. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the City's present financial management and accounting procedures accompany this report in the schedule of findings and questioned costs.
4. During the course of our audit, other than matters that are clearly inconsequential, considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:
  - a. Was in violation of any laws, rules or regulations and contractual provisions or abuses that have occurred, or were likely to have occurred, or were discovered within the scope of the audit, except as reported in the schedule of findings and questioned costs.
  - b. Made any improper or illegal expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
  - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
    - (1) Improper or inadequate accounting procedures, except as reported in the schedule of findings and questioned costs
    - (2) Failures to properly record financial transactions, except as reported in the schedule of findings and questioned costs.
    - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The name and official title and legal authority for the primary government (the City) and each component unit of the reporting entity as defined in publications cited in Rule 10.553 are disclosed in the notes to the financial statements.
6. a. The City, during fiscal year 2005, did not meet any of the specific conditions described in Florida Statutes 218.503(1).

- b. The annual financial report for the year ended September 30, 2005 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2005.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(7). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, City Commission, management, 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.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
April 13, 2006

**Report of Independent Certified Public Accountants on  
Compliance and Internal Control over Compliance Applicable to  
Each Major Federal Awards Program and State Financial Assistance Projects**

Honorable Mayor, City Commission and City Manager  
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 awards programs and state financial assistance projects for the fiscal year ended September 30, 2005. The City's major federal awards programs and state financial assistance 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 each of its major federal programs and state financial assistance 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; 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 major federal programs or state financial assistance projects 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 aspects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the fiscal year ended September 30, 2005. 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 which are described in the accompanying schedule of findings and questioned costs as items 05-13 through 05-16.





### Internal Control over Compliance

The management of the City 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 financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal programs and state financial assistance projects in order 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'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 items 05-11 and 05-12.

A material weakness is a reportable 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 non-compliance with applicable requirements of laws, regulations, contracts, and grants, caused by error or fraud, that would be material in relation to a major federal program or state financial assistance project 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, of the reportable conditions described above, we believe that none of the reportable conditions described above is a material weakness.

### Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

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, 2005, and have issued our report thereon dated April 13, 2006 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.

Honorable Mayor, City Commission and City Manager  
City of Miami, Florida  
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This report is intended solely for the information and use of the Mayor, City Commission, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
April 13, 2006

**CITY OF MIAMI**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended September 30, 2005**

<u>Federal Grantor / State Agency</u> <u>pass-through grantor/program Title</u>	<u>CFDA/CSFA</u> <u>Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>		
			<u>State</u>	<u>Federal</u>	<u>Total</u>
<b><u>U. S. Department of Agriculture</u></b>					
Pass-through Florida Department of Education Summer Food Service Program	10.225	04-0899	\$ -	\$ 306,164	\$ 306,164
Pass-through Florida Department of Health Child Care Food Program	10.558	S-576	-	59,210	59,210
<b>Total Department</b>				<u>365,374</u>	<u>365,374</u>
<b><u>U. S. Department of Environmental Protection</u></b>					
Brownsfield Assessment and Cleanup Cooperative Agreement	68.818	BF-96412504-0	-	11,315	11,315
<b>Total Department</b>			-	<u>11,315</u>	<u>11,315</u>
<b><u>U.S. Department of Homeland Security</u></b>					
FEMA/Assistance to Firefighters Grant Award	97.004	EMW-2002-FG-15718	-	74,917	74,917
FEMA/Assistance to Firefighters Grant Award	97.004	EMW-2004-FG-08448	-	750,000	750,000
South Florida US&R Program	97.025	EMW-95-K-4718	-	2,314,934	2,314,934
Urban Search and Rescue Weapons of Mass Destruction	97.025	EMW-2003-CA-0059	-	151,483	151,483
Urban Search and Rescue '03-'05	97.025	EMW-2003-CA-0295	-	838,609	838,609
FEMA/USAR Grant Award	97.025	EMW-2004-CA-0457	-	528,804	528,804
<b>Subtotal Direct Programs</b>			-	<u>4,658,747</u>	<u>4,658,747</u>
Pass-through FL Dept. of Community Affairs:					-
FEMA Hurricane Ivan	97.036	N/A	-	7,997	7,997
FEMA Hurricane Katrina	97.036	06-KT-B&-11-12-00-524	-	5,884,154	5,884,154
FEMA Hurricane Rita	97.036	06-RT-&W-11-23-02-506	-	18,889	18,889
FEMA Hazard Mitigation Grant	97.039	04HM-M5-11-23-02-010	-	116,661	116,661
Urban Area Security Initiative Grant Program	97.008/16.011	04-DS-1S-11-23-02-199	-	5,789,934	5,789,934
Urban Area Security Initiative Grant Program II 2004	97.008	05-DS-2M-AA-23-02-386	-	2,609,164	2,609,164
<b>Total Department</b>			-	<u>19,085,546</u>	<u>19,085,546</u>
<b><u>U.S. Department of Transportation</u></b>					
Florida Highway Administration - Hurricane Katrina	20.205	N/A	-	2,170,736	2,170,736
Pass-through State of Florida Department of Transportation Riverside Riverfront Redevelopment	20.205	AN405	-	360,321	360,321
<b>Total Department</b>			-	<u>2,531,057</u>	<u>2,531,057</u>

**CITY OF MIAMI**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended September 30, 2005**

Federal Grantor / State Agency <u>pass-through grantor/program Title</u>	CFDA/CSFA <u>Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>		
			<u>State</u>	<u>Federal</u>	<u>Total</u>
<b><u>U. S. Department of Housing and Urban Development (HUD)</u></b>					
Section 8 Housing Assistance Payment	14.856	FL145MR0001/002	\$ -	\$ 3,479,206	\$ 3,479,206
Emergency Shelter Grant (ESG)	14.231	S-03-MC120002	-	521,539	521,539
Housing Opportunities for Persons with Aids	14.241	FL-H03-F-005	-	13,561,048	13,561,048
Home Investment Partnership	14.239	M-03-MC-12-0211	-	9,188,898	9,188,898
Community Development Block Grant	14.218	B-03-MC-12-0013	-	29,849,860	29,849,860
Housing Loan Recovery Fund	14.218	N/A	-	102,959	102,959
<b>Subtotal Direct Programs</b>				56,703,510	56,703,510
Pass-through Miami-Dade County Homeless Trust					
Super NOFA Supportive Services	14.218	FL14B000003	-	313,418	313,418
Human Alliance	14.218	N/A	-	39,468	39,468
<b>Total Department</b>			-	57,056,396	57,056,396
<b><u>U. S. Department of Justice</u></b>					
Bulletproof Vest Partnership Grant	16.607	99002927	-	27,158	27,158
Gang Resistance Education and Training (GREAT)	16.012	ATC03000178	-	82,212	82,212
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2664	-	553,090	553,090
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0802	-	432,406	432,406
COPS MORE 96	16.710	97-CL-WX-0067	-	18,536	18,536
Distressed Neighborhood Grant	16.710	98-CQ-WX-0016	-	14,935	14,935
COPS MORE 98	16.710	98-CL-WX-0199	-	1,600,678	1,600,678
COPS 311	16.710	1999-CK-WX-0025	-	314,863	314,863
U. S. Law Enforcement Trust Fund	16.000	N/A	-	1,468,975	1,468,975
<b>Subtotal Direct Programs</b>			-	4,512,853	4,512,853
Pass-through Dade County Community Action Agency					
Anti-Terrorism Grant	16.321	N/A	-	23,753	23,753
Wynwood/HIDTA Crime and Drug Demand Reduction Program	16.002	I2PMIP590/ I3PMIP586/I4PMIP586	-	29,029	29,029
Pass-through Miami Dade County:					
Weed and Seed Programs	16.595	N/A	-	1,374	1,374
<b>Total Department</b>			-	4,567,009	4,567,009

