



SINGLE AUDIT REPORTS IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND THE  
FLORIDA SINGLE AUDIT ACT

City of Miami, Florida  
Fiscal Year Ended September 30, 2012

Ernst & Young LLP

 **ERNST & YOUNG**

City of Miami, Florida

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

Fiscal Year Ended September 30, 2012

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Report of Independent Certified 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*

The Honorable Mayor, Members of the City Commission and City Manager  
City of Miami, Florida

We have audited the financial statements of 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, 2012, and have issued our report thereon dated June 20, 2013. 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. Other auditors audited the financial statements of the discretely presented component units and pension trust funds as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective 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 opinion 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 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 2012-01 and 2012-02 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2012-04 to be a significant deficiency.

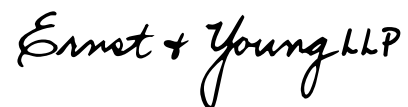
### **Compliance and Other Matters**

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-03.

We also noted certain additional matters that we reported to management of the City in a separate letter dated June 20, 2013.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

June 20, 2013

Report of Independent Certified Public Accountants 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, Section 215.97 Florida Statutes, and Chapter 10.550, Rules of the Auditor General and on the Schedule of Expenditures of Federal Awards and State Financial Assistance

The Honorable Mayor, Members of the City Commission and City Manager  
City of Miami, Florida

### Compliance

We have audited the City of Miami, Florida (the City)'s compliance 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 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, 2012. 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 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; Section 215.97 Florida Statutes (Section 215.97); and Chapter 10.550, Rules of the Auditor General (Chapter 10.550)*. Those standards and OMB Circular A-133, Section 215.97, and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, 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, 2012. 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, Section 215.97 and Chapter 10.550 and which are described in the accompanying schedule of findings and questioned costs as items 2012-05 and 2012-06.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, Section 215.97, and Chapter 10.550, 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.

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 a combination of deficiencies, in internal control over compliance, such that there is a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-05 and 2012-06. 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 or state project that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

### ***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 as of and for the year ended September 30, 2012, and have issued our report thereon dated June 20, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) is presented for purposes of additional analysis as required by OMB Circular A-133, Section 215.97, Florida Statutes, and Chapter 10.550, Rules of the Auditor General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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.

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

*Ernst + Young LLP*

June 20, 2013

City of Miami, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance

For the Fiscal Year Ended September 30, 2012

Federal Grantor / State Agency pass-through grantor/program Title	CFDA/ CSFA Number	Grant/Contract Number	Federal/State Expenditures
<b><u>U.S. Department of Agriculture and Consumer Services</u></b>			
<i>Pass-through Florida Department of Health</i>			
Child and Adult Care Food Program	10.558	S-576	\$ 32,979
Child and Adult Care Food Program	10.558	A-2384	150,127
			<u>183,106</u>
<i>Pass-through Florida Department of Education</i>			
Summer Food Service Program for Children	10.559	04-0899	333,944
			<u>333,944</u>
<b>Total U.S Department of Agriculture and Consumer Services</b>			<u><b>517,050</b></u>
<b><u>U.S. Department of Housing and Urban Development (HUD)</u></b>			
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-120013, B-06-MC-120013, B-07-MC-120013, B-08-MC-120013, B-09-MC-120013, B-10-MC-120013,	8,632,017
Community Development Block Grants/Entitlement Grants (NSP)	14.218	B-12-MC-120013 R-08-0641,R-11-0044	3,462,144
ARRA-Community Development Block Grants/Entitlement Grants	14.253	B-09-MY-12-0003	891,879
<b>Total CDBG Entitlement Grants Cluster</b>			<u><b>12,986,040</b></u>
<i>Pass-through Miami-Dade County:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (OCED)	14.228	08-DB-D3-11-23-01-A01	267,609
			<u>267,609</u>
Emergency Solutions Grant Program	14.231	S-06-MC-120002, S-08-MC-120002, S-09-MC-120002, E-11-MC-120002	424,266
			<u>424,266</u>
<i>Pass-through Miami-Dade County:</i>			
Supportive Housing Program - 2009 SOUTH	14.235	FL0190B4D000801 & FL0190B4D000802	91,103
Supportive Housing Program - 2009 North	14.235	FL018B4D000801 & FL0189B4D000802	93,560
Supportive Housing Program- 2011 Miami HAP	14.235	FL0211B4D001003	157,179
Supportive Housing Program-2012 (SHP)	14.235	FL0211B4D001114	77,494
Supportive Housing Program - MMHAP South 2012	14.235	FL0190B4D001104	42,551
Supportive Housing Program - MMHAP North	14.235	FL0189B4D001104	184,153
			<u>646,040</u>
Home Investment Partnerships Program	14.239	M-05-MC-120211, M-06-MC-120211, M-07-MC-120011, M-08-MC-120011, M-09-MC-120011, M-12-MC-120011	3,357,590
			<u>3,357,590</u>
Housing Opportunities for Persons with Aids (HOPWA)	14.241	F-LH-05-F005, F-LH-06-F005, F-LH-07-F005, F-LH-08-F005, F-LH-09-F005, F-LH-10-F005, F-I.H-11-F005 F-I.H-12-F005	12,492,127
			<u>12,492,127</u>
EDI Economic Development Initiative	14.246	B-06-SP-FL-0211	244,025
			<u>244,025</u>



City of Miami, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance (continued)

