

McGladrey & Pullen

Certified Public Accountants

City of Miami, Florida

Single Audit Reports in Accordance with
OMB Circular A-133 and the Florida Single
Audit Act in Accordance with the *Rules of the
Auditor General* of the State of Florida
Year Ended September 30, 2008

Table of Contents

| | |
|--|---------|
| Schedule of Expenditures of Federal Awards and State Financial Assistance | 1 – 4 |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance | 5 |
| 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 <i>Government Auditing Standards</i> | 6 – 7 |
| Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i> | 8 – 10 |
| Schedule of Findings and Questioned Costs | 11 – 25 |
| Schedule of Prior Year Findings and Questioned Costs | 26 – 29 |

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2008

| Federal Grantor / State Agency Pass-through Grantor/Program Title | CFDA / CSFA Number | Grant/Contract Number | Expenditures | |
|--|-----------------------|-----------------------|-------------------|----------|
| | | | Federal | State |
| <u>U.S. Department of Agriculture</u> | | | | |
| Pass-through Florida Department of Education | | | | |
| Summer Food Service Program | 10.225 | 04-0899 | \$ 369,962 | \$ - |
| Pass-through Florida Department of Health | | | | |
| Child Care Food Program | 10.558 | S-576 | 56,612 | - |
| Pass-through Florida Department of Health | | | | |
| Out of School Time Snack Program | 10.558 | A-2384 | 132,744 | - |
| Total Department | | | 559,318 | - |
| <u>U.S. Department of Health & Human Services</u> | | | | |
| Miami Nice | 93.009 | 90EJ0084/01 | 171,483 | - |
| Total Department | | | 171,483 | - |
| <u>U.S. Department of Environmental Protection</u> | | | | |
| U.S. Environmental Protection Clean-up Grant | 66.811 | BF-96412404-1 | 8,589 | - |
| Brownsfield Assessment and Cleanup Cooperative Agreement | 66.818 | BF-96412504-1 | 1,415 | - |
| Brownsfield Assessment and Cleanup Cooperative Agreement | 66.818 | BF-96412404-1 | 17,579 | - |
| Total Department | | | 27,583 | - |
| <u>U.S. Department of Homeland Security</u> | | | | |
| South Florida USAR Program | 97.025 | EMW-2003-CA-0105 | 403,644 | - |
| FEMA / USAR Grant Award | 97.025 | EMW-2005-CA-0281 | 5,384 | - |
| FEMA / USAR Grant Award | 97.025 | EMW-2006-CA-0218 | 689 | - |
| FEMA / USAR Grant Award | 97.025 | EMW-2007-CA-0164 | 565,939 | - |
| FEMA / USAR Grant Award | 97.025 | EMW-2008-CA-0521 | 259,793 | - |
| FEMA Hazard Mitigation | 97.039 | 07DM-68-11-23-02 | 1,665,934 | - |
| FEMA Recovery Assistance | 97.UNKNOWN | N/A | 48,781 | - |
| FEMA Assistance to Fire Fighters | 97.044 | EMW-2004-FG-08448 | 710,011 | - |
| 2006 FEMA/Assistance to Fire Fighters Grant Program | 97.044 | EMW-2006-FG-15609 | 622,324 | - |
| Buffer Zone Protection Program Grant | 97.078 | 2007-BZPP-53 | - | - |
| FEMA – Assistance to Firefighters Grant Agreement - Fire Prevention & Safety | 97.044 | EMW-2006-FP-01822 | 123,974 | - |
| Subtotal Direct Programs | | | 4,406,473 | - |
| <i>Pass-through FL Dept. of Financial Services</i> | | | | |
| State Homeland Security Grant Program (SHSGP) | 97.UNKNOWN | 07-DS-5N-13-00-16-217 | 86,449 | - |
| <i>Pass-through FL Dept. of Community Affairs:</i> | | | | |
| FEMA Dept of Comm Affairs | 97.036 | | 11,527 | - |
| FEMA - Hurricane Katrina | 97.036 | 06-KT-B&-11-23-00-524 | 191,230 | - |
| FEMA - Hurricane Wilma | 97.036 | 06-WL-K&-11-23-02-562 | 472,648 | - |
| FEMA - Tropical Storm Fay | 97.036 | | 15,463 | - |
| FEMA - Ike | 97.036 | | 7,918 | - |
| Urban Area Security Initiative Grant Program IV 2005 | 97.067/97.008 | 06DS-4H-11-23-02-342 | 8,727,236 | - |
| Urban Area Security Initiative Grant Program V 2006 | 97.067/97.008 | 07DS-5S-11-23-02-379 | 2,034,178 | - |
| Staffing for Adequate Fire and Emergency Response (SAFER) Grant | 97.083 | EMW-2005-FF-02434 | 458,428 | - |
| | | | 11,918,628 | - |
| <i>Pass-through State of Florida Division of Emergency Management (DEM)</i> | | | | |
| FEMA 2007 Pre-Disaster Mitigation Grant - Flagami/West End | 97.039 | PDMC 2005-004 | 930,273 | - |
| FEMA 2007 Pre-Disaster Mitigation Grants - NE 71 Street | 97.039 | FEMA 2005-022 | 222,876 | - |
| | | | 1,153,149 | - |
| <i>Pass-through Miami Dade County:</i> | | | | |
| Port Security Grant Program | 97.056 | 2005-V0984-FL-GB | 197,647 | - |
| Subtotal Pass Through Programs | | | 13,355,873 | - |
| Total Department | | | 17,762,346 | - |

