

# City of Miami, Florida

Single Audit Reports in Accordance with  
OMB Circular A-133 and the Florida Single  
Audit Act in Accordance with the *Rules of the  
Auditor General* of the State of Florida  
Fiscal Year Ended September 30, 2010

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City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2010

Federal Grantor / State Agency pass-through grantor / Program Title	CFDA / CSFA Number	Grant/Contract Number	Federal	State
<b><u>U.S. Department of Agriculture</u></b>				
<i>Pass-through Florida Department of Education</i>				
Summer Food Service Program	10.599		\$ 349,600	\$ -
<b>Subtotal Pass-Through Programs</b>			<b>349,600</b>	<b>-</b>
<i>Pass-through Florida Department of Health</i>				
Child Care Food Program	10.558	S-576	38,748	-
Out of School Time Snack Program	10.558	A-2384	126,016	-
<b>Subtotal Pass-Through Programs</b>			<b>164,764</b>	<b>-</b>
<b>Total Department</b>			<b>514,364</b>	<b>-</b>
<b><u>U.S. Department of Health &amp; Human Services</u></b>				
Miami N.I.C.E.	93.009	90EJ0084/01	352,612	-
<b>Total Department</b>			<b>352,612</b>	<b>-</b>
<b><u>U.S. Department of Environmental Protection</u></b>				
Allapattah/Wynwood Area-Wide Assessment Grant	66.818	BF-96490207	137,384	-
<b>Total Department</b>			<b>137,384</b>	<b>-</b>
<b><u>U.S. Department of Environmental Protection – ARRA</u></b>				
ARRA – Brownfields Job Training Program	66.815	2J-95428109	45,847	-
ARRA – Solid Waste Biodiesel Refuse Haulers	66.039	2A-95422409-1	382,514	-
<b>Total Department</b>			<b>428,361</b>	<b>-</b>
<b><u>U.S. Department of Homeland Security</u></b>				
South Florida USAR Program	97.025	EMW-2003-CA-0105	2,523,447	-
FEMA / USAR Grant Award FY2009	97.025	2009-SR-24-K007	566,224	-
FEMA / USAR Grant Award FY2010	97.025	2010-SR-24-K043	124,479	-
<b>Total Award</b>			<b>3,214,150</b>	<b>-</b>
FEMA Hazard Mitigation	97.039	07DM-68-11-23-02	26,031	-
<i>Pass-through State of Florida Division of Emergency Management</i>				
FEMA 2007 Pre-Disaster Mitigation Grant-Flagami/West End	97.039	PDMC 2005-004	41,092	-
North Police Substation Hurricane Protection	97.039	FEMA 1602-04-R	38,610	-
<b>Total Award</b>			<b>105,733</b>	<b>-</b>
<i>Pass-through Florida Department of Community Affairs</i>				
FEMA – Hurricane Katrina	97.036	06-KT-B&-11-23-00-524	28,989	-
FEMA – Hurricane Wilma	97.036	06-WL-K&-11-23-02-562	45,022	-
<b>Total Award</b>			<b>74,011</b>	<b>-</b>
<i>Pass-through Florida Department of Community Affairs</i>				
Urban Area Security Initiative Grant Program IV 2005	97.067	06DS-4H-11-23-02-342	834,618	-
Urban Area Security Initiative Grant Program V 2006	97.067	07DS-5S-11-23-02-379	4,823,771	-
Urban Area Security Initiative Grant Program V 2007	97.067	09DS-24-11-23-02-011	1,422,688	-
Urban Area Security Initiative Grant Program V 2008	97.067	10DS-48-11-23-02-195	107,898	-
<i>Pass-through State of Florida Financial Services</i>				
2007-2010 State Homeland Security Program	97.067	08DS-60-13-00-16-373	25,743	-
2008-2009 State Homeland Security Grant Program	97.067	R-10-0005 File ID#09-01440	940	-
<b>Total Award</b>			<b>7,215,658</b>	<b>-</b>

(Continued)

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)  
 Year Ended September 30, 2010

Federal Grantor / State Agency pass-through grantor / Program Title	CFDA / CSFA Number	Grant/Contract Number	Federal	State
Staffing for Adequate Fire and Emergency Response (Safer) Grant	97.083	EMW-2005-FF-02434	\$ 57,467	\$ -
2009 FEMA/Assistance to Firefighters Grant Program	97.044	EMW-2009-FO-11434	45,497	-
<b>Total Department</b>			<b>10,712,516</b>	<b>-</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Community Development Block Grant	14.218		8,069,189	-
Neighborhood Stabilization (NSP)	14.218		4,094,347	-
<b>Total Award</b>			<b>12,163,536</b>	<b>-</b>
Section 8 Housing Assistance Payment – Mod Rehab1	14.856		1,624,291	-
Section 8 Housing Assistance Payment – Mod Rehab2	14.856		399,964	-
<b>Total Award</b>			<b>2,024,255</b>	<b>-</b>
Section 8 Housing Assistance Payment – Vouchers	14.871		1,757,981	-
Emergency Shelter Grant (ESG)	14.231		329,446	-
Housing Opportunities for Persons with Aids	14.241		12,393,547	-
Home Investment Partnership	14.239		5,879,767	-
Community Development Block Grant Recovery Program (CDBG-R) ARRA	14.253	B-09-MY-12-0003	662,110	-
Homeless Prevention & Rapid Re-Housing Program				
ARRA Division A – Title XII	14.257	S-09-MY-12-0002	791,125	-
<b>Subtotal Direct Programs</b>			<b>46,714,283</b>	<b>-</b>
<i>Pass-through Miami-Dade County:</i>				
2009 MIAMI-METRO HOMELESS ASSISTANCE PROGRAM SOUTH	14.235	FL0190B4D000801 & FL0190B4D000802	153,457	-
2009 MIAMI-METRO HOMELESS ASSISTANCE PROGRAM NORTH	14.235	FL018B4D000801 & FL0189B4D000802	211,188	-
2010-2011 Supportive Services Grant	14.235	FL0211B4D000801 & FL0211B4D000802	253,851	-
<b>Subtotal Pass-Through Programs</b>			<b>618,496</b>	<b>-</b>
<i>Pass-through Miami-Dade County</i>				
Miami Dade County FY2005 CDBG Supplemental Disaster Recovery Initiative	14.228	07-DB-3V-11-23-01-Z06	150,667	-
<b>Subtotal Pass-Through Programs</b>			<b>150,667</b>	<b>-</b>
<b>Total Department</b>			<b>47,483,446</b>	<b>-</b>
<b><u>U.S. Department of Justice</u></b>				
Bulletproof Vest II	16.737		47	-
Bullet Proof Vest – 2007	16.737		92	-
Bullet Proof Vest – 2008	16.737		11,919	-
Bullet Proof Vest – 2009	16.737		4,986	-
Gang Resistance Education & Training Program - 2009	16.737		15,040	-
<b>Total Award</b>			<b>32,084</b>	<b>-</b>
J.A.G. III – 2007	16.738		194,880	-
2008 – J.A.G.	16.738		45,989	-
JAG Local Solicitation	16.738		24,000	-
SR0P-School Resource Officer	16.738		22,675	-
<b>Total Award</b>			<b>287,544</b>	<b>-</b>

