CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL

THE REVIEW OF COMPLIANCE WITH THE
FINANCIAL INTEGRITY PRINCIPLES

AUDIT NO. 07-016

Prepared By
Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Auditor General

MARIE B. SEVERE, CPA, CIA SENIOR STAFF AUDITOR
July 24, 2007

The Honorable Mayor and Members of the
City Commission
3500 Pan American Drive
Miami, FL 33133

Re: The Review of Compliance with the Financial Integrity Principles
Audit No. 07-016

We have examined the applicable records to determine the City’s compliance with the
Financial Integrity Principles, as codified and amended in Chapter 18, Article IX, Sections
18-541 and 18-542 of the City Code. Section 18-541 of the City Code, provides that, “The
City’s Auditor General shall be responsible for preparation of a written report to be
transmitted to the mayor and the members of the city commission by July 1 of each year as
to compliance with the principles and policies set forth in this division.” Proper
implementation and adherence to the 13 Financial Integrity Principles set forth in Section
18-542 of the City Code would enhance maximum protection of public funds.

This report provides the result of our audit of compliance with the Financial Integrity
Principles for the period October 1, 2005, through September 30, 2006.

Sincerely,

Victor I. Igwe, CPA, CIA
Independent Auditor General
Office of Independent Auditor General
C: Pedro G. Hernandez, Chief Administrator/City Manager
Members of the Audit Advisory Committee
Larry M. Spring, Chief Financial Officer
Peter W. Korinis, Chief Information Officer, Information Technology Department
Jorge L. Fernandez, City Attorney, City Attorney’s Office
Glenn Marcos, Director, Purchasing Department
John F. Timoney, Police Chief, Police Department
William W. Bryson, Fire Chief, Fire-Rescue Department
Ola Aluko, Director, Capital Improvement Program
Hector Mirabile, Interim Director, Community Development Department
Ernest Burkeen, Director, Parks and Recreation Department
Diana Gomez, CPA, Director, Finance Department
David Rosemond, Director, NET Program
Ana Gelabert-Sanchez, Director, Planning Department
Michael Boudreaux, Director, Budget Department
Priscilla A. Thompson, City Clerk, City Clerk’s Office
Audit Documentation File
TABLE OF CONTENTS

INTRODUCTION................................................................................................................... 1
SCOPE AND OBJECTIVES.................................................................................................. 2
METHODOLOGY .................................................................................................................. 3
SUMMARY OF AUDIT FINDINGS ..................................................................................... 4
   STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENT ..... 4
   STRUCTURALLY BALANCED BUDGET - FINANCIAL INTEGRITY PRINCIPLE NUMBER 1. ...................................................................................................................... 4
   ESTIMATING CONFERENCE PROCESS - FINANCIAL INTEGRITY PRINCIPLE NUMBER 2. ...................................................................................................................... 5
FINANCE AND STRATEGIC PLANNING, BUDGETING AND PERFORMANCE DEPARTMENTS................................................................................................................ 6
   INTERFUND BORROWING - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3. .... 6
MIAMI HOMELESS ASSISTANCE PROGRAM, CIP/TRANSPORTATION ADMINISTRATION, PLANNING, FIRE-RESCUE, PARKS AND RECREATION, AND POLICE DEPARTMENTS ........................................................................................................ 7
   REQUEST FOR REIMBURSEMENTS WERE NOT FILED ON A TimELY BASIS - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3. ....................................................... 7
MIAMI HOMELESS ASSISTANCE PROGRAM, FINANCE, COMMUNITY DEVELOPMENT, FIRE-RESCUE, AND POLICE DEPARTMENTS ................................................................. 8
   DEFICIT FUND BALANCES IN SOME SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS FOR GRANTS ......................................................................................... 8
FINANCE DEPARTMENT .................................................................................................... 9
   UNREIMBURSABLE EXPENSES – FINANCIAL INTEGRITY PRINCIPLE NUMBER 3. ................................................................................................................................. 9
FINANCE AND STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENTS .................................................................................................................. 10
   CITYWIDE SURPLUS OR DEFICIT - FINANCIAL INTEGRITY PRINCIPLE NUMBER 4. ................................................................................................................................. 10
FINANCE AND STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENTS .................................................................................................................. 11
   RESERVE POLICIES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 5. ............ 11
FINANCE DEPARTMENT .................................................................................................. 12
   ENTERPRISE (PROPRIETARY) FUNDS – FINANCIAL INTEGRITY NUMBER 6. .... 12
STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENT... 13
   MULTI-YEAR FINANCIAL PLAN - FINANCIAL INTEGRITY PRINCIPLE NUMBER 7. ................................................................................................................................. 13
STRATEGIC PLANNING, BUDGETING/PERFORMANCE AND CAPITAL IMPROVEMENT PROGRAM DEPARTMENTS .................................................................................. 14
MULTI-YEAR CAPITAL IMPROVEMENT PLAN - FINANCIAL INTEGRITY

PRINCIPLE NUMBER 8. ..............................................................................................................14
FINANCE DEPARTMENT ........................................................................................................15

DEBT MANAGEMENT – FINANCIAL INTEGRITY PRINCIPLE 9. ........................................15
FINANCE DEPARTMENT ........................................................................................................16

FINANCIAL OVERSIGHT AND REPORTING - FINANCIAL INTEGRITY PRINCIPLE
NUMBER 10. ..........................................................................................................................16
FINANCE DEPARTMENT ........................................................................................................17

ACCRUALS WERE RECORDED ON THE FINANCIAL STATEMENTS WITHOUT
EVIDENCE OF RECEIVING REPORTS CONFIRMING RECEIPT OF GOODS.............17
FINANCE, STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE, AND
PURCHASING DEPARTMENTS.............................................................................................18

BASIC FINANCIAL POLICIES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 11.
...............................................................................................................................................18
PURCHASING, CAPITAL IMPROVEMENT, AND EMPLOYEE RELATIONS
DEPARTMENTS ......................................................................................................................19

EVALUATION COMMITTEES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 12.
...............................................................................................................................................19

STRATEGIC PLANNING, BUDGETING AND PERFORMANCE DEPARTMENT 20
FULL COST OF SERVICE - FINANCIAL INTEGRITY PRINCIPLE NUMBER 13. .... 20
FINANCE DEPARTMENT .......................................................................................................21

REVIEW OF THE ANNUAL AUDIT AND MANAGEMENT LETTER FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2006. ..................................................................................21

AUDIT FINDINGS AND RECOMMENDATIONS.............................................................. 23
STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENT... 23

STRUCTURALLY BALANCED BUDGET - FINANCIAL INTEGRITY PRINCIPLE
NUMBER 1. ..................................................................................................................................23

ESTIMATING CONFERENCE PROCESS - FINANCIAL INTEGRITY PRINCIPLE
NUMBER 2. ..................................................................................................................................30

FINANCE DEPARTMENTS .......................................................................................................34

INTERFUND BORROWING - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3. .... 34
MIAMI HOMELESS ASSISTANCE PROGRAM, CIP/TRANSPORTATION
ADMINISTRATION, PLANNING, FIRE-RESCUE, PARKS AND RECREATION,
AND POLICE DEPARTMENTS ..............................................................................................36

REQUEST FOR REIMBURSEMENTS WERE NOT FILED ON A TIMELY BASIS -
FINANCIAL INTEGRITY PRINCIPLE NUMBER 3. ..............................................................36
FIRE RESCUE, MIAMI HOMELESS ASSISTANCE PROGRAM, COMMUNITY
DEVELOPMENT, AND POLICE DEPARTMENTS .................................................................66

DEFICIT FUND BALANCES IN SOME SPECIAL REVENUE AND CAPITAL
PROJECTS FUNDS FOR GRANTS .............................................................................................66
FINANCE DEPARTMENT .......................................................................................................74

UNREIMBURSABLE EXPENSES – FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.
................................................................................................................................................74
FINANCE AND STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE
DEPARTMENTS .......................................................................................................................79
INTRODUCTION

The Office of Independent Auditor General is responsible for preparing and transmitting a written report to the Mayor and the City Commissioners regarding compliance with the following Financial Integrity Principles:

1. Structurally Balanced Budget.
3. Interfund Borrowing.
5. Reserve Policies.
6. Proprietary Funds.
8. Multi-year Capital Improvement Plan.
13. Full Cost of Service.

The above principles would require the City to maintain a structurally balanced budget, develop/adopt short and long term financial and capital improvement plans, establish and maintain adequate internal control systems, and follow best business practices.
SCOPE AND OBJECTIVES

As part of our oversight responsibilities, the Office of the Independent Auditor General (OIAG) performs financial and performance audits to determine the extent of compliance with provisions of contracts, programs, resolutions/ordinances, City Codes and the Charter. The scope of this audit focused primarily on whether the City complied with the provisions of the financial integrity principles as codified and amended in Chapter 18, Article IX, Sections 18-541 and 18-542 of the City Code. The examination covered the period October 1, 2005, through September 30, 2006. In general, the audit focused on the following broad objectives:

- To determine whether the City complied with the 13 financial integrity principles as noted on page 1.
- To recommend additional policies or actions to be considered.
- Other procedures as deemed necessary.
METHODOLOGY

We conducted our audit in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States and applicable standards contained in the Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit methodology included the following:

- Obtained an understanding of internal controls by interviewing appropriate personnel, reviewing applicable written policies and procedures, and making observations to determine whether prescribed controls had been placed in operation.

- Determined the nature, timing and extent of substantive tests necessary and performed the required substantive tests.

- Determined compliance with all the financial integrity principles noted on page 1.

- Performed other audit procedures as deemed appropriate.

- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained the auditee’s responses and corrective action plans.
SUMMARY OF AUDIT FINDINGS

STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENT

STRUCTURALLY BALANCED BUDGET - FINANCIAL INTEGRITY

PRINCIPLE NUMBER 1.

INEFFECTIVE BUDGETING
Our audit disclosed that in the fiscal years (FY) 2006, 2005 and 2004 budgets, (presented by the Strategic Planning, Budgeting, and Performance Department (SPBPD) and adopted by the City Commission), the projected recurring revenues were sufficient to fund recurring expenditures. In addition, said budgets projected that non-recurring revenue (operating savings rollover, fund balance, and others) would be needed to fund non-recurring expenditures. However, the actual Net Changes in Fund Balances as disclosed by the Comprehensive Annual Financial Reports (CAFR) vary considerably from the negative Net Changes in Fund Balances projected for each of the said years, as itemized on pages 23.

LACK OF COMPLIANCE WITH THE ANTI-DEFICIENCY ACT
Our audit disclosed that certain functional categories exceeded their budgeted authorizations as illustrated on pages 24.
In response to our request for the minutes and the sign-in sheet evidencing that an estimating conference meeting was convened during the period October 1, 2005 through September 30, 2006, we were informed by the SPBPD that said meeting was held on July 12, 2006 to examine the underlying assumptions supporting the City’s budget for the fiscal year 2006-2007 and that no recommendations were made by the attendants. We were also informed that no minutes, and/or sign-in sheets were retained. As a result, we were unable to determine what specific budget issues, short/long term financial plans, and assumptions/estimates were examined. In addition, we were also unable to determine what type of assistance/input, if any, was provided to the City Commission.
FINANCE AND STRATEGIC PLANNING, BUDGETING AND PERFORMANCE DEPARTMENTS

**INTERFUND BORROWING - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.**

A total of $23,747,601 was reported in the General Fund as Due from Fire Rescue Services, Public Services Tax and Debt Service Funds. The notes to the financial statements stated that the outstanding balance was due mainly to time lags between the dates that: (a) interfund goods and services were provided or reimbursable expenditures occurred, (b) transactions were recorded in the accounting system, and (c) payments between funds were made.

The total transfers from/to other funds as reported on the “Statement of Revenues, Expenditures, and Changes in Fund Balance.”, were approximately $230 million for the fiscal year ended September 30, 2006. Our review of approximately $61 million (or 27%) of the $230 million disclosed that operating transfers were typical and consistent with the activities of governmental fund types and operations of the City as described on pages 34 and 35.
MIAMI HOMELESS ASSISTANCE PROGRAM, CIP/TRANSPORTATION ADMINISTRATION, PLANNING, FIRE-RESCUE, PARKS AND RECREATION, AND POLICE DEPARTMENTS

REQUEST FOR REIMBURSEMENTS WERE NOT FILED ON A TIMELY BASIS - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.

Our review disclosed that the request for reimbursements were not filed in a timely manner by the Miami Homeless Assistance Program, CIP/Transportation, Planning, Fire Rescue, Parks and Recreation, and the Police departments, as discussed on pages 36 through 41.
We noted that the ending fund balances for certain special revenue funds were in deficit, as discussed in pages 66 through 70.
UNREIMBURSABLE EXPENSES – FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.

The Financial Integrity Principle No. 3 requires the Finance Department to prepare a quarterly report of non-reimbursable expenses and present it to the City Commission, together with the actions needed to avoid project deficits. However, this information was not presented to the City Commission (as a body) for discussion and necessary action, but rather included in the Monthly Financial Report, as described on pages 74 and 75.
CITYWIDE SURPLUS OR DEFICIT - FINANCIAL INTEGRITY PRINCIPLE 
NUMBER 4.

The unreserved (designated and undesignated) general fund balance for fiscal year ended September 30, 2006 totaled $125,362,454 as compared to $113,880,513 for the fiscal year ended September 30, 2005. This represents an increase (citywide surplus) of $11,481,941 in unreserved (designated and undesignated) general fund balance. Therefore, the total amount of budget surplus available for rollover to citywide designated reserves and special revenue funds pursuant to this section is limited to $11,481,941.

For the fiscal year ended September 30, 2006 we noted that budget surpluses for elected officials, Parks and Recreation, Public Facilities, and Information Technology departments were properly appropriated for discretionary uses, rolled over to a special revenue fund and earmarked for authorized expenditures, and the surplus roll over balances from previous years were appropriately used for authorized expenditures, as discussed on pages 79 through 82.
RESERVE POLICIES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 5.

Our audit disclosed that:

- The $6,109,401 that was budgeted for contingency reserve exceeded the $5 million required to be budgeted annually.
- The total undesignated reserve balance of $41,690,347 exceeded the ten percent threshold of the prior three years (fiscal years 2003 through 2005) average of general revenues, which totaled $36,884,767.
- The total designated reserve balance in the general fund of $83,672,107 exceeded ten percent of the prior three years (fiscal years 2003 through 2005) average of general revenues, which totaled $36,884,767.
- Therefore, the City is in compliance with the reserve requirements.
FINANCE DEPARTMENT

ENTERPRISE (PROPRIETARY) FUNDS – FINANCIAL INTEGRITY NUMBER 6.

There were no enterprise (proprietary) funds reported in the fiscal year 2006 CAFR.
During its March 25, 2004 meeting, the City Commission passed Ordinance No. 12518 which stated that the multi-year financial plan is not required to be finalized and adopted until 30 days after the completion of labor negotiations. The multi-year financial plan was not included in the budget books for Fiscal Years 2004 through 2006 because the labor negotiations were not complete. As of June 14, 2007, we noted that all four labor union agreements (Fraternal Order of Police (FOP), American Federation of State County and Municipal Employees (AFSCME), International Association of Fire Fighters, AFL-CIO Local 587 (IAFF), and the Florida Public Employee Council 79, AFSCME, AFL-CIO, Local 871) have been completed. However, as of the end of the field work date July 24, 2007, the multi-year financial plan has not been finalized and adopted.
Our audit disclosed that the City did not adopt a Capital Improvement Plan (CIP) by November 30, 2006 as required. The CIP for fiscal year 2006/2007 along with a multi-year capital improvement plan (for fiscal years 2007/2008 through 2011/2012) was approved and adopted by Resolution 07-0219 on April 12, 2007, 133 days late. Please see pages 91 through 93 for the major sections of the Plan.
FINANCE DEPARTMENT

DEBT MANAGEMENT – FINANCIAL INTEGRITY PRINCIPLE 9.

Our audit disclosed that the City complied with all the required debt ratios, as discussed on pages 97 and 98.
FINANCE DEPARTMENT

FINANCIAL OVERSIGHT AND REPORTING - FINANCIAL INTEGRITY
PRINCIPLE NUMBER 10.

Our review to determine whether required reports were issued in a timely manner disclosed the following:

- **Monthly Reports**
  Our audit disclosed that monthly financial reports were issued in a timely manner during 9 of the 12 months of the audit period. However, we noted that monthly financial reports were not issued within 30 days after the close of each month for the months of April and August 2006. The numbers of days late are 2 and 4 days, and as such, are not considered material.

- **Annual External Audit Reports**
  Our audit disclosed that the Comprehensive Annual Financial Report (CAFR), for the year ended September 30, 2006 was dated April 2, 2007 but was actually issued/published on April 30, 2007 (30 days late).

- **Single Audit and Management Letter**
  The single audit and the management letter were not completed by the March 31, 2007 due date. However we noted that the City was granted an extension up to July 31, 2007 to file the Federal single audit.
FINANCE DEPARTMENT

ACCRLALS WERE RECORDED ON THE FINANCIAL STATEMENTS WITHOUT EVIDENCE OF RECEIVING REPORTS CONFIRMING RECEIPT OF GOODS.

As noted in the Schedule of Findings and Questioned Costs issued by the external auditor, a total of $1.3 million was recorded as accruals on the City’s financial statements without evidence of receiving reports confirming receipt of goods as required by Generally Accepted Government Accounting Standards. Said accruals were recorded on the basis of information (approval stamps and statements denoting “for accrual purposes”) submitted by the City’s Police department (PD). However, a reversing adjusting entry totaling $1.3 million was recorded as recommended by the external auditor since the goods/services were not received by the PD on or before September 30, 2006.
FINANCE, STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE, AND PURCHASING DEPARTMENTS

BASIC FINANCIAL POLICIES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 11.