Continued

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2008

| Federal Grantor / State Agency Pass-through Grantor/Program Title | CFDA / CSFA Number | Grant/Contract Number | Expenditures | |
|---|-----------------------|-----------------------|-------------------|---------------|
| | | | Federal | State |
| U.S. Department of Housing and Urban Development (HUD) | | | | |
| Section 8 Housing Assistance Payment - Vouchers | 14.871 | FL145MR0001/002 | \$ 1,614,397 | \$ - |
| Section 8 Housing Assistance Payment - Mod Rehab 1 | 14.856 | FL145MR0001/002 | 1,695,098 | - |
| Section 8 Housing Assistance Payment - Mod Rehab 2 | 14.856 | FL145MR0001/002 | 441,655 | - |
| Emergency Shelter Grant (ESG) | 14.231 | S-06MC120002 | 266,543 | - |
| HUD Lead Hazard Control Grant | 14.900 | FLLHB0269-04 | 39,851 | - |
| Housing Opportunities for Persons With Aids (HOPWA) | 14.241 | F-LH-06-F005 | 11,901,053 | - |
| Home Investment Partnership | 14.239 | M-06-MC-120211 | 6,286,389 | - |
| Community Development Block Grant (CDBG) | 14.218 | B-06-MC-120013 | 12,706,105 | - |
| Brownsfield Economic Development Initiative: Wagner Square | 14.246 | B-02-BD-120047 | 200,000 | - |
| Brownsfield Economic Development Initiative: Wagner Square | 14.235 | | 23,810 | - |
| Subtotal Direct Programs | | | 35,174,901 | - |
| <i>Pass-through Miami-Dade County Homeless Trust</i> | | | | |
| Super NOFA Supportive Services | 14.218 | FL14B60031 | 168,600 | - |
| Super NOFA 2008-2009 | 14.235 | FL14B700032 | 89,426 | - |
| Supportive Housing Program | 14.235 | KFZ22 | 800 | - |
| 2007-2008 Outreach to Homeless | 60.021 | KF121 | - | 70,280 |
| | | | 258,826 | 70,280 |
| <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 | 77,049 | - |
| Subtotal Pass Through Programs | | | 335,875 | 70,280 |
| Total Department | | | 35,510,776 | 70,280 |
| U.S. Department of Justice | | | | |
| Bulletproof Vest Partnership Grant II | 16.607 | 9900297 | 250 | - |
| COPS More 98 | 16.710 | 98-CL-WX-0199 | 23,760 | - |
| U.S. Law Enforcement Trust Fund | 16.UNKNOWN | | 103,175 | - |
| Record Improvement 2007-08 | 16.579 | | 20,385 | - |
| Summer Research Opportunities Program (SROP) | 16.580 | | 21,373 | - |
| FY 2007 Gang Resistance Education and Training (GREAT) Program | 16.580 | 2007- JV-FX- 0260 | 8,425 | - |
| Solving Cold Cases with DNA | 16.UNKNOWN | 2007- DN-BX-K123 | 24,517 | - |
| 2007 Bullet Proof Vest Partnership Program | 16.607 | | 24,859 | - |
| Sex Offender Sentencing, Monitoring, Apprehending, Registering and Tracking (SMART) Grant | 16.750 | | 13,533 | - |
| Public Housing Safety Initiative (PHSI) | 16.744 | | 60,193 | - |
| Subtotal Direct Programs | | | 300,470 | - |
| <i>Pass through State of Florida, Office of the Attorney General</i> | | | | |
| Victims of Crime Act (VOCA) | 16.575 | FY 2006-2007 VOA II | 26,240 | - |
| Paul Coverdell Forensic Science Improvement Grant | 16.742 | 2006-DN-BX-0029 | 27,378 | - |
| Edward Byrne Memorial Justice Assistance Grant | 16.580 | 2005-DBX0650 | 130,268 | - |
| Edward Byrne Memorial Justice Assistance Grant II | 16.580 | 2006-DJ-BX-0695 | 138,899 | - |
| FY 2007 Edward Byrne Memorial Justice Assistance Grant Program | 16.580 | 2007-DJ-BX-1372 | 391,676 | - |
| Subtotal Pass Through Programs | | | 714,461 | - |
| Total Department | | | 1,014,931 | - |
| U.S. Corporation for National and Community Service | | | | |
| AmeriCorps Community Emergency Support (ACES) Grant | 94.006 | 06AFHFL002005 | 78,644 | - |
| Total Department | | | 78,644 | - |
| Fish and Wildlife Service, Department of the Interior | | | | |
| <i>Florida Department of Environmental Protection:</i> | | | | |
| Clean Vessel Act | 15.616 | LE638 | 74,661 | - |
| Total Department | | | 74,661 | - |

(Continued)