Federal Grantor / State Agency pass-through grantor/program Title	CFDA/ CSFA Number	Grant/Contract Number	Federal/State Expenditures
Section 8 Moderate Rehabilitation Single Room Occupancy -MR1	14.249	FL145MR001	1,586,277
Section 8 Moderate Rehabilitation Single Room Occupancy -MR2	14.249	FL145MR002	486,811
			<u>2,073,088</u>
<b>ARRA-Homeless Prevention &amp; Rapid Re-Housing Program</b> (Recovery Act Funded)	14.257	S-09-MY-12-0002	672,563
			<u>672,563</u>
Section 8 Housing Choice Vouchers	14.871	FL145VO0001	1,651,319
			<u>1,651,319</u>
<b>Total U.S Department of Housing and Urban Development (HUD)</b>			<u>34,814,667</u>
<b><u>U.S Department of the Interior National Park Service</u></b>			
ARRA-Save America's Treasures (Recovery Act Funded)	15.929	N/A	7,500
			<u>7,500</u>
<i>Pass-through State of Florida Department Bureau of Historical:</i> ARRA-Save America's Treasures (Recovery Act Funded)	15.929	12PA12	12,500
			<u>12,500</u>
<b>Total U.S Department of the Interior</b>			<u>20,000</u>
<b><u>U.S. Department of Justice</u></b>			
<i>Pass through State of Florida, Florida Department of Law Enforcement</i> Crime Victim Assistance - FY10-11	16.575	V 11185	20,530
			<u>20,530</u>
<i>Pass-through Miami-Dade County:</i> Crime Victim Assistance - Records Improvements Program	16.579	N/A	58,612
			<u>58,612</u>
Public Safety Partnership and Community Policing Grants-Technology	16.710	# 2009-CKWX 0330	12
Public Safety Partnership and Community Policing Grants-COPS	16.710	#2011ULWX0010	215,028
ARRA- Public Safety Partnership and Community Policing Grants-COPS	16.710	# 2009RJWX0026	3,553,672
			<u>3,768,712</u>
Gang Resistance Education & Training	16.737	2009 JV-FX-0024	5,465
			<u>5,465</u>
Edward Byrne Memorial Justice Assistance Grant Program - SRO	16.738	N/A	20,020
Edward Byrne Memorial Justice Assistance Grant Program - 2011	16.738	2011-DJ-BX-2712	130,176
Edward Byrne Memorial Justice Assistance Grant Program -2009	16.738	2009-DJ-BX-1424	559,430
Edward Byrne Memorial Justice Assistance Grant Program -2010	16.738	2010-DJ-BX-0411	570,115
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local	16.804	# 2009-SB-B9-3068	613,381
<b>Total JAG Program Cluster</b>			<u>1,893,122</u>
Paul Coverdell Forensic Sciences Improvement Grant Program-FY 2011	16.742	2011-CD-BX-0096	105,892
Paul Coverdell Forensic Sciences Improvement Grant Program-FY 2010	16.742	2010-CD-BX-0099	68,554
			<u>174,446</u>
Equitable Sharing Program	16.922	N/A	325,664
			<u>325,664</u>
<b>Total U.S. Department of Justice</b>			<u>6,246,551</u>

City of Miami, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance (continued)

Federal Grantor / State Agency pass-through grantor/program Title	CFDA/ CSFA Number	Grant/Contract Number	Federal/State Expenditures
<b><u>U.S Department of Transportation</u></b>			
<i>Pass Through State of Florida Department of Transportation:</i>			
Highway Planning and Construction -Grenway - ELH	20.205	AP 150	804,775
Highway Planning and Construction - Venetian Causeway Improvement	20.205	APG63/410581-1	642,561
Highway Planning and Construction - Contract APG62	20.205	APG62/416508-01	240,827
Highway Planning and Construction - Miami River Greenway SW 1st Court	20.205	AQ762/418334-1	411,744
Highway Planning and Construction - Miami River Greenway-Miami Circle Greenway to South Miami Ave	20.205	AQF49/418334-2	13,351
ARRA - Highway Planning and Construction Brickell Key Bridge	20.205	APT06/426200-1-ARRA-403	235,426
ARRA - Highway Planning and Construction NE 2nd Ave., C	20.205	APR36/426198-1-ARRA-324	102,241
ARRA - Highway Planning and Construction ADA Sidewalk Dist 02	20.205	APR38/426550-1-ARRA-423	77,281
ARRA - Highway Planning and Construction ADA Sidewalk Dist 04	20.205	APR35/426553-1-ARRA-358	42,637
ARRA - Highway Planning and Construction NE 2nd Avenue B2	20.205	AQ242/426198-3ARRA-675	1,538,861
			<b>4,109,704</b>
<i>Pass Through State of Florida Division of Emergency Management:</i>			
Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	AQM52	69,610
			<b>69,610</b>
<b>Total Department U.S. Department of Transportation</b>			<b>4,179,314</b>
<b><u>U.S. Department of Environmental Protection - ARRA</u></b>			
ARRA - Environmental Workforce Development and Job Training	66.815	2J-95428109	316,941
<b>Total U.S Department of Environmental Protection</b>			<b>316,941</b>
<b><u>U.S. Department of Education</u></b>			
<i>Pass-through Miami-Dade County Public Schools:</i>			
Twenty-First Century Community Learning Centers - Holmes	84.287	N/A	92,772
<b>Total Department U.S. Department of Education</b>			<b>92,772</b>
<b><u>U.S Department of Health and Human Services</u></b>			
ARRA- Prevention and Wellness - Communities Putting Prevention to Work Funding Opoortunities Announcement (FOA)	93.724	DEV04	127,087
<b>Total U.S Department of Health and Human Services</b>			<b>127,087</b>
<b><u>U.S. Department of Homeland Security</u></b>			
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2003-CA-0105	57,119
National Urban Search and Rescue (US&R) Response System FY09	97.025	2009-SR-24-K007	117,341
National Urban Search and Rescue (US&R) Response System FY10	97.025	2010-SR-24-K043	58,369
National Urban Search and Rescue (US&R) Response System FY11	97.025	EMW-2011-CA-00067-S01	920,137
			<b>1,152,966</b>
FEMA Chemical Stockpile Emergency Preparedness Program	97.040	LPDM-PJ-04-FL-2009-006	78,242
FEMA-Pre-Disaster Mitigation	97.047	LPDM2010-006	251,403
Assistance to Firefighters Grant FY09	97.044	EMW-2010-FO-09932	424,095