(Continued)

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)  
 Year Ended September 30, 2010

Federal Grantor / State Agency pass-through grantor / Program Title	CFDA / CSFA Number	Grant/Contract Number	Federal	State
U.S. Law Enforcement Trust Fund	16.UNKNOWN		\$ 312,518	\$ -
COPS – Technology Program Grant	16.710	# 2009-CKWX 0330	317,478	-
Solving Cold Cases with DNA	16.560	2007- DN-BX-K123	101,989	-
SMART GRANT	16.750		2,673	-
<b>Subtotal Direct Programs</b>			<b>1,054,286</b>	<b>-</b>
<b><u>U.S. Department of Justice - ARRA</u></b>				
ARRA-COPS Hiring Recovery Program	16.710	# 2009RJWX0026	1,897,659	-
ARRA- FY 09 Justice Assistance Grant Program	16.804	# 2009-SB-B9-3068	455,827	-
<b>Subtotal Direct Programs</b>			<b>2,353,486</b>	<b>-</b>
<i>Pass through State of Florida, Department of Law Enforcement</i>				
FY 2009-10 Victims of Crime Act (V.O.C.A.)	16.575		22,425	-
U.S. Customs Law Enforcement Trust Fund	16.UNKNOWN		99,619	-
<b>Subtotal Pass-Through Programs</b>			<b>122,044</b>	<b>-</b>
<i>Pass Through Miami Dade County</i>				
Records Improvements Program	16.579		24,127	-
<b>Subtotal Pass-Through Programs</b>			<b>24,127</b>	<b>-</b>
<b>Total Department</b>			<b>3,553,943</b>	<b>-</b>
<b><u>U.S. Fish and Wildlife Service, Department of the Interior</u></b>				
<i>Pass Through Florida Department of Environmental Protection:</i>				
Clean Vessel Act	15.616	LE638	4,223	-
<b>Total Department</b>			<b>4,223</b>	<b>-</b>
<b><u>U.S. Department of Education</u></b>				
<i>Pass Through Miami Dade County Schools</i>				
21st CCLC – Lenora	84.287	710-193	32,085	-
21st CCLC – Holmes	84.287	130-2448A-8CCCA	27,838	-
<b>Total Department</b>			<b>59,923</b>	<b>-</b>
<b><u>U.S. Department of Transportation</u></b>				
<i>Pass Through State of Florida Department of Transportation</i>				
FDOT – Overtown Signage	20.205	ANK86 / 40 5586-1	53,757	-
Miami Safety Belt Enforcement Program	20.205	APV 84	19,199	-
FDOT – Venetian Causeway Improvements	20.205	APG63/410581-1	26,458	-
<b>Subtotal Pass-Through Programs</b>			<b>99,414</b>	<b>-</b>
<b><u>U.S. Department of Transportation - ARRA</u></b>				
ARRA – NE 2nd Avenue, Segment B1	20.205	APR37/426198-2-ARRA-456	314,106	-
ARRA – NE 2nd Avenue, Segment C	20.205	APR36/426198-1-ARRA-324	200,063	-
ARRA – ADA Sidewalk Imp Dist 03	20.205	APR34/426552-1-ARRA-482	62,453	-
ARRA – ADA Sidewalk Imp Dist 05	20.205	APR32/426554-1-ARRA-483	72,690	-
<b>Subtotal Direct Programs</b>			<b>649,312</b>	<b>-</b>
<b>Total Department</b>			<b>748,726</b>	<b>-</b>
<b><u>White House Office of National Drug Control Policy</u></b>				
High Intensity Drug Trafficking Area – (H.I.T.D.A. XIII)	99.UNKNOWN		10,875	-
High Intensity Drug Trafficking Area – (H.I.T.D.A. 2008 Tough Karma)	99.UNKNOWN		22,352	-
<b>Total Department</b>			<b>33,227</b>	<b>-</b>

(Continued)

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)  
 Year Ended September 30, 2010

Federal Grantor / State Agency pass-through grantor / Program Title	CFDA / CSFA Number	Grant/Contract Number	Federal	State
<b><u>US Department of Energy</u></b>				
ARRA- Energy Efficient and Conservation Block Grants	81.128	DE-EE0000778	\$ 156,705	\$ -
<b><u>State of Florida, Department of Environmental Protection</u></b>				
FDEP Flagami/West End Storm II	37.039	LP6056	-	31,342
FDEP Fairlawn Storm Sewer Phase III/San Marco & Biscayne Drainage	37.039	LP 8949	-	17,486
<b>Total Award</b>			-	48,828
Florida Department of EPA Bryan Park Boundless Playground	37.071	LP 0708	-	43,456
<b>Total Department</b>			-	92,284
<b><u>Agency for Persons with Disabilities State Program 2008-2011</u></b>				
Disabilities State Program 2008-2011	67.011		-	248,024
<b>Subtotal Direct Programs</b>			-	248,024
<i>Pass-through Miami-Dade County</i>				
Emergency Medical Services County Grant	64.005	C6013	-	8,418
<b>Subtotal Pass Through Programs</b>			-	8,418
<b>Total Department</b>			-	256,442
<b><u>State of Florida, Housing Finance Agency</u></b>				
State Housing Initiative Project (SHIP)	52.901	N/A	-	2,137,895
<b>Total Department</b>			-	2,137,895
<b>TOTAL EXPENDITURES FOR FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 53,472,914</b>	<b>\$ 2,486,621</b>

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

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2010

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**Note 1. General**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal award programs and state financial assistance projects of the City of Miami, Florida (the "City") for the year ended September 30, 2010. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The City's reporting entity is defined in Note 1 of the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net assets of the City.