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2008

| Federal Grantor / State Agency Pass-through Grantor/Program Title | CFDA / CSFA Number | Grant/Contract Number | Expenditures | |
|--|--------------------|-----------------------|------------------|------------------|
| | | | Federal | State |
| <u>U.S. Department of Education</u> | | | | |
| <i>Pass Through Miami Dade County Schools:</i> | | | | |
| 21st Century Community Learning Centers - Lenora | 84.287 | 710-193 | \$ 30,392 | \$ - |
| 21st Century Community Learning Centers - Holmes | 84.287 | 130-2448A-8CCCA | 33,536 | - |
| Total Department | | | 63,928 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| <i>Pass Through State of Florida Department of Transportation:</i> | | | | |
| Miami DUI Checkpoint Project FY2007- 08 | 20.601 | K8-08-06-20& AOZ34 | 17,854 | - |
| Miami Aggressive Driving Enforcement | 20.600 | AP- 364 | 103,837 | - |
| FDOT - Overtown Signage | 20.205 | ANK86 / 40 5586-1 | 21,952 | - |
| FDOT - Greenway Flagler | 20.205 | AOQ04 | 104,330 | - |
| FDOT - NE 4th Street Improvements | 20.205 | AOK53 | 296,231 | - |
| FDOT - Greenway Jose Marti | 20.205 | AOP78 | 1,257,784 | - |
| Total Department | | | 1,801,988 | - |
| <u>Administration in Developmental Disabilities</u> | | | | |
| <i>Pass Through State of Florida Development Disability Council</i> | | | | |
| Programs for Persons with Disabilities Project Search Miami | 93.630 | | 10,000 | - |
| Total Department | | | 10,000 | - |
| <u>Emergency Food and Shelter Program</u> | | | | |
| United Way Donation 2008 | 97.024 | LRO-159400-080 | 4,261 | - |
| Total Department | | | 4,261 | - |
| <u>White House Office of National Drug Control Policy</u> | | | | |
| High Intensity Drug Trafficking Area (HIDTA) - 2008 Operation Rebound | 99.UNKNOWN | | 9,875 | - |
| High Intensity Drug Trafficking Area (HIDTA) - 2008 Tough Karma | 99.UNKNOWN | | 1,852 | - |
| Subtotal Direct Programs | | | 11,727 | - |
| <i>Pass through State of Florida, Office of the Attorney General</i> | | | | |
| High Intensity Drug Trafficking Area (HIDTA) | 99.UNKNOWN | | 14,121 | - |
| High Intensity Drug Trafficking Area (HIDTA) | 99.UNKNOWN | | 1,798 | - |
| | | | 15,919 | - |
| <i>Pass-through Miami Dade State Attorney's Office</i> | | | | |
| High Intensity Drug Trafficking Area (HIDTA) - Gang Strike | 99.UNKNOWN | 14PMIP5125 | 1,910 | - |
| Subtotal Pass Through Programs | | | 17,829 | - |
| Total Department | | | 29,556 | - |
| <u>U.S. Department of Agriculture</u> | | | | |
| Urban and Community Forestry Grant | 10.664 | | 24,998 | - |
| Total Department | | | 24,998 | - |
| <u>State of Florida, Department of Environmental Protection</u> | | | | |
| NE 71 Street | 37.039 | LP6755 | - | 314,031 |
| FDEP Flagami/West End Storm II | 37.039 | LP6056 | - | 1,378,994 |
| Belle Meade Storm Sewer Phase II | 37.039 | LP6703 | - | 66,574 |
| Florida Department of EPA Bryan Park Boundless Playground | 37.071 | L 0708 | - | 206,525 |
| Total Department | | | - | 1,966,124 |

(Continued)

City of Miami, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2008

| Federal Grantor / State Agency Pass-through Grantor/Program Title | CFDA / CSFA Number | Grant/Contract Number | Expenditures | |
|--|-----------------------|-----------------------|----------------------|---------------------|
| | | | Federal | State |
| <u>State of Florida, Department of Health</u> | | | | |
| Programs for the Developmentally Disabled FY05-06 | 67.011 | | \$ - | \$ 61,506 |
| State of Florida Emergency Medical Services Matching Grant | 64.003 | M5090-0506 | - | 25,340 |
| State of Florida Emergency Medical Services Matching Grant | 64.003 | M5092-0506 | - | 157,796 |
| Subtotal Direct Programs | | | - | 244,642 |
| <i>Pass-through Miami-Dade County:</i> | | | | |
| Emergency Medical Services County Grant | 64.005 | C4013 | - | 30,345 |
| Emergency Medical Services County Grant | 64.005 | C 5013 | - | 53,640 |
| Subtotal Pass Through Programs | | | - | 83,985 |
| Total Department | | | - | 328,627 |
| <u>State of Florida, Department of Transportation</u> | | | | |
| DuPont Plaza Project | 55.022 | AL-285 | - | 49,675 |
| FDOT - Brickell Ave Lighting | 55.014 | AOC88 | - | 339,301 |
| Stormwater Improvements - SW 64th Avenue | 55.024 | ANS40/248638-2-58-01 | - | 85,000 |
| FDOT - Miami Streetcar Projects | 55.014 | AOA01 | - | 665,592 |
| Total Department | | | - | 1,139,568 |
| <u>State of Florida, Housing Finance Agency</u> | | | | |
| State Housing Initiative Project (SHIP) | 52.901 | | - | 1,210,249 |
| Total Department | | | - | 1,210,249 |
| <u>State of Florida, Department of State</u> | | | | |
| Virrick Park Branch Library | 45.020 | 07-PLC-10 | - | 79,951 |
| Total Department | | | - | 79,951 |
| <u>State of Florida, Bureau of Historic</u> | | | | |
| Keys to Our Past-Historic Virginia Beach Park Educational Projects | 45.031 | S0809 | - | 13,272 |
| City Hall Renovations | 45.031 | SC733 | - | 152,200 |
| Total Department | | | - | 165,472 |
| <u>State of Florida Dept of Financial Services</u> | | | | |
| My Safe Florida 2007 | 43.002 | CF-038 | - | 39,815 |
| Total Department | | | - | 39,815 |
| <u>State of Florida Recreation Assistance Program</u> | | | | |
| Hadley Park Restroom Bldg. Renovation | 37.017 | F7132 | - | 19,921 |
| Total Department | | | - | 19,921 |
| Total Expenditures for Federal and State Financial Assistance | | | \$ 57,134,473 | \$ 5,020,007 |