City of Miami, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance (continued)

Federal Grantor / State Agency pass-through grantor/program Title	CFDA/ CSFA Number	Grant/Contract Number	Federal/State Expenditures
Homeland Security Grant Program USAR/SHSGP GRANT	97.067	010DS-39-13-00-16-414	89,736
Homeland Security Grant Program Urban Area Security Initiative Grant Program V 2007	97.067	09DS-24-11-23-02-011	7,698,820
Homeland Security Grant Program Urban Area Security Initiative Grant Program V 2008	97.067	10DS-48-11-23-02-195	3,145,599
Homeland Security Grant Program Urban Area Security Initiative Grant Program V 2009	97.067	11DS-32-11-23-02-233	5,753,144
Homeland Security Grant Program Urban Area Security Initiative Grant Program V 2010	97.067	12DS-A1-11-23-02-928	879,098
			<u>17,566,397</u>
<b>Total U.S Department of Homeland Security</b>			<u>19,473,104</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 65,787,486</b>
<b>State of Florida, Department of Environmental Protection</b>			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP 8949	\$ 324,189
<b>Total State of Florida, Department of Environmental Protection</b>			<u>324,189</u>
<b>State of Florida, Housing Finance Agency</b>			
State Housing Initiatives Partnership (SHIP) Program	52.901	N/A	940,076
<b>Total State of Florida, Housing Finance Agency</b>			<u>940,076</u>
<b>State of Florida, Department of Transportation</b>			
FDOT-Public Transit Service Development Program	55.012	A0A58	208,143
FDOT-Public Transit Service Development Program	55.012	AP726	31,316
			<u>239,459</u>
FDOT - Intermodal Development Program	55.014	AOA01	1,860,507
US-1 State Highway Project Reimbursement	55.023	AQA58/430479-1	83,537
<b>Total State of Florida, Department of Transportation</b>			<u>2,183,503</u>
<i>Pass-through Miami-Dade County:</i>			
Emergency Medical Services County Grant	64.005	C6013	79,544
<b>Total Florida Department of Health</b>			<u>79,544</u>
<b>Florida Agency for Persons with Disabilities</b>			
Developmental Disabilities & Family and Supported Living 2011-2014	67.011		179,659
<b>Total Florida Agency for Persons with Disabilities</b>			<u>179,659</u>
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 3,706,971</b>
<b>Total Expenditures For Federal And State Financial Assistance</b>			<b>\$ 69,494,457</b>

See accompanying notes.

# City of Miami, Florida

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Fiscal Year Ended September 30, 2012

### **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, 2012. 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.

### **2. Basis of Accounting**

The accompanying 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*, Section 215.97, Florida Statutes, 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.

City of Miami, Florida

Summary Schedule of Prior Audit Findings (continued)

**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:

<b>Name of Program/Project</b>	<b>CFDA Number</b>	<b>Amount Provided to Subrecipient</b>
Community Development Block Grant/Entitlement Grants Cluster	14.218, ARRA-14.253	\$ 6,961,610
Housing Opportunities for Persons With AIDS ARRA – Homeless Prevention & Rapid Re- Housing Program	14.241  14.257	1,892,010  76,876
Homeland Security Grant Program Program V 2007	97.067	4,848,504
Program V 2008	97.067	1,564,236
Program V 2009	97.067	<u>243,404</u>
Total Federal Expenditures passed through to subrecipients		<u><u>\$ 15,586,640</u></u>

**4. Grant Contingencies**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

City of Miami, Florida

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

Fiscal Year Ended September 30, 2012

**5. Subsequent Event**

The City was notified on May 31, 2013, that the City's CDBG Entitlement for fiscal year 2013 would be reduced due to a compliance failure with the timely expenditure requirement of 24 CFR 570.902. Pursuant to this regulation, an entitlement grantee is considered to be carrying out its CDBG program in a timely manner, if, 60 days prior to the end of its program year, the grantee has a balance in its line of credit no greater than one and one-half (1.5) times its annual grant. The City's 60 day ratios for 2011, 2012 and 2013 were 1.7, 1.93, and 2.67, respectively. Consequently, the US Department of Housing and Urban Development (HUD) reduced the City's entitlement by \$606,083 for fiscal year 2013.

City of Miami, Florida

Schedule of Findings and Questioned Costs

Fiscal Year Ended September 30, 2012

**Part I—Summary of Auditor’s Results**

**Financial Statements Section**

Type of auditor’s report issued (unqualified, qualified, adverse or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

X  **yes**            **no**

Significant deficiency(ies) identified?

X  **yes**            **none reported**

Noncompliance material to financial statements noted?

X  **yes**            **no**

**Federal Awards and State Projects Section**

Internal control over major programs:

Material weakness(es) identified?

     **yes**       X  **no**

Significant deficiency(ies) identified?

X  **yes**            **none reported**

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse or disclaimer):

Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133, and/or Chapter 10.550. *Rules of the Auditor General?*

X  **yes**            **no**

City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

Identification of major federal programs and state projects:

**Federal Programs:**

<b>CFDA number(s)</b>	<b>Name of federal program or cluster</b>
14.218 and ARRA-14.253	U.S. Department of Housing and Urban Development: CDBG Entitlement Grants Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.241	Housing Opportunities for Persons with AIDS
ARRA-16.710	U.S. Department of Justice: ARRA – Public Safety Partnership and Community Policing Grants
16.738 and ARRA-16.804	JAG Program Cluster
20.205 and ARRA-20.205	U.S. Department of Transportation: Highway Planning and Construction, including ARRA – Highway Planning and Construction





## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

#### **Part II – Financial Statement Findings Section**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133, Section 215.97, Florida Statutes, and Chapter 10.550, Rules of the Auditor General audit.