**Note 2. Basis of Accounting**

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

**Note 3. Subrecipients**

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

Name of Program/Project	CFDA Number	Amount Provided to Subrecipient
South Florida Urban Search and Rescue Program	97.025	\$ 534,152
Urban Area Security Initiative Grant	97.067	4,903,243
Community Development Block Grant	14.218	3,810,394
<b>Total Federal Expenditures</b>		<b>\$ 9,247,789</b>

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the following component units / funds:

<u>Component Units / Funds</u>	<u>Classification</u>
• Southeast Overtown Park West Redevelopment Agency	nonmajor special revenue fund
• Omni Redevelopment Agency	nonmajor special revenue fund
• Miami Midtown Community Redevelopment Agency	nonmajor special revenue fund
• the Gusman and Olympia Special Revenue Fund	nonmajor special revenue fund
• Virginia Key Beach Park Trust	nonmajor special revenue fund
• Liberty City Community Revitalization District Trusts	nonmajor special revenue fund
• Firefighters' and Police Officers' Retirement Trust	aggregate remaining fund information
• General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trusts	aggregate remaining fund information
• Miami Sports and Exhibition Authority	discretely presented component unit
• Downtown Development Authority	discretely presented component unit
• Bayfront Park	discretely presented component unit
• Civil Investigative Panel	discretely presented component unit

This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

***Internal Control Over Financial Reporting***

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



Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items IC 2010-01 and IC 2010-02 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items IC 2010-03, IC 2010-04, and IC 2010-05 to be significant deficiencies.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 31, 2011.

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

*McGladrey & Pullen, LLP*

Miami, Florida  
March 31, 2011

**Independent Auditor's Report  
on Compliance With Requirements That Could Have a Direct  
and Material Effect on Each Major Program and  
State Project and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133 and Chapter 10.550,  
*Rules of the Auditor General* and on Schedule of Expenditures  
of Federal Awards and State Financial Assistance**

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

***Compliance***

We have audited the compliance of the City of Miami, Florida (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2010. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

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

As described as items CF 2010-03 and CF 2010-06 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding equipment and real property management and subrecipient monitoring that is applicable to its Homeland Security Grant Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that 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 CF 2010-01, CF 2010-02, CF 2010-4, CF 2010-05, CF 2010-07, CF 2010-08, CF 2010-09 and CF 2010-10.

### ***Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item IC 2010-07 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as IC 2010-06, IC 2010-08, IC 2010-09, IC 2010-10, IC 2010-11, IC 2010-12, IC 2010-013, and IC 2010-14 to be significant deficiencies.

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

*Schedule of Expenditures of Federal Awards and State Financial Assistance*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2011. Our report was modified to include a reference to other auditors. Our audit and the audit of other auditors were performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

*McGladrey & Pullen, LLP*

Miami, Florida  
June 28, 2011, except for the Schedule of  
Expenditures of Federal Awards and State  
Financial Assistance which is dated March 31, 2011

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2010

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I - Summary of Independent Auditor's Results

*Financial Statements*

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

*Federal Awards*

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

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
 Fiscal Year Ended September 30, 2010

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*Federal Awards (continued)*

Identification of major federal programs:

The programs tested as major were as follows:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.067	Homeland Security Grant Program
97.025	National Urban Search & Rescue Response System
20.205	Highway Planning and Construction
14.871	Section 8 Voucher Program
14.856	Section 8 Moderate Rehabilitation
14.239	HOME Investment Partnership Program
16.710	COPS – Technology Program Grant
16.710	ARRA – COPS Hiring Recovery Program
<u>Cluster</u>	
14.218	Community Development Block Grant
14.218	Neighborhood Stabilization Program
14.253	(ARRA) CDBG – Recovery Program

Dollar threshold used to distinguish between type

A and type B programs:

\$1,604,187

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
 Fiscal Year Ended September 30, 2010

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*State Financial Assistance*

Internal control over major projects:

Material weakness(es) identified?            Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes            None Reported

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

Unqualified

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

  X   Yes            No

Identification of major projects:

The project tested as major is as follows:

CSFA Number(s)

52.901

Name of State Financial  
Assistance Project

State Housing Initiative Program ("SHIP")

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

\$ 300,000

The City Miami, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

Finding Number	Description	Significant Deficiency	Material Weakness	CFDA / CSFA #
<b>Financial Statements Findings</b>				
<b>Control Deficiencies</b>				
IC 2010-01	Bank Reconciliations		X	
IC 2010-02	Recording of Accruals and Accounts Payable		X	
IC 2010-03	Payroll Processing	X		
IC 2010-04	Filing For Grant Reimbursements	X		
IC 2010-05	Capital Asset Management	X		
<b>Federal Awards and State Financial Assistance Findings and Questioned Costs</b>				
<b>Internal Control over Compliance</b>				
IC 2010-06	Filing For Grant Reimbursements	X		not applicable
IC 2010-07	Equipment and Real Property Management		X	97.067
IC 2010-08	Payroll Costs	X		14.218 / 14.253 / 14.856
IC 2010-09	Payroll Certification	X		97.067, 97.025
IC 2010-10	Equipment and Real Property Management	X		16.710
IC 2010-11	Cash Management	X		97.067 / 16.710
IC 2010-12	Reporting	X		16.710
IC 2010-13	Subrecipient Monitoring	X		97.067
IC 2010-14	Reporting	X		14.871
<b>Compliance</b>				
CF 2010-01	Payroll Certification			97.067 / 97.025
CF 2010-02	Payroll Costs			14.218 / 14.253 / 14.856
CF 2010-03	Equipment and Real Property Management			97.067
CF 2010-04	Equipment and Real Property Management			16.710
CF 2010-05	Cash Management			97.067 / 16.710
CF 2010-06	Subrecipient Monitoring			97.067
CF 2010-07	Reporting			14.871
CF 2010-08	Reporting			97.067
CF 2010-09	Allowable Costs/Cost Principles			14.218
CF 2010-10	Allowable Costs/Cost Principles			16.710



Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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I – Financial Statements Findings

A. Internal Control

IC 2010-01 – Bank Reconciliations

Criteria: Internal control policies and procedures require timely monthly reconciliation, proper recording and disposition of reconciling items, and supervisory review and oversight of the monthly bank reconciliation process.