(Continued)

**CITY OF MIAMI**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended September 30, 2005**

<u>Federal Grantor / State Agency pass-through grantor/program Title</u>	<u>CFDA/CSFA Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>		
			<u>State</u>	<u>Federal</u>	<u>Total</u>
<b><u>U.S. Department of Interior</u></b>					
Virginia Key Beach Park Trust	15.904	G5035030123	\$ -	\$ 300,788	\$ 300,788
<b><u>U.S. Department of State</u></b>					
Lead Safe for Kids Sake Grant		N/A	-	63,571	63,571
<b><u>State of Florida, Department of Children and Families</u></b>					
Outreach to Homeless Detainees	60.015	KF099	76,901	-	76,901
<b><u>State of Florida, Department of Environmental Protection</u></b>					
Florida Recreation Development Assistance Program	37.017	F3420	92,345	-	92,345
<b><u>State of Florida, Department of Community Affairs</u></b>					
Community Emergency Response Team	N/A	N/A	343	-	343
<b><u>State of Florida, Department of Agriculture and Consumer Services</u></b>					
Allapattah Produce Market Traffic	42.004	006419	107,505	-	107,505
<b><u>State of Florida, Department of Health</u></b>					
State of Florida Emergency Medical Services Matching Grant	64.003	M9037	2,934	-	2,934
State of Florida Emergency Medical Services Matching Grant	64.003	M3004	5,914	-	5,914
State of Florida Emergency Medical Services Matching Grant	64.003	M4066	43,892	-	43,892
State of Florida Emergency Medical Services Matching Grant	64.003	M4067	152,250	-	152,250
<b>Subtotal Direct Programs</b>			<u>204,990</u>	-	<u>204,990</u>
Pass-through Miami-Dade County:					
Emergency Medical Services County Grant	64.005	C3013	114,331	-	114,331
<b>Total Department</b>			<u>319,321</u>	-	<u>319,321</u>
<b><u>State of Florida, Department of Law Enforcement</u></b>					
Violent Crime and Drug Control Council Grant	71.004	N/A	1,136	-	1,136
School Resource Officer Project	16.580	HSB444	84,434	-	84,434
<b>Total Department</b>			<u>85,570</u>	-	<u>85,570</u>

(Continued)

**CITY OF MIAMI**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended September 30, 2005

Federal Grantor / State Agency <u>pass-through grantor/program Title</u>	CFDA/CSFA <u>Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>		
			<u>State</u>	<u>Federal</u>	<u>Total</u>
<b><u>State of Florida, Department of Transportation</u></b>					
Dupont Plaza Project	N/A	N/A	\$ 77,607	\$ -	\$ 77,607
<b><u>State of Florida, Law Enforcement Trust Fund</u></b>					
Educational, Recreational and Developmental Youth Programs	N/A	N/A	2,694	-	2,694
<b><u>State of Florida, Housing Finance Agency</u></b>					
State Housing Initiative Project (SHIP)	52.901	N/A	<u>1,865,780</u>	<u>-</u>	<u>1,865,780</u>
<b>TOTAL EXPENDITURES FOR FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<b><u>\$ 2,628,066</u></b>	<b><u>\$ 83,981,056</u></b>	<b><u>\$ 86,609,122</u></b>

# CITY OF MIAMI, FLORIDA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

SEPTEMBER 30, 2005

### (1) General

The accompanying schedule of expenditures of federal awards and state financial assistance projects (the Schedule) presents the expenditures of all federal awards and state financial assistance projects of the City of Miami, Florida (the City) for the year ended September 30, 2005. The City's reporting entity is described in note 1 to the City's basic financial statements. Federal awards and state financial assistance projects expended from federal and state agencies, and federal awards and state financial assistance projects 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 Homeland Security Urban Area Security Initiative Grant Program	97.008	\$ 2,960,333
U.S.	Department of Housing and Urban Development Community Development Block Grant	14.218	25,051,843
U.S.	Department of Housing and Urban Development Housing Opportunities for Persons with AIDS	14.241	11,921,248
U.S.	Department of Housing and Urban Development Home Investment Partnership	14.239	8,533,451
U.S.	Department of Housing and Urban Development Section 8 Housing Assistance	14.856	<u>2,930,354</u>
	Total Federal		<u>\$ 51,397,229</u>

# CITY OF MIAMI, FLORIDA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

### I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2004 Schedule of Findings and Questioned Costs.

#### Matters that are repeated in the accompanying schedule of findings and questioned costs

- 04-02 – Financial Records (revised and included in current year comment 05-01)
- 04-03 – Capital Assets (revised and included in current year comment 05-05)
- 04-04 – Grant Accounting (revised and included in current year comment 05-02)
- 04-05 - Claims for Reimbursement (revised and included in current year comment 05-02)
- 04-09 – Network Security
- 04-12 – Succession Planning
- 04-13 – GASB 45
- 03-01 – Capital Assets
- 03-02 – Payroll Audit Trail Report
- 01-02 – Budgeting
- 01-03 – Time Recording – Overtime
- 00-05 – Grant Accounting
- 00-07 – Logical Security – User Termination
- 99-03 – Financial Reporting
- 97-06 – User Access Codes

#### Matters that are not repeated in the accompanying schedule of findings and questioned costs

- 04-01 – Cash
- 04-06 – Health Insurance
- 04-07 – Backups and Disaster Recovery Planning
- 04-08 – Payroll
- 04-10 – Disposal of Workstations and Hard Disk Drives
- 04-11 – ITD Organization
- 02-02 – Managing Critical Network Characteristics

### II. PRIOR YEAR FEDERAL AWARD FINDINGS

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2004 Schedule of Findings and Questioned Costs.