#### **A. Current Year Findings**

##### **Finding 2012-01: Material Weakness: Financial Statement Close Process**

###### *Criteria or specific requirement*

The financial statement close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited, and prepared into a variety of regulatory and management financial reports. The boundaries of this process may begin with the preparation of the preliminary trial balance and end with the preparation of the financial statements and related disclosures. The process includes closing the general ledger and preparing the trial balances and any consolidation entries, accumulating and posting journal entries and preparing the financial statements and disclosures.

###### *Condition*

We note the following items related to the City's financial statement close process that, when considered in the aggregate, we consider to be a material weakness:

- The first several versions of the City's Comprehensive Annual Financial Report presented for audit contained numerous issues such as:
  - Lack of discussion and analysis of significant differences in the Management's and Discussion Analysis. Differences were identified and described but business reasons for differences were not addressed.
  - Amounts within the financial statements themselves, or between the footnotes and basic financial statements or combining financial statements and basic financial statements were inconsistent.
  - Amounts within the financial statements and footnotes did not agree to supporting documentation and/or the City's general ledger trial balance.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

- Quantity and dollar amount of audit adjustments at September 30, 2012. During the year ended September 30, 2012 audit, we identified 24 audit differences (recorded and unrecorded) relating to errors in the City's accounts and disclosures.
- No process in place to review the compensated absences reports and determine if the data used to calculate the compensated absences liability is complete and accurate.
- Limited internal control procedures that would enable the proper cutoff and timely recording of liabilities under the accrual or modified accrual basis of accounting. Expenditures that should have been accrued at fiscal year-end were not recorded.
- No process in place to ensure the preparation of reasonable estimates for future claims liabilities related to pollution remediation obligations.
- No process in place to verify that all required arbitrage calculations for the fiscal year are performed timely and accurately.
- No process in place to review pending claims identified by the legal department to determine whether they meet the criteria for accrual and/or disclosure, in accordance with the definitions described by Financial Accounting Standards Board, Statement No. 5 *Accounting for contingencies*.

#### *Recommendation:*

We recommend management review its current procedures for key processes, including the financial statement closing process, and determine the appropriateness of those processes for preventing and detecting misstatements, preparing reliable accurate monthly and annual financial statements and ensure such processes are consistent with best practices in the industry. Once the City has redefined these processes, job descriptions should be developed to support these processes to ensure responsibilities and accountability are put into place for these processes.

#### *Views of responsible officials and planned corrective actions:*

The City concurs with the recommendations. The City's Finance Department has evaluated its procedures for key processes. It is making the necessary changes to ensure that it is able to prevent and detect misstatements, prepare reliable, accurate, and timely monthly and annual financial statements. The City's Finance Department will continue to work to fill various vacancies of key positions; including some critical and integral to the Comprehensive Annual Financial Report (CAFR) process. The City will continually evaluate the performance of its staff

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

to ensure that expectations are being met. To ensure that staff stay abreast of the latest developments in governmental accounting and best practices are used, management will encourage participation in accounting, financial reporting and other professional and career development seminars. Lastly, the City's Finance Department will work closely with the City's Information Technology Department (ITD) to streamline and automate various processes used to compile the CAFR.

Collectively, these changes should position the City to produce reliable and timely monthly and yearly financial statements, promote efficiency and effectiveness over financial reporting and accounting and ensure compliance with applicable regulations and legislation.

#### **Finding 2012-02: Material Weakness: Capital Assets**

##### *Criteria or specific requirement:*

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 capital asset and related balances are not materially misstated.

##### *Condition:*

We noted the following issues with capital assets:

- The City does not record Neighborhood Stabilization Program (NSP) properties based on cost (appraised value) and does not classify these assets as held for sale.
- Closed projects were not put into service and depreciated timely, resulting in an adjustment of \$188.4 million, net of accumulated depreciation, to transfer closed projects from construction in progress to depreciable assets.
- In the current fiscal year, the City recorded adjustments relating to capital assets for errors relating to prior years with a cumulative increase to change in net assets of \$12.6 million as of September 30, 2012.
- Depreciation expense policies are not formally documented and consistently followed, and no policy or procedure exists to reconcile the actual depreciation expense for assets placed in service in the system to the estimated depreciation expense for assets placed in service in the fixed asset details maintained in MS Excel.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

#### *Recommendation*

We recommend improved communication between the accounting department and the other City departments with capital asset activity such as Police, Fire, Public Works, Grants and Project Management, CIP, etc. The accounting department should also evaluate when projects are closed rather than rely solely on information obtained from the project managers. Additionally, we recommend the City 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 and perform a review of 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 concurs with the recommendation. The Finance Department will develop and implement procedures to enhance accounting and reporting over capital assets. It will work closely with all departments with capital asset activity to ensure that it has the necessary capital asset classification and project status to prepare the CAFR in a timely manner. Additionally, the Finance Department will develop procedures that will facilitate the process of compiling capital asset information, such as disclosures, roll forwards and all other necessary financial data to compile and finalize the comprehensive annual financial report.

#### **Finding 2012-03: Material Noncompliance: Budgetary Amendments**

##### *Criteria or specific requirement:*

Florida Statutes 166.241, *Fiscal years, budgets, and budget amendments*, paragraph (4) allows that the fiscal year budget may be amended by the governing body of a municipality at any time within the fiscal year, or within 60 days following fiscal year-end. If total appropriations for expenditures of the fund are not changed, then approval for such amendment may be provided by a motion of the governing body as recorded in the minutes, or the establishment of procedures by the governing body which allows the designated budget officer to authorize budget amendments. If the proposed budget amendment results in a change to the total appropriations for expenditures in the fund, the amendment must be adopted and approved in the same manner as the original budget.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

#### *Condition:*

In connection with our year-end audit procedures, we noted that the final, amended budget for fiscal 2012 was not approved by the City Commission within the 60 day period specified in the Florida Statutes.