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, 2008

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, 2008. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Basis of Accounting

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

Note 3. Subrecipients

Of the 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 | \$ 1,585 |
| Urban Area Security Initiative Grant | 97.067 | 3,730,246 |
| Community Development Block Grant | 14.218 | 4,525,747 |
| Total Federal | | \$ 8,257,578 |

McGladrey & Pullen

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2009. Our report was modified to include a reference to other auditors and the adoption of the recognition and disclosure requirements of the Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. 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 Southeast Overtown Park West Redevelopment Agency, the Omni Redevelopment Agency, the Miami Midtown Community Redevelopment Agency, the Gusman and Olympia Special Revenue Fund, the Virginia Key Beach Park Trust, the Liberty City Community Revitalization District Trusts, the Firefighters' and Police Officers' Retirement Trust and the General Employees' and Sanitation Employees' Retirement Trust, Other Managed Trusts, the Miami Sports and Exhibition Authority, Downtown Development Authority, Bayfront Park Management Trust, and the Civil Investigative Panel, as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items IC 2008-01 to IC 2008-05, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items IC 2008-01 and IC 2008-05 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 26, 2009.

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

McGladrey & Pullen, LLP

Miami-Dade County, Florida
March 26, 2009

McGladrey & Pullen

Certified Public Accountants

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

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

Compliance

We have audited the compliance of the City of Miami, Florida (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. 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 or Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as item CF-2008-01.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item IC 2008-03 and IC 2008-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as defined above.

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

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2009. Our report was modified to include a reference to other auditors. Our audit and the audit of other auditors was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

McGladrey & Pullen, LLP

Miami-Dade County, Florida
March 26, 2009

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2008

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

| | | |
|--|------------------|------------------|
| Type of auditor's report issued on compliance for major programs: | | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | <u> X </u> Yes | <u> </u> No |

Identification of major programs:

The programs tested as major were as follows:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.218 | Community Development Block Grant |
| 14.239 | Home Investment Partnerships |
| 14.241 | Housing Opportunities for Persons with AIDS |

| | | |
|--|----|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$ | 1,714,034 |
|--|----|-----------|

| | | |
|--|-------------------|-----------------|
| Auditee qualified as low-risk auditee? | <u> </u> Yes | <u> X </u> No |
|--|-------------------|-----------------|

(Continued)

Schedule of Findings and Questioned Costs (Continued)
 Fiscal Year Ended September 30, 2008

State Financial Assistance

Internal control over major projects:

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

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

Unqualified

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

| | |
|-----------------------|-----------------|
| <u> </u> Yes | <u> X </u> No |
|-----------------------|-----------------|

Identification of major projects:

The projects tested as major were as follows:

| <u>CFSA Number(s)</u> | <u>Name of State Financial Assistance Project</u> |
|-----------------------|---|
| 37.039 | State of Florida Legislative Appropriation – NE 71st Street Storm Sewer Project |
| 37.039 | State of Florida Legislative Appropriation – Belle Meade Storm Sewer Project Phase II |
| 37.039 | State of Florida Legislative Appropriation – Flagami/West End Storm II |
| 52.901 | 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, 2008

| Finding Number | Description | Significant Deficiency | Material Weakness |
|--|---|---------------------------|----------------------|
| Financial Statements Findings | | | |
| Control Deficiencies | | | |
| IC 2008-01 | Significant Issues Documentation | | X |
| IC 2008-02 | Bank Reconciliations | X | |
| IC 2008-03 | Grants Management | X | |
| IC 2008-04 | Filing for Grant Reimbursements | X | |
| IC 2008-05 | Capital Asset Management | | X |
| Federal Awards and State Financial Assistance Findings and Questioned Costs | | | |
| Compliance | | | |
| CF 2008-01 | Eligibility - Housing Opportunities for Persons with AIDS | | |

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

I – Financial Statements Findings

A. Internal Control

IC 2008-01 – Significant Issues Documentation

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

Condition: We noted that the financial statements required significant accounting adjustments in order to comply with Generally Accepted Accounting Principles (“GAAP”). We also noted that the City does not have a formalized system analyzing significant, non-routine, and unusual transactions to help ensure that they are identified, addressed and concluded on, and that they coincide with GAAP. Examples of such transactions noted included:

- Recording an Interlocal Development and Operating Lease agreement between the City and Miami-Dade School Board for the construction and operation of a police training facility; and
- Recording of a \$2 million contribution to the Miami Art Museum of Dade County, to support the development of a new fine arts facility.