#### Matters that are not repeated in the accompanying schedule of findings and questioned costs

- 04-14 – U.S. Department of Homeland Security – Urban Area Security Initiatives Grant Program
- 04-15 – U.S. Department of Housing and Urban Development – Community development Block Grant and HOME Investment Partnership



# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of auditor’s report issued:	<i>Unqualified Opinion</i>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>  X  </u> No
Reportable condition(s) identified not considered to be material weakness?	<u>  X  </u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u>  X  </u> No

**Federal Awards Programs and State Financial Assistance Projects**

Internal control over major federal awards programs and State Financial Assistance Projects:	
Material weakness(es) identified?	___ Yes <u>  X  </u> No
Reportable condition(s) identified not considered to be material weakness?	<u>  X  </u> Yes ___ No

Type of auditor’s report issued on compliance for major federal awards programs and State Financial Assistance Projects:	<i>Unqualified Opinion</i>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General?	X ___ Yes ___ No
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Identification of major federal awards program and state financial assistance projects:

<u>Federal Programs</u>	<u>Federal CFDA No.</u>
U.S. Department of Housing and Urban Development:	
Community Development Block Grant	14.218
U.S. Department of Homeland Security:	
Federal Emergency Management Agency (FEMA)	97.036
Urban Area Security Initiative Grant Program	97.008 and 16.011
Urban Search and Rescue	97.025

<u>State Projects</u>	<u>State CSFA No.</u>
State Housing Initiatives Partnership	52.901

Dollar threshold used to distinguish between Type A and Type B programs:		
Federal	\$2,519,432	
State	\$ 300,000	

Auditee qualified as low risk auditee for audit of federal awards program?	X ___ Yes ___ No
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# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Reportable Conditions

##### *05-01 Financial Records and Closing Process*

##### *Criteria*

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review and evaluation of transactions and balances recorded.

##### *Condition*

Our audit procedures included the performance of extensive procedures on the amounts recorded as assets, liabilities, revenues, expenditures and fund balances amongst the various funds of the City. Our findings are as follow:

- We noted that for several balance sheet accounts, including due from other governments and deferred revenues, a detailed analysis of the components of the accounts was not maintained on a current basis.
- We noted that the balances reflected on the books within certain funds for accrued payroll liabilities and accounts payable were not in agreement with supporting documentation and/or subsidiary schedules.
- We noted that the General Fund, Public Services Tax Fund and the Debt Service Funds fund balances reflected on the trial balances were not in agreement with the fund balances reflected in the prior year's financial statement. We noted that these governmental funds, which are maintained on the modified accrual basis of accounting, included amounts that pertained to the government-wide statements which are on the full accrual basis of accounting.
- An excessive amount of journal entries were required to be proposed by the auditor to ensure that the financial statements of the City were fairly stated. Substantially all of these entries were to correct bookkeeping errors, or to make accruals and other adjustments that should have been made by the Finance Department prior to providing the auditors with final trial balances.
- Governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. As a result, the data reported in the governmental fund financial statements must be converted to the economic resources measurement focus and the accrual basis of accounting before the data can be reported in the governmental activities in the government-wide financial statements. Formal journal entries to convert the data were not prepared by City personnel. As a result, in order to verify the amounts reflected in the City's government-wide statements, we prepared a conversion worksheet, and the related adjustments. A comparison of amounts calculated by Finance Department staff and our audited amounts disclosed large discrepancies in numerous account balances and net asset restrictions

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Effect*

The lack of a formal closing process, which includes the thorough review of account balances by supervisory Finance Department personnel, can result in material misstatements in the financial statements. The current method of preparing the financial statements is prone to error.

#### *Cause*

The cause of the conditions is the lack of a formal closing process which incorporates a thorough review by supervisory Finance Department personnel.

#### *Recommendation*

We believe that a review and evaluation of transactions recorded at year end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. We recommend that a detailed general ledger account analysis be performed on a monthly basis and reviewed by supervisory Finance Department staff to ensure accurate recording of transactions. Procedures should be implemented to ensure that City departments submit information on a timely basis to the Finance Department to ensure proper recording of transactions. We also suggest that the Finance Department perform an analytical review of account balances with the prior year balances prior to closing the books and records to facilitate determining if adjustments are required.

The Finance Department should evaluate the current process utilized to prepare the City's financial statements. The process could be simplified by preparing a conversion worksheet and formal adjustments to determine the amounts to be reported as governmental activities.

The City should consider developing formal year end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. The procedures should also assign a supervisory Finance Department individual to review the schedules.

#### *View of Responsible Officials*

The City of Miami Finance Department is in the process of implementing a new financial system which will provide better analysis tools and make accounting information more readily available. Additionally, as a result of this implementation the City's Finance Department will have new business processes wherein policies and procedures will be updated, revised or created, where necessary, which will address the auditors comments going forward. The City has since implemented a formal month end closing process.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### 05-02 *Grant Accounting and Reimbursements*

##### *Criteria*

Grant accounting provides that since expenditures are the prime factor for determining eligibility, revenue should be recognized when the expenditure is incurred. If revenues are received in excess of grant expenditures, those revenues should be deferred. In order to maximize cash flow, and enhance investment income, claim forms for reimbursement should be filed on a timely basis. The various City departments responsible for filing for grant reimbursements should submit claim forms to the Finance Department on a timely basis to ensure that the receivables are properly recorded on the books and records.

##### *Condition*

- We noted that, in numerous instances, claim forms for reimbursements of costs incurred were not filed on a timely basis. We noted that for certain projects, reimbursements for costs incurred in the 2004 and 2005 fiscal years, were not requested until 2006. In most instances, the Finance Department was not provided with information from the departments requesting the reimbursements until March 2006, at which time journal entries were proposed to record the related receivables.
- We noted that receivables were not recorded when eligible grant expenditures were incurred in excess of funding received by the City. Receivables for FEMA, the Urbanized Area Security Initiatives (UASI), and Urban Search and Rescue (USAR) grants were not calculated and recorded on the books and records. We also noted that for grants where the funding received exceeded expenditures incurred, deferred revenues were not recorded.
- We noted 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. We noted that these transactions were recorded in a balance sheet account, rather than being reflected as revenue and an expenditure.

##### *Effect*

By not filing claims for reimbursement on a timely basis, cash flow and investment income is not being maximized. The failure to properly record grant revenue can result in inaccurate financial statements.

##### *Cause*

Proper controls are not in place to ensure that grant revenues are properly recorded. Additionally, the various City departments fail to prepare claim forms for reimbursement on a timely basis, and do not remit the information to the Finance Department to ensure receivables are properly reflected.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Cause*

The cause of the conditions is a lack of compliance with cut-off policies, combined with the lack of a thorough supervisory review of amounts recorded.

#### *Recommendation*

We recommend that the City develop detailed accounting procedures and provide employees responsible for identifying and recording payables with more thorough training in order for them to correctly identify whether payments disbursed subsequent to year end should be expensed or accrued. Additionally, on a monthly basis, subsidiary records should be reconciled to each respective fund's general ledger control account.

#### *Views of Responsible Officials and Planned Corrective Action*

The City of Miami Finance Department will implement a new procedure with the cooperation of other departments to ensure all outstanding invoices are submitted timely and recorded in the correct accounting period. These procedures will include monitoring and reviewing subsequent payments to ensure completeness and accuracy of accounts payable.

#### *05-04 Encumbrances*

#### *Criteria*

Encumbrances represent commitments for purchases that have not yet taken place, or in the case of capital projects, balances of contracts not completed. Encumbrances are reflected in the financial statements as a reservation of fund balance. As such, it is important to ensure that the amounts reflected are valid commitments of the City and are in agreement with detailed subsidiary reports.

