CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL

AUDIT OF COMPLIANCE WITH THE FINANCIAL INTEGRITY PRINCIPLES

AUDIT REPORT NO. 010-015

Prepared By
Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Independent Auditor General

LEWIS BLAKE, CPA, SENIOR STAFF AUDITOR
August 13, 2010

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

Re: Audit of Compliance with the Financial Integrity Principles
   Audit No. 010-015

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.” This report provides the result of our audit of 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, for the period October
1, 2008, through September 30, 2009 and selected transactions prior and subsequent to this
period.

Based on our examination of applicable records we noted that the City did not comply with six
(6) of the 13 Financial Integrity Principles. Proper implementation and adherence to all 13
Principles would provide a strong framework for the integrity of the City’s financial system
and would thus enhance the protection of public funds.

Sincerely,

Victor I. Igwe, CPA, CIA
Independent Auditor General
Office of Independent Auditor General

OFFICE OF INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/Miami, FLORIDA 33130-1910
C: The Honorable Mayor Tomas Regalado
   Carlos A. Migoya, Chief Administrator/City Manager
   Members of the Audit Advisory Committee
   Tony Crapp, Jr. Assistant City Manager/Chief of Operations
   Larry M. Spring, Assistant City Manager/Chief Financial Officer
   Johnny Martinez, Assistant City Manager/Chief of Infrastructure
   Peter W. Korinis, Chief Information Officer, Information Technology Department
   Julie O. Bru, City Attorney, City Attorney’s Office
   Kenneth Robinson, Interim Director, Purchasing Department
   Nzeribe Ihekwaba, Director, Public Works Department
   Julianne Diaz, Assistant Director, Public Works Department
   Miguel Exposito, Police Chief, Police Department
   Maurice Kemp, Fire Chief, Fire-Rescue Department
   Alice Bravo, Director, Capital Improvement Program
   Ernest Burkeen, Director, Parks and Recreation Department
   Diana M. Gomez, CPA, Director, Finance Department
   Haydee Wheeler, Acting Director, NET Program
   Pilar Saenz, Assistant Director, Capital Improvement Program
   Mirtha Dziedzic, Interim Director, Strategic Planning, Budgeting & Performance
   Priscilla A. Thompson, City Clerk, City Clerk’s Office
   Audit Documentation File
INTRODUCTION ................................................................................................................................................ 1
DEPARTMENTAL RESPONSIBILITY ........................................................................................................... 2
OBJECTIVES, SCOPE, AND METHODOLOGY ........................................................................................... 4
NOTEWORTHY ACCOMPLISHMENTS ........................................................................................................ 5
CONCLUSION AND SUMMARY OF FINDINGS .......................................................................................... 6
AUDIT FINDINGS AND RECOMMENDATIONS ........................................................................................... 9

FINANCIAL INTEGRITY PRINCIPLE NUMBER 1 - STRUCTURALLY BALANCED BUDGET ........ 9
  FORECASTING TECHNIQUES COULD BE ENHANCED ........................................................................... 9
  NON-RECURRING EXPENDITURES HAVE DIMINISHED FUND BALANCE ........................................... 10
  LACK OF COMPLIANCE WITH SECTION 166.241(2), FLORIDA STATUTES .................................. 11
  ACTUAL GENERAL FUND EXPENDITURES EXCEEDED THE ORIGINAL BUDGET AND 
  RECOMMENDED THRESHOLDS .............................................................................................................. 14

FINANCIAL INTEGRITY PRINCIPLE NUMBER 2 - ESTIMATING CONFERENCE PROCESS .... 21
  COMMITTEE MEETINGS WERE HELD AND RECOMMENDATIONS WERE PROVIDED TO 
  THE CITY MANAGER, MAYOR, AND CITY COMMISSION .................................................................... 21