Our audit disclosed that the City has implemented policies, which reflect “best practices” in the areas of debt, cash management and investments, budget development and adjustments, revenue collection, and purchasing policy.
PURCHASING, CAPITAL IMPROVEMENT, AND EMPLOYEE RELATIONS DEPARTMENTS

**EVALUATION COMMITTEES - FINANCIAL INTEGRITY PRINCIPLE NUMBER 12.**

Our test of 14 evaluation committees for compliance disclosed that 5 (or 35%) evaluation committees did not consist of a majority of citizens and/or business appointees from outside City employment as committee members. Four (4) of the 5 exceptions noted were evaluation committees relative to CIP projects and the remaining committee was organized by the Purchasing Department, as discussed on pages 117 through 118.

We noted that the Employee Relations Department finalized four labor union agreements during the audit period. However, appointments from outside City employment did not participate in the negotiations because constraints imposed by Chapter 447 of the Florida statutes limit the use of citizens and/or business appointees from outside City employment during negotiations of labor union agreements.
STRATEGIC PLANNING, BUDGETING AND PERFORMANCE DEPARTMENT

FULL COST OF SERVICE - FINANCIAL INTEGRITY PRINCIPLE NUMBER 13.

The core services provided by the City include: public safety (police and fire-rescue services), parks/recreation, solid waste and public works. The financial/budgetary systems, which accumulate all costs of delivering these core services, on an annual basis, have been implemented by the Finance Department and the Strategic Planning, Budgeting and Performance Department (SPBPD).

Our audit disclosed that the total full cost of providing all core services was not presented as part of the annual budget and financial plan for the fiscal year 2006 because the indirect cost allocation plan for the City was still in the process of being completed by the Public Resource Management Group (PRM).
FINANCE DEPARTMENT


COMPREHENSIVE ANNUAL FINANCIAL REPORT – Rachlin Cohen and Holtz LLP partnered with Harvey, Branker & Associates, Rodriguez, Trueba & Co., CPA, P.A., and Susan M Garcia, P.A. has audited the City’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. The auditors issued an unqualified opinion on the City’s CAFR in an audit report dated on April 2, 2007. We noted that Rachlin Cohen and Holtz LLP, determined the following:

1. Regarding findings and recommendations to improve the City’s financial management, accounting procedures, and internal controls, the schedule of Findings and Questioned Costs for the audit period October 1, 2005 through September 30, 2006 disclosed eight (8) reportable conditions five (5) of which are material weaknesses, one (1) instance of non-compliance, and six (6) other matters.

2. There are a total of eleven (11) outstanding prior audit findings relative to the periods ended September 30, 1997 through September 30, 2005 that are yet to be resolved:

   - All the findings related to the fiscal year ended 2005 were revised and included in the findings for fiscal year ended 2006.
   - Three (3) for the fiscal year ended 2004.
   - Two (2) for the fiscal year ended 2003.
   - Two (2) for the fiscal year ended 2001.
   - Two (2) for the fiscal year ended 2000.
   - One (1) for the fiscal year ended 1999.
   - One (1) for the fiscal year ended 1997.

3. Regarding the investment of public funds, the City complied with Section 218.415, Florida Statutes.
4. The City did not meet any of the conditions described in Section 218.503(1), Florida Statutes and was therefore not in a state of financial emergency.

5. Based on the application of financial assessment procedures there were no findings that identified deteriorating financial conditions.

6. The auditors’ Federal OMB Circular A-133 and the Florida Single Audit Act report stated that in their opinion, the City complied, in all material aspects, with the requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor’s State Projects Compliance Supplement, that are applicable to each of its major Federal awards programs and State financial assistance projects for the fiscal year ended September 30, 2006. However, the results of the auditor’s procedures disclosed two (2) instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133. In addition, the auditors noted certain matters involving the internal control over compliance and its operation that are considered to be reportable conditions. The Schedule of Findings and Questioned Costs disclosed six (6) reportable conditions, three (3) of which are considered to be material weaknesses.
AUDIT FINDINGS AND RECOMMENDATIONS

STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENT

STRUCTURALLY BALANCED BUDGET - FINANCIAL INTEGRITY

PRINCIPLE NUMBER 1.

Chapter 18, Article IX, Section 18-542(1) of the City Code, provides that, “The City shall maintain a structurally balanced budget. Recurring revenues will fund recurring expenditures.” Our review to determine whether the City maintained a structurally balanced budget disclosed the following:

INEFFECTIVE BUDGETING

Our audit disclosed that in the fiscal years (FY) 2006, 2005 and 2004 budgets, (presented by the Strategic Planning, Budgeting, and Performance Department (SPBPD) and adopted by the City Commission), the projected recurring revenues were sufficient to fund recurring expenditures. In addition, said budgets projected that non-recurring revenue (operating savings rollover, fund balance, and others) would be needed to fund non-recurring expenditures. However, the actual Net Changes in Fund Balances as disclosed by the Comprehensive Annual Financial Reports (CAFR) vary considerably from the negative Net Changes in Fund Balances projected for each of the said years, as itemized below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Fund Balance Needed to Balance the Budget</th>
<th>Actual Change in Fund Balance Per CAFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>($33 million)</td>
<td>($5 million)</td>
</tr>
<tr>
<td>2005</td>
<td>($47 million)</td>
<td>($20 million)</td>
</tr>
<tr>
<td>2006</td>
<td>($35 million)</td>
<td>$9 million</td>
</tr>
</tbody>
</table>

An annual budget is a financial operation plan, which estimates proposed expenditures and the proposed means of financing them during the year. The difference between total projected (budgeted) revenues and total projected (budgeted) expenditures determines whether it would be necessary to increase revenues by raising certain fees/taxes and/or reducing certain services. Therefore, it is important that budget estimates be as close as possible to the actual amounts being projected.
**LACK OF COMPLIANCE WITH THE ANTI-DEFICIENCY ACT**

The Anti-Deficiency Act as codified in Article IX, Division 1, Section 18-502 (3) of the City Code states that: “Any obligation incurred in excess of an annual departmental or agency appropriation represents a violation of the Anti-Deficiency Act. No such obligation shall be incurred unless the city commission or city manager through emergency powers has enacted legislation or exercised authority extending a department’s or agency’s obligational authority of a department or agency…..”

Our audit disclosed that certain functional categories exceeded their budgeted authorizations as illustrated in the table below:

<table>
<thead>
<tr>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Rescue</td>
<td>70,488,704</td>
<td>70,941,686</td>
</tr>
<tr>
<td>Elected Official and Administration Pension</td>
<td>1,682,373</td>
<td>1,686,934</td>
</tr>
<tr>
<td>Non-Departmental</td>
<td>7,493,023</td>
<td>13,204,324</td>
</tr>
<tr>
<td>Transfers In (General Fund)</td>
<td>53,939,513</td>
<td>52,097,226</td>
</tr>
<tr>
<td>Transfers Out (General Fund)</td>
<td>(36,501,755)</td>
<td>(42,209,286)</td>
</tr>
<tr>
<td>Convention Center/Transfers In</td>
<td>2,381,380</td>
<td>1,810,930</td>
</tr>
<tr>
<td>Convention Center/Transfers Out</td>
<td>(4,831,983)</td>
<td>(5,181,261)</td>
</tr>
<tr>
<td>Economic Development/Transfer Out</td>
<td>(1,500,297)</td>
<td>(1,714,626)</td>
</tr>
<tr>
<td>Net Offices/Transfers In</td>
<td>8,959,328</td>
<td>8,076,503</td>
</tr>
<tr>
<td>Net Offices/Transfers Out</td>
<td>(882,825)</td>
<td>(886,251)</td>
</tr>
<tr>
<td>Parks and Recreation/Transfers In</td>
<td>534,070</td>
<td>6,505</td>
</tr>
<tr>
<td>Parks and Recreation/Transfers Out</td>
<td>0</td>
<td>(6,505)</td>
</tr>
<tr>
<td>Police Services/Transfers In</td>
<td>188,226</td>
<td>146,159</td>
</tr>
<tr>
<td>Police Services/Transfers Out</td>
<td>(11,426)</td>
<td>(38,949)</td>
</tr>
<tr>
<td>Department Improvement Initiatives/Transfers</td>
<td>641,041</td>
<td>469,959</td>
</tr>
<tr>
<td>Department Improvement Initiatives/Transfers</td>
<td>(409,446)</td>
<td>(1,391,446)</td>
</tr>
<tr>
<td>General Obligation Bonds/Interest and Other charges</td>
<td>9,061,006</td>
<td>9,130,709</td>
</tr>
<tr>
<td>Special Obligation Bonds/Interest and Other charges</td>
<td>8,181,813</td>
<td>12,315,542</td>
</tr>
<tr>
<td>Special Obligation Bonds/Transfers In</td>
<td>19,210,557</td>
<td>16,318,701</td>
</tr>
<tr>
<td>CRA and other Special Obligation Bonds</td>
<td>198,475</td>
<td>204,638</td>
</tr>
</tbody>
</table>

SPBPD is responsible for ensuring that all functional categories do not exceed budgeted amounts. According to the Anti-Deficiency Act, no such obligation shall be incurred unless the city commission or city manager through emergency powers [in response to an emergency as
defined under state law] has enacted legislation or exercised authority extending a department’s or agency’s obligational authority.

Furthermore, we noted that budget estimates (revenues and expenditures) were not projected for the hurricane recovery functional category. The actual expenditure for this functional category totaled $35 million for the 2006 fiscal year, as noted in Section 2, page 36 of the Notes to the CAFR.

In the absence of procedures requiring the timely amendment of adopted budgets by the City Commission, adherence thereto and the integration of accurate budgetary data into the accounting system, the effectiveness of the budget as a means of controlling expenditures is limited. Therefore, it is important that budget estimates be as close as possible to the actual amounts being projected and that budget amendments be prepared and approved during the year to ensure a balanced year end budget.

Recommendation

As recommended in the two prior Financial Integrity Principles audits, we again recommend that SPBPD consult with outside rating agencies and/or other municipalities and determine the reasonable or acceptable (industry standard) level of variance between annual budget estimates and the actual amounts being projected. Also, we recommend that SPBPD enhance its budget forecasting procedures to ensure that budget amendments are timely prepared and presented to the City Commission for approval.

Auditee’s Response and Action Plan

The auditee concurred with the findings and recommendations. See auditee’s response on pages 26 through 29.
Date: May 24, 2007

To: Michael Boudreaux, Acting Chief Strategic Planning, Budgeting, and Performance Department (SPBPD)

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Boudreaux:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by May 30, 2007.

Chapter 18, Article IX, Section 18-542(1) of the City Code provides that, “The City shall maintain a structurally balanced budget. Recurring revenues will fund recurring expenditures.” The Anti-Deficiency Act as codified in Article IX, Division 1, Section 18-502 (3) of the City Code states that: “Any obligation incurred in excess of an annual departmental or agency appropriation represents a violation of the Anti-Deficiency Act. No such obligation shall be incurred unless the city commission or city manager through emergency powers has enacted legislation or exercised authority extending a department’s or agency’s obligational authority of a department or agency…..”

INEFFECTIVE BUDGETING
Our audit disclosed that in the fiscal year (FY) 2006 budget, adopted by the City Commission, the projected recurring revenue was sufficient to fund recurring expenditures. However, the budget document that was presented to the City Commission by the Strategic Planning, Budgeting, and Performance Department (SPBPD) projected that approximately $33 million of non-recurring revenues (operating savings rollover and fund balance) would be needed to fund non-recurring expenditures. The FY 2006 audited Comprehensive Annual Financial Report (CAFR) disclosed a positive Net Change in Fund Balance totaling approximately $9 million as opposed to the Negative Net Change of $33 million projected by SPBPD, as noted above. Thus, the difference between the FY 2006 budgeted and actual performance was $42 million dollars. An annual budget is a financial operation plan, which estimates proposed expenditures and the proposed means of financing them during the year. The difference between total budgeted revenues and total budgeted expenditures determines whether it would be necessary to increase revenues by raising certain fees/taxes and/or reducing certain services. Therefore, it is important that budget estimates be as close as possible to the actual amounts being projected.

☐ I agree; ☐ I disagree. Please initial: jp

Explanation


LACK OF COMPLIANCE WITH THE ANTI-DEFICIENCY ACT

We noted that certain functional categories exceeded their budgeted authorizations as illustrated in the table below.

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Manh, FL 33128
<table>
<thead>
<tr>
<th></th>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Rescue</td>
<td>70,488,704</td>
<td>70,941,686</td>
<td>(452,982)</td>
</tr>
<tr>
<td>Elected Official and Administration Pension</td>
<td>1,682,373</td>
<td>1,686,934</td>
<td>(4,561)</td>
</tr>
<tr>
<td>Non-Departmental (General Fund)</td>
<td>7,493,023</td>
<td>13,204,324</td>
<td>(5,711,301)</td>
</tr>
<tr>
<td>Transfers In (General Fund)</td>
<td>53,939,513</td>
<td>52,097,226</td>
<td>(1,842,287)</td>
</tr>
<tr>
<td>Transfers Out (General Fund)</td>
<td>(36,501,755)</td>
<td>(42,209,286)</td>
<td>(5,707,531)</td>
</tr>
<tr>
<td>Convention Center/Transfers In</td>
<td>2,581,580</td>
<td>1,810,930</td>
<td>(700,650)</td>
</tr>
<tr>
<td>Convention Center/Transfers Out</td>
<td>(4,831,983)</td>
<td>(5,181,261)</td>
<td>(349,278)</td>
</tr>
<tr>
<td>Economic Development/Transfer Out</td>
<td>(1,500,297)</td>
<td>(1,714,626)</td>
<td>(214,329)</td>
</tr>
<tr>
<td>Net Offices/Transfers In</td>
<td>8,959,328</td>
<td>8,076,503</td>
<td>(886,625)</td>
</tr>
<tr>
<td>Net Offices/Transfers Out</td>
<td>(882,825)</td>
<td>(886,251)</td>
<td>(3,426)</td>
</tr>
<tr>
<td>Parks and Recreation/Transfers In</td>
<td>534,070</td>
<td>6,505</td>
<td>(527,565)</td>
</tr>
<tr>
<td>Parks and Recreation/Transfers Out</td>
<td>0</td>
<td>(6,505)</td>
<td>(6,505)</td>
</tr>
<tr>
<td>Police Services/Transfers In</td>
<td>188,226</td>
<td>146,159</td>
<td>(42,067)</td>
</tr>
<tr>
<td>Police Services/Transfers Out</td>
<td>(11,426)</td>
<td>(38,949)</td>
<td>(27,523)</td>
</tr>
<tr>
<td>Department Improvement Initiatives/Transfers In</td>
<td>641,041</td>
<td>469,959</td>
<td>(171,082)</td>
</tr>
<tr>
<td>Department Improvement Initiatives/Transfers Out</td>
<td>(409,446)</td>
<td>(1,391,446)</td>
<td>(982,000)</td>
</tr>
<tr>
<td>General Obligation Bonds/Interest and Other charges</td>
<td>9,061,006</td>
<td>9,130,709</td>
<td>(69,703)</td>
</tr>
<tr>
<td>Special Obligation Bonds/Interest and Other charges</td>
<td>8,181,813</td>
<td>12,315,542</td>
<td>(4,133,729)</td>
</tr>
<tr>
<td>Special Obligation Bonds/Transfers In</td>
<td>19,210,557</td>
<td>16,318,701</td>
<td>(2,891,856)</td>
</tr>
</tbody>
</table>

SPBPD is responsible for ensuring that departmental or agency expenditures do not exceed budgeted amounts. According to the Anti-Deficiency Act, no such obligation shall be incurred unless the city commission or city manager through emergency powers [in response to an emergency as defined under state law] has enacted legislation or exercised authority extending a department’s or agency’s obligational authority of a department or agency.

☑ I agree; ☐ I disagree. Please initial: ☑

Explanation

Furthermore, we noted that the budget for revenues and expenditures for the hurricane recovery functional category in the Special Revenue fund was not prepared. The actual expenditure related to this functional category totaled $35 million. Section 2 of the Notes to the Financial Statements, page 36 of the audited Comprehensive Annual Financial Report (CAFR) also indicated such variance.
☑ I agree; ☐ I disagree. Please initial: VB

Explanation

In the absence of procedures requiring the timely amendment of adopted budgets by the City Commission, adherence thereto and the integration of accurate budgetary data into the accounting system, the effectiveness of the budget as a means of controlling expenditures is limited. Therefore, it is important that budget estimates be fairly close as possible to the actual amounts being projected and budget amendments should be prepared and approved during the year to ensure a balanced year end budget.

Please initial and date, if you agree with the audit findings. If you disagree, please provide written explanation and supporting documents by May 30, 2007. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

Michael Boudreaux, Acting Chief
Strategic Planning, Budgeting, and Performance Department

Date

C: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
Chapter 18, Article IX, Section 18-542(2) of the City Code provides that, “The city shall adopt budgets and develop its long and short term financial plans utilizing a professional estimating conference process. The principal responsibilities of the conference will include review of the assumptions and estimates prepared by the City and making recommendations for changes. Any recommendations made should be summarized and reported to the city manager, mayor, and city commission. Conference principals shall include, but not be limited to: one principal from the budget office, one principal from the finance department and two non-staff principals with public finance expertise.”

In response to our request for the minutes and the sign-in sheet evidencing that an estimating conference meeting was convened during the period October 1, 2005 through September 30, 2006, we were informed by the SPBPD that said meeting was held on July 12, 2006 to examine the underlying assumptions supporting the City’s budget for the fiscal year 2006-2007 and that no recommendations were made by the attendants. We were also informed that no minutes, and/or sign-in sheets were retained. As a result, we were unable to determine what specific budget issues, short/long term financial plans, and assumptions/estimates were examined. In addition, we were also unable to determine what type of assistance/input, if any, was provided to the City Commission. The City Commission’s most important responsibility is to approve the annual budget that funds core services and programs; therefore, it is important that any assistance/input provided by the conference principals for the annual budget process be properly documented and maintained as part of the public record.
Recommendation

We recommend that any assistance/input provided by the Estimating Conference Principals for the annual budget process be properly documented and maintained as part of the public record.

Auditee’s Response and Action Plan

The auditee concurred with the finding and recommendation. See auditee’s response on pages 32 and 33.
Date: June 27, 2007

To: Michael Boudreaux, Acting Chief
    Strategic Planning, Budgeting, and Performance Department (SPBPD)

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Boudreaux:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 29, 2007.