#### *Condition*

- We were provided with an open purchase order report which detailed all open purchase orders by fund, account code and vendor. We noted that the totals by fund were not in agreement with the balances reflected on the final trial balances provided to us.
- We noted that numerous items recorded as encumbrances were also accrued as liabilities. A schedule was provided to us by Finance Department personnel to adjust these items, however, that schedule was not accurate in that it also included amounts that were in fact accrued, but were not recorded as encumbrances. Additionally, our test procedures identified other instances where amounts which were accrued and encumbered, were not included in the adjustment schedule provided to us.
- We noted one instance where a large purchase order was recorded as an encumbrance, yet the purchase order had been previously canceled.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Effect*

The improper recording of encumbrances results in the unreserved and undesignated fund balance within the governmental funds being incorrectly misstated.

#### *Cause*

The cause of the conditions is a lack of review of open purchase orders to determine validity as well as the lack of a timely reconciliation of the amounts reflected on the books and records to subsidiary records.

#### *Recommendation*

We recommend that the open purchase order report be reviewed to determine validity of amounts recorded. The report should be reconciled to the amounts reflected on the books and records, and prior to closing the fiscal year, any required adjustments should be recorded. Procedures should be implemented to ensure that once an item is accrued or paid, the encumbrance is properly liquidated.

#### *Views of Responsible Officials and Planned Corrective Action*

The City of Miami agrees with the recommendation and will implement new procedures to monitor encumbrances to ensure they are properly released and liquidated.

#### *05-05 Capital Assets*

##### *Criteria*

The establishment and maintenance of accurate accounting records for capital assets are necessary to help assure that the City's property, plant and equipment are not stolen, misused or subject to undue wear and tear. These records are a necessary element in an on-going governmental capital asset repair and preventative maintenance program and enhance efforts to obtain optimum insurance coverage.

##### *Condition*

- The City has established expenditure accounts to record capital assets. The director of each department is responsible for determining the expenditure code to be used for each purchase. There is no input validation to detect and correct classification errors. Each month, a detailed report of all charges to these accounts is generated. This report is reviewed by the capital asset clerk who determines which items, and the dollar amount, that should be capitalized. Our audit procedures on capital asset additions disclosed several instances where capital assets purchased and appearing on this detailed report were not capitalized. We also noted instances where items capitalized did not meet the definition of a capital asset and instances where the amounts capitalized were not in agreement with the invoice cost.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

- Schedules initially provided to us detailing the City's capital assets, by category, as well as current year depreciation and accumulated depreciation, were not accurate. We noted that these schedules omitted assets, had assets included at incorrect capitalized amounts and had numerous errors in depreciation calculations.
- The City does not have a system in place to account for the financial reporting of construction-in-progress. Schedules initially provided were incorrect and had to be manually revised to reflect the correct balances.
- The City's capital asset records were incomplete in that they did not include the capital assets related to two blended component units, resulting in a prior period adjustment.

#### *Effect*

Capital asset records which are not reliable which could result in inaccurate financial reporting.

#### *Cause*

The cause is a lack of oversight and procedures to ensure that capital assets are properly maintained.

#### *Recommendation*

We recommend that work performed by the capital asset clerk be reviewed on a monthly basis to ensure that all assets above the capitalization threshold are captured and properly recorded.

The City, in prior years, had retained an outside appraisal service to inventory the City's capital assets. This inventory encompassed all assets, except machinery and equipment and building improvements, which were inventoried by City staff. We suggest that the City during the ensuing year, perform an inventory of all machinery and equipment owned by the City to ensure the existence of all capital assets.

We suggest that the Finance Department coordinate their efforts with the department responsible for CIP to ensure reports generate information in a usable format with accurate amounts. Procedures should be implemented to ensure that capital asset records have been properly maintained for all City assets. Supervisory staff of the Finance Department should be taking an active role in the oversight of the record maintenance and reporting in this area since the City's capital assets are in excess of \$1.5 billion.

#### *Views of Responsible Officials and Planned Corrective Action*

The City agrees with the auditor's recommendations. The Finance Department has implemented a procedure whereby all of the work completed by the capital asset staff is reviewed by a supervisor to ensure assets above the capitalization threshold are properly recorded. Also, we have corrected system reports that will track items purchased over the threshold which will be used as part of the review procedure now implemented.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

During 2005, the City of Miami Finance Department contracted with an outside agency to perform a physical inventory to ensure the existence, completeness and accuracy of its assets. Additionally, the City's Finance Department is coordinating with the Capital Improvement Department to implement new procedures to ensure accurate financial reporting of capital improvement projects.

#### Other Matters

##### *05-06 Accounts Receivable*

##### *Criteria*

Receivables should be reviewed and investigated on an ongoing basis to determine validity and collectibility. The establishment of an allowance should not preclude the City from utilizing all available collection measures.

##### *Condition*

- The City's current policy is to establish an allowance for all receivables outstanding more than 60 days. We noted that the MOORE receivables total approximately \$13.8 million. Of this amount, an allowance for uncollectible amounts has been established for approximately \$10.5 million. Of this amount, \$7.8 million has been outstanding more than 60 days and \$2.7 million reflect amounts in collection and interest and penalties on overdue amounts. Of the amount outstanding over 60 days, \$7.6 million has been outstanding more than 120 days.
- There are receivables in the General Fund (other than the MOORE and GEMS receivables), as well as other City funds, which have been outstanding for periods in excess of one year. These amounts have been deemed uncollectible and allowances have been established for these items.
- We noted that, during the current fiscal year, a substantial portion of receivables which were deemed uncollectible were written off the books and records.

##### *Effect*

A large amount of uncollectible receivables will have a financial impact on the City. The establishment of an allowance may preclude the City from utilizing all available collection measures available. Without a policy for write offs, the Finance Department has the ability to write off large amounts of receivables with authorization from either the City Attorney or the City Commission.

##### *Cause*

The conditions are systemic in nature, and are a result of policies followed by the City.



# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Recommendation*

Receivables outstanding for more than 60 days should be closely monitored. For receivables that are determined to be uncollectible, the City should consider setting a dollar limit that requires written authorization by the City Attorney's office, with approval by the City Commission, to write the amounts off the books and records.

#### *Views of Responsible Officials and Planned Corrective Action*

For those receivables that are outstanding for more than 60 days, the City submits the account to a collection agency for further collection efforts. Additionally, the City also records liens on certain accounts through the County. The City periodically requests the Law Department to determine whether or not certain accounts can be written off the books and records.

#### *05-07 Cash Receipts*

#### *Criteria*

All checks and other forms of payments received by the City should be deposited within 72 hours of receipt. These procedures will assist with the prevention of fraud and other defalcations.

#### *Condition*

We noted that, in several instances, checks received by the Capital Improvement Department were not deposited on a timely basis. We noted that checks received in late July and the middle of August of fiscal year 2005 were not deposited until October 2005. These items were reflected as receivables rather than cash.

#### *Effect*

The failure to deposit funds on a timely basis exposes the City to the risk of loss.

#### *Cause*

The respective City departments that received the payments held the checks and failed to remit them to the Finance Department for deposit on a timely basis.

#### *Recommendation*

The City must implement a procedure to ensure that all checks received are remitted to the Finance Department and deposited timely. The recommended time frame is within 72 hours.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Views of Responsible Officials and Planned Corrective Action*

The City has implemented procedures as specified in the Cash Receipt Policies and Procedures Manual adopted by the Miami City Commission per Resolution #05-0182 on March 24, 2005. The Finance Department has distributed the manual to all departments and has conducted training to the departments to promote compliance with the guidelines set forth in the Cash Receipts Policies and Procedures Manual. The Finance Department will meet with other City departments to reinforce the policies and procedures to be followed.