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

- Reconciling items are not being evaluated and disposed off within a timely manner. Significant adjustments were needed to properly state the year end balance.
- A detail outstanding check listing was not available for the Main Operating Account for March 2010.

Context: The finding is considered systemic in nature.

Effect: Failure to adhere to internal control policies and procedures requiring the timely reconciliation and supervisory review and oversight of the monthly bank reconciliation process could result in material misstatements to the financial statements and/or misappropriation of resources.

Cause: Lack of proper supervisory oversight over the bank reconciliation process.

Recommendation: We recommend that management adhere to their policy which requires that bank account reconciliations be prepared and reviewed by a supervisor on a monthly basis. The Supervisor should ensure that all significant reconciling items are supported, investigated, recorded, and disposed off in a timely manner.

Views of Responsible Officials and Planned Corrective Action: It is the City's business process to reconcile the bank accounts after the close of the month and post adjusting entries to the subsequent month. Any reconcilable items are adjusted as soon as they are identified during the reconciliation process. The items identified by the auditors were related to year end. The books for FY10 were closed and the adjustments were recorded in October of the subsequent year. Once the auditor indicated that the amount should be reclassified to FY10, we concurred and reclassified the amount to year end. Going forward, the City will record all reconciling items in the proper month.

In the month of March, the City experienced a system error when preparing the bank reconciliations and we were unable to produce the outstanding checks list. The issue was resolved and the April report included the March items. This is an isolated incident which has been corrected satisfactorily.

All bank reconciliations are reviewed and approved by the supervisor of the General Ledger section of Finance and then by the Chief Accountant over the division. The City is confident that adequate policies and internal controls are in place over the preparation and review of the bank reconciliation process to address the issues noted.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-02 – Recording of Accruals and Accounts Payable

Criteria: Internal control procedures should be established and complied with that enable the proper and timely recording of liabilities under the accrual or modified accrual basis of accounting, as defined.

Condition: We noted expenditures that should have been accrued at fiscal year-end were not recorded in the accounting year end closing process. This condition was exacerbated as a consequence of the decentralized nature of some aspects of the City's accounting function.

Context: \$2.9 million of year end accruals.

Effect: The City's year end liability was materially understated and was corrected with applicable adjusting entries.

Cause: The cause is due to a breakdown in the system of controls, lack of effective supervisory oversight, and untimely submission of information by various City departments.

Recommendation: We recommend that the City comply with its establish process, whereby outstanding invoices that have not yet been approved and entered into the system for payment are analyzed, reviewed, and manually recorded for financial reporting purposes. In addition, a time schedule should be established that require all applicable departments to submit the necessary information to the finance department to accommodate for timely recording.

Views of Responsible Officials and Planned Corrective Action: The \$2.9 million additional accounts payable accruals consisted of 14 invoices. The City received the invoices from the departments after the general ledger was closed. The invoices were dated between October 2010 through February 2011.

The City does have yearend closing procedures which are communicated several times to departments prior to year end. The various departments are instructed to follow the closing schedule and provide year end accrual information to the Finance Department. However, many times invoices are received well after financial records are closed. The Finance department will continue to communicate with the individual departments as well as directly with the vendors to ensure adherence to the closing schedule.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-03 – Payroll Processing

Criteria: Organizations should have adequate internal controls to properly record, summarize, and report accounting transactions, including those associated with the payroll process, to provide reasonable assurance that the financial statements are not materially misstated.

Condition: Employee time and attendance records are not being approved by department directors or their designees on a consistent basis within the Oracle Human Resource Management System (HRMS). This resulted in employees being compensated without approved time and attendance records. We noted one instance where an employee was terminated and continued to receive compensation for a period of approximately one year.

Context: The finding is considered systemic in nature.

Effect: Increase risk of misstatement of the financial statements and/or misappropriation of resources.

Cause: HRMS is programmed to automatically approve each employee's hours worked in the event that the employee's supervisor does not approve the hours entered into the HRMS for the pay period

Recommendation: We recommend the City establish control procedures which require the review of HRMS "exception reports" for each pay period in order to identify time and attendance records that were not approved at the department level. An after the fact review of the identified attendance records should be performed to ensure that employees were only compensated for time earned/worked.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the finding and recommendation of the auditors. The Oracle Payroll system is programmed to automatically approve each employee's time entry if the designated approver had not approved by the set deadline. This functionality is in place to ensure active employees are paid in a timely manner in accordance with Fair Labor Standards. The City will work towards setting policies and procedures to monitor those transactions that are not approved via the aforementioned "Exception Report" and ensure after the fact review is conducted.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-04 – Filing for Grant Reimbursements

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

Condition: As of September 30, 2010 the City had not received reimbursements for approximately \$22 million of qualifying reimbursable grant expenditures. \$11 million of the \$35 million have been outstanding greater than one year.

Reasons for the delay in the receipt of grant funding resulted from the following deficiencies in administering the grant programs of the City:

- Delay in the compiling and filing of proper documentation necessary to receive reimbursements.
- Incomplete/improper reimbursement packages submitted to grantors, which were subsequently rejected.
- The City's grant management process operates in a decentralized format which has resulted in ineffective oversight over grant administrators.

Context: Condition was noted during the testing of grant receivable balances.

Effect: The delay in requesting for reimbursements has an adverse effect on cash flows and may affect the collectability of the amount due.

Cause: Individual departments administering grant programs did not compile and file the proper documentation needed to receive such reimbursements after the incurrence and payment of a qualified related expenditure.