FINANCIAL INTEGRITY PRINCIPLE NUMBER 3 – INTERFUND BORROWING .............................. 23
  REQUESTS FOR REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER ............................. 23
  Miami Fire Rescue Department ........................................................................................................... 23
  FOLLOW-UP ON PRIOR YEAR AUDIT FINDINGS ................................................................................. 25
  Economic Initiatives ............................................................................................................................. 51

OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS ..... 56
INAPPROPRIATE USE OF LOCAL OPTION FUEL TAX (LOFT) PROCEEDS ................................. 84

FINANCIAL INTEGRITY PRINCIPLE NUMBER 4 – CITYWIDE SURPLUS OR DEFICIT ........ 106
  CITYWIDE DEFICIT ................................................................................................................................. 106
  SURPLUS ROLLEROVER EXPENDITURES WERE FOR ALLOWABLE PURPOSES ................................. 107

FINANCIAL INTEGRITY PRINCIPLE NUMBER 5 – RESERVE POLICY ........................................... 108
  INADEQUATE UNDESIGNATED RESERVES ......................................................................................... 109

LACK OF COMPLIANCE WITH THE DESIGNATED RESERVE REQUIREMENTS ........ 110
  Inadequate Designated Reserve .......................................................................................................... 110

FINANCIAL INTEGRITY NUMBER 6 – PROPRIETARY FUNDS ................................................. 120
  NO ENTERPRISE (PROPRIETARY) FUNDS REPORTED ..................................................................... 120

FINANCIAL INTEGRITY PRINCIPLE NUMBER 7 – MULTI-YEAR FINANCIAL PLAN .............. 121
  GENERAL FUND 5-YEAR PLAN AMOUNTS DO NOT MATCH ADOPTED BUDGET 
  AMOUNTS .............................................................................................................................................. 121

FINANCIAL INTEGRITY PRINCIPLE NUMBER 8 – MULTI-YEAR CAPITAL IMPROVEMENT 
  PLAN ........................................................................................................................................................... 129
  MULTI-YEAR CAPITAL IMPROVEMENT PLAN WAS NOT TIMELY APPROVED AND 
  ADOPTED ................................................................................................................................................ 129

FINANCIAL INTEGRITY PRINCIPLE 9 – DEBT MANAGEMENT ..................................................... 132
  DEBT MANAGED IN ACCORDANCE WITH REQUIRED PRINCIPLES ........................................... 132

FINANCIAL INTEGRITY PRINCIPLE NUMBER 10 – FINANCIAL OVERSIGHT AND REPORTING 
  .................................................................................................................................................................. 136
  SEVERAL FINANCIAL REPORTS WERE NOT ISSUED IN A TIMELY MANNER ............................. 136
  SEVERAL MONTHLY FINANCIAL REPORTS WERE NOT TIMELY ISSUED ................................. 136
  THE CAFR WAS NOT TIMELY ISSUED .............................................................................................. 137
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. Inter-fund Borrowing.
5. Reserve Policies.
6. Proprietary Funds.
8. Multi-year Capital Improvement Plan.
13. Full Cost of Service.

The above principles 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.
DEPARTMENTAL RESPONSIBILITY

The following table displays the departments responsible for each of the Financial Integrity Principles (FIP) and findings discussed in the report.