#### *Recommendation*

We recommend that the Budget Department, in cooperation with the City Commissioners, set calendar deadlines for submission and approval of amendments within the allowable time frame according to the Florida Statutes, in order to ensure compliance with the law.

#### *Views of responsible officials and planned corrective actions*

The Office of Management and Budget will work with the Commission, Finance Department, and other parties in the administration in an attempt to meet the statutory deadlines. However, it is important to note that in order to get the proper amendment information to a Commission meeting within 60 days of the close of the fiscal year (Nov. 30<sup>th</sup>, realistically sooner due to the Thanksgiving Holiday), the needed information would have to be available late in October. This has not been possible given the available resources in at least the previous five years. We will review the situation and propose to add resources to correct it.

Additionally, we object to the delay in the year-end closing amendment being noted as a "Material" item. The approval of the amendment after the 60 days has no impact on the actual fiscal status of the City. This situation has prevailed for at least five years and it has not been noted as a Material item in the past.

OMB provides a verbal report via a discussion item, usually the second meeting of each month, to the City Commission wherein the current budget and any related pressures, based upon the year-to-date and prior month's actual recorded revenues and expenses and impending concerns, are reported to the Commission.

City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

**2012-04 Significant Deficiency: Investments**

*Observation*

The City does not have a supervisory function in place to provide oversight to the decision making process for the purchase and sale of investments. The individual with the authority to execute transactions through a broker is not required to request approval from anyone else or discuss with upper management the decision making process, the merits or riskiness of the trade, or potential alternative transactions prior to execution. A review and approval of purchases and sales of investments by appropriate supervisory personnel in order to reduce the risks of ill-advised transactions that may be detrimental to the City, as well as opportunity costs related to selecting a certain investment when better alternatives exist. Additionally, there are additional risks related to one individual having full authority to perform investment related transactions, including the potential for misappropriation of City assets.

The City's investment policy has not been updated since 2007, and no process to review the considerations of the policy for its relevance to current market conditions and the related effect on investment fair values is in place.

*Recommendation*

We recommend that the City implement a process to review and approve all investment purchases and sales prior to execution, and that documentation of such approval be maintained as evidence of segregation of duties.

In order to address the evolving market conditions, we suggest management to review the current Investment Policy and update where needed to address the risks of the current market conditions.

*Management's Response*

During the 2012 Fiscal Year, various key positions, in the Finance Department, were vacant. These positions included the treasurer and the Finance Director. As a result of these vacancies, the City implemented procedures that require the City's Chief Financial Officer (CFO) to approve all investment transactions. The City's procedures also require that all investment transactions be reviewed by the City's Financial Advisors (FA). The review entails evaluating investments for compliance with and adherence to the City's investment policy as well as evaluating performance, risks and market conditions. During the 2012 Fiscal Year no exceptions were noted. The FA also prepares reports that evaluate performance and provide key performance indicators.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

It's noteworthy to mention that prior to the separation of the treasurer, the treasurer reviewed and approved all transactions. The City intends to continue this process as soon as it fills the treasurer position. The City, along with the FA will evaluate the City's Investment Policy and make any necessary change. Upon the hiring of a Treasurer, the City will reinstate its policy of requiring that all investment transactions be reviewed and approved by the treasurer.

#### **B. Prior Year Findings**

##### **Finding 2011-01: Material Weakness: Financial Statement Close Process**

###### *Criteria or specific requirement*

The financial statement close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited, and prepared into a variety of regulatory and management financial reports. The boundaries of this process may begin with the preparation of the preliminary trial balance and end with the preparation of the financial statements and related disclosures. The process includes closing the general ledger and preparing the trial balances and any consolidation entries, accumulating and posting journal entries and preparing the financial statements and disclosures.

###### *Condition*

We note the following items related to the City's financial statement close process that, when considered in the aggregate, we consider to be a material weakness:

- Quantity and dollar amount of audit adjustments at September 30, 2011. During the year ended September 30, 2011 audit, we identified 49 audit differences (recorded and unrecorded) relating to errors in the City's accounts and disclosures.
- Inability to prepare complete and accurate financial statements for external reporting purposes in a timely manner and in accordance with applicable accounting guidance. The City's September 30, 2011 Comprehensive Annual Financial Report (CAFR) required several reviews and many revisions. The implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions* was not correctly implemented and reflected in several drafts of the City's CAFR. Presentation and disclosures related to the City's debt refunding were not in accordance with GASB accounting standards and requirements. Pension plan disclosures and Required Supplementary Information Schedules were not properly presented.



## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

- Accounting treatment of large complex transactions were not sufficiently supported by authoritative guidance (Parrott Jungle loan and Police Training Facility).
- No process in place to review the compensated absences reports and determine if the data used to calculate the compensated absences liability is complete and accurate.
- No process in place to review interfund transfers for proper recording in the general ledger. We noted that some of the transfers should be recorded as advances to/from other funds as they represent loans and not actual transfers or as expense reimbursements.
- No internal control procedures that would enable the proper cutoff and timely recording of liabilities under the accrual or modified accrual basis of accounting. Expenditures that should have been accrued at fiscal year-end were not recorded.
- No process in place to review the discount rate used in calculating its claims payable liability. We noted the City did not have a basis for the discount rate selected.
- No process in place to verify that all required arbitrage calculations for the fiscal year are performed timely and accurately.
- No process in place to review all debt agreements for debt covenant requirements and to ensure that necessary debt covenant calculations are performed timely and accurately.

#### *Current Status*

Finding repeated in current year as Finding 2012-01.