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

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the findings and recommendations of the auditor. The City's grants and awards processes are decentralized. Each department assigns program managers to their grants who are responsible for the monitoring and filing the reimbursement requests. The Finance Department has worked diligently with the individual departments to ensure reimbursement requests are filed in a timely manner. It should be noted that the amount of qualifying reimbursable grant expenditures that were not submitted has improved from \$35 million in 2009 to \$22 million in 2010. This demonstrates the ongoing efforts in place to receive reimbursement.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-05 – Capital Asset Management

Criteria: Organizations are required to adopt adequate internal controls to properly record, summarize, and report accounting transactions, including those associated with the acquisition and disposition of capital assets, to provide reasonable assurance that the financial statements are not materially misstated.

Condition: We noted the City's capital asset detail schedules required significant adjustments to remove amounts improperly capitalized and to reclass individual assets from construction in progress to proper depreciable asset categories (buildings, equipment, improvements, etc.). While the City had policies and procedures in place to account for capital assets, the internal controls requiring timely recording and review of capital asset related transactions did not function effectively.

Context: The finding is considered systemic in nature.

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

Cause: The cause is due to a breakdown in the system of controls resulting from lack of effective supervisory oversight and review of capital asset balances.

Recommendation: We recommend the City adhere to its internal control policies and procedures to provide reasonable assurance that the following occurs on a routine basis:

- prepare periodic reconciliations of CIP balances to the Oracle Capital Asset Module to ensure that all amounts are properly captured and reported in the financial statements,
- capital asset inventory is performed at least annually,
- review detail schedules on an ongoing basis to ensure that balances recorded are capital in nature and individual assets are properly classified on the capital asset detail schedules.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and recommendations of the auditor. In fiscal year 2010, the City continued to reconcile the capital assets records in the system and is in the process of upgrading the financial system that is used to track projects and construction in progress. The Capital Improvements and Finance departments will work closely together to formulate a process to ensure the periodic reconciliations of the construction in progress balances going forward.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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**B. Compliance**

None noted.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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

A. Internal Control over Compliance

IC 2010-06 – Filing for Grant Reimbursements

See Part II – Financial Statement Findings reported as item IC 2010-04.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-07 – Equipment & Real Property Management

U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067

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

Condition: We noted that the City does not have an up to date inventory listing representing all equipment acquired with federal funds as of September 30, 2010. In addition, management has not performed a physical inventory within the past two years.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

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

Cause: Failure to comply with policies that require the maintenance of an up to date inventory listing of capital assets acquired with federal funds and performance of a physical inventory at least once every two years.

Recommendation: We recommend that a policy is adopted and adhered to that requires that equipment acquired with federal funds are listed and recorded to help ensure that all items are properly accounted for in a manner consistent with the requirements of the Cooperative Agreement, 44 CFR Part 13 and OMB Circular A-102 Common Rule. In addition, the City should establish policies which require that a physical inventory be taken and reconciled to the asset control listing at least once every two years.

Views of Responsible Officials and Planned Corrective Action: We acknowledge that the audit revealed that there was an item that was not listed on our inventory spreadsheets that track nearly 1000 pieces of equipment funded by the grant. We have devoted a significant amount of time over the past 12 months to update the equipment records and to better track the equipment. In addition we have implemented new internal policies. During the monthly PNG reconciliation process, the members updating the actual spreadsheet will give copies of every Invoice, Direct Payment, and P-Card purchase dealing with equipment to the Inventory Member. The Inventory Member will review and update the inventory spreadsheet monthly with the provided information.

- a. The inventory member will review every reimbursement package before it goes to the State to insure there are no additional purchases of equipment that did not get to them under the PNG Reconciliation process.
- b. The Inventory Member will run the monthly "Expenditures Actuals Query" in Oracle to cross reference all UASI Purchase Orders to recent Invoices and Trans IDs.
- c. The inventory member will include the Trans ID for all Inventory items onto the Inventory Spreadsheet moving forward.



Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-08 – Payroll Costs

U.S. Department of Housing and Urban Development

CFDA# 14.218 - Community Development Block Grant

CFDA# 14.218 - Neighborhood Stabilization Program

CFDA# 14.253 - Community Development Block Grant-Recovery

CFDA# 14.856 - Section 8 Housing Assistance Payment – Moderate Rehabilitation

Criteria: OMB Circular A-87 (5)(e) states that budgeted estimates of payroll costs or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition: Quarterly comparisons of budget to actual payroll costs charged to the program showed budgeted costs exceeded actual by greater than ten percent. Additionally, payroll cost was not properly adjusted to reflect an after the fact distribution of actual cost charged to the program.

Questioned Costs: \$73,739 (All HUD programs combined)

Context: The finding is considered systemic in nature. We noted exceptions in all quarters selected for testing.

Effect: Unallowable costs were charged to the program.

Cause: The cause is due to a breakdown in the system of controls resulting from lack of effective supervisory oversight which resulted in overcharge of payroll costs to the program on a quarterly basis. Additionally, at year end the client posted an entry to adjust payroll costs from budget to actual however; the adjustment was not done correctly due to an error in the calculation.

Recommendation: We recommend that the City perform quarterly comparisons of actual costs to budgeted distributions to ensure that differences between budgeted and actual costs are less than ten percent and revise budget estimates or other distribution percentages, if necessary, to reflect changed circumstances.

Views of Responsible Officials and Planned Corrective Action: The Department of Community Development agrees that Quarterly comparisons of budget to actual payroll costs charged to the program showed a difference of less than 10% for three quarters and 11% for the 4th quarter with an overall difference of approximately 5%. The Department also agrees that there was an error made in the annual adjustments between budgeted and actual payroll costs.

The Department of Community Development agrees with the recommendation that the department performs quarterly comparisons of budget to actual cost at least on a quarterly basis and record the differences if greater than 10% on a quarterly basis. The Department has gone further than this recommendation. Commencing on October 1st, 2010, the department continued to perform the comparisons on a bi-weekly basis and started to record the differences in each individual program on a bi-weekly basis, regardless of whether it is more or less than 10%.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-09 – Payroll Certification

U.S. Department of Homeland Security

CFDA #97.067 – Homeland Security Grant Program

CFDA #97.025 – National Urban Search & Rescue Response System

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

Condition: Payroll certifications were not prepared for employees who worked solely on the grant program.

Questioned Costs: \$23,310

Context: The finding is considered systemic in nature.

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

Cause: The City does not have internal controls in place to ensure compliance with OMB Circular A-87, which requires proper certification by employees who work solely on the grant program.