Context: The condition is considered systemic.

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

Cause: Lack of a formalized policies and procedures to perform routine analysis.

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

Views of Responsible Officials and Planned Corrective Actions: The City agrees that a formal documentation of significant and/or complex transactions can be beneficial in the development and formulation of the proper accounting treatment for such transactions. We have developed a framework that will crystallize the discussions of transactions and the conclusions reached. It will be our basis for accounting for the transactions. Since the conclusion of FY 2007, the Finance Department has assigned its Chief Accountants the responsibility of such documentation.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

With respect to the Inter-local Development and Operating Lease agreement between the City and the Miami-Dade School Board for the construction of a police training facility, the initial decision on the manner to record the transaction was made mindful of the IRS' arbitrage rules and the spending exceptions. This item was recorded as FY 2008 expenditures because the funding for the construction costs were bond proceeds. However, since the funds were transferred to a third party escrow agent, the effect, for IRS rules purposes, is as if the funds were spent as of September 30, 2008 and so the accounting treatment should have reflected this as Cash with Fiscal Agent rather than an actual expenditure.

The Finance Department concurs that the analysis of the Miami Art Museum transaction should have involved more departments to be as comprehensive as possible. We have established a policy to document the decision-making process of significant issues.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

IC 2008-02 – Bank Reconciliations

Criteria: Internal control policies and procedures should exist which requires proper recording and disposition of reconciling items in a timely manner.

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

- The September 30, 2008 bank reconciliation for the main disbursement account grouped significant unreconciled amounts as outstanding checks; these amounts were not properly analyzed and disposed of in a reasonable and timely manner.
- The Cigna bank account reconciliation was not adjusted for checks outstanding at year end.

Context: The condition was noted in 2 of the 9 bank reconciliations selected for testing.

Effect: The lack of adequate internal control procedures requiring proper recording and disposition of reconciling items in a timely manner can result in material misstatements to the financial statements and/or misappropriation of cash.

Cause: The cause is a lack of oversight and review by supervisory personnel to ensure reconciling items are properly treated.

Recommendation: We recommend that management adhere to their policy which requires that all significant reconciling items be properly investigated, recorded, and disposed of in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the auditor's recommendation. The unreconciled amounts referred to in the finding are voided checks. In performing testing, M&P compared the outstanding checks list per Wachovia to the outstanding checks list per the City. In September 2008, there was \$219,119 of legacy system-issued checks that were voided. The Finance Staff notified the bank and adjusted the checks listing in the banks records to reflect the void. However, a journal entry was not made in the new financial system to adjust the cash balance to reflect the voids – hence the variance. The adjusting entry to correct this was done in FY 2009 for both accounts.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

IC 2008-03 – Grants Management

Criteria: Circular A-133 and rules of the Auditor General states that the City should identify in its accounts all federal and state awards received and expended. Federal and state program and award identification includes, as applicable, the Catalog of Federal Domestic Assistance (“CFDA”) or Catalog of State Financial Assistance (“CSFA”) title and award number.

Condition: We noted instances where departments responsible for administering individual grants provided the Finance Department with inaccurate CFDA / CSFA numbers. Certain federal pass-through grant awards were misclassified as state assistance expenditures and incorrectly listed under a CSFA number. This is significant in determining whether a program was a Major (Type A) Program for federal or state testing purposes. Although the schedule of federal awards and state financial assistance (SEFA) was properly reviewed, communication breakdowns between the individual grant administrators and the Finance Department resulted in the reporting errors in the SEFA not being detected.

Context: The finding is considered systemic in nature.

Effect: Lack of effective and regular coordination between the City’s departments involved in grant programs may result in inaccurate reporting of grant expenditures.

Cause: The cause is lack knowledge and/or training of departments directly administering the grants in understanding and properly communicating the financial and programmatic aspects of grant programs.

Recommendation: We recommend that the design of the internal control structure should require that the Finance Department obtain and review grant agreements for each award obtained by the City. A comprehensive review should be performed of the schedule of federal and state awards/projects to provide a reasonable assurance that all expenditure amounts, CFDA/CSFA numbers, and grant/contract numbers are correct.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the recommendation of the auditors. The Finance Department requires an award setup form which would indicate whether the grant is federal, state or neither, and a copy of the grant agreement – among other things, from all departments prior to setting up a grant award in the City’s financial system. Going forward, the Finance Department has implemented control procedures which require that the Finance Department staff obtain and review grant agreements for each award obtained by the City during the award setup process. This will ensure that each award is assigned an accurate CFDA or CSFA number.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

IC 2008-04 – 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, 2008 the City had not received reimbursements for approximately \$40 million of qualifying reimbursable grant expenditures. \$16.3 million of the \$40 million have been outstanding greater than one year. The \$40 million balance is comprised of the following amounts:

Unbilled Balances Greater than One Year

FEMA - In fiscal year 2006, the City recorded a receivable of \$16.5 million for reimbursable hurricane-related expenditures. As of March 2009, \$8.7 million had not been collected/reimbursed from the grantor (over 36 months since the expenditures were incurred).