#### *05-08 Project Management Consultants*

##### *Criteria*

Construction projects should include all applicable costs. All invoices for project consultants should be reviewed to verify that amounts being charged are in accordance with executed contracts.

##### *Condition*

- 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.
- We noted that the billings from the project management consultants incorporate an overhead rate that varies based on whether the consultants are working out of the field office or the home office. Discussions with City personnel indicated that some of the consultants maintain an office at the City which would cause the rate to be the field rate, rather than the higher home office rate. We noted that based on an audit performed by the City Auditor General which covered the period of January 1, 2004 through March 31, 2005, the City did in fact receive a refund of approximately \$154,000 from one of the consultants for overcharges. However, our review of several invoices from the consultants dated after the City Auditor General review indicated that the City is being consistently billed at the higher home office rate.

##### *Effect*

The effect is that, without the proper review and authorization of billings submitted by project management consultants, the City is potentially being charged incorrect rates. Capital assets of the City will ultimately be misstated if all construction costs are not properly accounted for.

##### *Cause*

The cause of the conditions is a lack of proper review and authorization, as well as billings that are not sufficiently detailed.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Recommendation*

We believe that procedures should be implemented to ensure that the correct overhead rate is charged to the City. Furthermore, billings from the consultants should specifically identify projects so that costs incurred can be properly included as part of construction costs.

#### *Views of Responsible Officials and Planned Corrective Action*

The CIT Contracts group reviews and approves all contracts, work orders and invoices prior to submission for director approval to insure that all contract terms and conditions are followed. The program management invoices are also passed through this internal control process. CIT did not authorize home overhead after the City Auditor's review unless it was for staff that was working out of their home office as opposed to MRC. We had staff working in the field overseeing construction projects, similar to our own inspectors. However, the City did not provide or pay for field offices and this consultant staff did not work out of MRC. They worked out of their respective home offices and were billed correctly as such. Therefore, it is important not to confuse the term "working in the field" with the terms "field rate" or "field office".

The City currently has no budgetary system in place, such as an automated timesheet program, whereby the time spent on specific projects, project phases and administrative functions can be tracked. The CIT department has been working closely with the iMiami team to insure that all functions needed to track hard, soft and administrative costs are incorporated into the new Oracle database. Until the City converts to the ERP system, it is impractical and infeasible to track this information manually for literally hundreds of projects and project phases.

#### *05-09 Component Units and Pension Plans*

##### *Criteria*

Receivables and payables from/to the City from component units and pension plans, as well as any funding provided to those entities by the City, should be in agreement with the amounts reflected on the City's books and records.

##### *Condition*

The City's financial reporting entity includes five discretely presented component units and four blended component units. Additionally, the City's financial statements include the GESE and FIPO pension trust funds for the pension plans administered by the City. Separate financial statements are issued for each of these entities/plans. We noted that the amounts reflected in the component unit/pension plan financial statements as receivables and payables from the City, as well as funding/transfers provided by the City, are not reconciled to the amounts reflected on the City's books and records.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Effect*

The lack of reconciliation can result in inaccurate financial reporting.

#### *Cause*

The Finance Department does not perform a reconciliation of these amounts.

#### *Recommendation*

We recommend that procedures be implemented which require the reconciliation of transactions with the component units/pension plans. Any differences should be investigated and resolved.

#### *Views of Responsible Officials and Planned Corrective Action*

The City of Miami does not agree with the auditors comments. The Finance department does not administer the accounting or the audit of the component units or pension plans. As a result, the component unit's financial statement audits are not always submitted by the component units prior to issuance of the City's Comprehensive Annual Financial Report. The City formally requests all component units and pension plans to plan the timing of their audits to coincide with the issuance of our CAFR, however, we can not control the work of their respective auditors. Additionally, differences between the City's financials and those of the component units are sometimes the result of the timing of receiving and posting payments/receivables. Or, the component units may be on a different accounting basis which may result in differences to the due to /due from account balances.

#### *05-10 Homeland Defense Security Bonds*

#### *Criteria*

The requirements of the Homeland Defense Security bonds issued in fiscal 2002 provide that 85% of the bonds were to be expended by August 2005.

#### *Condition*

As of August 2005, the City did not expend the required amounts, thereby exposing the City to arbitrage.

#### *Effect*

The City is currently undergoing an examination by the Internal Revenue Service to determine if any arbitrage liability exists.

#### *Cause*

Failure to spend bond proceeds within the prescribed timeframes.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Recommendation*

The City, in the future, should consider issuing debt after all construction project plans are in place to minimize debt service requirements and eliminate potential arbitrage liabilities.

#### *View of Responsible Officials and Planned Corrective Action*

We agree with auditor's comments and recommendation. The City is implementing new procedures to ensure projects have been identified prior to the issuance of debt.

### PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

#### Other Matters

##### *04-09 Network Security*

Although the new security group in the Information Technology Department (ITD) is responsible for most security tasks, user termination is still performed by the help desk. No written policies and procedures exist for disabling network access upon employee termination and the help desk is not consistently notified of these terminations.

Users with administrative privileges (administrators) have unrestricted access to all Windows servers and workstations connected to the network. Administrators may move or delete any file or database; modify any application stored on Windows-based servers (including GEMS); and delete audit logs which may record such movements. Many of ITD's employees, including temporary employees, have administrative access. The administrator password is not changed when privileged users leave or are terminated.

#### *Recommendation*

Access to network resources must be disabled immediately when an employee is terminated. Policies and procedures requiring informing the ITD in a timely manner about employee termination must be enforced. The security group should be responsible for disabling user access.

Job functions should be modified such that maximum privilege is not necessary. A system of hierarchical privileges should be implemented which provides ITD staff only with privileges necessary for their job function.

Policies should be established to require all privileged Windows passwords be changed every 90 days or immediately after a privileged user leaves or is terminated. Procedures should be created to manually change all passwords throughout the network, or, a software package should be implemented to make these changes in an automated fashion.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Status*

With regards to the timely termination of access to network resources, ITD disables all network access for terminated employees immediately upon notification of termination from the Department of Employee Relations. During normal work hours, this function is currently located in our Customer Service group to ensure the timeliness of our response to these requests. If a request to terminate access is received after normal business hours then the Security Group is notified and access is terminated immediately. We will review these policies to see if the suggested modification can be made without sacrificing the department's ability to respond in a timely fashion.

The Security group within the Information Technology Department is currently reviewing all security roles and responsibilities to ensure that only the appropriate privilege level is assigned to each job function.

The current policy, which is enforced through Windows security, requires that all user and administrative passwords be changed every 90 days. Additionally, in January 2006, ITD purchased an automated tool to assist in the timely modification of admin passwords at a server level every 90 days or immediately upon termination of an employee. This tool is currently scheduled for implementation, along with the supporting policies, on 3/31/2006.