Recommendation: The City should implement procedures whereby semi-annual payroll certifications are signed by employees who work solely on the grant program and a supervisory official having firsthand knowledge of the work performed by the employee.

Views of Responsible Officials and Planned Corrective Action: Last year in response to the auditor's finding and in consultation with the auditor, we developed a timesheet that was reviewed and signed monthly by the employee and bi-annually by their supervisor. To address this year's finding we have included the appropriate language and signature areas onto the employee timesheet. In addition, the supervisory official having firsthand knowledge of the work performed by the employee will sign the timesheet.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-10 – Equipment & Real Property Management

U.S Department of Justice  
COPS – Technology Program Grant  
CFDA #16.710

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

Condition: We noted an appropriate system is not in place to manage and safeguard equipment acquired with federal funds as required by OMB Circular A-102 Common Rule. An inventory listing which includes description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and ultimate disposition data including the date of disposal and sale price of the property is not maintained.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

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

Cause: City personnel administering the grant program were not aware of the specific compliance requirements of OMB Circular A-102 Common Rule for equipment & real property management.

Recommendation: We recommend that City personnel administering the grant program become knowledgeable of all program requirements of equipment and real property management. Additionally, a policy should be adopted and adhered to ensure that all equipment and real property items are properly accounted for in a manner consistent with the requirements of OMB Circular A-102 Common Rule.

Views of Responsible Officials and Planned Corrective Action: Standard operating procedures (SOP's) have been developed to document internal procedures that are follow and comply with OMB Circular A-102. These procedures established an inventory control function and clerk to ensure compliance.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-11 – Cash Management

U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067

U.S Department of Justice  
CFDA #16.710 – COPS – Technology Program Grant  
CFDA #16.710 – ARRA – COPS Hiring Recovery Program

Criteria: In accordance OMB Circular A-102 Common Rule, the City's methods and procedures for transferring funds should minimize the time elapsing between the transfer to the City of grant funds and the City's need for the funds.

Condition: We noted for the City's reimbursement basis grants that the drawdown of grant funding or the submission and receipt of reimbursements occurred before the payment and/or incurrence of qualifying reimbursable program expenditures. Additionally, funding received from grantor was not expended on qualifying expenditures within at least two weeks from date of receipt.

Questioned Costs: Not applicable.

Context: The finding is considered systemic in nature.

Effect: This resulted in non-compliance with the cash management requirements of the grant programs. This grants are on a reimbursements basis which requires that the City incur and pay for qualifying expenditures prior to requesting funding from the grantor.

Cause: Drawdown or reimbursement requests were submitted to the grantor prior to the City incurring and paying for qualifying expenditures.

Recommendations: We recommend that the personnel administering the grant program comply with the City's established process, whereby qualifying expenditures are incurred and paid for prior to requesting reimbursement from the grantor.

Views of Responsible Official and Planned Corrective Action:

*CFDA 16.710 Response*

- Provisions under the COPS grant award allows for grantees to drawdown funds in advance. As referenced under the COPS Hiring Program Grants Owner's Manual and COPS Technology Program Manual the advance should not exceed amount to cover expenses for ten days or basically one payroll cycle. Cash on hand will be limited to ten days allowed under terms of grant award going forward.

*CFDA 97.067 Response*

- It is our belief that we are practicing due diligence and limiting undue financial exposure to the City until the State has completed their final review of the already occurred expenditure on the submitted reimbursement request.

**Schedule of Findings and Questioned Costs (Continued)**  
**Fiscal Year Ended September 30, 2010**

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The City has in place Memorandums of Agreements (MOAs) with the sub grantees that extend the Federal Grant Guidance to them. The agreements formalize the sub grantees commitment to follow "UASI Grant Program agreement requirements and/or special conditions." In addition they commit to "purchase, receive, and pay invoices in full for equipment, services, and allowable personnel costs prior to submitting the same for reimbursement to the Sponsoring Agency."

In response to the "Effect" noted in the Auditor's Finding, the sub grantee is an extension of our commitment with the State and thus a qualifying expenditure on their part has taken place prior to requesting funding from the State.

We believe we are following sound financial practices by insuring the sub grantees have incurred eligible expenditures prior to submitting reimbursement requests to the State.

Our goal is to reimburse the Subgrantee as soon as possible after the State has issued payment on the reimbursement request (for the eligible expenditure already incurred). Due to various manual and system processes the average time for the reimbursement to the sub grantee should take less than 1 month.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-12 – Reporting

U.S Department of Justice

CFDA #16.710 – COPS – Technology Program Grant

CFDA #16.710 – ARRA – COPS Hiring Recovery Program

Criteria: OMB Circular A-133 requires that the auditee maintain internal control over financial reporting which includes supervisory review of reports prepared and submitted to the grantor to assure accuracy and completeness of data included in the reports.

Condition: We noted reports filed with grantor are not formally reviewed and approved by supervisory personnel.

Questioned Costs: Not applicable.

Context: The finding is considered systemic in nature.

Effect: The lack of adequate internal control policies and procedures requiring timely supervisory review of reports filed with grantor may result in inaccurate information being reported and non-compliance with program requirements.

Cause: Formal internal control policies and procedures requiring supervisory review of reports have not been established.

Recommendations: We recommend the City establish formal internal control policies and procedures requiring supervisory review and approval of all reports filed with grantor to assure the accuracy and completeness of data included in such reports. All such reviews and approvals should be properly documented.

Views of Responsible Official and Planned Corrective Action: Due to functionality of grantor paperless reporting system, all reports must be prepared on-line and electronically submitted. Protocol requires that person designated by the Chief of Police and approved by the grantor as the Financial Point of Contact (FPOC) enters the report data and submit a hard copy with back up to his/her supervisor for review before transmitting. Upon review of hard copy, supervisor approves by placing a check mark with his/her initials or manually edits the report indicating corrections and then returns to the FPOC for revising. The FPOC must revise and then re-submit for supervisory final approval before transmittal. The report in question relates to not being to locate the draft copy of reports reflecting supervisory review due in absence of FPOC who terminated during the audit period.