<table>
<thead>
<tr>
<th>FIP #</th>
<th>CAPITAL IMPROVEMENT PROGRAMS</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>COMMUNITY DEVELOPMENT</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>ECONOMIC INITIATIVES</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Requests for reimbursement were not filed on a timely basis</td>
<td>51</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>FINANCE</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>No Enterprise (Proprietary) Funds reported</td>
<td>120</td>
</tr>
<tr>
<td>9</td>
<td>Debt managed in accordance with required principles</td>
<td>132</td>
</tr>
<tr>
<td>10</td>
<td>Several monthly reports were not timely Issued</td>
<td>136</td>
</tr>
<tr>
<td>10</td>
<td>The CAFR was not timely Issued</td>
<td>137</td>
</tr>
<tr>
<td>10</td>
<td>Single Audit and Management Letter were not timely issued</td>
<td>137</td>
</tr>
<tr>
<td>11</td>
<td>Basic Financial Policies Were Maintained</td>
<td>145</td>
</tr>
<tr>
<td>13</td>
<td>Full Cost of Service was included in Budget Book</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>The Review of CAFR, Management Letter and Single Audit Reports</td>
<td>151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>FIRE-RESCUE</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Requests for Reimbursement Were Not Filed on a Timely Basis</td>
<td>23</td>
</tr>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>57</td>
</tr>
<tr>
<td>FIP #</td>
<td>INFORMATION TECHNOLOGY</td>
<td>Page #</td>
</tr>
<tr>
<td>-------</td>
<td>------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>4</td>
<td>Surplus Rollover Expenditures Were For Allowable Purposes</td>
<td>107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>NEIGHBORHOOD ENHANCEMENT TEAM (NET)</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>57</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>PARKS AND RECREATION</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>57</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>PUBLIC FACILITIES</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>No FY 2008 Surplus Rollover Expenditures Were Incurred</td>
<td>107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>PURCHASING</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Evaluation Committees Were Utilized and Properly Created</td>
<td>149</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Forecasting Techniques Could Be Enhanced</td>
<td>9</td>
</tr>
<tr>
<td>1</td>
<td>Non-recurring Expenditures Have Diminished Fund Balance</td>
<td>10</td>
</tr>
<tr>
<td>1</td>
<td>Lack of Compliance with Florida Statutes Section 241(2), Chapter 166 and the Anti-Deficiency Act</td>
<td>11</td>
</tr>
<tr>
<td>1</td>
<td>Actual General Fund Expenditures Exceeded Original Budget and Recommended Thresholds</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Estimating Conference Committee Recommendations Were Provided to the City Manager, Mayor, and City Commission</td>
<td>21</td>
</tr>
<tr>
<td>3</td>
<td>Transferred LOFT Monies Were Inappropriately Commingled with Unrestricted General Fund Monies</td>
<td>84</td>
</tr>
<tr>
<td>5</td>
<td>The required Contingency Reserve was included in the Fiscal Year 2009 Budget</td>
<td>108</td>
</tr>
<tr>
<td>5</td>
<td>The General Fund Unreserved, Undesignated Reserve was Inadequate</td>
<td>108</td>
</tr>
<tr>
<td>5</td>
<td>The General Fund Unreserved, Designated Reserve was Inadequate</td>
<td>110</td>
</tr>
<tr>
<td>7</td>
<td>Multi-Year Financial Plan Was Timely Adopted</td>
<td>121</td>
</tr>
<tr>
<td>7</td>
<td>General Fund 5-Year Plan Amounts Do Not Match Adopted Budget Amounts</td>
<td>121</td>
</tr>
<tr>
<td>8</td>
<td>Multi-Year Capital Improvement Plan Was Not Timely Approved and Adopted</td>
<td>129</td>
</tr>
<tr>
<td>11</td>
<td>Basic Financial Policies Were Maintained</td>
<td>145</td>
</tr>
<tr>
<td>13</td>
<td>Full Cost of Service Included in Budget Book</td>
<td>150</td>
</tr>
</tbody>
</table>
OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was performed pursuant to the authority set forth in Section 48 of the City’s Charter titled, “Office of Independent Auditor General”, and was conducted in accordance with the Fiscal Year 2010 Audit Plan. The examination covered the period October 1, 2008 through September 30, 2009 and focused on the following objectives:

- To determine whether the City complied with the 13 financial integrity principles [noted on page one (1)] as codified and amended in Chapter 18, Article IX, Sections 18-541 and 18-542 of the City Code.
- To recommend additional policies or actions to Management.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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 effective 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 the 13 financial integrity principles noted on page one (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.
NOTEWORTHY ACCOMPLISHMENTS

Based upon the audit tests performed, we determined that the following aspects of compliance with the Financial Integrity Principles were observed by the City:

- Estimating Conference Committee meetings were held and attended by the required number of staff and non-staff members, and the committee's recommendations were communicated to the Mayor and the City Commission in accordance with Financial Integrity Principle Number 2.
- The budget surplus for the Information Technology Department was appropriately used for the purposes set forth in Financial Integrity Principle Number 4.
- $5 million was budgeted for contingency reserve in accordance with Financial Integrity Principle Number 5.
- The City's 5 Year Financial Plan was prepared and presented to the City Commission in a timely manner and in accordance with Financial Integrity Principle Number 7.
- The City managed its debt in accordance with Financial Integrity Principle Number 9.
- The City maintained formal policies in the areas of debt, cash management and investments, budget development and adjustments, revenue collection, and purchasing as required by Financial Integrity Principle Number 11.
- A majority of the Evaluation Committee members were citizens and/or business professionals from outside City employment, and the committees' recommendations were provided to the City Manager and City Commission prior to official action in accordance with Financial Integrity Principle Number 12.
- The full cost of providing core services was included in the FY2009 budget book in accordance with Financial Integrity Principle Number 13.
CONCLUSION AND SUMMARY OF FINDINGS

We conclude that during the period October 1, 2008 through September 30, 2009 the City did not comply with six (6) of the 13 Financial Integrity Principles codified and amended in Chapter 18, Article IX, Sections 18-541 and 18-542 of the City Code.

Our testing disclosed the following instances of non-compliance with the provisions of six (6) financial Integrity principles:

FINANCIAL INTEGRITY PRINCIPLE NUMBER 1 - STRUCTURALLY BALANCED BUDGET

- Budget forecasting techniques could be enhanced.
- Funding for non-recurring expenditures has diminished the City’s fund balance.
- Lack of compliance with Section 166.241(2) of the Florida Statutes, which prohibits municipal government from exceeding budgetary authorizations. Five (5) special revenue funds and four (4) line items in the General fund exceeded their budgetary authorization as of September 30, 2009.

Refer to detailed audit findings and recommendations on pages 9 through 15.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 3 – INTERFUND TRANSACTIONS

- Our audit disclosed internal control deficiencies in grant management including, such as inadequate monitoring of the Oracle Program and Grants (PnG) module for grant-related expenditure payments; inadequate and/or inaccurate supporting documentation for reimbursement requests; and lack of inter-departmental communication resulting in:
  - Reimbursements not being made for allowable fiscal year (FY) 2009 expenditures totaling $383,213.
  - Requests for reimbursement of FY 2009 grant expenditures totaling $918,016 were not filed on a timely basis.
As of the date (June 21, 2010) of audit testing, City departments had outstanding reimbursable amounts due from various other government and grantor agencies totaling $12,752,546. The number of days outstanding for the invoices that comprised these monies ranged from 264 to 1359 days.

- Local Option Fuel Tax (LOFT) monies were inappropriately used.
  
  - LOFT monies totaling $10,414,928 were transferred from City’s Local Option Fuel Tax (LOFT) (restricted funds) to the General Funds (unrestricted funds) during FY 2008 and FY 2009 and inappropriately used to pay for electricity service to existing City Street lights and for electricity for decorative and outdoor lighting for City Parks.

Refer to detailed audit findings and recommendations on pages 23 through 88.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 5 – RESERVE POLICIES

- The total "Unreserved, Undesignated" general fund balance reserve is $47,126,666 less than the required amount.

- The total "Unreserved, Designated" general fund balance reserve is $22,275,269 less than the amount required amount.

Refer to detailed audit findings and recommendations on pages 108 through 112.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 7 – MULTI-YEAR FINANCIAL PLAN

- Several line items in the General Fund of the multi-year financial 5-Year Plan do not match the adopted budget amounts.

Refer to detailed audit findings and recommendations on pages 121 through 123.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 8 – MULTI-YEAR CAPITAL IMPROVEMENT PLAN

- The Multi-Year Capital Improvement Plan (CIP) was not timely approved and adopted.