#### *04-12 Succession Planning*

The heads of every operational group are eligible for retirement or will be in the near future. Although the mainframe will be superseded by Windows-based servers, the mainframe and applications must be maintained for the length of the City's financial document retention policy. Both of the knowledgeable mainframe operators are eligible for retirement. Management has not addressed succession planning.

#### *Recommendation*

Due to the City's lengthy hiring process, the retirement of one or more operational heads could have a negative impact on the operations of the Information Technology Department. It is extremely important that successors within each group be designated and fully trained. If adequate personnel are unavailable, they must be hired.

#### *Status*

ITD is working with the Department of Employee Relations in order to develop a template for Succession Planning that will be used to address the immediate issues facing the IT Department, and which can also be used for all departments city-wide.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### Other Information

#### ***04-13 Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions***

As part of the total compensation offered to attract and retain the services of qualified employees, many state and local governmental employers, in addition to pensions, provide other post-employment benefits (OPEB). OPEB includes post-employment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan. The Governmental Accounting Standards Board has issued Statement No. 45 which establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Post-employment benefits (OPEB) are part of an exchange of salaries and benefits for employee services rendered, and are taken after the employee's services have ended. From an accrual accounting perspective, the cost of OPEB should be associated with the periods in which the exchange occurs, rather than with the periods, often many years later, when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to recognize the cost of the benefits in periods when the related services are received by the employer, provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded and provide information useful in assessing potential demands on the employer's future cash flows. The Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual basis measurement and recognition of OPEB expense over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

OPEB expenditures for governmental funds should be recognized on the modified accrual basis. The amount recognized should be equal to the amount contributed to the plan or expected to be liquidated with expendable available resources. Essentially, there is no change from current practice for governmental funds. However, for proprietary and government-wide financial statements, the accrual basis must be used. The accrual method will require the calculations to be made using actuarial computations and will result in the recognition of a present value liability which measures the value of OPEB benefits earned by employees during their tenure with the government and likely to be paid upon retirement. This calculation will result in substantial amounts, due to the current cost of such benefits and their escalating costs. It should also be emphasized that there is no requirement to fund these benefits with current resources. The Statement merely requires the reporting of the value of the benefit primarily in the government-wide financial statements. The computations are extremely complex and the use of an actuary will invariably be required.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

The Statement would permit prospective implementation, that is, employers would be permitted to set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation would occur in three phases based on the government's total annual revenues in the first fiscal year ending after June 15, 1999. The definitions and cutoff points for that purpose otherwise would be the same as in GASB's Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the City of Miami, this Statement is effective for the fiscal year ended September 30, 2008.

#### *Recommendation*

The contents of this statement are highly complex and will require significant lead time to implement on the respective implementation date. We would suggest that the City obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.

#### *Status*

City staff concurs with this comment. The Finance Department will inquire of Rachlin Cohen & Holtz LLP as to their assistance in implementing GASB No. 45. In addition, the Finance and Group Benefits staff will be participating in several training sessions within the next few months related to GASB No. 45 in order to obtain a better understanding of the intricacies of the implementation process.

#### *03-01 Capital Assets*

The City should record capital assets at historical cost and depreciate them over their estimated useful lives unless they are inexhaustible. In order to properly record capital assets and related depreciation expense, the City must retain adequate records of all capital assets and update and record activity throughout the year. Additionally, assets purchased with federal or state grant funds should be specifically identified as being acquired with grant funds to help ensure compliance with the equipment and real property management requirements of the respective grant programs.

The City does not have an adequate accounting system for the capital assets subsidiary ledger and accounting information systems to help ensure that capital asset balances are accurately recorded, properly labeled and monitored. The conditions noted are as follows:

- Balances recorded in the current capital assets subsidiary ledger did not include all balances that were inventoried and reported by the City's third-party consultant in fiscal year 2002.
- The City's accounting information system for capital assets is not designed to report depreciation expense by functional activities, departments or categories.
- The City's accounting information system does not allow for significant motivations to enable updates, changes and adjustments to previously recorded capital asset balances.



# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### **SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

Failure to properly record, update and depreciate capital asset balances could result in misappropriations of assets or improper recording of capital asset balances and related depreciation expense for financial statement reporting and also violates federal and state grant requirements.

#### ***Recommendation***

We recommend that the City improve the capital assets subsidiary ledger and accounting information systems to help ensure more accurate and complete recording of capital asset balances for financial reporting purposes. The City should also consider upgrading its capital assets module to include depreciation calculation capabilities. Additionally, capital assets purchased with federal and state funds should be appropriately labeled to help ensure accurate identification of the assets.

#### ***Status***

The City is replacing the current financial reporting system (GEMS) with the Oracle eBusiness Suite 11i financial application. This application will enhance the City's ability to effectively record, update and depreciate capital assets as well as comply with mandated reporting requirements of various federal and state agencies. The timeline for the implementation of this System is October 1, 2006.

#### ***03-02 Payroll Audit Trail Report***

The City has formal policies and guidelines related to the safeguarding and processing of human resources information including the processing of changes to employee records. The complete payroll audit trail reports are not reviewed each pay period to help ensure that no unauthorized changes were made to employee records. Failure to monitor and review the payroll audit trail reports could result in unauthorized changes made to employee's records without the knowledge of human resource management, resulting in inaccurate reporting of payroll expenses and the City's obligations to its employees.

#### ***Recommendation***

We recommend that the City enhance its current policies and procedures to help ensure that all modifications to human resource records are reviewed and approved each pay period to help ensure that all changes to employee records are properly authorized.

#### ***Status***

The City is replacing the Moore HR/Payroll Systems with the Oracle eBusiness Suite 11i HRMS applications. The new applications will produce edit change reports in order to identify all payroll changes made, thereby providing a mechanism of review for any unauthorized payroll changes. The timeline for the implementation of the HR/Payroll application is January 1, 2007.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *01-02 Budgeting*

The City currently utilizes two separate budget databases: the SCI financial management system for finalized budget and procurement purposes and the Access database within the Budget Department to create, track, monitor, forecast and finalize the budget. Numerous amounts of line items are entered into the Access database and reviewed during the budget process. The Budget Department has utilized the finalized budget of the prior year to start creating the basis for the development of the budget of the upcoming fiscal year. After the budget has been finalized and approved, the information is interfaced with the SCI system. On a monthly basis, data is downloaded from the SCI system into the Access database by the IT Department for forecasting purposes. Maintaining two separate budget databases may result in extensive manual review procedures that are required to verify and ensure the data being utilized by the City.

#### *Recommendation*

Management should consider implementing a budget module that would include the entire budgeting process from initiation through adoption, to reduce the amount of time required for the extensive manual reviews currently being performed. In addition, this would provide for up-to-date information when needed for forecasting purposes rather than waiting until the monthly download process occurs.

#### *Status*

We agree with the observation and recommendation made by the external auditor. The City has already procured a budget module as part of the ERP implementation which is currently underway. Additionally, the City is considering purchasing a separate third party module for the purpose of budget preparation and forecasting. This module would interface directly with the financial system providing the “up-to-date” financial information needed for forecasting. We expect either solution to be implemented sometime during the 2007 fiscal year.