Chapter 18, Article IX, Section 18-542(2) of the City Code provides that, "The city shall adopt budgets and develop its long and short term financial plans utilizing a professional estimating conference process. The principal responsibilities of the conference will include review of the assumptions and estimates prepared by the City and making recommendations for changes. Any recommendations made should be summarized and reported to the City Manager, Mayor, and City Commission. Conference principals shall include, but not be limited to: one principal from the budget office, one principal from the finance department and two non-staff principals with public finance expertise."

As part of our procedure to determine whether an estimating conference process was conducted during the period of October 1, 2005 through September 30, 2006, we requested certain documents/records from the Strategic Planning Budgeting and Performance department (SPBPD) relative to the said estimating conference. We were informed by the SPBPD that the Estimating Conference Committee (Committee) met
on July 12, 2006 to examine the underlying assumptions supporting the City’s budget for the fiscal year 2006/2007 and made no recommendations. However, we were not provided with any approved minutes and/or records of the Committee’s attendance from such meeting. Therefore, we were unable to determine what specific budget issues, short/long term financial plans and/or assumptions/estimates that were examined during the said meeting and also what type of assistance/input, if any, was provided by the said Committee. The City Commission’s most important responsibility is to approve annual budget that would fund core services/programs; therefore, it is important that any assistance/input provided by the Committee for the annual budget process should be properly documented and maintained as part of the public record.

Your understanding is ✓ Correct; □ Incorrect. Please initial: ___

Explanation

Please initial and date, if my understanding is correct. If my understanding is incorrect, please provide written explanations and supporting documents by June 29, 2007. Due to the urgency of completing this audit, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

Michael Boudreaux, Acting Chief
Strategic Planning, Budgeting, and Performance Department

7/16/07

Date

C: Victor Igwe, CPA, CIA, Auditor General
   Audit Documentation File
Chapter 18, Article IX, Section 18-542(3) of the City Code, provides that, “The city shall not borrow or use internal fund transfers to obtain cash from one fund type or reserve to fund activities of another fund type or reserve unless such use is deemed lawful, and unless the estimating conference has determined that (a) the funds to be loaned will not be needed during the lending period, and (b) the funds for repayment will be available within a two-year period. Any actions taken to borrow funds under these conditions must be separately presented to and approved by the city commission and the term of such borrowing shall not extend beyond the last day of the subsequent fiscal year.”

We noted that a total of $23,747,601 was reported in the General Fund as Due from Fire Rescue Services, Public Services Tax and Debt Service Funds. The notes to the financial statements stated that the outstanding balance was due mainly to time lags between the dates that: (a) interfund goods and services were provided or reimbursable expenditures occurred, (b) transactions were recorded in the accounting system, and (c) payments between funds were made. Upon audit inquiry, the Finance Director stated that the transactions in question were recorded only for financial presentation purposes and, as such, do not constitute a loan. She also stated that deficit cash balances occurred throughout the year due to timing of authorized expenditures and reimbursements. Furthermore, the City utilizes the pooled cash concept which allows deficit cash balances to be funded with surpluses from other funds in order to maximize its cash position and return on investment.

The total transfers from/to other funds as reported on the “Statement of Revenues, Expenditures, and Changes in Fund Balance.”, were approximately $230 million for the fiscal year ended September 30, 2006. Our review of approximately $61 million (or 27%) of the $230 million disclosed that operating transfers were for transactions such as: (1) transfers from the Public Service Tax Special Revenue Fund to other governmental funds for the repayment
of debt and salaries/benefits; (2) transfers from the Transportation and Transit, and Local Option Gas Special Revenue sub-funds to the General Fund and other governmental funds for capital project/capital improvement program funding; (3) transfers from the Homeland Defense Neighborhood Improvement Bond to the Capital Projects Funds for quality of life improvement; and (4) transfers from the Community Development Fund to Debt Service Funds for the repayment of principal and interest on HUD Section 108 Loans. These operating fund transfers are typical and consistent with the activities of governmental fund types and operations of the City.

Recommendation

None required.

Auditee’s Response and Action Plan

None required.
MIAMI HOMELESS ASSISTANCE PROGRAM, CIP/TRANSPORTATION ADMINISTRATION, PLANNING, FIRE-RESCUE, PARKS AND RECREATION, AND POLICE DEPARTMENTS

REQUEST FOR REIMBURSEMENTS WERE NOT FILED ON A TIMELY BASIS - FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.

Chapter 18, Article IX, Section 18-542(3) of the City Code, provides that, “…Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under accounting principles generally accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to avoid project deficits.” Our review to determine whether reimbursements were filed on a timely manner disclosed the following:

MIAMI HOMELESS ASSISTANCE PROGRAM

- Our review of 14 reimbursement packages relative to the Super NOFA grant disclosed that 11 (79%) reimbursement packages were filed late. The number of days late ranged from 2 to 243 days. The total amount due from the 11 reimbursement packages was $184,832.36. A similar finding was noted in our prior audit report number 06-010 dated July 1, 2006. Although reimbursement requests were file late, the entire $184,832.36 was reimbursed to the City. However, due to the late filing of reimbursements as noted above, a total of $65,565.13 (or 35%) of the $184,832.36 could not be accrued as receivable at year end, thereby contributing to a fund balance deficit as noted on page 67.
- Our review of 12 monthly reimbursement packages relative to the Homeless Detainees Outreach program disclosed that 11 (92%) reimbursement packages were filed late. The
number of days late ranged from 2 to 128 days. The total amount due from the 11 reimbursement packages that were filed late for the period October 1, 2005 through September 30, 2006, was $74,296.28. Although reimbursement requests were filed late, the entire $74,296.28 was reimbursed to the City. However, due to the late filing of reimbursements as noted above, a total of $16,187.28 (or 22%) of the $74,296.28 could not be accrued as receivable at year end, thereby contributing to a fund balance deficit as noted on page 67.

- On February 13, 2006, the City entered into an agreement with Miami Dade County Homeless Trust (the County) to provide emergency hotel/motel placements for homeless families. The agreement was for the period October 1, 2005 through September 30, 2006. Attachment A of said agreement stipulates that families may be provided food vouchers on an as needed basis of up to $20 per diem while residing in hotels/motels. Families with more than four members may be provided an additional $5 per person per day. Said Attachment also states that reimbursement will only be made for properly documented hotel/motel placements and disbursement of food vouchers.

In connection with this emergency placement program, the City of Miami Homeless Assistance Program (MHAP) in July 2006 purchased 200 Publix food store gift cards (food vouchers) at $25 each for a total of $5,000. The related invoice for the gift cards, which was funded with the City’s general fund, was submitted to the County for reimbursement. The reimbursement request was denied because the MHAP failed to provide the list of clients to whom the food vouchers were issued. Upon audit inquiry, we were informed that the MHAP plans to resubmit the invoice with the proper supporting documents for reimbursement. However, our review of the food voucher recipient records and a count of the vouchers indicated that a total of 42 vouchers were issued to homeless persons and a total 94 un-issued vouchers were on hand, as of June 26, 2007. The following discrepancies were noted:

- The gift cards purchased by the MHAP were in $25 denomination contrary to the $20 denomination stipulated in Attachment A of the agreement.
- A total of twelve (12) food vouchers totaling $300 (12 x $25) were missing and could not be accounted for. Upon audit inquiry, we were informed that the gift cards were kept in a locked file cabinet, which other employees had access to. However, we were not provided with any Police Report to evidence that said missing vouchers were reported as stolen.

- Twelve (12) food vouchers totaling $300 (12 x $25) were used for staff meetings and employee activities including birthday parties.

- Two (2) food vouchers totaling $50 (2 x $25) were used by the MHAP staff to purchase cigarettes at Publix as evidenced by the receipts from Publix. Upon audit inquiry, we were informed that the cigarettes were provided to homeless persons in the downtown area as part of the Homeless outreach program. However, the names of the individuals to whom the cigarettes were provided were not documented.

- Thirteen (13) food vouchers totaling $325 (13 x $25) were used to purchase supplies and/or food for a program titled “Downtown Outreach”. There was no documentation of the names of those persons to whom the supplies and/or the food were issued.

- The gift card log had no corresponding client names, identification numbers, or other relevant information for 25 food vouchers that were issued. The total value of the 25 vouchers is $625 (25 x $25). Therefore, we could not determine whether said vouchers were issued to homeless persons, as required.

To ensure that City funds, which are used as floats, will be reimbursed, gift cards purchased with City funds should only be issued to those eligible to receive them.
CIP/TRANSPORTATION DEPARTMENT

The reimbursement agreement for the DuPont Plaza grant allows reimbursements to be filed every 120 days. However, we noted that only 2 reimbursements requests were filed as opposed to 5 reimbursement requests that could have been filed for expenditures incurred during the period January 9, 2004 through January 26, 2006. The total amount of the reimbursements due to the City was $215,382.24. Although only 2 reimbursement requests were filed as opposed to the 5 that could have filed, the entire $215,382.24 was reimbursed to the City.

PLANNING DEPARTMENT

On November 22, 2005, the City and the State of Florida Department of Environmental Protection (DEP) entered into an agreement to provide federal funding for developing a master plan for Virginia Key. The agreement covered the period November 22, 2005 through September 30, 2006. On February 26, 2007, the agreement was extended to June 30, 2007. Section 4(b) of said agreement provides that a “Payment Request Form” in conjunction with a “Progress Report Form” is due no later than 20 days following the completion of each quarter.

Our review disclosed that $6,529.96 and $43,470.04 of general fund monies were disbursed in connection with this agreement in the months of May and July 2006. Although the City is entitled to receive quarterly reimbursements, as of June 12, 2007 (audit field work date), the Planning Department has not submitted any reimbursement requests to DEP for grant funds totaling $50,000 ($6,529.96 + $43,470.04) expended since 2006.

FIRE-RESCUE DEPARTMENT

Federal Cash Management guidelines establish procedures to reimburse grantees as expenditures are incurred and/or as needed. Generally, the grantee submits requests for reimbursement within a reasonable time interval such as monthly or quarterly to avoid the use of its own funds as float. In addition, according to the third Financial Integrity Principle (Chapter 18, Article IX, Section 18-542(3) of the City Code), “the City shall apply for
reimbursements on a timely basis to minimize the period that city funds are used as float.” However, our review disclosed that requests for reimbursement of expenditures incurred during the months of September and December 2006, totaling $5,055.31 and $8,751.38 relative to FEMA USAR Grant (Project #110153) and Urban Area Security Initiative (Project #110143), respectively, were not submitted for reimbursement until January 23, 2007 and April 13, 2007. The number of days between the dates the expenditures were incurred and the dates that the reimbursements were filed were 49 and 195 days. Although these reimbursements were not submitted within a reasonable time interval, the entire $13,806.69 ($5,055.31 + $8,751.38) was reimbursed to the City. However, due to the late filing of the reimbursement requests, the total amount due to the City was not accrued as receivable at year end, thereby contributing to a fund balance deficit as noted on pages 66 and 67.

**PARKS AND RECREATION DEPARTMENT**

On December 8, 2005, the City and the State of Florida Department of Environmental Protection (DEP) entered into an agreement to assist the City with the ongoing environmental restoration of Virginia Key. The agreement covered the period December 8, 2005 through September 30, 2006.

Section 4(b) of said agreement provides that a “Payment Request Form” in conjunction with a “Progress Report Form” is due no later than 20 days following the completion of each quarter. However, our review of 2 grants disclosed that 18 (or 86%) of the 21 reimbursement request transactions relative to 1 of the grants were filed late. The total amount due from the reimbursement requests that were late was $29,324.63 and the numbers of days late were 5 and 188 days.
POLICE DEPARTMENT

Our test of 28 reimbursement request transactions totaling approximately $1.6 million relative to 5 grants disclosed that 4 (or 14%) reimbursement request transactions totaling $34,070.84 were not filed in a timely manner. The number of days late ranged from 5 to 16 days.

Recommendation

We recommend that adequate internal control policies and procedures be established and implemented to ensure that reimbursement requests are filed in a timely manner.

Auditee’s Response and Action Plan

See Auditee’s response on pages 42 through 65.
Date: June 25, 2007

To: David Rosemond, Director
NET Office

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Rosemond:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 29, 2007.

Chapter 18, Article IX, Section 18-542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to
avoid project deficits.” Our review to determine whether reimbursements for the Homeless Program were filed on a timely manner disclosed the following:

➢ Our review of 12 monthly reimbursement packages relative to the Super NOFA grant disclosed that eleven (92%) reimbursement packages were filed late. The total amount due from the eleven reimbursement packages that were filed late for the period October 1, 2005 through September 30, 2006, was $184,832.36. The number of days late ranged from 2 to 243 days. A similar finding was noted in our prior audit report number 06-010 dated July 1, 2006. Although reimbursement requests were file late, the entire $184,832.36 was reimbursed to the City. However, due to the late filing of reimbursements as noted above, a total of $65,565.13 (or 35%) of the $184,832.36 could not be accrued as receivable at year end, thereby contributing to a fund balance deficit as noted on the third bullet below.

I agree [✓] I disagree [ ] Initials [ ] Date [7/3/07]

Explanation: See response in finding #1 above

➢ Our review of 12 monthly reimbursement packages relative to the Outreach to Homeless Detainees grant disclosed that eleven (92%) reimbursement packages were filed late. The total amount due from the eleven reimbursement packages that were filed late for the period October 1, 2005 through September 30, 2006, was $74,296.28. The number of days late ranged from 2 to 128 days. Although reimbursement requests were file late, the entire $74,296.28 was reimbursed to the City. However, due to the late filing of reimbursements as noted above, a total of
$16,187.28 (or 22%) of the $74,296.28 could not be accrued as receivable at year end, thereby contributing to a fund balance deficit as noted on the third bullet below.

I agree [ ] I disagree [ ] Initials [ ] Date [ ]

Explanation [ ]

➢ Our audit disclosed fund balance deficit totaling $493,817.24 in the Homeless Program (Project #147011) for the fiscal year ended 2006 as illustrated below. A similar finding was noted in our prior audit report number 06-010 dated July 1, 2006. The Homeless Program is made up of different projects including Human Alliance, Outreach to Homeless Detainees, Super NOFA, Emergency Hotel/Motel and also Project Administration. It should be noted that as of September 30, 2006, the Homeless Program exceeded Project Administration budgeted line item expenditure by $193,007 and had a beginning fund balance deficit totaling $104,752.06 as shown below. Additionally, the Homeless Program incurred expenditures totaling $5,000, which was not reimbursed by the County as discussed in fourth bullet below. Upon audit inquiry, we were informed that the Homeless Program is currently working with the Budget and/or Finance Department to clear those deficits.
Fund Balance (deficit) as of 10/01/05 * (104,752.06)
Revenues 10/01/05-9/30/06 980,917.36
Expenditures 10/01/05-9/30/06 (1,369,982.54)
Ending Fund Balance (deficit) as of 9/30/06 (493,817.24)

*Prior year fund balance deficit

<table>
<thead>
<tr>
<th>Name</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Administration</td>
<td>649,600.00</td>
<td>842,607.00</td>
<td>(193,007.00)</td>
</tr>
</tbody>
</table>

Therefore, it appears that the above fund balance deficit is the result of one or a combination of the following:

- Grant related expenditures might have been funded with City’s resources and reimbursement requests were not filed.

- Grant related expenditures might have been funded with City’s resources and reimbursement requests were filed; however, reimbursement was denied by the funding agency due to the City’s failure to meet the required guidelines for reimbursement, as in the case with the $5,000 of un-reimbursable costs as discussed in the fourth bullet below.

- Fund balance deficit carried over from prior years.

- Actual expenditures were greater than the budgeted amount on Project Administration, which is funded by general fund.
On February 13, 2006, the City entered into an agreement with Miami Dade County Homeless Trust (the County) to provide emergency hotel/motel placements of homeless families. The agreement was for the period October 1, 2005 through September 30, 2006. Attachment A of the said agreement stipulates that families may be provided food vouchers on an as needed basis of up to $20 per diem while residing in hotels/motels and families with more than four members may be provided an additional $5 per person per day. The said Attachment also states that reimbursement will only be made for properly documented hotel/motel placements and disbursement of food vouchers.

Our audit disclosed that, in July 2006, the Homeless Program incurred non-reimbursable grant expenditures totaling $5,000 for 200 gift cards purchased from Publix at $25 each, which were funded by General Fund monies. The Homeless program only submitted the invoice from Publix as supporting documentation to the County, which denied the request for reimbursement. The request was denied because the Homeless Program failed to provide the list of clients to whom the food vouchers (gift cards) were issued to. Upon audit inquiry, we were informed that the Homeless Office plans to resubmit the said expenditure ($5,000) with all the supporting documentation to the funding source. However, we noted that the Homeless Office had a remaining balance of 94 or $2,350 of gift cards in its inventory as of June 26, 2007. However, our review of the gift card/voucher log to
determine the controls over the issuance and/or accountability of the gift cards/vouchers disclosed the following deficiencies:

- We noted that the gift cards purchased/issued by the Homeless Office were in $25 denomination contrary to Attachment A of the agreement, which requires a cap of $20 for families with four members or less.

- We determined that a total of 14 gift cards totaling $350 (14 multiplied by $25) were missing and could not be accounted for. Upon audit inquiry, we were informed that the gift cards were kept in a locked file cabinet, which other employees had access to. However, we were not provided with any Police Report to evidence the said missing items.

- 12 gift cards totaling $300 (12 multiplied by $25) were used for staff meeting and employee activities including birthday parties.

- We noted that the gift cards were not restricted to the purchase of food only. As a result, 2 cards totaling $50 (2 multiplied by $25) were used by Homeless staff to purchase cigarettes at Publix as evidenced by the receipts from Publix. Upon audit inquiry, we were informed the cigarettes were provided to homeless in downtown area as part of the Homeless outreach program.

- 13 gift cards totaling $325 (13 multiplied by $25) were used to purchase supplies and/or food for program titled “Downtown Outreach”. There was no documentation of the names of those who the gift cards were issued to.

- The gift card log had no corresponding client name/identification and/or other information listed for 19 gift cards issued totaling $475 (19 multiplied by $25). Therefore, we were unable to determine if the said 19 cards were actually issued to homeless families.
To ensure that City funds, which are used as floats, will be reimbursed, gift cards purchased with City funds should only be issued to those eligible to receive them.