Other Grants - Excluding the FEMA \$8.7 million discussed above, the City had approximately \$7.6 million of other grant expenditures that had not been billed or submitted to the grantor for reimbursement as of March 2009 (over 24 months since the expenditures were incurred).

Unbilled Balances Less than One Year

In addition to the above amounts, the City had approximately \$23.7 million of grant expenditures that had not been billed or submitted to the grantor for reimbursement that were 60 days old as of September 30, 2008.

Reasons for the delay in the receipt of grant funding appear to result 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.
- In certain instances management has decided not to submit for reimbursement until certain capital projects are 100% complete, even though the grantor did not impose such restrictions on the City.
- Departments not drawing down authorized funding from the grantor in a timely manner.
- The City's management of grants operates in a decentralized format which results in ineffective oversight over individual grant administrators.

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

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

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

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

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions: The City's grants and awards processes are decentralized throughout the various user departments. Each department has program managers who are responsible for filing reimbursements with the grantors and informing the Finance Department for reporting purposes. The Finance Department has assigned departmental grant liaisons to help ensure timely submission of financial information.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

IC 2008-05 – 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 schedule required numerous material adjustments to properly report the year-end balance. The adjustments related to routine transactions as well as certain unusual transactions. Examples of such adjustments included the following:

- \$1.9 million of land assets already included in the beginning balance was improperly listed as a construction in progress (CIP) transfer in the current year. This would have resulted in the overstatement of the year end capital asset.
- \$927,000 of maintenance costs was improperly capitalized.
- \$1.9 million of capital asset contributions to the City was improperly omitted from the current year capital asset additions.
- \$19.7 million of cash placed in an escrow account pursuant to the Interlocal Development Agreement between the City and Miami-Dade School Board for the construction of the police training center was improperly listed as CIP assets. The balance was reclassified to the "Restricted Cash and Investments" line item on the financial statements.
- \$2 million of cash contributions made to the Miami Art Museum of Dade County, to support the development of new fine arts facility was incorrectly listed as a capital asset addition in the current year.
- \$2.5 million of payments to subrecipients was incorrectly classified as depreciation expense at the fund level.

We also noted the following control deficiencies relating to capital assets:

- Completed construction projects are not transferred to proper asset categories in a timely manner.
- A formal reconciliation of CIP balances transferred from the "TRACS System" (old system) to Oracle Capital Asset Module (new system) was not performed; significant differences were identified during the audit process.
- Capital asset inventory was performed three (3) years ago. The City's policy is to perform annual inventory counts, however this is not being performed as required.
- There are no formalized processes or controls in place to ensure that assets deleted by individual user departments are properly reported to the finance department.

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 to prevent the material errors that occurred.

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 financial statement misstatement.

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

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

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:

- Implementation of procedures to receive notification of completed CIP projects to ensure the close-out of the project is proper and timely.
- Prepare a formal reconciliation of CIP balances between the "TRACS" and "Oracle" systems to ensure that all amounts are properly captured and transferred over to the Oracle Capital Asset Module.
- Capital asset inventory is performed periodically.
- Establish formal control procedures for user departments to follow when disposing of capital assets. Established control procedures should require monthly reporting of disposals to the finance department to ensure that capital asset records are updated in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the recommendation of the auditors. During fiscal year 2008, the City had been working through many issues encountered with the implementation of the fixed assets module of the Oracle system. The City was able to address many of the concerns from the prior year. Through the process of continuous improvement, the City believes it can continue to address the issues noted and mitigate the findings in future periods.

The City of Miami, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

B. Compliance

None noted.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

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

A. Internal Control over Compliance

IC 2008-03 – Grants Management

See Part II – Financial Statement Findings reported as item IC 2008-03.

IC 2008-04 – Filing for Grant Reimbursements

See Part II – Financial Statement Findings reported as item IC 2008-04.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

B. Compliance

CF 2008-01 – Eligibility

**U.S. Department of Housing and Urban Development:
Housing Opportunities for Persons with AIDS (HOPWA)
CFDA #14.241
Grant Number F-LH-06-F005**

Criteria: 24 CFR section 574.310 requires that except for persons in short-term supportive housing, each person receiving rental assistance under the HOPWA Program must pay as rent the higher of: (1) 30 percent of the family's monthly adjusted gross income; (2) 10 percent of the family's monthly gross income; or (3) the portion of the payments that is designated if the family is receiving payments for welfare assistance, adjusted for the family's actual housing costs. This is specifically designated by the agency to meet the family's housing costs.

In addition, the amount of grant funds used to pay monthly assistance for an eligible person may not exceed the difference between 1) the lower of the rent standard or reasonable rent for the unit and the resident's rent payment calculated in accordance with 24 CFR section 574.310 and 24 CFR section 574.320.