#### *01-03 Time Recording – Overtime*

The City’s GSA and Solid Waste Departments utilize the KRONOS system for tracking, recording and monitoring employee time and attendance. The other departments within the City rely on manually recorded, authorized and submitted time and attendance reports. These reports are entered manually into the Moore Personnel/Payroll system. The system edit checks with the Moore Personnel/Payroll system related to overtime do not limit time entry of excessive overtime.

Current policy requires approval for time and attendance prior to submission by the responsible departments. An exception report is utilized which indicates overtime hours that have been entered for employees not eligible for overtime. However, this report does not encompass overtime hours in excess of reasonable hours worked per day for all employees. In some instances it is necessary to enter hours worked for an employee retroactively. For this purpose, daily time parameters that could aid in identify excessive overtime hours have not been set within the system. In addition there are two different screens in the Moore Personnel/Payroll system where time can be entered. One is for mass entry of time, the other for individual time entry. Predominantly, the screen for mass time entry is utilized; however, the individual time entry screen does not subject data entry to edit or validation checks, including overtime or invalid codes.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Entry of time and attendance with limited or no online parameters for detecting the submission of excessive overtime and part-time hours may contribute in overpaying an employee. Although the system does generate a report that is manually reviewed by the payroll department, this report lists all overtime hours entered for those employees not eligible for overtime but does not indicate those entries that appear excessive or out of the ordinary.

#### *Recommendation*

Management should consider implementing time and entry edit validation checks for total hours worked including full-time, part-time and overtime hours for both entry screens. A single exception report should be generated by the system based on submissions that are outside the set parameters. The parameters should factor into account employees who work permanent positions in addition to part-time positions, as well as part-time employees who work multiple positions. This should enable a more accurate and efficient review, and allow payroll personnel to perform other payroll related functions.

#### *Status*

The City is replacing the Moore HR/Payroll Systems with Oracle eBusiness Suite 11i applications. The new applications will facilitate the ability to manage hours based on the employee type and their eligibility rules. The employee type and eligibility rule factor into account the employee job type, position, and business pay rules associated with each employee. Therefore, the applications will systematically validate the “hours type” and/or “earnings type” prior to assigning to an employee. In addition, the hours and earnings assigned to an employee can be validated via standard reports at multiple stages of the payroll process prior to producing a payroll check. The timeline for the implementation of the HR/Payroll application is January 1, 2007.

#### *00-05 Grant Accounting*

Each of the City’s federal, state and local grants is currently accounted for in the City’s general ledger by project. However, each general ledger grant project does not identify only reimbursable expenditures, related to the respective grants. As a result, we were unable to agree several grant program expenditures from the schedule of expenditures of federal awards, which were obtained from the general ledger grant project, to the reimbursement packages.

#### *Recommendation*

We recommend the City separately identify, in the general ledger grant projects, those expenditures that are reimbursable by the grantor and those expenditures that are not. This will ensure the accuracy of the schedule of expenditures of federal awards.

#### *Status*

The City is replacing the current financial reporting system (GEMS) with Oracle eBusiness Suite 11i financial application. This application will significantly improve the City’s ability to track project level expenditures and monitor reimbursable grants. The timeline for the implementation of this Financial System is October 1, 2006.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *00-07 Logical Security*

The Human Resources Department provides the Information Technology Department (ITD) with a list of monthly users that are no longer employed with the City. ITD relies on this list to ensure that terminated user system access is disabled. In addition, departments should immediately notify ITD of users that are no longer employed by the City. However, this policy is not well enforced. As a result, the possibility exists that users may remain active in the system for an extended period of time should departments not notify ITD.

#### *Recommendation*

Management should disable system users in a more timely manner. Sound practices indicate that users should be disabled on the last day of employment. The current policy should be recommunicated and enforced.

#### *Status*

The City is replacing the current financial systems with the Oracle eBusiness Suite 11i financial application. The new application will eliminate several legacy systems which require a unique user profile for each application to be deactivated upon the employee's separation from the City. The City will continue to review the existing process which uses a "Security Access Termination Form" which is prepared by the user departments and the "Monthly Separation Report" produced by the City's automated payroll system in an attempt to correct noted deficiencies. The timeline for the implementation of the HR/Payroll application is January 1, 2007.

#### *99-03 Financial Reporting*

The Finance Department has purchased computerized financial reporting software and developed certain procedures in an effort to assist in the compilation of the annual financial statements. However, we noted that the accounting software is not fully used for its intended purpose and, in fact, the financial statements are prepared manually on spreadsheets, which is very time consuming and prone to human error.

#### *Recommendation*

Although the City has purchased computerized financial reporting software in the prior year, we noted that the implementation process of such software has encountered some difficulties. We recommend that the City continue to aggressively implement the computerized financial reporting software. The use of a formal financial reporting system will improve the timeliness and accuracy of financial data and thereby assist management in meeting their reporting deadlines and provide them with reliable tools for monitoring the City's progress and making informed decisions.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Status*

The City is replacing the current financial reporting system (GEMS) with the Oracle eBusiness Suite 11i financial application. This application will significantly reduce the manual input required to produce management reports as well as improve the timeliness of the reports. The timeline for the implementation of this Financial System is October 1, 2006.

#### *97-06 User Access Codes*

User access codes and User ID's (Personnel Identification Numbers) are in clear text, unencrypted and unmasked to users with security administrator level access with the SCI financial software systems and the police systems (including the Police accounting system). Security administrators of the SCI financial software and police systems have the capability to view and print out all access codes and User ID's for this system. Hence, these individuals have the capability to perform any type of transaction within the financial systems and remain undetected.

#### *Recommendation*

The City should evaluate whether or not it is feasible and cost beneficial to enable password encryption for the SCI financial systems and the police system.

#### *Status*

The City is in the process of replacing its legacy public safety system with modern integrated public safety dispatching and reporting systems. The new public safety systems encrypt passwords. The Police Dispatching and Reporting system is currently in use and the projected implementation date for Fire Reporting is May 2006.

The City is also replacing the current financial system with the Oracle eBusiness Suite 11i financial application. The new system will encrypt passwords and will not allow the system, security or database administrators to view them in clear text. The timeline for the implementation of this system is October 1, 2006 for phase I (Finance & Purchasing) and January 1, 2007 for Phase II (HR/Payroll).

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **Reportable Conditions**

#### *05-11 Overall Comment for all Program Accounting – Schedule of Federal Award Expenditures Preparation and Completeness*

#### *Criteria*

The City must have internal control policies in place to ensure compliance with Federal and State regulations.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### *Condition*

The Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects originally provided by the City at the commencement of fieldwork omitted grant programs and grant expenditures that are required to be included. Additionally, audit procedures identified grants that were originally included in the Schedule that are not subject to single audit reporting requirements. As a result, the net change in the amount of expenditures reported in the Schedule increased by approximately \$9 million.

#### *Effect*

This deficiency in internal control over compliance may result in non-compliance with Federal and State regulations and in an incomplete and materially misstated Schedule of Expenditures of Federal Awards and State Financial Assistance. No known or likely questioned costs resulted from this deficiency.

#### *Cause*

Deficiencies in the design or operation of internal control over financial reporting.

#### *Recommendation*

We recommend the City establish effective internal control procedures to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.