I agree [ ] I disagree [ ] Initials [ ] Date [12/31/17]

Explanation See response on finding #4 attached

Please initial and date, if you agree with the audit findings. If you disagree, please provide written explanation and supporting documents by June 29, 2007. Due to the urgency of completing this audit, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
    Zewditu Woldegiorgis, Staff Auditor
    Audit Documentation File
Finding 1: Agree on reimbursement late. However, please note reimbursements were filed late because of the delay in executing the grant agreement, which is out of our control. Super NOFA year runs from June 1st to May 30.

Finding 2: Agree on reimbursement late. However, please note reimbursements were filed late because of the delay in executing the grant agreement, which is out of our control. Detainees fiscal year runs from July 1st to June 30.

Finding 3: Fund balance deficit carried over from prior years, and expenditures were greater than budgeted amount on Project Administration. These issues were inherited from previous administration.

Finding 4: At the time that the vouchers were requested, Publix was unable to provide $20 value gift cards for unknown reasons, we would not search for another provider because the lodging facility (Bayside Motor Inn, 5101 Biscayne Blvd) contracted for this project is located right across from a Publix store which facilitate client accessing it. Circumstances leading to homelessness are unpredictable, because of that dynamic, funds for food (Gift Cards) ought to be accessible when needed and not subject to the regular fiscal process that usually extends to 45 days. These facts were explained to the grantor and we decided to cover the vouchers with general funds, the hotel motel contract budget was accordingly amended to allocate funds just for lodging. 

- Two of the missing Gift Cards were located to total 12 missing cards.
- Cigarettes, coffee and snacks were purchased in an effort to build up a relation with our hard core clients in Downtown whom suffer from severe mental disorders. As documented in multiples medical studies clients suffering from mental disorders have also the undesired effect of responding and cooperating better to nicotine which was advantageous in our efforts to reduce homelessness by enhancing rapport. These efforts were very well accepted as documented on attached emails.
Date: June 14, 2007
To: Mary H. Conway, Chief of Operations
    Transportation Administration
From: Marie B. Severe, CPA, CIA, Senior Staff Auditor
Subject: Audit of the Financial Integrity Principles

Dear Ms. Conway:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 20, 2007.

Chapter 18, Article IX, Section 18–542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to
avoid project deficits." Our review to determine whether reimbursements were filed on a
timely manner disclosed the following:

- Our review of 2 reimbursement packages relative to the DuPont Plaza grant disclosed that
both reimbursement packages were filed late. The total amount due from the 2
reimbursement packages that were filed late was $215,382.24. The number of days late
ranged from 123 to 628 days. It should be noted that although the reimbursement
packages were filed late, the full amount ($215,382.24) was reimbursed to the City and
posted to the grant account.

I agree [ ] I disagree [ ] Initials [ ] Date [ ]

Examination

Please initial and date, if you agree with the audit finding. If you disagree, please provide
written explanation and supporting documents by June 20, 2007. If you have any questions or
comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
   Lilia Medina, Assistant Transportation Coordinator, Transportation Administration
   Zewditu Woldegiorgis, Staff Auditor
   Audit Documentation File

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 755/Miami, FL 33137
Dear Ms. Gelabert-Sanchez,

Pursuant to our ongoing audit of the Financial Integrity Principles for the period of October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 20, 2007.

Chapter 18, Article IX, Section 18– 542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to avoid project deficits.” Our review to
determine whether reimbursements for the Planning Department were filed on a timely manner disclosed the following:

On November 22, 2005, the City and the Florida Department of Environmental Protection (DEP) entered into an agreement to develop a master plan for Virginia Key. The agreement covered the period November 22, 2005 through September 30, 2006. On February 26, 2007, the agreement was extended to June 30, 2007. Section 4(b) of the said agreement provides that "Payment Request Form" in conjunction with "Progress Report Form" is due no later than 20 days following the completion of each quarter.

Our review disclosed that $6,529.96 and $43,470.04 of general fund monies were disbursed in connection with this agreement in the months of May and July 2006. However, as of June 12, 2007 (audit field work date), the Planning Department has not submitted any quarterly reimbursement request to DEP for grant funds totaling $50,000 ($6,529.96 + $43,470.04) expended since 2006. As allowed under the grant agreement, the City is entitled to receive quarterly reimbursements.

I agree [x] I disagree [ ] Please initial [ ]

Explantation [see attached response from Project Manager.]

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by June 20, 2007. Due to the urgency of completing this audit, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.
C: Victor Igwe, CPA, CIA, Auditor General
   Carmen Sanchez, Assistant Director, Planning Department
   Zewditu Weldegiorgis, Staff Auditor
   Audit Documentation File
Ms. Severe,

In response to your audit of DEP Grant Agreement CZ603, please see the attached documentation. Kindly note that the Department will make every effort to expedite the reimbursement of this grant.
Ana Gelabert-Sanchez  
Director

Enrique Nunez  
Chief of Urban Design  
Project Manager

DATE: June 20, 2007
SUBJECT: Audit of DEP Grant CZ603
REFERENCE: DEP Agreement CZ603, & other supporting documentation

After reviewing Ms. Severe’s findings please note the following explanation:

By July 11, 2006, City Planning staff demonstrated the completion of project tasks related to contractual services in the amount of $105,227.31. As per the FDEP Agreement CZ603, Section 3, Funding Consideration (B), Only project costs incurred on or after July 5, 2005 and on or prior to September 30, 2006, were eligible for reimbursement. Accordingly, we (City Planning) contacted FDEP staff, in order to discuss the request for the whole grant reimbursement amount of $50,000 since use of fund requirements identified in the Scope of Work Information had been met.

FDEP staff stated that they could not reimburse the whole grant amount because; they assumed that they would remain involved until the end of the Master Plan and asked us to amend the grant to allow for their extended participation. The grant was amended as per their request extending the grant until June 30th, 2007.

As need for additional community participation increased, the project completion date has shifted again and after considerable discussion with the granting agency, they have agreed to limit their participation in the project until the completion of the Draft Final Master Plan which is scheduled for August 31, 2007. It was suggested by FDEP staff that a request for full reimbursement be made at the time of completing that final task. However, we have prepared and will submit a reimbursement request for the work completed to date of the revised Project Objectives, in order to reimburse the City’s coffers on this project as soon as possible. Please note that this would not have occurred if the granting agency (FDEP) had not insisted on amending the grant agreement to participate in the project until completion which will be taken into consideration in future projects.
City of Miami

Date: June 27, 2007

To: William W. Bryson, Chief Fire-Rescue Department

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Bryson:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by July 9, 2007.

Chapter 18, Article IX, Section 18–542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to avoid project deficits.” Our review to
determine whether reimbursements were filed on a timely manner disclosed the following:

- Federal Cash Management guidelines establish procedures to reimburse the grantee as expenditures are incurred and/or as needed. Generally, the grantee submits requests for reimbursement within a reasonable time interval such as monthly or quarterly to avoid the use of its own funds as float. However, our review disclosed that request for reimbursement of expenditures totaling $5,055.31 and $8,751.38 incurred during the month of September 2006 relative to FEMA USAR Grant (Project #110153) and Urban Area Security Initiative (Project #110143), respectively, were not submitted for reimbursement until January 23, 2007 and April 13, 2007, respectively. The number of days between the dates the expenditures were incurred for the said 2 grants (110153 and 110143) and the dates that the reimbursements were filed ranged from 115 through 195 days. It should be noted that although these reimbursements were not submitted with a reasonable time interval, the entire amount $13,806.69 ($5,055.31 + $8,751.38) was reimbursed to the City. However, because these reimbursements were not filed within a reasonable time interval, a total of $13,806.69 ($5,055.31 + $8,751.38) could not be accrued as receivable at year end, thereby contributing to a fund balance deficit as noted below.

- Our audit disclosed end-of-year (FY 2006) fund balance deficit totaling $461,523.23, for the following 8 projects which were accounted for in the Special Revenue Funds. It should be noted that 6 of the 8 projects were used to account for emergency related expenditures including but not limited to hurricanes, floods and other natural disasters. Upon audit inquiry, we were informed that the deficit in five of the six projects were for emergency related expenditures including overtime, fire equipment, and food, which would not be reimbursed by FEMA. Said expenditures would not be eligible for reimbursement by FEMA because Miami Dade County was not declared a disaster area and/or the City had already been reimbursed the maximum (at least 75% of the eligible costs) allowed by...
FEMA. Therefore, the remaining balance in those projects represents the City's share of these emergency related expenditures. The Fire-Rescue also stated that it is currently researching whether any reimbursements were filed relative to the $275,075.76 expended in project number 800000 during the fiscal year ended 2001.

<table>
<thead>
<tr>
<th>Department</th>
<th>Program Title</th>
<th>Fund Balance (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Rescue</td>
<td>Urban Area Security Initiative</td>
<td>(8,751.36)</td>
</tr>
<tr>
<td>Project #10413</td>
<td>FEMA/USAR Grant Award</td>
<td>(5,955.31)</td>
</tr>
<tr>
<td>Project #80000</td>
<td>FEMA October 2005 Floods</td>
<td>(275,075.76)</td>
</tr>
<tr>
<td>Project #80001</td>
<td>Hurricane Frances</td>
<td>(70.54)</td>
</tr>
<tr>
<td>Project #80002</td>
<td>Hurricane Ivan</td>
<td>(18,992.55)</td>
</tr>
<tr>
<td>Project #80006</td>
<td>Hurricane Rita</td>
<td>(26,202.71)</td>
</tr>
<tr>
<td>Project #80008</td>
<td>Casco Event</td>
<td>(2,547.89)</td>
</tr>
<tr>
<td>Project #80009</td>
<td>Hurricane Ernesto 2006</td>
<td>(120,237.21)</td>
</tr>
</tbody>
</table>

*Emergency Related Expenditures

I agree [x]  I disagree [ ] Please Initial [Signature] Date 7-18-07

Explanation: [Signature]

Thank you for your cooperation in this matter.

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 1000, Miami, FL 33130

59
This memorandum will serve as the official response from the Department of Fire-Rescue to the memorandum from Senior Staff Auditor Marie B. Severe, CPA, CIA, dated June 27, 2007 regarding the audit of Fiscal Year 2006 end-of-year fund balance deficits in Fund 104: Fire-Rescue Services.

The end-of-year (FY2006) fund balance deficits for the non-emergency related expenditures only total $13,806.69. Based on the total amounts of grants managed by this department, this represents an overall small percentage.

It should be noted that the $5,055.31 was not a "true" September 30, 2006 deficit. Journal Entry No. 35671 included $641.32 and $4,413.99 in P-Card transactions that were posted on December 5, 2006. Report 10, as of September 30, 2006, Run Date December 3, 2006, showed no deficit for this project. After these September 2006 P-Card transactions were posted on December 5, 2006, the reimbursement was requested on January 23, 2007, 50 days later, not 115. At year's end, departments should not be entirely penalized for these types of transactions which are not posted in a timely manner, but dated as of September 30th. The date the transactions were actually posted should be noted when considering if reimbursements were not filed within a reasonable time interval.

The emergency related expenditures, which represents the City's share, need to be closed and transferred to the General Fund. A request will be drafted for Budget's consideration once we have concluded our research. In the future, budget adjustments will be requested in a timely manner when no disaster declaration is made for Miami-Dade County.

In summation, every effort will be made to continue to submit our grants/projects reimbursements in a timely manner. If any loss/leak for reimbursements extend beyond the end of a fiscal year, these amounts will be reported to the Finance Department as receivables. The transition to the new financial system presented challenges for staff but we will continue to work closely with City administration, the Finance and Budget (OSFPD) Departments, and all external and internal audit processes in the management of our programs.

If you have any additional questions, please contact me or Assistant Chief Joseph R. Fernandez. Attached are financials in reference to the $5,055.31.

WWB/MLK/js

CC: Marie B. Severe, Senior Staff Auditor
Maurice L. Kemp, Deputy Fire Chief
Joseph R. Fernandez, Assistant Fire Chief
Angela J. Sipio, Principal Staff Analyst
Date: June 14, 2007

To: Ernest W. Burkeen, Director
   Parks and Recreation Department

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Burkeen,

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 20, 2007.

Chapter 18, Article IX, Section 18– 542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to
avoid project deficits." Our review to determine whether reimbursements for the Parks and Recreation department were filed on a timely manner disclosed the following:

On December 8, 2005, the City and the Florida Department of Environmental Protection (DEP) entered into an agreement to provide administrative support for the ongoing environmental restoration of Virginia Key. The agreement covered the period December 8, 2005 through September 30, 2006. Section 4(b) of the said agreement provides that "Payment Request Form" in conjunction with "Progress Report Form" is due no later than 20 days following the completion of each quarter.

Our review of 2 reimbursement packages for general fund monies disbursed during the period January 20, 2006 through September 15, 2006 disclosed that one (or 50%) package was not filed in a timely manner. The total amount due from the reimbursement package that was not filed in a timely manner was $29,324.63. The number of days late for the reimbursements for the period January 20, 2006 through September 15, 2006 ranged from 5 to 188 days.

I agree [x] I disagree [ ]

Please initial

Explanation In an effort to obtain reimbursement for the entire grant award, the department submitted the reimbursement package several times. When expenditures were deemed not eligible, it was sometimes necessary to replace them with older expenses.

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by June 20, 2007. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
Zewditu Woldegiorgis, Staff Auditor
In response to your audit findings:

1. **Five (5) reimbursements not filed in a timely manner**

   A. HIDTA IX – Project # 142017 / Frequency - Monthly

      i. **Finding:** October 2005 Reimbursement ($6,872.65) - eight (8) days late.

      ii. **Explanation:** AGREE. The reimbursement request was on 11/22/05 ready for mailing on 11/28/05, which is within the grant filing deadline, however you considered the filing to be late based on 12/08/05 express mail slip.

      iii. **Corrective Action Plan:** Mailing of reimbursement packages will be expedited through express mail on the same date signed.

   B. HIDTA IX – Project # 142017 / Frequency - Monthly

      i. **Finding:** November 2005 Reimbursement ($3,077.94) - five (5) days late.

      ii. **Explanation:** AGREE. The reimbursement was prepared on 12/28/05, but mailing of reimbursement did not occur until 1/5/06 due to internal routing for signatures.

      iii. **Corrective Action Plan:** Reimbursement packages will be routed through channels early enough to allow for completion of internal routing before reimbursement deadline.
C. H1JTA X - Project # 142017/ Frequency - Monthly

i. **Finding:** September 2006 Reimbursement ($585.74) - sixteen (16) days late.

ii. **Explanation:** **DISAGREE.** This overtime expense incurred on 9/25/2006 and was paid on the appropriate October 4, 2006 payroll (See attached Payroll Register). The reimbursement was consolidated with the October 2006 Reimbursement, in the amount of $6,883.56, which was filed within the reimbursement deadline for the month of October 2006 on November 14, 2006.

iii. **Corrective Action Plan:** N/A.

D. School Resource Officer - Project # 142034/ Frequency - Quarterly

i. **Finding:** 1st Quarter Reimbursement ($12,151.60) - twelve (12) days late.

ii. **Explanation:** **AGREE.** A verbal extension was approved by our grantor to submit our reimbursement on the 30th day after end of the quarter, instead of the 15th day after the end of each quarter. This extra time allowed for the overtime payroll expenses to post through payroll and for the Journal Entry financial transaction to post the expense to the grant. Please note that a Journal Entry is required to move the overtime expense from Police General Fund to the grant as the City payroll system does not have the ability to post the overtime directly to the grant.

iii. **Corrective Action Plan:** Reimbursements will be filed by the 15th day after end of each quarter. To meet this deadline a cut off date will be established for the last pay period of the last month within the quarter being filed.

E. School Resource Officer - Project # 142034/ Frequency - Quarterly

i. **Finding:** 2nd Quarter Reimbursement ($11,963.65) - sixteen (16) days late.

ii. **Explanation:** **AGREE.** A verbal extension was approved by our grantor to submit our reimbursement on the 30th day after end of the quarter, instead of the 15th day after the end of each quarter. This extra time allowed for the overtime payroll expenses to post through payroll and for the Journal Entry financial transaction to post the expense to the grant. Please note that a Journal Entry is required to move the overtime expense from Police General Fund to the grant as the City payroll system does not have the ability to post the overtime directly to the grant.
iii. **Corrective Action Plan**: Reimbursements will be filed by the 15th day after end of each quarter. To meet this deadline a cut off date will be established for the last pay period of the last month within the quarter being filed.

2. **Disclosure of balance deficit totaling ($320.00) for Project #110152**

   A. Balance deficit totaling ($320.00) for Project #110152
      
      i. **Finding**: $320.00 deficit posted as of 9/30/2006.

      ii. **Explanation**: **AGREE**. This fund balance deficit was created due to an accrual that was posted late by Finance in the old GEMS Financial System during their close out of FY 2005-2006. This expense related to an invoice charged to the new CHOICE Grant that was still active with an expiration date of 6/30/2007. The invoice was paid in the new ORACLE Financial System and did not post until the new FY 2006-2007. (see attached printouts and E-mail to Finance).

      iii. **Corrective Action Plan**: A reimbursement request has been filed for $320.00 actual expenditure and reimbursement payment is in transit.

Should you have any questions regarding this request, please do not hesitate to contact Mae C. Shepherd, Budget Unit Commander, at (305) 603-6198.

JPT/ALB/AMC/mcs

C: Victor Igwe, CPA, CIA - Director, Office of Auditor General

Attachments
Chapter 18, Article IX, Section 18-542(3) of the City Code, provides that, “…Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float.”

Our audit disclosed that the City disbursed approximately $89 million of Federal and State monies during the audit period for various federal and state programs that are funded by grants on a reimbursement basis. By applying for reimbursements in a timely manner, the period that the City’s financial resources are used as float would be minimized and so would the contribution that these late filings make towards a fund balance deficit. As of September 30, 2006, the general ledger fund balance deficits for some project accounts in the Special Revenue Funds totaled approximately $3.8 million as discussed below.