Since only the FPOC has access to make report entries a formal manual review structure that incorporates e-mail communications will be implemented to document supervisory oversight is provided over report preparation and approval before transmittal. Although there is no record retention requirement for maintaining a draft documents, it will become mandatory for the FPOC to maintain on draft version reviewed by supervisor on file.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-13 – Subrecipient Monitoring

U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067

Criteria: OMB Circular A-133 requires that the City maintain internal controls over subrecipients to ensure that subrecipient activities are monitored, audit findings are resolved, and the impact of any noncompliance on the City is evaluated. Additionally, the City should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Condition: We noted the only monitoring activity performed over subrecipients is the review and approval of reimbursement packages submitted to the City. The City did not comply with the subrecipient monitoring requirements of OMB Circular A-133.

Questioned Costs: Not applicable.

Context: The finding is considered systemic in nature.

Effect: Failure to perform proper monitoring activities can result in non-compliance with subrecipient monitoring requirements of OMB Circular A-133 and misuse/misappropriation of grant funding.

Cause: City personnel administering the grant program were not aware of the specific subrecipient monitoring requirements of OMB Circular A-133.

Recommendation: We recommend that the City implement the following control policies and procedures to ensure that proper monitoring of subrecipients occur on an on-going basis:

- Establish a tracking system to assure timely submission of required reporting (financial reports, performance reports, and audit reports), periodic onsite monitoring reviews of subrecipients, and timely resolution of audit findings.
- Perform supervisory review to determine the adequacy of subrecipient monitoring.

Views of Responsible Official and Planned Corrective Action: We have worked closely with the sub grantees in establishing their budgets, allowability of projects, and any related amendments for each UASI Grant. In addition, our UASI Admin staff maintains ongoing communication (such as but not limited to email, phone calls, UAWG meetings, site visits, etc.) with the sub grantees.

We will incorporate the auditor's two recommendations into already existing administrative practices.

- Establish a tracking system to assure timely submission of required reporting, periodic onsite monitoring reviews and timely resolution of audit findings.
- Perform supervisory review to determine the adequacy of sub recipient monitoring.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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IC 2010-14 – Reporting

U.S. Department of Housing and Urban Development  
Section 8 Housing Assistance Payment Vouchers  
CFDA# 14.871

Criteria: In accordance with 24 CFR section 5.801 - *U.S. Department of Housing and Urban Development (HUD) Uniform Financial Reporting Standards* rule, the City is required to submit financial statements, prepared in accordance with generally accepted accounting principles (GAAP), in an electronic format specified by HUD. An unaudited financial statement is due 2 months after the City's fiscal year end and an audited financial statement is due 9 months after the fiscal year end.

Condition: The City is required to submit to HUD unaudited financial statements 2 months after its fiscal year end and audited financial statements 9 months after the fiscal year end. We noted the City did not submit the unaudited and audited financial statements as required by HUD.

Questioned Costs: Not applicable.

Context: Financial statements were not submitted to HUD.

Effect: Failure to submit the required financial statements resulted in non-compliance with reporting requirements of the grant program.

Cause: Information needed to prepare the financial statements required to be filed with the grantor was not available.

Recommendation: The City should establish policies and procedures necessary to ensure that all required information is available to prepare and file required financial statements in a timely manner.

Views of Responsible Official and Planned Corrective Action: The Department of Community Development agrees with the finding and recommendation that the City should establish policies and procedures to ensure that all required information is available and prepared on a timely basis. Whereas the City has available policies and procedures relating to reporting, there was nothing the City could have done differently to ensure the timely reporting.

The report that was not submitted timely relates to the Section 8 Housing Choice Vouchers program. There was a discrepancy between the way the City's treatment of Net Restricted Assets. Past auditors insisted that Revenues should be treated as Deferred Revenue which was contrary to how HUD wanted them to be treated. However, upon consultation with HUD, and current auditors, the City agreed to treat Net Realizable Assets as required by the Department Of Housing and Urban Development, allowing the unaudited financials to be transmitted to HUD.

With this change in treatment, we don't envisage any future delays in reporting unaudited financial statements to HUD.



Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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**B. Compliance**

**CF 2010-01 – Payroll Certification**

- **U.S. Department of Homeland Security**  
CFDA #97.067 – Homeland Security Grant Program  
CFDA #97.025 – National Urban Search & Rescue Response System

See Part III –Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-08 – Payroll Certification

**CF 2010-02 – Payroll Costs**

- **U.S. Department of Housing and Urban Development**  
CFDA# 14.218 – Community Development Block Grant  
CFDA# 14.218 – Neighborhood Stabilization Program  
CFDA# 14.253 – Community Development Block Grant-Recovery  
CFDA# 14.856 – Section 8 Housing Assistance Payment – Moderate Rehabilitation

See Part III –Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-09 – Payroll Costs

**CF 2010-03 – Equipment & Real Property Management**

- **U.S. Department of Homeland Security**  
Homeland Security Grant Program  
CFDA #97.067

See Part III –Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-07 – Equipment & Real Property Management

**CF 2010-04 – Equipment & Real Property Management**

- **U.S Department of Justice**  
COPS – Technology Program Grant  
CFDA #16.710

See Part III – Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-10 – Equipment & Real Property Management

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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CF 2010-05 – Cash Management

- U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067
  
- U.S. Department of Justice  
CFDA #16.710 – COPS – Technology Program Grant  
CFDA #16.710 – ARRA – COPS Hiring Recovery Program

See Part III – Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-11 – Cash Management

CF 2010-06 – Subrecipient Monitoring

- U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067

See Part III – Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-13 – Subrecipient Monitoring

CF 2010-07 – Reporting

- U.S. Department of Housing and Urban Development  
Section 8 Housing Assistance Payment Vouchers  
CFDA# 14.871

See Part III – Federal Awards and State Financial Assistance Findings and Questioned Costs  
IC 2010-14 – Reporting

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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CF 2010-08 – Reporting

U.S. Department of Homeland Security  
Homeland Security Grant Program  
CFDA #97.067

Criteria: In accordance with program requirements, *Quarterly Financial History Reports* must be filed with the grantor at the end of each quarter. The report should include, but not be limited to, the work that has been completed, the work in progress, incurred expenditures, and the timeline of the work left to be completed.

Condition: We noted that reports filed with grantor did not include *all* incurred expenditures as required to be reported.

Questioned Costs: Not applicable.

Context: All 4 quarterly reports tested did not report accurate incurred expenditure amounts.