#### **Finding 2011-02: Material Weakness: Capital Assets**

##### *Criteria or specific requirement:*

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 capital asset and related balances are not materially misstated.

City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

*Condition:*

We noted the following issues with capital assets:

- The City does not record Neighborhood Stabilization Program (NSP) properties based on cost (appraised value) and does not classify these assets as held for sale.
- Closed projects were not put into service and depreciated timely, resulting in an adjustment of \$63.7 million, net of accumulated depreciation, to transfer closed projects from construction in progress to depreciable assets.
- In the current fiscal year, the City recorded adjustments relating to capital assets for errors relating to prior years with a cumulative increase to change in net assets of \$7.6 million as of September 30, 2011. Had these errors been corrected in fiscal year 2010, the impact would have been an increase in beginning net assets of \$7.6 million in fiscal year 2011.

*Current Status*

Finding repeated in current year as Finding 2012-02.

City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

**Part III – Federal Awards and State Financial Assistance Projects  
Findings and Questioned Costs Section**

This section identifies the audit findings required to be reported by OMB Circular A-133 section .510(a) and Chapter 10.550, Rules of the Auditor General, State of Florida, such as material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving federal awards or state projects that are material to a major program.

**Finding 2012-05 Reporting**

*Federal Program Information:*

U.S. Department of Housing and Urban Development (HUD):

CDBG Entitlement Grants Cluster (CDBG), CFDA Nos. 14.218 and ARRA-14.253

U.S. Department of Justice:

ARRA – Public Safety Partnership and Community Policing Grants (COPS), CFDA No. ARRA-16.710

JAG Program Cluster (JAG), CFDA Nos. 16.738 and ARRA-16.804

U.S. Department of Transportation:

Highway Planning and Construction, including ARRA – Highway Planning and Construction (DOT), CFDA Nos. 20.205 and ARRA-20.205

*Criteria*

Financial Reports:

2 CFR Section 215.52 requires that financial reports are prepared accurately and completely. Reports shall be submitted timely and agree with the accounting records that support the audited financial statements (general ledger) and the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Performance Reports:

OMB No. 1103-0094 requires that performance reports be submitted at least once a year during the life of the grant for all COPS grants, and should include an accurate report of the number of active COPS grant positions filled/hired, the number of unfilled COPS grant positions which are intended to be filled by the grantee in the future, and the number of unfilled COPS grant positions which are not intended to be filled by the grantee in the future.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

#### ARRA 1512 Reporting:

Section 1512 of ARRA requires that the Total Federal Amount of ARRA Expenditures, represented by the cumulative total for the amount of federally funded expenditures through the date of the report. For reports prepared on the accrual basis, this is defined as the sum of cash disbursements for direct charges for property and services; the amount of indirect expense incurred; the value of in-kind contributions applied; and the net increase or decrease in the amounts owed by the recipient for (1) goods and other property received; (2) services performed by employees, contractors, subcontractors, subawardees, and other payees; and (3) programs for which no current services or performance are required.

For pass-through ARRA funding from the State Department of Transportation, the Award Agreement specifies that the grantee must submit monthly reports for each award number to the State by the 10<sup>th</sup> day of each month, including the number of jobs created, the total hours worked, and the total payroll expenditures for the month prior.

#### Federal Funding Accountability and Transparency Act (FFATA) Reporting:

2 CFR Sections 170.200 and 170.220 require that subawards made by the agency to non-Federal entities that are greater than \$25,000 must be reported by the end of the month following the month in which the subaward was made.

#### *Condition/context*

#### **CDBG**

We selected two out of the four FFATA reports submitted during the fiscal year to test. We noted that for one of the two reports tested, that only four of the six subawards made during the period were reported. The other two subawards were not reported, although they met the criteria for reporting (ie. greater than \$25,000) as they represented awards of \$70,000 and \$47,500, respectively.

#### **COPS**

We selected the annual performance report submitted to the grantor agency during fiscal year 2012 to test. We noted that no supporting documentation was maintained for the report data submitted to the grantor agency, and we were therefore unable to verify the number of positions reported.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

We selected two out of the four Quarterly ARRA 1512 Reports to test. We noted that for both of the reports tested, the total cumulative expenditure amount reported did not agree to the cumulative expenditures per the supporting documentation, resulting in a difference of expenditures incurred to date of \$82,484 for one quarterly report, and a difference of expenditures incurred to date of \$3,544 for the other quarterly report.

#### **JAG**

We selected two out of the four Quarterly Federal Financial SF-425 Reports to test. We noted that for one of the reports tested, the total amount reported in the “Cumulative Expenditures Previously Reported” was \$12,000 less than the amount according to the supporting documentation. For the same quarterly report, the total amount reported in the “Current Period Expenditures” column was \$12,000 more than the amount for the same period according to the supporting documentation. The total “Projected Cumulative Expenditures” column was reported accurately and in agreement with the supporting documentation.

We selected three out of the four Quarterly ARRA 1512 Reports to test. We noted that for one of the reports tested, the total cumulative expenditure amount reported did not agree to the cumulative expenditures per the supporting documentation by \$30,372.

#### **DOT**

We selected seven out of the forty-five State of Florida – Department of Transportation Monthly Employment Reports to test. We noted that for three of the reports tested, the total number of jobs reported and the associated payroll costs reported did not agree to the supporting documentation, by \$17,415 and \$8,160, and \$8,452, respectively.

#### *Questioned costs*

#### **CDBG**

None.

#### **COPS**

None.

City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

**JAG**

None.

**DOT**

None.

*Cause/effect*

The reports submitted were not subjected to a thorough supervisory review to ensure accuracy and completeness, including verification that amounts reported agreed with or were reconciled to the accounting records, or that appropriate documentation to support the information included in the reports was prepared and maintained. This could result in incorrect and/or inconsistent information between the reports filed and the underlying financial records and indicates that the City may not be in compliance with the provisions of the grant programs. Controls and monitoring activities over the preparation and timely submission of the reports, including supervisory review and approval, are not operating effectively.