**FIRE-RESCUE DEPARTMENT**

Our review of the Fire Rescue Services Special Revenue Fund at fiscal year ended September 30, 2006 disclosed fund balance deficits, for eight (8) projects, totaling $461,523.23. In response to our audit inquiry, we were informed that the deficits in five (5) of the 8 projects were for emergency related expenditures including overtime, fire equipment, and food, which would not be reimbursed by the Federal Emergency Management Agency (FEMA). Said expenditures were not eligible for reimbursement by FEMA because Miami-Dade County was not declared a disaster area and/or because the City had already been reimbursed the maximum (at least 75% of the eligible costs) allowed by FEMA. Therefore, the remaining balance in those 5 projects represents the City’s share of the emergency related expenditures. The Fire-Rescue Department also stated that it is currently researching whether any reimbursements were filed for the $275,075.76 that were expended for project #800000 during the fiscal year ended 2001.
MIAMI HOMELESS ASSISTANCE PROGRAM

Our review of the Homeless Program (Project #147011) at fiscal year ended September 30, 2006 disclosed a fund balance deficit of $493,817.24. The following factors contributed to the deficit: (1) the program exceeded its budget line item for administration by $193,007; (2) a negative beginning fund balance of $104,752.06 was carried forward from last fiscal year, as noted in prior audit report no. 06-010 dated July 1, 2006; and (3) $5,000 of food vouchers were not reimbursed, as discussed on pages 37 and 38. Upon audit inquiry, we were informed that the Homeless Program is currently working with the Budget and/or Finance Department to clear these deficits.

COMMUNITY DEVELOPMENT DEPARTMENT

Our review of the Community Development Block Grant (CDBG) Public Improvement (Project #799138) at fiscal year ended September 30, 2006 disclosed a fund balance deficit of $4,736.22. We noted that the deficit was caused by the reimbursement of $4,736.22 that was not drawn down or recorded as a receivable. Upon audit inquiry, we were informed that the $4,736.22 will be drawn down by CD.

POLICE DEPARTMENT

Our review of Police Department’s (PD) Special Revenue Fund at fiscal year ended September 2006 and/or other documentation/records disclosed fund balance deficits for 2 projects totaling $2,831,191.67 as noted below:

- Resolution Number 04-0491, which was passed and adopted on July 22, 2004, authorized the purchase of a Public Safety Technology Enhancement Program consisting of a Computer Aided Dispatch System (CAD), Law Records Management System (LRMS) and a Premier Mobile Data Communications System (PMDC) for the Police (PD) and Fire Rescue (FR) Departments from Printrak International Inc. (a subsidiary of Motorola Inc.).
Our review of documentation maintained at the PD disclosed that the installation of the CAD, LRMS and PMDC systems were completed and accepted by the PD as evidenced by the System Acceptance Document dated December 19, 2005. The System Acceptance Document, in essence, indicated that services were fully performed and the related expenditure and/or liability should be recognized as required by Governmental Accounting Standards Board (GASB) Codification number 1600.116, which states that expenditures should be recorded in the period in which the government incurs the liability. However, the expenditure and the related liability totaling $2,949,288, which was incurred on December 19, 2005, was not recorded until the external auditors requested an adjusting entry for $2,949,288 during its field work for the audit of the City’s Comprehensive Annual Financial Report for the fiscal year ended 2006. The posting of this adjusting entry to the project’s special revenue fund (project No. 142025) made the project’s fund balance to be in deficit of $2,830,871.67 because the related reimbursement request was not filed and no corresponding Receivable/Due From Other Entities was recorded as of the fiscal year ended 2006. Upon audit inquiry, the PD indicated that since the “COPS More 98” is a reimbursable grant, a “Due From Other Entities” should have been recorded to offset the $2.9 million adjusting entry at year end.

Additionally, the records reviewed disclosed a fund balance deficit totaling $320 in the COPS Helping Our Inner City Children (Project#110152).
### Fund Balance Deficit

<table>
<thead>
<tr>
<th>Department</th>
<th>Project #</th>
<th>Fund Balance Deficit</th>
<th>12/05/06*</th>
<th>Adjusted Balance (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Rescue</td>
<td>#110143</td>
<td>(89,893.21)</td>
<td>81,141.83</td>
<td>(8,751.38)</td>
</tr>
<tr>
<td></td>
<td>#110153</td>
<td>(5,055.31)</td>
<td>-</td>
<td>(5,055.31)</td>
</tr>
<tr>
<td></td>
<td>#800000</td>
<td>@ (275,075.76)</td>
<td>-</td>
<td>(275,075.76)</td>
</tr>
<tr>
<td></td>
<td>#800001</td>
<td>@ (70.54)</td>
<td>-</td>
<td>(70.54)</td>
</tr>
<tr>
<td></td>
<td>#800002</td>
<td>@ (10,592.33)</td>
<td>-</td>
<td>(10,592.33)</td>
</tr>
<tr>
<td></td>
<td>#800006</td>
<td>@ (26,202.71)</td>
<td>-</td>
<td>(26,202.71)</td>
</tr>
<tr>
<td></td>
<td>#800008</td>
<td>(5,547.89)</td>
<td>-</td>
<td>(5,547.89)</td>
</tr>
<tr>
<td></td>
<td>#800009</td>
<td>@ (130,227.31)</td>
<td>-</td>
<td>(130,227.31)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(542,665.06)</td>
<td>81,141.83</td>
</tr>
<tr>
<td>Homeless Program</td>
<td>#147011</td>
<td>(493,817.24)</td>
<td>-</td>
<td>(493,817.24)</td>
</tr>
<tr>
<td>Community Development</td>
<td>#799138</td>
<td>(4,736.22)</td>
<td>-</td>
<td>(4,736.22)</td>
</tr>
<tr>
<td>Police</td>
<td>#142025</td>
<td>118,416.33</td>
<td>(2,949,288.00) @@@</td>
<td>(2,830,871.67)</td>
</tr>
<tr>
<td></td>
<td>#110152</td>
<td>(320.00)</td>
<td>-</td>
<td>(320.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>118,096.33</td>
<td>(2,949,288.00)</td>
<td>-</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>$ (923,122.19)</td>
<td>$ (2,868,146.17)</td>
<td>$ (3,791,268.36)</td>
</tr>
</tbody>
</table>

* For Fiscal Year ended September 30, 2006, final closing was on December 5, 2006
** Date of Audited CAFR
@ Emergency Related Expenditures
@@ Audit adjusting entries created the deficit

### Other Unreserved and Undesignated Fund Balance Deficits

We noted that the unreserved and undesignated fund balance deficits in the Parks and Recreation Capital Project, Disaster Recovery Capital Project and Fire Rescue Services Funds, respectively, totaled approximately $20.51, $2.38 and $4.23 million for the Fiscal Year ended 2006. The notes to the financial statements stated that the undesignated deficits are the results
of encumbrances and other reserves exceeding available fund balances. The City plans to eliminate these deficits in the ensuing fiscal year.

A grant that is properly administered typically generates adequate revenues to offset expenditures thereby minimizing the use of City resources. The proper administration of Federal and/or State grants requires that management establish and maintain internal control policies and procedures that would ensure that grant accounts are properly reconciled, reimbursement requests are filed in a timely manner, and minimum performance requirements are achieved.

**Recommendation**

We recommend that internal control policies and procedures be established and implemented to ensure that adequate revenues are generated to offset expenditures and also to minimize the use of City resources to fund federal and/or state programs. We also recommend timely transfer of fund balances and/or other available resources to close out the deficits in the emergency related projects.

**Auditee’s Response and Action Plan**

See Auditee’s written responses on pages 42 through 65 and pages 71 through 73.
Date: June 22, 2007

To: Barbara Gomez, Director
Community Development

From: Marie R. Sever, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Ms. Gomez:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period of October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 27, 2007.

Chapter 18, Article 1X, Section 18-542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to avoid project deficits.”
Our audit disclosed end-of-year (FY 2006) fund balance deficit totaling $4,736, for the following project which is accounted for in Special Revenue Funds.

<table>
<thead>
<tr>
<th>Department</th>
<th>Program Title</th>
<th>FY 2006 Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>CDBG Public Improvement Fund</td>
<td>$4,736.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($4,736.00)</td>
</tr>
</tbody>
</table>

A grant that is properly administered would typically generate adequate revenues to offset expenditures and minimize use of City resources. The proper administration of federal and/or state grant requires that management establish and maintain internal control policies and procedures that would ensure that grant accounts are properly reconciled, reimbursements drawn-down in a timely manner and minimum performance requirements be achieved.

It appears that the above fund balance deficit could be the result of one or a combination of the following:

- Grant related expenditures might have been funded with City’s resources and reimbursements were not drawn-down.

- Grant related expenditures might have been funded with City’s resources and reimbursements, which were drawn-down were still in transit.

- Grant related expenditures might have been funded with City’s resources and reimbursements were filed, however, reimbursement was denied by the funding agency due to the City’s failure to meet the required guidelines for reimbursement, as in the case of performance-based contracts or for unreimbursable costs.

I agree [X] I disagree [ ] Please Initial [ ] Date [6-24-07]
> Additionally, we noted that the Finance Department was not provided with the said amount ($4,736) for accrual as receivable for the fiscal year ended September 30, 2006.

I agree [ ] I disagree [ ] Please Initial [ ] Date [ ]

Explanation [ ]

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by June 27, 2007. Due to the urgency of completing this audit, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
Pedro Mirones, Assistant Director, Community Development
Audit Documentation File
FINANCE DEPARTMENT

UNREIMBURSABLE EXPENSES – FINANCIAL INTEGRITY PRINCIPLE NUMBER 3.

Chapter 18, Article IX, Section 18-542(3) of the City Code, requires that, “...The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the City Commission, together with the actions needed to avoid project deficits.”

Our review to determine whether a quarterly report of expenses incurred but not reimbursable was presented to the City Commission, together with the actions needed to avoid project deficits disclosed that the Finance Department (FD) did not present said quarterly reports to the City Commission. Upon audit inquiry, the Finance Director indicated that instead of quarterly reports, the FD prepares a monthly schedule of non-reimbursable expenditures. The information provided in the schedule is obtained from each City department that receives grant funding. The FD requests a written response from these departments asking that they indicate whether the department “has incurred” or “has not incurred” any un-reimbursed expenditures. Any un-reimbursed expenditure reported by each department is presented on the schedule which is included in the Monthly Financial Report. All the departments that do not respond are identified by a “NR” (No Response) notation on the schedule. The Monthly Financial Report is provided to each Commissioner on a monthly basis and a discussion item is scheduled each month on the Commission agenda to specifically discuss the monthly financial statements and the budgetary outlook. However, the discussion item is typically deferred and the non-reimbursable expenditures are not specifically presented to the Commission (as a whole) for discussion.

For instance, we noted that in September 2005, the Parks and Recreation Department (PRD) incurred non-reimbursable expenditures totaling $12,340 in connection with a grant received from the State of Florida Department of Education (DOE) during the period July 1, 2004 through June 30, 2005. The expenditures were not reimbursed because PRD failed to correctly
report the required performance measures achieved by the grant and an additional attempt to re-submit the expenditures for reimbursement was denied. Although this non-reimbursable expenditure totaling $12,340 was listed on the Monthly Financial Report for the month of August 2006, it was never formally presented to the City Commission (as a whole) for discussion as to the actions needed to resolve the deficit created by the denial of the reimbursement in the Special Revenue fund. However, we noted that on September 19, 2006, PRD sent a memorandum and the DOE denial letter to the FD requesting a journal entry to transfer the un-reimbursed expenditure totaling $12,340 from the DOE project grant account #110131 to the general fund project account #001000. The effect of the journal entry, which was processed as requested, in essence charged the un-reimbursed expenditure to the unreserved general fund balance. There is no document to evidence the approval of this transaction by the City Manager and/or the City Commission.

Recommendation

We recommend that non-reimbursable expenditures, together with the actions needed to avoid project deficits be presented to the City Commission (as a whole) for discussion. We also recommend that all requests to charge un-reimbursable grant expenditures to the unreserved general fund balance be approved by the City Manager and/or the City Commission prior to processing by the Finance Department.

Auditee’s Response and Action Plan

The auditee concurred with the findings and recommendations. See auditee’s written response on pages 76 through 78.
City of Miami

Date: July 15, 2007

To: Diana Gomez, Director
Finance Department

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mrs. Gomez:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by July 20, 2007.

Chapter 18, Article IX, Section 18–542(3) of the City Code, provides that “Recognizing that some programs are funded by grants or other entities on a reimbursement basis, the city shall apply for such reimbursements on a timely basis to minimize the period that city funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Statements Report (CAFR) to the extent allowed under generally accepted accounting principles accepted in the United States of America (GAAP). The department of finance shall make a quarterly determination of the amount of expenses incurred which may not be reimbursable under these programs. A quarterly report of expenses incurred but not reimbursable shall be presented to the city commission, together with the actions needed to avoid project deficits.”
Our review to determine whether quarterly report of expenses incurred but not reimbursable was presented to the City Commission, together with the actions needed to avoid project deficits disclosed that the Finance Department (FD) did not present to the City Commission a quarterly report of expenses incurred together with the actions needed to avoid project deficits. Upon audit inquiry, the Finance Director indicated that instead of quarterly reports, the FD prepares a monthly schedule of non-reimbursable expenditures. The information provided in the schedule is obtained from each City department that receives grant funding. The FD requests a written response indicating that the department “has incurred” or “has not incurred” any un-reimbursed expenditures. Any un-reimbursed expenditures reported by each department are presented on the schedule which is included in the Monthly Financial Report. All the departments that did not respond are identified by a notation “NR” (No Response) on the schedule. The Monthly Financial Report is provided to each Commissioner on a monthly basis and a discussion item is scheduled each month on the Commission agenda to specifically discuss the monthly financial statement and the budgetary outlook. However, the discussion item is typically deferred and the non-reimbursable expenditures are not presented to the Commission as a whole for discussion.

For instance, we noted that in September 2005, the Parks and Recreation Department (PRD) incurred non-reimbursable expenditures totaling $12,340 in connection with a grant received from the State of Florida Department of Education (DOE) during the period July 1, 2004 through June 30, 2005. The expenditure was not reimbursed because PRD failed to correctly report the required performance measures achieved by the grant and an additional attempt to re-submit this expenditure for reimbursement was denied. Although this non-reimbursable expenditure totaling $12,340 was listed on the Monthly Financial Report for the month of August 2006, it was never formally presented to the City Commission as a whole for discussion as to the actions needed to resolve the deficit created by the denial of the reimbursement in the Special Revenue fund. However, we noted that on September 19, 2006, PRD sent a memorandum and the DOE denial letter to the FD requesting a journal entry to transfer the un-reimbursed expenditure totaling...
$12,340 from the DOE project grant account #110131 to the general fund project account # 001000. The effect of the said journal entry, which was processed as requested, in essence charged the un-reimbursed expenditure to the unreserved general fund balance. There is no document to evidence the approval of this transaction by the City Manager and/or the City commission.

I agree [ ] I disagree [ ] Please Initial [ ] Date 7/23/07

Explanation
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by July 20, 2007. Due to the urgency of completing this project, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
FINANCE AND STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE DEPARTMENTS

CITYWIDE SURPLUS OR DEFICIT - FINANCIAL INTEGRITY PRINCIPLE
NUMBER 4.

Chapter 18, Article IX, Section 18-542(4) of the City Code as amended, provides: “For purposes of this section, city-wide surplus for any fiscal year is defined as the increase in unreserved general fund balance as reflected in the city’s Comprehensive Annual Financial Report (CAFR). City-wide deficit for any fiscal year is defined as the decrease in unreserved general fund balance as reflected in the city’s Comprehensive Annual Financial Report (CAFR). Budget surplus of any office, department or elected official is defined as the excess of budgeted expenses over actual expenses in any fiscal year.

Notwithstanding anything to the contrary in this section, the total amount of budget surplus to be added to designated reserves and special revenue funds pursuant to this section (together, the "rollover amounts") is limited to city-wide surplus for any fiscal year. In the event the rollover amounts would result in a city-wide deficit, then each budget surplus within the rollover amounts shall be reduced proportionately so the City's Comprehensive Annual Financial Report (CAFR) will reflect no change in undesignated, unreserved general fund balance. In the event that a city-wide deficit would result before effecting the rollover amounts in any fiscal year, then no rollover amounts shall be available.”

The unreserved (designated and undesignated) general fund balance for fiscal year ended September 30, 2006 totaled $125,362,454 as compared to $113,880,513 for the fiscal year ended September 30, 2005. This represents an increase (citywide surplus) of $11,481,941 in unreserved (designated and undesignated) general fund balance. Therefore, the total amount of budget surplus available for rollover to citywide designated reserves and special revenue funds pursuant to this section is limited to $11,481,941.
BUDGET SURPLUSES – ELECTED OFFICIALS

Chapter 18, Article IX, Section 18-542(4)(a) of the City Code as amended provides: “Budget surpluses in an elected official’s budget in any fiscal year shall be reflected as designated reserves at the end of the fiscal year in which such surplus arose and be appropriated for discretionary use of such elected official for the following fiscal year.”

For the fiscal year ended September 30, 2006 we noted budget surpluses totaling $385,991 for elected officials. As noted on page 79, the unreserved (designated and undesignated) general fund balance for the fiscal year 2006 exceeded the fiscal year 2005 balance, therefore, as provided above the $385,991 of budget surplus accumulated at the end of the 2006 fiscal year for the elected officials was appropriated for discretionary uses for the following fiscal year.

BUDGET SURPLUSES - PARKS & RECREATION DEPARTMENT

Chapter 18, Article IX, Section 18-542(4)(b) of the City Code as amended provides: “Budget surpluses of the parks and recreation department shall be allocated, as of the end of the fiscal year in which such surplus arose, to a parks special revenue fund. Allowed expenditures from the parks special revenue fund shall be limited to the purchase of parks recreational and maintenance equipment and the direct operations of recreational programs in and for the city's parks, subject to appropriation by the city commission.”

For the fiscal year ended September 30, 2006 we noted budget surpluses totaling $1,652,055 for the Parks and Recreation Department (PRD). As noted on page 79, the unreserved (designated and undesignated) general fund balance for the fiscal year 2006 exceeded the fiscal year 2005 balance, therefore, the $1,652,055 of PRD budget surplus was properly rolled over to a special revenue fund and earmarked for authorized expenditures. Our test of $48,005.13 (37.4% of the $128,436 surplus roll over balance from previous years) disclosed that roll over monies from prior years were appropriately used for the purchase of equipment and operations of recreational programs in the City’s parks.