#### *View of Responsible Officials and Planned Corrective Action*

The City of Miami does not currently have a grants management system and much of the grants accounting is decentralized across departments, making data collection and analysis very difficult. The City is currently implementing an Enterprise Resource Planning System with a Grants Management Module which will enable the Finance Department to maintain a central repository of all grants. In addition, it will enable the Finance department to ensure the completeness of all grants and accurately record the necessary receivables and deferred revenues as expenditures are incurred or funds are received. This centralized grants accounting system will provide the monitoring tools necessary to ensure that reimbursement requests are filed accurately and on a timely basis.

#### *05-12 Reconciliation Process Pertaining to:*

- *CFDA #16.011 U.S. Department of Homeland Security – Urban Area Security Initiative Grant (UASI)*
- *CFDA #97.036 U.S. Department of Homeland Security – FEMA Disaster Relief Funding Agreement – Hurricane Katrina*
- *CFDA #97.025 U.S. Department of Homeland Security – Urban Search and Rescue Grant Award (USAR)*

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### *Criteria*

OMB Circular A-133 financial reporting requirements include “verifying the accuracy and completeness of the reports and that they agree with the accounting records”.

#### *Condition*

Reconciliations between general ledger reports and reports filed with the grantor are not prepared to ensure accuracy and completeness of reporting. We note that:

- UASI reimbursement requests reported to the grantor overstated cumulative expenditures by \$1,102,389.
- The same invoice totaling \$69,671 was reported twice to FEMA in two separate project worksheets.
- USAR Report PSC272 as submitted to the grantor could not be traced or reconciled to amounts reported in the general ledger.

#### *Effect*

The failure to perform these reconciling procedures may result in inaccurate and/or incomplete reporting to grantors or inaccurate and incomplete accounting records. The following known questioned costs resulted from this finding:

- UASI - \$1,102,389 – amount of over-reported expenditures
- FEMA - \$69,671 – amount of known over-reported expenditures
- USAR - None

#### *Cause*

The lack of routine reconciliations between accounting records and amounts reported to grantors.

#### *Recommendation*

We recommend routine reconciliations between accounting records and amounts reported to grantors be performed to ensure compliance with accurate and complete reporting requirements.

#### *View of Responsible Officials and Planned Corrective Action*

Effective immediately, the City of Miami will reconcile reimbursement requests with the monthly GEMS financial reports before requesting any reimbursement to the State of Florida, Department of Community Affairs.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### Non-Compliance Findings

#### *05-13 CFDA # 16.011 & 97.008 - U.S. Department of Homeland Security – Urban Area Security Initiative Grant*

##### *Criteria*

Local governments shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, 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 purposes of proper identification.

##### *Condition*

The City performs physical inventories of equipment at least on a bi-annual basis. However, the City does not separately identify those assets acquired with federal funds.

##### *Effect*

Noncompliance with OMB regulations possibly affecting current and future funding from the Federal agency. The known or likely questioned costs resulting from this finding are unknown.

##### *Cause*

Lack of an adequate capital asset system that will identify these assets and ensure compliance with these requirements.

##### *Recommendation*

We recommend the City establish procedures to ensure compliance with the above requirements.

##### *View of Responsible Officials and Planned Corrective Action*

The City of Miami's grants administration has adopted inventory procedures to assemble a list of equipment purchased both by the City and by subgrantees with federal funds. Procedures have been written and the City has a designated person to conduct an immediate physical inventory as well as subsequent bi-annual inventories of equipment purchased with grant funding.



# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### *05-14 CFDA # 16.011 & 97.008 - U.S. Department of Homeland Security – Urban Area Security Initiative Grant*

##### *Criteria*

OMB Circular A-133 requires the amount of Federal funds disbursed to sub recipients be included in the total expenditures of Federal awards of the pass-thru entity and in the determination of the pass-thru entity's major programs. "To the extent practical" information regarding amounts provided to sub-recipients from each Federal program should also be disclosed.

##### *Condition*

The City was not properly recording as expenditures the amounts passed thru to the subrecipient (Miami-Dade County).

##### *Effect*

Exclusion of subrecipient expenditures results in noncompliance with OMB A-133 requirements, as well as materially misstated Schedule of Federal Award Expenditures and inaccurate and incomplete accounting records. There are no likely or known questioned costs related to this finding.

##### *Cause*

City personnel were not aware of requirement.

##### *Recommendation*

We recommend the City establish procedures to ensure compliance with the requirements above.

##### *View of Responsible Officials and Planned Corrective Action*

The City of Miami has added additional expenditure and revenue index codes in order to separately track sub-recipient transactions in the financial system.

#### *05-15 CFDA # 16.011 & 97.008 - U.S. Department of Homeland Security – Urban Area Security Initiative Grant*

##### *Criteria*

OMB Circular A-133 Cash Management compliance in a cost-reimbursement type grant requires the pass thru entities to pay for expenditures prior to requesting reimbursement.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### *Condition*

The City was requesting reimbursement from the State for subrecipient expenditures not yet reimbursed to the subrecipient by the City. City was holding off on payment to the subrecipient for eligible expenditures until the receipt of reimbursement funds from the State.

#### *Effect*

Noncompliance with OMB regulations possibly affecting current and future funding from the Federal Agency. No known or likely questioned costs resulted from this finding.

#### *Cause*

City does not have resources available to fund the subrecipients prior to reimbursement.

#### *Recommendation*

We recommend the City obtain a waiver from the State for this requirement.

#### *View of Responsible Officials and Planned Corrective Action*

The City is aware of this requirement. Management deemed that when expenditures were incurred by the subrecipient, the City would request reimbursement. Due to the large dollar amounts of the expenditures, the City is unable to reimburse the subrecipients prior to reimbursement from the State.

#### *05-16 CFDA # 14.218 – U.S. Department of Housing and Urban Development - CDBG Entitlement Program*

#### *Criteria*

According to 24 CFR Sections 570.603, projects are subject to Davis-Bacon requirements when CDBG funding is used to assist HOME activity by financing the construction or rehabilitation work, in whole or in part, of any property containing 8 or more units. However, under Section 92.354, only HOME projects with 12 or more units are subject to Davis-Bacon requirements.

#### *Condition*

During our compliance testing, we noted the City did not obtain proper Davis Bacon certifications and reports for a HOME and CDBG funded project, Ralph Plaza II, for which a construction disbursement was made from CDBG funding. Per the contract with Ralph Plaza II, this project is for the construction of property containing 11 units.

# CITY OF MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### *Effect*

The effect of non-compliance with these agreements can affect past, current and future funding of monies received from the respective Federal agency. The amount of known or likely questioned costs is unknown.

#### *Cause*

Unknown.

#### *Recommendation*

We recommend the City comply with Federal requirements related to this program and obtain written approval for the above noted transaction from the grantor.

#### *View of Responsible Officials and Planned Corrective Action*

The City does not agree with this comment. Federal funds spent on construction costs were transferred as eligible expenditures under the HOME program resulting in only soft costs and no construction costs being charged to the CDBG program. The City therefore concludes that the Davis Bacon Act requirements are not applicable to the CDBG program.

### SECTION IV – STATE FINANCIAL ASSISTANCE PROJECTS FINDINGS AND QUESTIONED COSTS

None.