*Recommendation*

The City should ensure that employees are properly trained in reporting requirements. Additionally, the City should ensure that all required financial/performance reports and related supporting documentation are properly prepared, reconciled to the underlying financial records, as applicable, and reviewed by supervisory personnel prior to timely filing with the grantor. Procedures should be put in place to ensure that all required reports are submitted timely to the grantor, and copies of all submitted reports and supporting documentation are maintained in the City's program files.

*Views of responsible officials and planned corrective action*

**CDBG**

Procedures have been developed to ensure that FFATA reporting is performed timely and that all eligible projects are reported, including requiring documentation of FFATA reporting in order to set up a related project or activity within the Oracle general ledger system.

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

#### **COPS**

Community policing information submitted in the COPS grant application serves as the basis for the progress reporting. Information used to complete this report was collected from various knowledgeable personnel resources within the department and some sources of information obtained through verbal communications were not document oriented. Documentation is available to support the numbers of positions reported. Officers hired under the grant are tracked in the Oracle HR System by officer name, employee number, position number, grant funding code as reflected on the Bi-weekly Payroll Costing Detail Report. An on-going review of officer assignment is conducted as part of the bi-weekly reconciliation responsibility to gather updates on any personnel action affecting change in the number positions. This information gathering process will be documented and maintained in the grant program file.

All issues that contributed to discrepancies in the Quarterly 1512 Report and the supporting documentation have been resolved. The first issue relates to having the expenditure amount match the drawdown amount, however upon clarification from our Grant Program Manager, it was determined the expenditure amount and drawdown amount does not have to match. Pursuant to directive, all subsequent reports will reflect the expenditures as posted in PnG and recorded on the Financial SF- 425 Report.

The other issue relate to the short time line for submission of the 1512 reports, which is due on the 10th of the month following the end of the quarter, does not allow for payroll reconciliation for last payroll in quarter to be completed and posted in advance of report due date to the Grants Office on the 5<sup>th</sup> of the month. In these instances we note the figures on the report are preliminary and follow-up closely with Grants Office to ensure a revised report with updated cumulative figure is submitted within the time period allowed by the grantor for making changes. Beginning August 2012, the grantor implemented a “Continuous QA Phase” that gives grant recipients access to reports to review, reconcile and make changes to them for as long as the award is eligible. This provision gives us the capability we need to make changes to account for payroll reconciliation that post after the initial report submission and this longer presents an issue.

#### **JAG**

Due to report format an adjustment to the quarterly column figure provided the only way to bring the cumulative expenditure figure in agreement with the cumulative expenditure figure as posted in PnG. Successive loss of grant personnel impacted the continuity of analysis. Stabilization of fiscal grant personnel combined with strict internal control and review protocol in place will

## City of Miami, Florida

### Schedule of Findings and Questioned Costs (continued)

avoid the necessity to make future quarter expenditure adjustments outside of the quarterly period.

All issues that contributed to discrepancies in the Quarterly 1512 Report and the supporting documentation have been resolved. This issue related to reporting the expenditure amount the same as the drawdown amount, however upon clarification from Grant Program Manager it was determined this is not a reporting requirement. Pursuant to directive, all subsequent reports will reflect the expenditures as posted in PnG and recorded on the Financial SF- 425 Report.

Pursuant to directive, all subsequent reports will reflect the expenditure as documented in PnG and recorded on the Financial SF- 425 Report.

#### **DOT**

Procedures are being developed and implemented to ensure supervisory personnel review and approve reports relating to DOT projects.

#### **2012-06 Davis Bacon Act**

##### *Federal Program Information*

U.S. Department of Transportation:

Highway Planning and Construction, including ARRA – Highway Planning and Construction (DOT), CFDA Nos. 20.205 and ARRA-20.205

##### *Criteria:*

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on Federally-funded construction projects with total project costs of more than \$2,000 are to be paid wages that are at least equal to the prevailing wage rate for the project's location. 2 CFR sections 5.5 and 5.6 require that the contractor or subcontractor to submit a copy of the payroll and a certification as to its compliance with the Davis-Bacon Act for each week that work is performed on the project.

##### *Condition/context*

We selected five out of seven projects subject to the Davis-Bacon Act to test. For one of the five projects tested, the weekly certified payrolls for one of the project's subcontractors were not submitted to the contractor or the City. Although the City did not make any further payments to



City of Miami, Florida

Schedule of Findings and Questioned Costs (continued)

the subcontractor after April 25, 2012 for the period March 25, 2012 to April 25, 2012, the City made payments to the subcontractor of \$9,719, although the required certified payrolls were not submitted.

*Questioned Costs*

N/A.

*Cause*

The City did not adequately review the supporting documentation provided by the contractor for the project to verify that the payment to the contractor was fully supported.

*Effect*

The City made payment to a contractor who was not in compliance with Federal laws and regulations.

*Recommendation*

The City should ensure that supporting documentation provided by its contractors is fully reviewed to ensure completeness, and that all contractors are required to provide certified payrolls for all subcontractors as a condition of receiving payment from the City.

*Views of responsible officials and planned corrective action:*

At the time of the audit, the certified payrolls for this subcontractor were not available due to a dispute between the Contractor and the subcontractor. It is CIP's policy to withhold payment to a Contractor until all documentation required for DOT funded projects is submitted and verified for compliance. As of March 2012, the City was informed of the Contractor's financial difficulties and based on that information; the City determined that it would be in the best interest of the project that the contractor be paid a limited amount in order to move the project forward. This was an exception made to our policy in this instance and as noted, no further payment has been made. CIP will provide strict enforcement of all payroll requirements in the future.