BUDGET SURPLUSES – PUBLIC FACILITIES DEPARTMENT

Chapter 18, Article IX, Section 18-542(4)(c) provides: “Budgeted surpluses of the department of conferences, conventions and public facilities [now called Public Facilities] shall be
allocated, as of the end of the fiscal year in which such surplus arose, to a public facilities special revenue fund. Allowed expenditures of the public facilities special revenue fund shall be limited to capital improvements for the city's public facilities, subject to appropriation by the city commission.”

For the fiscal year ended September 30, 2006 we noted budget surpluses totaling $967,370 for the Public Facilities Department (PFD). As noted on page 79, the unreserved (designated and undesignated) general fund balance for the fiscal year 2006 exceeded the fiscal year 2005 balance, therefore, the $967,370 of PFD budget surplus was properly rolled over to a special revenue fund and earmarked for authorized expenditures. Our test of $329,446 (100% of the surplus roll over balance from previous years) disclosed that rollover monies were appropriately used for capital improvements related to James L. Knight Center, Manuel Artime Center and the Dinner Key Marina.

BUDGET SURPLUSES – INFORMATION TECHNOLOGY DEPARTMENT

Chapter 18, Article IX, Section 18-542(4)(d) provides: “Budgeted surpluses of the department of information technology shall be allocated, as of the end of the fiscal year in which such surplus arose, to an IT strategic plan special revenue fund. Allowed expenditures of the IT strategic plan special revenue fund shall be limited to expenditures, excluding those related to permanent city staff, necessary for the implementation of the city's information technology strategic plan, subject to appropriation by the city commission.”

For the fiscal year ended September 30, 2006 we noted budget surpluses totaling $2,129,742 for the Information Technology Department (ITD). As noted on page 79, the unreserved (designated and undesignated) general fund balance for the fiscal year 2006 exceeded the fiscal year 2005 balance, therefore, the $2,129,742 of ITD budget surplus was properly rolled over to a special revenue fund and earmarked for authorized expenditures. Our test of $15,340.67 (100% of the surplus roll over balance from previous years) disclosed that rollover monies were appropriately used for the implementation of the City’s information technology strategic plan, as required.
Recommendation.

None required.


None required.
The following three reserve policy categories were established for the general operating fund of the City:

**CURRENT FISCAL YEAR CONTINGENCY**

Chapter 18, Article IX, Section 18-542(5)(a) of the City Code, as amended, provides that, “A “contingency” reserve level of $5,000,000 shall be budgeted annually. Such contingency reserve shall be available for use, with city commission approval, during the fiscal year, to fund unanticipated budget issues which arise or potential expenditure overruns which cannot be offset through other sources or actions. The unused portion of the budgeted contingency reserve in any fiscal year shall be reflected as designated reserves until such time as the City has funded 50 percent of the liabilities of the long-term liabilities (excluding bonds, loans, and capital lease payables) as reflected in the city’s Comprehensive Annual Financial Report (CAFR). Amounts not needed to satisfy the 50 percent requirement shall be considered general fund undesignated reserve and be treated in accordance with paragraph 5(b) of this section.”

Our review of the City’s fiscal year 2006 budget for non-departmental accounts disclosed that $6,109,401 was budgeted for contingency reserve. Pursuant to Resolution number 06-0398 (passed and adopted by the Commission on June 22, 2006) $5 million of the $6,109,401 million was appropriated to City departments for various unanticipated expenditures. Resolution Number 06-0541 (passed and adopted on September 12, 2006) replenished the contingency reserve by $1,229,700. This resulted in an ending reserve balance of $2,339,101.
GENERAL FUND UNDESIGNATED RESERVE

Chapter 18, Article IX, Section 18-542(5)(b) of the City Code as amended provides that, “The city shall retain undesignated reserves equal to a threshold ten percent of the prior three years average of general revenues. Such reserves may only be used for offsetting an unexpected mid-year revenue shortfall or for funding an emergency such as a natural or man-made disaster, which threatens the health, safety and welfare of the city’s residents, businesses or visitors. Any time these reserve funds fall below the ten percent threshold, the city commission shall adopt a plan to achieve the threshold within two fiscal years. Amounts in excess of the ten percent threshold may be used for capital improvements, unanticipated expenditures necessary to assure compliance with legal commitments, and for expenditures that will result in the reduction of recurring costs or the increase in recurring revenues of the city.”

Our audit disclosed that for the fiscal year 2006 the total undesignated reserve balance of $41,690,347 exceeded the ten percent threshold of the prior three years (fiscal years 2003 through 2005) average of general revenues, which totaled $36,884,767. Therefore, the City is in compliance with the undesignated general fund reserve requirement.

DESIGNATED RESERVE

Chapter 18, Article IX, Section 18-542(5)(c) of the City Code as amended, provides that, “The city shall retain reserves equal to ten percent of the prior three years average of general revenues. Such reserves shall be used for funding long-term liabilities and commitments of the city such as:

1. Compensated absences and other employee benefit liabilities, including liabilities related to post-retirement benefits;
2. Self-insurance plan deficits (including workers compensation, liability claims and health insurance);
3. Strategic initiatives (until completed);
4. Blue Ribbon Commission Initiatives (until completed);
5. Anticipated adjustments in pension plan payment resulting from market losses in plan assets and other unanticipated payments necessary to maintain compliance with contractual obligations.
Payment for compensated absences and other employee benefit liabilities and self-insurance plan deficits may be drawn from this reserve during the fiscal year and shall be replenished each year until fifty percent (50%) if such liabilities are funded. Other designated reserves may be drawn upon without the need for replenishment.”

Our audit disclosed that for fiscal year 2006 the total designated reserve balance in the general fund of $83,672,107 exceeded ten percent of the prior three years (fiscal years 2003 through 2005) average of general revenues, which totaled $36,884,767. Therefore, the City is in compliance with the designated reserve requirement.

Recommendation.

None required.


None required.
Chapter 18, Article IX, Section 18-542(6) of the City Code provides that: “The City shall establish proprietary funds only if the costs to provide the service are fully funded from the charges for the service.” In accordance with National Council of Governmental Accounting (NCGA) Statement No. 1, which established the various types of Funds, an enterprise (proprietary) fund should be used to account for any services provided to the public that are primarily funded from the fees derived from said services. There were no enterprise (proprietary) funds reported in the fiscal year ended September 30, 2006 CAFR.

Recommendation

None required

Auditee’s Response and Action Plan

None required
Chapter 18, Article IX, Section 18-542(7) of the City Code as amended by Ordinance No. 12518 provides that: “The City Commission shall annually adopt a five year financial plan by September 30 of each year, reflecting as the base year, the current year’s budget. For fiscal year 2004 the multi-year financial plan will be adopted no later than 30 days after the completion of labor negotiations. Such plan will include cost estimates of all current city operations and pension obligations, anticipated increases in operations, debt service payments, reserves to maintain the city’s officially adopted levels and estimated recurring and non-recurring revenues. This plan will be prepared by fund and reflect forecasted surpluses or deficits and potential budget balancing initiatives, where appropriate.”

During its March 25, 2004 meeting, the City Commission passed Ordinance No. 12518 which stated that the multi-year financial plan is not required to be finalized and adopted until 30 days after the completion of labor negotiations. The multi-year financial plan was not included in the budget books for Fiscal Years 2004 through 2006 because the labor negotiations were not complete. As of June 14, 2007, we noted that all four labor union agreements (Fraternal Order of Police (FOP), American Federation of State County and Municipal Employees (AFSCME), International Association of Fire Fighters, AFL-CIO Local 587 (IAFF), and the Florida Public Employee Council 79, AFSCME, AFL-CIO, Local 871) have been completed. However, as of the end of the field work date July 24, 2007, the multi-year financial plan has not been finalized and adopted.
Recommendation

We recommend that a multiple-year financial plan for all funds, be finalized and adopted as required.

Auditee’s Response and Action Plan

Please see written response on pages 89 and 90.
City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL

Date:        May 24, 2007
To:          Michael Boudreaux, Acting Chief
             Strategic Planning, Budgeting, and Performance Department
From:        Marie B. Severe, CPA, CIA, Senior Staff Auditor
Subject:     Audit of the Financial Integrity Principles

Dear Mr. Boudreaux:

Chapter 18, Article IX, Section 18-542(7) of the City Code as amended by Ordinance number 12518
provides that: “The City Commission shall annually adopt a five year financial plan by September 30
of each year, reflecting as the base year, the current year’s budget. For fiscal year 2004 the multi-
year financial plan will be adopted no later than 30 days after the completion of labor negotiations.
Such plan will include cost estimates of all current city operations and pension obligations,
anticipated increases in operations, debt service payments, reserves to maintain the city’s officially
adopted levels and estimated recurring and non-recurring revenues. This plan will be prepared by
fund and reflect forecasted surpluses or deficits and potential budget balancing initiatives, where
appropriate.” During its meeting of March 25, 2004 the City Commission passed Ordinance number

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miami, FL 33128

89
12518 which noted that the multi-year financial plan is not required to be finalized and adopted until 30 days after the completion of labor negotiation.

Our audit disclosed that the multi-year financial plan was not included in the budget books for Fiscal Years (FY) 2004 through 2006 budget books because the labor negotiations have not been completed. As of May 15, 2007, we noted that only two (AFSCME and FOP) of the four labor negotiations have been completed. Upon audit inquiry, we were informed that the current multi year financial plan is still in progress and would be finalized and adopted no later than 30 days after the conclusion of the remaining labor agreements.

I agree [✓] I disagree [ ] Initials [ ] Date 5/25/07

Explanation

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

Please initial and date, if you agree with the audit findings. If you disagree, please provide written explanation and supporting documents by May 29, 2007. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

Michael Boudreaux, Acting Chief
Strategic Planning, Budgeting, and Performance Department

C. Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miami, FL 33128
Chapter 18, Article IX, Section 18-542(8) of the City Code provides that, “The city commission shall annually adopt a capital improvements plan (“CIP”) by November 30th of each year. The CIP shall address cost estimates for all necessary infrastructure improvements needed to support city services, including information technology, with an adequate repair and replacement (“R&R”) component. Funded, partially funded and unfunded projects shall be clearly delineated. The CIP shall be detailed for the current fiscal year and for five additional years and, if practicable, additional required improvements aggregated for two additional five year periods. To the extent feasible, department heads shall be required to submit independent needs assessments for their departments for use in preparing the CIP. The CIP will be detailed by fund, include recommended project prioritization rankings, identified revenue sources, planned financing options and unfunded projects. The CIP shall include estimates of the operational impacts produced for the operation of the capital improvements upon their completion. The CIP shall include a component reflecting all on-going approved capital projects of the city, the date funded, amount budgeted, amount spent since the start date, remaining budget, fiscal impact of known changes to financial assumptions underlying the project, estimated expenditures by fiscal year for the project and estimated completion date. Approved projects, with circumstances that arise which change the funding requirements of the project, shall be addressed in the CIP annually.”

Our audit disclosed that the City did not adopt a Capital Improvement Plan (CIP) by November 30, 2006 as required. The CIP for fiscal year 2006/2007 along with a multi-year capital improvement plan (for fiscal years 2007/2008 through 2011/2012) was approved and adopted by Resolution 07-0219 on April 12, 2007, 133 days late. In response to our previous similar audit observation (as noted in audit report number 06-010 dated July 1, 2006), the Capital Improvement Program Department (CIPD) stated that it had planned to present an amendment to the Financial Integrity Ordinance, proposing to change the due date for the CIP from November 30th to March 31st of each year. However, said amendment to the Financial
Integrity Ordinance was not made, as planned. Upon audit inquiry, CIPD indicated that although its initial intent was to propose to change the due date as noted above, after further research and review of Ordinance Nos. 12276, 12353 and 12427, it believes that the due date for the completion of the CIP should have automatically reverted to March 31st after November 30, 2003. CIP further stated it will contact the City Attorney’s Office for further clarification.

Although CIPD would propose to change the CIP due date to March 31st, it should be noted that a CIP due date of November 30th ensures that the CIP Plan, which assesses citywide capital needs, is prepared as close as possible to the period when the citywide annual financial budget is being formulated. The financial budget process allocates projected revenues to overall citywide needs. Therefore, the completion of the CIP in November of each year would ensure that capital needs will compete favorably with other needs for the yearly limited resources (projected revenues). The major sections of the CIP Report are as follows:

- Section 1 described the purpose of the plan, the legal authority, CIP development process, prioritization criteria, 2006-2007 Multi-Year Capital plan Overview; and Growth Management Act.

- Section 2 highlighted the most significant accomplishments and listed many projects under development.

- Section 3 described the funding sources, namely Federal, State, Miami-Dade County and other grants sources, City bond monies, CIP fees/revenues, and private donation/others. It also described the funded, partially funded and unfunded projects; expenditure history; and projects funded with Homeland Defense/Neighborhood Improvements Bond monies.

- Section 4 described the individual fund reports for Community Redevelopment Area (CRA), which had a total project value of $5.5 million; General Government with a total project value of $54 million; Public Safety with a total value of $88.6 million; Disaster Recovery with at total value of $3.9 million; Public Facilities with a total value of $86.1 million; Parks and Recreation with a total value of $162.1 million; Streets and
Sidewalks with a total project value of $256.2 million; Mass Transit with a project value of $28.5 million; Sanitary Sewers with a project value of $725,000; Storm Sewers with a project value of $108.3 million; and Solid Waste with a project value of $6.6 million. Each of the strategic program areas provided a brief summary of the program strategy, funding source, and funding detail by fund and project number.

- Section 5 described the operating impact of capital projects on the annual operating budget.

**Recommendation**

We recommend that in the future the CIP be prepared by November 30th of each year as required by the Financial Integrity Principle.

**Auditee’s Response and Action Plan**

See auditee written responses on pages 94 through 96.
Date: May 29, 2007
To: Ola O. Aluko, Director
Capital Improvement Program (CIP)
From: Marie B. Severe, CPA, CIA, Senior Staff Auditor
Subject: Audit of the Financial Integrity Principles

Dear Mr. Aluko:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 4, 2007.

Chapter 18, Article IX, Section 18-542(8) of the City Code provides that, “The city Commission shall annually adopt a capital improvements plan ("CIP") by November 30th of each year. The CIP shall address cost estimates for all necessary infrastructure improvements needed to support city services, including information technology, with an adequate repair and replacement ("R&R") component. Funded, partially funded and unfunded projects shall be clearly delineated. The CIP shall be detailed for the current fiscal year and for five additional years and, if practicable, additional required improvements aggregated for two additional five year periods..."
Our audit disclosed that the City did not adopt a Capital Improvement Plan (CIP) by November 30, 2006 as required. The CIP for the fiscal year 2006/2007 along with a multi-year capital plan (fiscal year 2007/2008 through 2011/2012) was approved/adopted (Resolution 07-0219) on April 12, 2007, which is 133 days late. In response to our audit observation as noted in audit report number 06-010 dated July 1, 2006, CIP stated that it planned to present an amendment to the Financial Integrity Ordinance that will change the date for the CIP plan from November 30th to March 31st of each year. However, as of May 23, 2007, we were not provided with such amendment. Upon audit inquiry, CIP indicated that although its initial intent was to change the due date as noted above, however, after further research and review of Ordinance numbers 12276, 12353 and 12427, it believes that the due date for the CIP plan should have reverted automatically to March 31st after November 30, 2003. CIP further stated it will contact the City Attorney’s Office for further clarification. However, it should be noted that a CIP plan due date of November 30th is beneficial to ensure that the CIP Plan, which assesses citywide capital needs is prepared, as close as possible to the period, when the citywide annual financial budget is being formulated. The financial budget process allocates projected revenues to overall citywide needs. Therefore, the completion of the CIP plan in November of each year will ensure that capital needs will compete favorably with other needs for the yearly limited resources (projected revenues).

I agree [ ] I disagree [ ] Please Initials

Explanation Pending a legal opinion from the City Attorney’s Office, the November 30th due date for the CIP Plan will be taken into consideration by CIP after consulting with the City Administration and other departments involved in the annual budgeting and capital processes. Please initial and date, if you agree with the audit findings. If you disagree, please provide written explanation and supporting documents by June 4, 2007. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W 2nd Avenue, Suite 715/Miami, FL 33128

95
C: Victor Igwe, CPA, CIA, Auditor General
   Pilar Saenz, Assistant Director, CIT
   Audit Documentation File
Chapter 18, Article IX, Section 18-542(9) of the City Code provides that, the City shall manage its debt in a manner consistent with the following principles:

(a) Capital projects financed through the issuance of bonded debt shall be financed for a period not to exceed the estimated useful life of the project.

- The City did not issue any new bonded debt that financed new capital projects during the audit period.

(b) The net direct general obligation debt shall not exceed five percent and the net direct and overlapping general obligation debt (GOB) shall not exceed ten percent of the taxable assessed valuation of property in the City.

- Based on the information/data provided in the audited Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006, the net direct general obligation debt is 0.75% \[$203,311,941 \text{ (net direct general obligation debt)} / \$26,977,377,288 \text{ (taxable assessed valuation of property)} \times 100\] of the taxable assessed valuation of property in the City, which is less than five percent (5%).
- The total net direct and overlapping GOB is $626,724,233 ($358,654,556+$268,069,677). The net direct and overlapping GOB is 2.32% ($626,724,233/$26,977,377,288 \times 100) of the taxable assessed valuation of property in the City, which is less than ten percent (10%).
- Therefore, the City is in compliance with both ratios.

(c) The weighted average general obligation bond maturity shall be maintained at 15 years or less.
The weighted average GOB maturity is 9.56 years ($1,963,150,598.15/$205,306,931.95), which is less than 15 years. Therefore, the City is in compliance with this requirement.

(d) Special obligation debt service shall not exceed 20 percent of non-ad valorem general fund revenue.

- The special obligation debt service is 7.47% ($21,583,712/$289,038,101 x 100), which is less than twenty percent (20%) of non-ad valorem general fund revenue. Therefore, the City is in compliance with this requirement.