Condition: We noted that in 5 of 16 items tested, the tenant was either not afforded the full utility credit allowed or received partial credit. In addition, we noted an instance where the tenant was paying more than 30 percent of the family's monthly adjusted gross income, which exceeds the limit established by the grant program.

Questioned Costs: Undetermined

Context: The finding is considered systemic in nature.

Effect: Failure to accurately calculate amounts pertaining to eligibility could result in grantor requesting reimbursement to the program for amounts not spent in accordance with the compliance requirements.

Recommendation: To City should immediately implement procedures whereby each tenant's monthly payment, including utility credit is accurately calculated.

Views of Responsible Officials and Planned Corrective Action:

The City agrees with the Auditor's finding regarding the utility calculation. This issue was brought to the attention of the City in a HUD audit last year. The City took immediate corrective action and completed the recertification of all clients who needed their utility allowance records to be updated. As of November 2008, all clients were receiving their full utility allowance as required by 24 CFR 574.310 (d) and 24 CFR 574.320.

It is the City's position that the statute establishing the HOPWA program allows clients to pay more than 30% of their income on rent.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

The U.S. Code, Title 42, Chapter 131 – Housing Opportunities for Persons with AIDS, under 12908 (a)(1) states, “Grants under this section may be used only for assistance to provide rental assistance for low-income eligible persons. Such assistance may be project based or tenant based and shall be provided to the extent practicable in the manner provided for under section 1437f of this title.” 1437f (2)(C)(3) – 40 Percent Limit, states, “At the time a family initially receives tenant-based assistance under this section with respect to any dwelling unit, the total amount that a family may be required to pay for rent may not exceed 40 percent of the monthly adjusted income of the family.” This is language approved by congress and this is an excerpt of the statute under which HUD regulations are based and created. Regulations do not override statutes. As such, the City is in compliance with the intent of 24 CFR 574.310 (d)(1). The City presented this argument to HUD and is awaiting HUD’s decision on it.

Notwithstanding the above, the City went ahead and on November 2008, the City completed a full re-evaluation of instances where clients were paying over 30 percent of their AGI and has adjusted their housing assistance payment accordingly. The City certifies that no client is paying more than 30 percent of AGI.

The City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs
Fiscal Year Ended September 30, 2008

| Finding # | Finding Title | Status | Explanation |
|--|---|---------------------------------|---|
| Findings related to financial statements: | | | |
| IC 2007-01 | Post Closing and Financial Reporting Process Numerous adjustments were required to be made to the City's trial balance in order to comply with accounting principles generally accepted in the United States ("GAAP"). The City does not have a formalized financial reporting process which would include the review and approval of changes/revisions made. | Certain Corrective Action Taken | See current year's observations and management's response at IC 2008-01. |
| IC 2007-02 | Significant Issues Documentation The financial statements required significant corrections, including corrections to the prior periods, in order to comply with GAAP. It was also noted that the City does not have a formalized system and/or personnel that are responsible for analyzing significant, non-routine and unusual transactions to help ensure that they are identified, addressed and concluded on, and that they coincide with GAAP. | Not Corrected | See current year's observations and management's response at IC 2008-01. |
| IC 2007-03 | Oracle Training The City implemented a new software program (Oracle) for financial reporting in during fiscal year 2007. The finance department is not fully versed in the application and operation of the Oracle accounting system and as a consequence they are not able to fully utilize the system at its optimum to properly produce the necessary information, and reports needed that would allow authorized personnel to properly initiate, authorize, record and process financial data in a viable manner. | Corrected | Proper training was provided to staff in fiscal year 2008. Staff will continue to receive training on a on-going basis. |
| IC 2007-04 | Recording Accruals and Accounts Payable Expenditures that should have been accrued at fiscal year end but were not recorded due to a lack of review by supervisory personnel. Additionally, accrual adjustments were not timely recorded due to other City departments not submitting the necessary information to the Finance Department. | Certain Corrective Action Taken | See current year recommendation in Management Letter - ML 2008-01 and 2008-02 |
| IC 2007-05 | Bank Reconciliations We noted the following deficiencies as it relates to bank reconciliations: | | |
| | a. Monthly bank reconciliations for the main depository, workers' compensation, and payroll account for the months of June 2007 through September 2007 were not prepared timely. Actually, there were prepared subsequent to fiscal year end. | Corrected | The City corrected the specific finding in fiscal year 2008. However, see current year's finding in regards to bank reconciliations IC 2008-02. |
| | b. The September 30, 2007 bank reconciliation for the main depository account listed significant items as miscellaneous unreconciled amounts that could not be explained by management. | Not Corrected | See current year's observations and management's response at IC 2008-02. |
| | c. The Cigna bank account reconciliation was not adjusted for checks outstanding at year end. | Not Corrected | See current year's observations and management's response at IC 2008-02. |
| | d. The monthly bank reconciliations were not reviewed and formally approved by supervisory personnel on a consistent basis. | Corrected | The City corrected the specific finding in fiscal year 2008. |