City of Miami, Florida

Summary Schedule of Prior Audit Findings

**Status of Prior Year Findings**

**Finding 2011-03 Reporting**

*Federal Program Information:*

U.S. Department of Housing and Urban Development (HUD):  
CDBG – Community Development Block Grants/State’s Program and Non-Entitlement  
Grants in Hawaii (CDBG), CFDA No. 14.228

U.S. Department of Justice:  
JAG Program Cluster (JAG), CFDA Nos. 16.738 and 16.804  
Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to  
Units of Local Government, Grant Award #2009-SB-B9-3068

*Criteria*

2 CFR Section 215.52 requires that financial reports are prepared accurately and completely. Reports shall be submitted timely and agree with the accounting records that support the audited financial statements (general ledger) and the Schedule of Expenditures of Federal Awards and State Financial Assistance.

*Condition/context*

**CDBG**

We selected 2 out of the 4 Quarterly Expenditure and Progress Reports to test, and the one annual report for calendar year 2010, submitted on January 5, 2011. We noted that for both quarterly reports tested, the data reported in the “Projected Cumulative Expenditure” column was not clerically accurate as it did not include all projected expenditures reported in other columns. Also, we noted that the same amount of quarterly expenditures was reported in the “Total Expended (This Quarter)” column for two consecutive quarters, where the expenditures were incurred in one quarter (accrual basis reporting) and paid in the next quarter (cash basis reporting), although the cumulative expenditures were reported accurately. We also noted that for one of the two quarterly reports tested, the report for the quarter ended September 30, 2011, was submitted after the deadline indicated in the grant agreement.

City of Miami, Florida

Summary Schedule of Prior Audit Findings (continued)

**JAG**

We noted for one out of two quarterly SF-425 financial reports tested, the report disclosed quarterly program expenditures of \$583,061, where quarterly expenditures recorded in the general ledger were \$561,201. The difference was not reconciled, resulting in an overstatement of the reported quarterly expenditures of \$21,860.

*Current Status*

**CDBG**

Corrected.

**JAG**

Finding repeated in the current year.

**2011-04 Program Income**

*Federal Program Information*

U.S. Department of Housing and Urban Development (HUD):  
CDBG –Entitlement Grants Cluster CFDA Nos. 14.218 and 14.253

*Criteria:*

2 CFR Section 215.2 indicates that program income includes, but is not limited to, income from fees for services performed, the use or rental of real property or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Unless specified in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

The Code of Federal Regulation (24 CFR sections 570.504(a)) requires that receipts and expenditures related to program income must be accurately accounted for and program income from CDBG funds should be treated as additional funds subject to all the same rules.

City of Miami, Florida

Summary Schedule of Prior Audit Findings (continued)

*Condition/context*

We noted that program income for all awards in this program cluster was not reported during fiscal 2011 in connection with reimbursement requests submitted in HUD's Integrated Disbursement & Information System (IDIS) by the City, as required by the grant program. Total program income recorded in the financial records for fiscal 2011 is \$636,913. We note that these funds were reported and returned to HUD subsequent to September 30, 2011.

*Current Status*

Corrected.

**2011-05 Reporting**

*Federal Program Information*

U.S. Department of Housing and Urban Development (HUD):  
CDBG Entitlement Grants Cluster, CFDA Nos. 14.218 and 14.253

*Criteria:*

2 CFR Section 215.52 requires that financial reports are prepared accurately and completely. Reports shall be submitted timely and agree with the accounting records that support the audited financial statements (general ledger) and the Schedule of Expenditures of Federal Awards and State Financial Assistance.

*Condition/context*

We noted that the City did not complete or submit the required quarterly SF-425 *Federal Financial Report* during fiscal 2011.

*Current Status*

Corrected.

City of Miami, Florida

Summary Schedule of Prior Audit Findings (continued)

**Findings and questioned costs in administering federal awards:**

<b>Finding #</b>	<b>Finding Title</b>	<b>Status</b>
IC 2010-07	Equipment and Real Property Management – CFDA #97.067	Corrected.
IC 2010-08	Payroll Costs – CFDA #14.218 & CFDA #14.253; CFDA #14.856	Corrected.
IC 2010-09	Payroll Certifications – CFDA #97.067; CFDA #97.025	Corrected.
IC 2010-10	Equipment and Real Property Management – CFDA #16.710	Corrected.
IC 2010-11	Cash Management – CFDA #16.710; CFDA #97.067	Corrected
IC 2010-12	Reporting – CFDA #16.710; CFDA #97.067	Corrected.
IC 2010-13	Subrecipient Monitoring – CFDA #97.067	Corrected.
IC 2010-14	Reporting – CFDA #14.871	Corrected.
CF 2010-01	Payroll Certifications – CFDA #97.067; CFDA #97.025	Corrected.
CF 2010-02	Payroll Costs – CFDA #14.218 & CFDA #14.253; CFDA #14.856	Corrected.
CF 2010-03	Equipment and Real Property Management – CFDA #97.067	Corrected.
CF 2010-04	Equipment and Real Property Management – CFDA #16.710	Corrected.
CF 2010-05	Cash Management – CFDA #16.710; CFDA #97.067	Corrected

City of Miami, Florida

Summary Schedule of Prior Audit Findings (continued)

**Findings and questioned costs in administering federal awards:**

<b>Finding #</b>	<b>Finding Title</b>	<b>Status</b>
CF 2010-06	Subrecipient Monitoring – CFDA #97.067	Corrected.
CF 2010-07	Reporting – CFDA #14.871	Corrected.
CF 2010-08	Reporting – CFDA #97.067	Corrected.
CF 2010-09	Allowable Costs/Cost Principles – CFDA #14.218	Corrected.
CF 2010-10	Allowable Costs/Cost Principles – CFDA #16.710	Corrected.

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