(e) Revenue based debt shall only be issued if the revenue so pledged will fully fund the debt service after operational costs plus a margin based on the volatility of the revenues pledged.

- We noted that no revenue based debt was issued during the audit period.

Recommendation

None required.

Auditee’s Response and Action Plan

None required.
Chapter 18, Article IX, Section 18-542(10) of the City Code as amended, provides that, “The City shall provide for the on-going generation and utilization of financial reports on all funds comparing budgeted revenue and expenditure information to actual on a monthly and year-to-date basis. The finance department shall be responsible for issuing the monthly reports to departments, the mayor and city commission, and provide any information regarding any potentially adverse trends or conditions. These reports should be issued within thirty (30) days after the close of each month. The annual external audit reports (Comprehensive Annual Financial Report (CAFR), Single Audit, and Management Letter) of the city shall be prepared and presented to the mayor and city commission by March 31 of each year. The City Commission shall convene a workshop meeting with the external auditors to review the findings and recommendation of the audit. Financial reports, offering statements and other financial related documents issued to the public, shall provide full and complete disclosure of all material financial matters.” Our audit disclosed that financial reports issued by the Finance Department, as described below, generally provide disclosure of all material financial matters. Our review to determine whether required reports were issued in a timely manner disclosed the following:

- **Monthly Reports**

  Our audit disclosed that monthly financial reports were issued in a timely manner during 9 of the 12 months of the audit period. However, we noted that monthly financial reports were not issued within 30 days after the close of each month for the months of April and August 2006. The numbers of days late are 2 and 4 days, and as such, are not considered material, as noted below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Books Closed</th>
<th>Reports Due</th>
<th>Reports issued</th>
<th>Number of days late</th>
</tr>
</thead>
</table>
• **Annual External Audit Reports**

Our audit disclosed that the Comprehensive Annual Financial Report (CAFR), for the year ended September 30, 2006 was dated April 2, 2007 but was actually issued/published on April 30, 2007 (30 days late), as noted below.

<table>
<thead>
<tr>
<th>Due Date</th>
<th>CAFR issue date</th>
<th>Number of days late</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/07</td>
<td>4/30/07</td>
<td>30</td>
</tr>
</tbody>
</table>

• **Single Audit and Management Letter**

We noted that the single audit and the management letter were not completed by the March 31, 2007 due date as required by the Financial Integrity Principle No. 10.

Pursuant to the Office of Management and Budget (OMB) Circular Number A-133, Subpart C, Section 320, the Single Audit shall be completed and the data collection and/or reporting package shall be submitted to the Federal Audit Clearinghouse the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period. The nine months after the end of the audit period was June 30, 2007. We noted that the single audit was not completed and submitted to the Federal Audit Clearinghouse as of this date. However, we noted that the City was granted an extension up to July 31, 2007 for the Federal Single Audit Report to be submitted to the Clearinghouse.
Recommendation

We recommend that the Finance Department continue to work with the external auditors to ensure that the CAFR, Single Audit and Management Letter are issued in a timely manner.

Auditee’s Response and Action Plan

The auditee concurred with the findings and recommendations. See Auditee’s response on pages 103 through 108.
FINANCE DEPARTMENT

**ACCRUALS WERE RECORDED ON THE FINANCIAL STATEMENTS WITHOUT EVIDENCE OF RECEIVING REPORTS CONFIRMING RECEIPT OF GOODS.**

As noted in the Schedule of Findings and Questioned Costs issued by the external auditor, a total of $1.3 million was recorded as accruals on the City’s financial statements without evidence of receiving reports confirming receipt of goods as required by Generally Accepted Government Accounting Standards. Said accruals were recorded on the basis of information (approval stamps and statements denoting “for accrual purposes”) submitted by the City’s Police department (PD). However, a reversing adjusting entry totaling $1.3 million was recorded as recommended by the external auditor since the goods/services were not received by the PD on or before September 30, 2006.

An effective internal control procedure would ensure that all transactions recorded are properly supported by receiving reports confirming receipt of goods and/or services.

**Recommendation.**

Internal control procedures should be enhanced to ensure that all transactions recorded are properly supported by receiving reports confirming receipt of goods and/or services.

**Auditee's Response and Action Plan.**

Please see written response on page 109 through 112.
Date: July 11, 2007

To: Diana Gomez, Director
Finance Department

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mrs. Gomez:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by July 16, 2007.

Chapter 18, Article IX, Section 18-542(10) of the City Code as amended, provides that "The City shall provide for the on-going generation and utilization of financial reports on all funds comparing budgeted revenue and expenditure information to actual on a monthly and year-to-date basis. The finance department shall be responsible for issuing the monthly reports to departments, the mayor and city commission, and provide any information regarding any potentially adverse trends or conditions. These reports should be issued within thirty (30) days after the close of each month. The annual external audit reports (Comprehensive Annual Financial Report (CAFR), Single Audit, and Management Letter) of the city shall be prepared and presented to the mayor and city commission by March 31 of each year. The city commission shall convene a workshop meeting with the external auditors to review the findings and recommendation of the
audit. Financial reports, offering statements and other financial related documents issued to the public, shall provide full and complete disclosure of all material financial matters.”

Our review to determine whether the required reports were issued on a timely manner disclosed the following:

- Our audit disclosed that monthly financial reports were not issued within 30 days after the close of each month for the months of April and August 2006. The number of days late ranged from 2 to 4 days as noted below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Books Closed</th>
<th>Reports Due</th>
<th>Reports issued</th>
<th>Number of days late</th>
</tr>
</thead>
</table>

I agree [✓] I disagree _______ Please Initial ___________ Date 7/13/07

Explanation


- The Comprehensive Annual Financial Report (CAFR) dated April 2, 2007, was published on April 30, 2007 (a delay of 30 days) noted below.

<table>
<thead>
<tr>
<th>Due Date</th>
<th>CAFR issue date</th>
<th>Number of days late</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/07</td>
<td>4/30/07</td>
<td>30</td>
</tr>
</tbody>
</table>

I agree [✓] I disagree _______ Please Initial ___________ Date 7/13/07

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/810, FL 33312-8150
Explanation

We noted that as of July 11, 2007, the Single Audit and the Management Letter have not been published (a delay of 102+ days) as noted below.

<table>
<thead>
<tr>
<th>Due date</th>
<th>Audit held week date</th>
<th>Number of days late</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/07</td>
<td>7/11/07</td>
<td>102</td>
</tr>
</tbody>
</table>

Additionally, pursuant to the Office of Management and Budget (OMB) Circular Number A-133, Subpart C, Section 320, the Single Audit shall be completed and the data collection and/or reporting package shall be submitted to the Federal Audit Clearinghouse the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. The City's fiscal year ended September 30, 2006; therefore, the Single Audit report was due to the Federal Audit Clearinghouse by June 30, 2007 (nine months after the end of the audit period). However, as of July 11, 2007, the said audit has not been completed, published and submitted to the Federal Audit Clearinghouse.

I agree [ ] I disagree [ ] Please Initial [ ] Date 8/10/07

Explanation: The Finance Department contacted the Federal Audit Clearinghouse to request an extension. Upon inquiry of the representative, Paul Fite, from the Clearing House, stated that extension needed to be requested by the City's cognizant agency, not the Clearing House.

The City requested and received an extension from the US Dept of HEO, the City's cognizant agency, through July 31, 2007. See attached copy of extension letter.
The monthly and/or other financial reports are important tools that provide invaluable financial data/information to the City Commission and the public. When such required reports are not prepared and/or published on a timely manner, important decisions could be delayed and problems, if any, may not be dealt with in a timely manner.

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by July 16, 2007. Due to the urgency of completing this project, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
July 5, 2007

City of Miami
Department of Finance
P.O. Box 330708
Miami, FL 33233-0708
Attn: Diana M. Gomez, Finance Director

Dear Ms. Gomez:

We received your letter dated June 26, 2007, requesting an extension to July 31, 2007, for filing the Federal Single Audit for the City of Miami, Florida, for the year ended September 30, 2006.

We will approve your request for an extension to July 31, 2007. Although an extension to file your audit report is granted, please be aware that we still consider your report to be filed late which will affect your status to be considered as a low-risk auditee in accordance with OMB Circular A-133 Paragraph 530.

Please note that our approval of your request for an extension is for your audit report and does not cover the submission of Financial Reports or unaudited financial statements required to be submitted to HUD.

In accordance with OMB Circular A-133, Subpart C, Paragraph 300 (e), please notify the Clearinghouse and each pass-through entity providing Federal awards of the extension.

This approval covers all funded activities except for the Low-Income Public Housing Program, the Section 8 Voucher or Moderate Rehabilitation Program or any other HUD-funded program administered by a public housing agency having responsibility for such programs in your jurisdiction. If your request for an audit extension includes HUD's financial statements for any of the previously cited programs, you must send a separate request for an extension to cover those programs to the following address:

HUD - Real Estate Assessment Center
550 12th Street SW
Washington, DC 20410
Attn: Elizabeth Hanson
Failure to submit your financial statement on time to the Real Estate Assessment Center may have an effect on the score you will receive in the Public Housing Assessment System.

If you have any questions or need additional information you may contact me at (215) 430-6733.

Sincerely,

George A. Datto
National Single Audit Coordinator
Date: August 7, 2007

To: Diana Gomez, Director
Finance Department

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mrs. Gomez:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by August 7, 2007.

As noted in the Schedule of Findings and Questioned Costs comment number 06-05 for the Fiscal Year (FY) 2006, a package titled “Invoices Pending Delivery” totaling $1.3 million was sent by the Police Department (PD) to the Finance Department for accruals as of September 30, 2006. We noted that the accruals were recorded by the Finance Department based on the information submitted by the PD. However, as part of the audit for the Fiscal Year (FY) ended 2006, the external auditors requested that the $1.3 million accruals recorded by Finance be reversed since the goods and services were not received by the PD.

Additionally, 5 invoices totaling approximately $134,402.48 that were included in the $1.3 million package discussed above were also submitted for payment at a later date.
once the goods had been received. The said 5 invoices had the approval stamps and/or
sign offs in different places on the invoices being processed for payment, with different
dates, and had the "accrual purposes" crossed out.

An effective system of internal controls needs to be implemented to ensure that only valid
invoices are accrued at year end. If our understanding is correct, could you briefly
explain why the transactions were booked without evidence of receiving report
confirming receipt of goods?

I agree [ ] I disagree [ ] Please Initial [ ] Date 8/7/07

Explanation see attached

Please initial and date, if you agree with the audit finding. If you disagree, please provide
written explanation and supporting documents by August 7, 2007. Due to the urgency of
completing this project, a timely response would be greatly appreciated. If you have any
questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
This serves in response to the memorandum of understanding dated August 7, 2007 regarding management letter comment 06-05.

At year end, the Finance Department requests from all City departments a listing of all accruals that are necessary in order to close out the fiscal year. Instructions are provided as to what should be considered a year end accrual (e.g., goods or services received on or before September 30th). The Finance Department does not validate each and every item to receiving reports or confirm the specific receipt of goods; that is the responsibility of the department submitting the request for accrual.

For Fiscal Year 2006, the Finance Department gave specific instructions to submit only those items that were needed for accrual. Finance also gave specific instructions that no encumbrances would be carried forward as done in prior years, since the City was converting financial systems. Any requests for carry-overs needed to be address with the Budget Department.

The Finance Department received several packages from the Police Department (PD) titled “For Accrual Purposes Only” during the year end closing processes for FY 2006. The package you are referring to was titled “For Accrual Purposes Only” and included a sub-title “Invoices Pending Delivery”. This package was incorrectly booked as accruals by Finance due to a miscommunication between Finance and Police during the new ERP system conversion. Police submitted these items directly to Finance; however, it should have been submitted to Budget as a carry-over encumbrance request. Finance inadvertently recorded these items as accruals and they were subsequently reversed by the auditors. Finance believes this error was due solely to a mixup during conversion and confusion as a result of new year-end closing timelines. Finance does not expect this error to occur in the future.

Regarding the 5 invoices referenced in your memo, these items were submitted for payment only after the Police Department received the goods. These items were paid by Finance based on invoices received with original signatures by authorized individuals in the Police Department. Per discussions with the Police Department personnel during the year end audit, it was discussed that the invoices in question are for uniform orders which are received in different shipments; therefore, Police uses the same invoice and only partially pays for the
items that were actually received. This practice led to some confusion since the same invoice had authorizations on different places with different dates. Finance recommended that Police not utilize this practice as it can be confusing when processing for payment. Police representatives agreed.

The Finance Department has both manual and system controls in place to effectively insure that only valid invoices are accrued at year end. Department Directors formally request year end accruals for only those items that have been received by September 30th (i.e., manual controls). Going forward, the new Oracle ERP system has built in processes (i.e., system controls) to ensure that the departments validate receipt of goods, in the system, once the goods or services have been received. This new function will allow Finance to run the necessary reports and only accrue those items that have been validated as received by the departments on or before September 30th.
Chapter 18, Article IX, Section 18-542(11) of the City Code, provides that, “The City shall endeavor to maintain formal policies, which reflect “best practices” in the areas of:

“(a) Debt: Such policy shall address affordability, capacity, debt issuance and management.”

- Our audit disclosed that the “Debt Management Policy”, which describes the purpose, policy statement, finance committee, general debt governing polices, specific debt policies, and ratios and measurement, has been implemented. The “Debt Management Procedures Manual” covered issues such as capital budget review, establishment of a schedule for the issuance of debt obligation, method of sale, financing team, selection of bond counsel and disclosure counsel, selection of financial advisor, selection of bond underwriters, review of financing team and other processes and procedures. If the Debt Management Policy and Procedures Manuals as articulated are properly implemented, issues relating to affordability, capacity to issue and manage debt would be enhanced. The City re-entered the bond market in fiscal year 2002.

“(b) Cash Management and Investments: Such policy shall require 24-month gross and net cash-flow projections by fund and address adequacy, risk, liquidity and asset allocation issues.”

- Our audit disclosed that an “Investment Policy” has been implemented. The issues covered include, but are not limited to, investment objectives, delegation of authority, standards of prudence, ethics and conflict of interests, internal controls and investment procedures, competitive selection of investment instrument, derivatives and reverse repurchase agreements, performance measurements, and reporting. The Treasury Division of the Finance Department is responsible for managing cash and
investment transactions for all the funds held by or for the benefit of the City. We noted that 24-month gross and net cash-flow projections were prepared by fund.

“(c) Budget Development and Adjustments: Such policy shall establish proper budgetary preparation procedures and guidelines, calendar of events, planning models by fund, budget adjustment procedures, establishment of rates and fees, indirect costs/interest income and the estimating conference process. The proposed budget should be scheduled to allow sufficient review by the mayor and city commission while allowing for sufficient citizen input. The city budget document reflecting all final actions as adopted by the city commission on or before September 30 of each year, shall be printed and made available within 30 days of such adoption.”

- We noted that every department was provided with a “Budget Preparation Toolkit,” which included detailed budgetary preparation procedures, guidelines, and a calendar of events for the City’s annual budget. The Anti-Deficiency Ordinance sets forth a policy that would ensure that expenditures do not exceed budgeted amounts and that budget adjustments be documented on a “Transfer of Funds” form. The City Commission in accordance with applicable State Statutes determines the millage rates and also sets the fire/solid-waste fees.

- The Strategic Planning, Budgeting and Performance Department (SPBPD) is responsible for performing the indirect cost analysis, however, said analysis was not included in the FY 2006 budget book. Upon audit inquiry, we were informed that the cost analysis was not finalized by the Public Resource Management Group before the FY 2006 budget was issued.

- We also noted that input and/or assistance provided by the Estimating Conference principals was not documented and maintained as part of the public record.

- The estimates for interest income are provided to the SPBPD by the Finance Department in accordance with the Finance Department’s investment policy.

- The annual budget for the audit period was adopted on September 27, 2005 before the September 30 deadline.
“(d) Revenue Collection: Such policy shall provide for maximum collection and enforcement of existing revenues, monitoring procedures, and the adequacy level of subsidy for user fees.”

- We noted that “Collection Accounts Policies and Procedures” and “Billings and Collections Manual” have been implemented. The policies/procedures manual described the procedures to be followed for revenue collection. Additionally, it described the process of monitoring accounts receivable and determining which accounts would be placed with collection agencies. The City has a contract with Penn Credit, a debt collection agency. All payments received from the debt collection agency are processed and monitored through a lockbox system. The agency is paid 15% of the amount collected.

“(e) Purchasing Policy: Such policy shall establish departmental policies and procedures and provide appropriate checks and balances to ensure the city departments adhere to the city’s purchasing policies.”

- The Section 29 of the City Charter and Chapter 18, Article III, Sections 71 through 146 of the City Code govern the acquisition of goods/services utilized in the operation of the City. Additionally, we noted that the Purchasing department has implemented a Procurement Procedure Manual, which describes procurement functions, the bidding process, the buying process and the preparation of applicable forms. The Manual is posted on the City’s website. The applicable Sections of the City Charter/Code and the Procurement Procedure Manual, as noted above, provide detailed purchasing policies and procedures. The policies and procedures, if properly implemented, would provide appropriate checks and balances as it relates to the acquisition of good/services.

Recommendation

We recommend that Finance Department continue to review and update all policies and procedures periodically.
Auditee’s Response and Action Plan

The Finance Department concurs with the audit recommendation.
Chapter 18, Article IX, Section 18-542(12) of the City Code, provides that, “Such committees shall be created, to the extent feasible, and contain a majority of citizen and/or business appointees from outside city employment to review city solicitations (“requests for proposals”, etc.), and all collective bargaining contract issues. The recommendations of the evaluation committee shall be provided to the mayor and city commission on all such contracts prior to presentation for official action.”

Our review disclosed that City of Miami Ordinance No. 12271 includes a section titled “Cone of Silence.” This section of the Ordinance prohibits communication regarding Invitations for Bids (IFB), Requests for Proposals (RFP), Requests for Qualifications (RFQ), Requests for Letter of Interest (RFLI) or any other advertised solicitation with an outside body. During the audit period, the City issued approximately 70 bids and 29 RFP/RFQ/RFLI transactions (including 11 RFP/RFQ/RFLI for Capital Improvement Program (CIP) projects). Our test of 14 evaluation committees for compliance disclosed that 5 (or 35%) evaluation committees did not consist of a majority of citizens and/or business appointees from outside City employment as committee members. Four (4) of the 5 exceptions noted were evaluation committees relative to CIP projects and the remaining committee was organized by the Purchasing Department.