Effect: Failure to report accurate information resulted in non-compliance with reporting requirements of the grant program.

Cause: Personnel preparing the *Quarterly Financial History Reports* reported only incurred expenditures that had been internally reconciled by the City and not total expenditures incurred to date.

Recommendation: The City should immediately update its reporting methodology to include/report total incurred expenditures on the *Quarterly Financial History Reports*, as prescribed by the grantor.

Views of Responsible Official and Planned Corrective Action: We agree that we did not report all of the expenditures incurred as of September 30, 2010. Instead, we had waited to report on only expenditures incurred that had been internally reconciled by our staff (we verify the expenditure's POETE category before reporting on the expenditure). Our method of reporting was based on a series of phone calls with the State (Grantor) and we believed we were following the agreement and guidance that was last provided to us by the former Grantor's Domestic Preparedness Manager, whom we were referred to as the highest ranking financial person dealing with our grant at the time. We have reached out to the Grantor for re-clarification on this matter. The current Grantor's assigned Project Manager has conveyed to us that we should be reporting on all expenditures incurred. We will begin reporting on all expenditures incurred.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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CF 2010-09 – Allowable Costs/Cost Principles

U.S. Department of Housing and Urban Development  
CFDA# 14.218 – Community Development Block Grant  
CFDA# 14.218 – Neighborhood Stabilization Program

Criteria: OMB Circular A-87 states that a single cost rate for all activities of a grantee agency may not be appropriate. The cost rate being used should take into account different factors which may substantially affect the costs applicable to a particular program. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof.

Condition: We noted the City reimburses its subrecipient for administrative costs based on a percentage of the estimated grant award as opposed to actual direct costs incurred by the subrecipient.

Questioned Costs: Undetermined.

Context: The finding is considered systemic in nature.

Effect: Failure to properly determine and pay actual costs incurred by subrecipients in managing the grant program may have resulted in unallowed costs being charged to the program.

Cause: Staff was not aware of the specific requirements of the grant program.

Recommendation: The City should only reimburse subrecipients for administrative costs based on actual grant expenditures incurred.

Views of Responsible Official and Planned Corrective Action: The Department of Community Development's sub-recipient agreement for the Façade Program under the CDBG program provides for 20% administrative fee to the sub-recipient for managing the façade program. The payment of the 20% administrative fee is based on a budget submitted by the agency. The use of the 20% figure is only a means to ensure a balance between administrative costs for running the program as opposed to the actual cost of the program. Reimbursement of the administrative cost is based on a line item budget and the actual source documents (cancelled checks, invoices etc) are inspected during monitoring of the agency. This procedure does not go against the requirements of 24 CFR Part 85.20.

The Department, however, believes that it is prudent to review source documents upfront and therefore has effective October 1, 2010 changes were made to its current reimbursement policies relating to the façade program to require that source documents be part of the reimbursement request rather than review them during the monitoring visit.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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CF 2010-10 – Allowable Costs/Cost Principles

U.S Department of Justice  
ARRA – COPS Hiring Recovery Program  
CFDA #16.710

Criteria: In accordance with the grant program requirements, grants funds can only be used for the payment of full-time sworn officer salary and fringe benefits.

Condition: The City's police officers are entitled to receive compensation described as special pay items for such activities as crime prevention, shift differential, and incentive lump-sum pay. However, such activities do not qualify for grant reimbursement. We noted the City submitted costs associated with special pay activities for grant reimbursement.

Questioned Costs: \$10,636.

Context: 3 of 60 items tested were determining to be unallowed costs of the grant program.

Effect: This resulted in unallowed costs being charged to the program.

Cause: The cause is due to a breakdown in the system of controls and lack of effective supervisory oversight. Staff administering the program inadvertently charged special pay items and supervisory personnel reviewing the detail transactions did not identify the unallowed costs in a timely manner.

Recommendations: We recommend that the City not submit special pay items for grant reimbursement, as such costs are unallowable under this program. To ensure compliance, we recommend that the City comply with its establish process, whereby all costs charged to the program is properly reviewed and analyzed by supervisory personnel.

Views of Responsible Official and Planned Corrective Action: These non-allowable cost relate the 5/28/10 pay check date when all officers supported by the grant did not cost to the correct fund. This situation occurred due to technical problems experienced in Oracle during consolidation of Police organization structures the interface failed. During reconciliation this payroll period was missed.

Fixes have been applied and interface is properly functioning. Non-allowable costs will be reversed from grant award. Future reconciliations will be handled more timely and with stricter review measures.

The City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs  
Fiscal Year Ended September 30, 2010

Finding #	Finding Title	Status	Other Explanation
<b>Findings related to financial statements:</b>			
IC 2009-01	Bank Reconciliations	Certain Corrective Action Taken	See current year finding IC 2010-01.
IC 2009-02	Recording of Accruals and Accounts Payable	Not Corrected	See current year finding IC 2010-02.
IC 2009-03	Payroll Processing	Certain Corrective Action Taken	See current year finding IC 2010-03.
IC 2009-04	Oracle Human Resources Management System Implementation	No Longer Relevant	Oracle HRMS system was implemented in 2009.
IC 2009-05	Filing For Grant Reimbursements	Not Corrected	See current year finding IC 2010-04.
IC 2009-06	Capital Asset Management	Certain Corrective Action Taken	See current year finding IC 2010-05.
<b>Findings and questioned costs in administering federal awards:</b>			
CF-2007-10	Equipment and Real Property Management – CFDA #97.025	Corrected	
IC 2009-07	Payroll Certification – CFDA #97.067	Not Corrected	See current year finding IC-2010-09.
IC 2009-08	Equipment and Real Property Management – CFDA #97.067	Not Corrected	The Fire Department is still working towards developing an effective capital asset inventory system. See current year finding IC-2010-07.
IC 2009-09	Program Income – CFDA# 14.218	No longer relevant	
CF 2009-01	Equipment and Real Property Management – CFDA #97.067	Not Corrected	The Fire Department is still working towards developing an effective capital asset inventory system. See current year finding CF-2010-03.
CF 2009-02	Program Income – CFDA# 14.218	No Longer Relevant	
CF 2009-03	Environmental Reviews – CFDA# 14.218	Corrected	