The City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs
Fiscal Year Ended September 30, 2008

| Finding # | Finding Title | Status | Explanation |
|------------|---|---|---|
| IC 2007-06 | Grant Management | | |
| | <p>The City's Grant program operates in a decentralized format. We noted instances where there are no formalized communications between the Finance Department and the department responsible for administering the grant, as to the progress of the projects, expenditures incurred during the year, and compliance with grant requirements.</p> <p>The initial schedule of expenditures of federal awards and state financial assistance ("SEFA") required numerous adjustments and revisions, including the addition of grant programs that were erroneously excluded.</p> | <p>Not Corrected</p> <p>Corrected</p> | <p>See current year's observations and management's response at IC 2008-03.</p> <p>The City corrected the specific finding in fiscal year 2008. However, see current year's finding in regards to grants management IC 2008-03.</p> |
| IC 2007-07 | Filing for Grant Reimbursements | | |
| | <p>In fiscal year 2006, the City recorded a receivable of \$16.5 million for reimbursable hurricane-related expenditures. As of April 2008, \$9.5 million had not been collected/reimbursed from the grantor and \$7.3 million of the \$9.5 million of expenditures had not been properly submitted to the grantor for reimbursement (over 24 months since the expenditures were incurred). The initial submission was rejected due to filing with the wrong grantor agency and the correction has yet to be submitted to the grantor.</p> <p>Excluding the FEMA \$7.3 million discussed above, the City had approximately \$19 million of other grant receivables that had not been collected within 60 days of September 30, 2007. Reasons for the delay in the receipt of this grant funding appears to result from: (1) individual departments not filing/submitted requests in a timely manner to the grantor agencies and/or (2) the departments not drawing down authorized funding from the grantor in a timely manner.</p> | <p>Not Corrected</p> <p>Not Corrected</p> | <p>See current year's observations and management's response at IC 2008-04.</p> <p>See current year's observations and management's response at IC 2008-04.</p> |
| IC 2007-08 | Capital Asset Management | | |
| | <p>The City's capital asset detail schedule did not reconcile to the general ledger control account. As a consequence, numerous material adjustments were required to properly state the year-end balance. There were also several other deficiencies relating to capital assets.</p> | Certain Corrective Action Taken | See current year's observations and management's response at IC 2008-05. |

The City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

| Finding # | Finding Title | Status | Other Explanation |
|---|---|---------------|---|
| Findings and questioned costs in administering federal awards: | | | |
| CF 2007-01 | CFDA #14.239 - U.S. Department of Housing and Urban Development: HOME Investment Partnership Program | Corrected | |
| CF-2007-02 | CFDA #14.239 - U.S. Department of Housing and Urban Development: HOME Investment Partnership Program | Corrected | |
| CF-2007-03 | CFDA #14.239 - U.S. Department of Housing and Urban Development: HOME Investment Partnership Program | Corrected | |
| CF-2007-04 | Payroll Certifications as it Pertains to: | | |
| | CFDA #14.241 - U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS (HOPWA) | Corrected | |
| | CFDA #14.239 - U.S. Department of Housing and Urban Development: HOME Investment Partnership Program (HOME) | Corrected | |
| | CFDA #97.025 - U.S. Department of Homeland Security Urban Search and Rescue (USAR) | Corrected | |
| | CFDA #97.076 - U.S. Department of Homeland Security Urban Area Security Initiative Grant Program II 2004 (UASI) | Corrected | |
| CF-2007-05 | CFDA #14.241 - U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS (HOPWA) | Corrected | |
| CF-2007-06 | CFDA #14.241 - U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS (HOPWA) | Corrected | |
| CF-2007-07 | CFDA #14.871 - U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers | Corrected | |
| CF-2007-08 | CFDA #14.871 - U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers | Corrected | |
| CF-2007-09 | CFDA #97.036 - U.S. Department of Homeland Security: Pass-through-State of Florida Department of Community Affairs Public Assistance Grants | Not Corrected | The City is in the process of accumulating pertinent data and anticipates recouping amounts disbursed outside the period of availability. |
| CF-2007-10 | Equipment and Real Property Management as it pertains to: | | |
| | CFDA #97.025 - U.S. Department of Homeland Security Urban Search and Rescue (USAR) | Not Corrected | The inventory control system is still in its development stage and should be fully operational by the last quarter of 2009. |
| | CFDA #97.076 - U.S. Department of Homeland Security Urban Area Security Initiative Grant Program II 2004 (UASI) | Not Corrected | The inventory control system is still in its development stage and should be fully operational by the last quarter of 2009. |
| CF-2007-11 | CFDA #97.025 - U.S. Department of Homeland Security Urban Search and Rescue (USAR) | Corrected | The City corrected the specific finding during the prior year end closing process. |

The City of Miami, Florida

Schedule of Prior Year Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2008

| Finding # | Finding Title | Status | Other Explanation |
|--|--|---------------|---|
| Findings and questioned costs in administering state awards: | | | |
| CF 2007-12 | CSFA #37.039 - State of Florida Department of Environmental Protection | Corrected | |
| CF 2007-13 | CSFA #52.901 - State Housing Initiatives Program (SHIP) | Corrected | |
| CF 2007-14 | CSFA #37.039 - State of Florida Department of Environmental Protection | Corrected | |
| 06-19 | CFDA #16.011 & 97.008 - U.S Department of Homeland Security- Urban Areas Security Initiative Grant (UASI). | Not Corrected | The inventory control system is still in its development stage and should be fully operational by the last quarter of 2009. |