Upon audit inquiry, the CIP and the Purchasing Department Directors stated that they attempted to convene an evaluation committee consisting of a majority of citizens and/or business appointees from outside City employment. However, they had difficulty identifying citizens who could volunteer their time and who possessed the required skills.

We noted that Employee Relations Department finalized four labor union agreements during the audit period. However, appointments from outside City employment did not participate in the negotiations because constraints imposed by Chapter 447 of the Florida statutes limits the
use of citizens and/or business appointees from outside City employment during negotiations labor union agreements

Recommendation

We recommend that citizens and/or business appointees from outside City employment be invited to participate, to the extent feasible and governed by the Cone of Silence provisions, in the evaluation process of all material RFP, RFLI, and/or RFQ solicitations.

Auditee’s Response and Action Plan

See auditee written responses on pages 119 through 126.
Date: July 9, 2007

To: Ola Aluko, Director
   Capital Improvement Program (CIP)

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Aluko:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by July 11, 2007.

Chapter 18, Article IX, Section 18–542(12) of the City Code, provides that “Such committees shall be created, to the extent feasible, and contain a majority of citizen and/or business appointees from outside city employment to review city solicitations (“request for proposals”, etc.), and all collective bargaining contract issues. The recommendations of the evaluation committee shall be provided to the mayor and city commission on all such contracts prior to presentation for official action.”

During the audit period, we noted that the City issued approximately 70 bids and 29 RFP/RFQ/RFLI transactions (including 11 RFP/RFQ/RFLI for Capital Improvement Program (CIP) projects). Our test of 5 of the RFP/RFQ/RFLI transactions relative to the CIP projects disclosed that citizens and/or business appointees from outside City
employment did not participate in 2 (or 40%) of the 5 transactions tested. Additionally, although an evaluation committee was created for 2 of the 5 transactions tested, it did not contain a majority of citizen and/or business appointees from outside City employment as illustrated in the table below.

<table>
<thead>
<tr>
<th>Number</th>
<th>Title</th>
<th>Was an evaluation committee created?</th>
<th>Were Citizens and/or Business Appointees from outside City employment part of evaluation committee?</th>
<th>Number of citizens and/or business appointees from outside City employment</th>
<th>Number of city employees</th>
<th>Were Citizens and/or business appointee the majority?</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-06-022</td>
<td>Program Management for City of Miami Orange Bowl renovation (CIP)</td>
<td>Yes</td>
<td>Yes</td>
<td>1</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>05-06-081</td>
<td>Professional and Architectural Engineering Services for a Museum at Virginia Key Beach</td>
<td>Yes</td>
<td>Yes</td>
<td>3</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>05-06-038</td>
<td>Surveying/Mapping Services for Miami Street Car Project</td>
<td>Yes</td>
<td>No</td>
<td>0</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>05-06-077</td>
<td>Miami Street Car Geotechnical Services</td>
<td>Yes</td>
<td>No</td>
<td>0</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>05-06-89</td>
<td>Architectural Engineering Services for the Design of the Orange Bowl</td>
<td>Yes</td>
<td>Yes</td>
<td>3</td>
<td>2</td>
<td>Yes</td>
</tr>
</tbody>
</table>

I agree [✓] I disagree [ ] Please Initial [ ] Date [ ]

Explanation

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by July 11, 2007. Due to the urgency of
I have reviewed and concur with the above referenced audit dated July 9, 2007. However, while we make every effort to obtain individuals from the public to serve on evaluation committees, there are two areas that adversely impact obtaining the participation of the public:

- Short timeframes for review of submittals and notices of meetings
- Ability to commit the length of time necessary to review the submittals
- Time taken from their work

Responses to requests for proposals or qualifications and other similar solicitations typically result in the submission of lengthy detailed documents. The responses routinely will exceed fifty pages. Considerable time is necessary to review submittals, especially for someone who is typically not involved in the evaluation of such submittals. This issue can become significant when there is a high level of response to a solicitation that results in a large volume of material to read. We have had solicitations which have resulted in as many as thirteen (13) submittals.

Due to the impact delays could cause in the design and construction of projects there is a short turnaround time for evaluation committees to meet and issue their recommendations. In most instances an evaluation committee member will only have approximately one week or less to review submittals. They would then be required to attend one and possibly two meeting which could be either half or full days.

In some instances we have been able to delay the evaluation of the submittals until we have been able to find individuals from the public to serve on the evaluation committees. However, due to significant time constraints such delays are not always possible and as a result we have not had the required levels of participation.

We have and will continue to make every effort to ensure participation by members of the public and will improve our record keeping to insure documentation is maintained on the efforts made to obtain the stipulated levels of participation.
Date: July 18, 2007
To: Glenn Marcos, Director
   Purchasing Department
From: Marie B. Severe, CPA, CIA, Senior Staff Auditor
Subject: Audit of the Financial Integrity Principles

Dear Mr. Marcos:

Chapter 18, Article IX, Section 18-542(12) of the City Code, provides that "Such committees shall be created, to the extent feasible, and contain a majority of citizen and/or business appointees from outside city employment to review city solicitations ("request for proposals", etc.), and all collective bargaining contract issues. The recommendations of the evaluation committee shall be provided to the mayor and city commission on all such contracts prior to presentation for official action."

During the audit period, we noted that the City issued approximately 70 bids and 29 RFP/RFQ/RFLI transactions (including 11 RFP/RFQ/RFLI for Capital Improvement Program (CIP) projects). Our test of 9 of the RFP/RFQ/RFLI transactions (excluding CIP projects) disclosed that 1 of the 9 evaluation committees tested for compliance, did not include a majority of citizens and/or business appointees from outside City employment as illustrated in the table below.
Upon audit inquiry, the Purchasing Department Director stated that his department made an attempt to convene an evaluation committee consisting of a majority of citizen and/or business appointees from outside City employment. However, it had difficulty identifying citizens who could volunteer their time and possessed the Information Technology (IT) expertise required to make informed decision on evaluating proposals regarding the procurement of a Geographic Information System (GIS), which involves understanding how electronic data is captured, stored, analyzed, and managed with the associated attributes spatially referenced to the earth.

I agree [ ] I disagree [✓] Please Initial ______ Date ______

Explanation Please see attached email. You did not include the portion highlighted in yellow as part of my response. While reviewing the Draft Request for Proposal your reference to GIP...izzle sentence may reference to GIP.

Please initial and date, if you agree with the audit finding. If you disagree, please provide written explanation and supporting documents by July 24, 2007. Due to the urgency of...
completing this project, a timely response would be greatly appreciated. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

C: Victor Igwe, CPA, CIA, Auditor General
       Audit Documentation File
RFQ No. 05-05-021, State Lobbying Services, was rejected by the City Manager (see fourth above attachment) because the scope of work needed to be re-defined for the various areas of expertise. Thus, the Evaluation/Selection Committee never evaluated any of the responses. Hence, no findings should have been rendered. A finding could have been rendered under the scenario where the Evaluation/Selection Committee would have evaluated and scored the responses; and, then would have rejected all responses. But this was not the case here. If you review the Evaluation Scoring Sheets of all of the Committee members, you will ascertain that no scoring occurred.

Lastly, for RFQ No. 05-06-062, Color Aerials for the City of Miami’s Enterprise GIS Program, the Purchasing Department did make an attempt on having an Evaluation Committee consisting of majority external members. However, the Purchasing Department had a difficult time in identifying external members who were able to volunteer their time and possessed the Information Technology (I.T.) expertise required to make an informed decision on evaluating proposals regarding the procurement of a Geographic Information System (G.I.S.), which involves understanding how electronic data is captured, stored, analyzed, and managed with the associated attributes spatially referenced to the earth. Therefore, the Committee was created, to the extent feasible as required by the Financial Integrity Principle, with the majority of the Committee members being city employees versus non-city employees, 3 to 2. It is sometimes a difficult process to convince a group of volunteers not employed by the City to donate their time for one to possibly three meetings depending on the nature of the formal solicitation and the amount of responses received to evaluate proposals. Even though an audit finding might be rendered for this process, I respectfully request that you allow for the record to reflect that Purchasing met the spirit of the Financial Integrity Principle and that a good faith effort was attempted to meet said requirement.

Respectfully,

Glenn Marcos, CPP0, CPPB, FCPM, FCPA
Chief Procurement Officer
444 SW 2nd Avenue
Miami, FL 33130
Phone: (305) 416-1910  PC Fax: (305) 409-5167
E-Mail Address: gmarcos@ci.miami.fl.us
Visit our website: www.ci.miami.fl.us/procurement

CONFIDENTIAL COMMUNICATION

The information contained in this transmission may contain privileged and confidential information. It is intended only for the use of the person(s) named above. If you are not the intended recipient, you are hereby notified that any review, dissemination, distribution, or duplication of this communication is strictly prohibited. If you are not the intended recipient, please immediately contact the sender by reply E-mail and destroy all copies of the original message. Thank you.

*Please Note:

Due to Florida’s very broad public records law, most written communications to or from City of Miami employees regarding City business are public records, available to the public and media upon request. Therefore, this e-mail communication may be subject to public disclo
Why are you doing this? I don't like it and nothing good can come out of it
--------------------
Sent from my BlackBerry Wireless Handheld

This communication may contain confidential and/or otherwise proprietary material and is
thus for use only by the intended recipient. If you received this in error, please contact
the sender and delete the e-mail and its attachments from all computers.

----- Original Message ----- 
From: Marcos, Glenn <GMarcos@ci.miami.fl.us>
To: Mayor and Commissioners <MayorandCommissioners@miami-police.org>; Department Directors
and Assistants <DirectorsandAssistants@ci.miami.fl.us>; Allen, Jeffery
<JAllen@ci.miami.fl.us>
CC: Crapp Jr, Tony <tcrapp@ci.miami.fl.us>; Duran, Eric <EDuran@ci.miami.fl.us>
Cotanchado, Frank <FCotanchado@ci.miami.fl.us>; Reiman, Al <AReiman@ci.miami.fl.us>; Wright,
Steve <SWright@ci.miami.fl.us>; Sorzilla, Teresa <TSorzilla@ci.miami.fl.us>; Balzebre,
Frank <FBalzebre@ci.miami.fl.us>; Walker, Jason <jwalker@ci.miami.fl.us>; Laguardia, Regla
<RLaguardia@ci.miami.fl.us>; Lee, Brenda <BLee@ci.miami.fl.us>; Vickers, Milton
MVickers@ci.miami.fl.us>
Subject: RE: City Departments' Procurement Roles & Responsibilities

Dear Mayor, Commissioners, Directors and Assistant Directors:

In the last couple of days I have spoken to people or come across certain situations
leaving me with the impression that some City personnel believes that the Purchasing
Department is responsible for issuing formal bids on behalf of CIP and Public Works. In
my efforts to clear up this misunderstanding, please be advised that this has never been
the case now nor in the past during my employment with the City of Miami.

Hence, such bids relating to construction, public work improvements, road rehabilitation,
מידשאלה, etc., has historically been managed by Public Works in the past, and, since the
creation of CIP, those tasks have been separated. Currently, CIP is responsible for
issuing bids and managing their own procurement process for construction, road
rehabilitation, street repaving, etc. and Public Works is responsible for issuing bids and
managing their own procurement process for public work improvements in the areas of right-
of-ways, drainage improvements, sidewalk repairs, etc.

The Purchasing Department is responsible for issuing bids and managing the procurement
process for goods and/or services.

The general purpose of this email is to clarify the procurement roles and responsibilities
of the various City departments and to have you disseminate this information to your
respective staff in order to give the general public, residents, and City staff clear
instructions and/or directions on where to go or which department to contact on
procurement related issues.

Respectfully,

Glenn Marcos
Chief Procurement Officer
444 SW 2nd Avenue
Miami, FL 33130
Phone: (305) 416-1910 Fax: (305) 416-1925
E-Mail Address: gmarcos@ci.miami.fl.us

126
Chapter 18, Article IX, Section 18-542(13) of the City Code, provides that, “The city shall define its core services and develop financial systems that will determine on an annual basis the full cost of delivering those services. This information shall be presented as part of the annual budget and financial plan.”

The core services provided by the City include: public safety (police and fire-rescue services), parks/recreation, solid waste and public works. The financial/budgetary systems, which accumulate all costs of delivering these core services, on an annual basis, have been implemented by the Finance Department and the Strategic Planning, Budgeting and Performance Department (SPBPD).

Our audit disclosed that the full cost of providing all core services was not presented as part of the annual budget and financial plan for the fiscal year 2006 because the indirect cost allocation plan for the City was still in the process of being completed by the Public Resource Management Group (PRM). Upon audit inquiry, the SPBPD stated that said cost was included in the fiscal year 2007 budget book.

Recommendation

The full cost of providing all core services should be presented as part of the annual budget and financial plan.

Auditee’s Response and Action Plan

Please see written response on pages 128 and 129.
Date: May 30, 2007

To: Michael Boudreaux, Acting Chief
Strategic Planning, Budgeting, and Performance Department (SPBPD)

From: Marie B. Severe, CPA, CIA, Senior Staff Auditor

Subject: Audit of the Financial Integrity Principles

Dear Mr. Boudreaux:

Pursuant to our ongoing audit of the Financial Integrity Principles for the period October 1, 2005 through September 30, 2006, please confirm our understanding of the following and provide any additional records and/or documentation by June 7, 2007.

Chapter 18, Article IX, Section 18-542(13) of the City Code, provides that, “The city shall define its core services and develop financial systems that will determine on an annual basis the full cost of delivering those services. This information shall be presented as part of the annual budget and financial plan.”

Our audit disclosed that the total full cost of providing all core services was not presented as part of the annual budget and financial plan for the fiscal year 2006 because the indirect cost allocation plan for the City was still in the process of being completed by Public Resource Management Group (PRM). Upon audit inquiry, the SPBPD stated that the said cost was included in the fiscal year 2007 budget book.

Your understanding is ☑ Correct; ☐ Incorrect. Please initial: _____
Explanation

Please initial and date, if my understanding is correct. If my understanding is incorrect, please provide written explanation and supporting documents by June 7, 2007. If you have any questions or comments, please feel free to contact me at 305-416-2049.

Thank you for your cooperation in this matter.

Michael Boudreaux, Acting Chief
Strategic Planning, Budgeting, and Performance Department

C: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
FINANCE DEPARTMENT


COMPREHENSIVE ANNUAL FINANCIAL REPORT – Rachlin Cohen and Holtz LLP partnered with Harvey, Branker & Associates, Rodriguez, Trueba & Co., CPA, P.A., and Susan M Garcia, P.A. has audited the City’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. The auditors issued an unqualified opinion on the City’s CAFR in an audit report dated on April 2, 2007. When an unqualified opinion is issued, the auditors certify that the City’s basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

MANAGEMENT LETTER - Section 10.554(1)(h), Rules of the Auditor General, State of Florida, require the external auditors to issue a Management Letter and include it as a part of the audit report. The Management Letter shall include: a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report; a statement as to whether or not the City complied with Section 218.415 Florida Statutes regarding the investment of public funds; inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations, and contractual provisions that have occurred; a statement as to whether or not the City has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes; information regarding the auditor’s financial condition assessment; any recommendations to improve the City’s financial management, accounting procedures, and internal controls; and other matters. Based on our review of the Management Letter dated April 2, 2007 (except for matters related to the Federal and Florida Single Audit as to which the date is June 22, 2007) and the accompanying Schedule of Findings and Questioned Costs, we noted that Rachlin Cohen and Holtz LLP, determined the following:
3. Regarding findings and recommendations to improve the City’s financial management, accounting procedures, and internal controls, the schedule of Findings and Questioned Costs for the audit period October 1, 2005 through September 30, 2006 disclosed eight (8) reportable conditions five (5) of which are material weaknesses, one (1) instance of non-compliance, and six (6) other matters.

4. There are a total of eleven (11) outstanding prior audit findings relative to the periods ended September 30, 1997 through September 30, 2005 that are yet to be resolved:

7. All findings for the fiscal year ended 2005 were revised and included in the comments for the fiscal year ended 2006

8. Three (3) for the fiscal year ended 2004.
   - Two (2) for the fiscal year ended 2003.
   - Two (2) for the fiscal year ended 2001.
   - Two (2) for the fiscal year ended 2000.
   - One (1) for the fiscal year ended 1999.
   - One (1) for the fiscal year ended 1997.

3. Regarding the investment of public funds, the City complied with Section 218.415, Florida Statutes.

4. The City did not meet any of the conditions described in Section 218.503(1), Florida Statutes and was therefore not in a state of financial emergency.

5. Based on the application of financial assessment procedures there were no findings that identified deteriorating financial conditions.
Rachlin Cohen and Holtz LLP’s engagement contract also included the audit of Federal Awards and the State of Florida Financial Assistance received by the City for the fiscal year ended September 30, 2006. Federal Awards and State of Florida’s financial assistance are financial assistance and cost-reimbursement monies that non-Federal/State entities receive directly from Federal/State awarding agencies or indirectly from pass-through entities. Federal OMB Circular A-133 and the Florida Single Audit Act require a single audit when the total Federal Award/State Financial Assistance disbursed to non-Federal/State entity equals or exceeds $500,000. The auditors’ report stated that in their opinion, the City complied, in all material aspects, with the requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor’s State Projects Compliance Supplement, that are applicable to each of its major Federal awards programs and State financial assistance projects for the fiscal year ended September 30, 2006. However, the results of the auditor’s procedures disclosed two (2) instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133. In addition, the auditors noted certain matters involving the internal control over compliance and its operation that are considered to be reportable conditions. The Schedule of Findings and Questioned Costs disclosed six (6) reportable conditions, three (3) of which are considered to be material weaknesses.

**Recommendation**

The departments responsible should continue to work towards the resolution of all audit findings and recommendations, particularly those prior year’s observations and recommendations that were issued as far back as 1997 through 2005.

**Auditee’s Response and Action Plan**

None required.