Refer to detailed audit findings and recommendations on pages 129 through 130

FINANCIAL INTEGRITY PRINCIPLE NUMBER 10 – FINANCIAL OVERSIGHT AND REPORTING

- Several financial reports were not issued in a timely manner:
  - Several monthly reports were not timely issued.
  - The Single Audit and Management Letter were not timely issued.

Refer to detailed audit finding and recommendations on pages 136 through 139.
OFFICE OF STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE

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:

FORECASTING TECHNIQUES COULD BE ENHANCED

The City’s Office of Strategic Planning, Budgeting and Planning (OSPBP) is responsible for creating and presenting the “original” budget to the Commission for adoption by September 30th of the preceding year. Creating the budget involves reviewing and considering the City’s financial outlook, comprehensive strategic plan, City departmental needs, and external factors such as the performance of the local and national economy. In addition, OSPBP relies on input from an “Estimating Conference Committee”, which is convened in order to review all methodologies and estimates employed in the budget process.

Based on external and internal factors that impacts City operations during the course of the fiscal year, OSPBP annually submits an amended or “final” budget towards the end of the fiscal year for the approval of the City Commission.

We noted that the “original” fiscal year (FY) 2009 budget presented by OSPBP and adopted by the City Commission on September 25, 2008 (Resolution 08-0553) indicated that no ($0.00) non-recurring revenues (transfers of operating savings rollover amounts, as well as other
transfers into the general fund) would be needed to fund non-recurring expenditures such as pension costs. However, the final FY 2009 audited Comprehensive Annual Financial Report (CAFR) indicated that $53,604,861 of non-recurring revenues was actually required to balance the budget. It should be noted, however, that the “final” budget was amended so as to reflect the actual net decrease of $53.6 million in fund balance.

Lastly, we noted that if not for $66,906,558 of pension costs, use of non-recurring sources to balance the City’s budget would have been unnecessary. Also, we noted that in the past 4 years, pension costs have become material recurring costs. As a result, the structural balance of City budgets has become questionable.

A well derived budget document assists the governing body in its decision making processes, therefore, the Office of Strategic Planning, Budgeting, and Performance should continue to enhance its budget forecasting techniques.
revenues (taxes and fees) were sufficient to fund budgeted recurring expenditures (salaries and other operating expenses). However, as mentioned above, non-recurring revenues (e.g. operating savings rollovers and transfers from fund balance reserves) were used mainly to fund pension costs (non-recurring expenditures), in four (4) of the last five (5) fiscal years. Such funding of non-recurring expenditures has continually diminished the City’s fund balance as illustrated below. Therefore, in budgeting for non-recurring expenditures, it is important that management closely monitor and structure the budget so as to decrease or limit total expenditures and/or increase recurring revenues and other funding sources.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ending Fund Balance</th>
<th>Yearly Increase (Decrease) fund balance</th>
<th>Yearly Percent Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>141,862,336</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>136,852,762</td>
<td>(5,009,574)</td>
<td>-3.5%</td>
</tr>
<tr>
<td>2005</td>
<td>117,105,055</td>
<td>(19,747,707)</td>
<td>-14.4%</td>
</tr>
<tr>
<td>2006</td>
<td>126,256,513</td>
<td>9,151,458</td>
<td>7.8%</td>
</tr>
<tr>
<td>2007</td>
<td>100,450,144</td>
<td>(25,806,369)</td>
<td>-20.4%</td>
</tr>
<tr>
<td>2008</td>
<td>93,577,448</td>
<td>(6,872,696)</td>
<td>-5.4%</td>
</tr>
<tr>
<td>2009</td>
<td>39,972,587</td>
<td>(53,604,861)</td>
<td>-53.4%</td>
</tr>
</tbody>
</table>

**LACK OF COMPLIANCE WITH SECTION 166.241(2), FLORIDA STATUTES**

Section 166.241(2) of the Florida Statutes requires municipalities to adopt a budget each fiscal year. The statute also requires adopted budgets to “…regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.” Also, 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 procedures disclosed that as of the end of Fiscal Year 2009 (FY 2009), five (5) City funds exceeded their budgeted authority as illustrated in the table below:

<table>
<thead>
<tr>
<th>Fund/Source</th>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development &amp; Planning Services Other Financing Sources (Uses)</td>
<td>0</td>
<td>207,496</td>
<td>(207,496)</td>
</tr>
<tr>
<td>Parks &amp; Recreation Services Fund Transfers Out/Other Financing Sources (Uses)</td>
<td>0</td>
<td>667,254</td>
<td>(667,254)</td>
</tr>
<tr>
<td>General Special Revenue Fund Other Financing Sources (Uses)</td>
<td>0</td>
<td>1,194,764</td>
<td>(1,194,764)</td>
</tr>
<tr>
<td>Departmental Improvement Initiatives Fund Transfers Out/Other Financing Sources (Uses)</td>
<td>104,379</td>
<td>868,379</td>
<td>(764,000)</td>
</tr>
<tr>
<td>Public Services Tax Fund Transfers Out/Other Financing Sources (Uses)</td>
<td>63,916,976</td>
<td>64,339,922</td>
<td>(422,946)</td>
</tr>
</tbody>
</table>

The variances listed above were attributed to the fact that there is no separate line item for the special revenue fund “Transfers-Out” amount in the budget. Instead, the said amount is included in the operating expenditure line item amount. In addition, the City’s Oracle system was not timely updated thus causing discrepancies in the reporting of “Transfers-Out” amounts. Going forward, in order to facilitate timely budgetary information updates in Oracle, as well as to increase transparency and accountability, OSPBP staff indicated that separate “Transfers-Out” line items will be included in future adopted budgets.

**Recommendation**

It is important that actual expenditures be as close as possible to the projected budget. Budget amendments should be prepared, approved, and entered into the accounting system during the
year to avert negative variances and ensure compliance with the Section 166.241(2), Florida Statutes and the City’s Anti-Deficiency Act. Accordingly, OSPBP and FD should communicate and jointly ensure that all inter-fund transfers are fully documented, presented to the City Commission, and entered into the accounting system in a timely manner.

Auditee Response and Action Plan:

See auditee response on page 18.
ACTUAL GENERAL FUND EXPENDITURES EXCEEDED THE ORIGINAL BUDGET AND RECOMMENDED THRESHOLDS

As stated above, Section 166.241(2), Florida Statutes, prohibits actual City expenditures from exceeding appropriations unless otherwise approved by the City Commission. As such, a “Close-out” budget is prepared at the end of the fiscal year and approved by the Commission in order to adjust the original budget for appropriation increases and/or decreases. According to Financial Integrity Principle #7, the original budget, which includes the multi-year financial plan, must be created and approved by the Commission on or before September 30th each year.

When we compared the General Fund (GF) original budget, (which was adopted via Resolution 08-0553 on September 25, 2008) to actual amounts indicated in the FY09 CAFR, we noted negative variances as indicated in the following schedule:

<table>
<thead>
<tr>
<th>Comparison of General Fund Original Budget to Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures:</strong></td>
</tr>
<tr>
<td>Public Safety</td>
</tr>
<tr>
<td>Original Budget (Per R-08-0553)</td>
</tr>
<tr>
<td>228,385,263</td>
</tr>
<tr>
<td>Audited FY09 CAFR</td>
</tr>
<tr>
<td>249,478,070</td>
</tr>
<tr>
<td>Variance - Positive</td>
</tr>
<tr>
<td>-21,092,807</td>
</tr>
<tr>
<td>(Negative)</td>
</tr>
<tr>
<td>-9.2%</td>
</tr>
<tr>
<td>Parks and Recreation</td>
</tr>
<tr>
<td>Original Budget (Per R-08-0553)</td>
</tr>
<tr>
<td>23,808,813</td>
</tr>
<tr>
<td>Audited FY09 CAFR</td>
</tr>
<tr>
<td>28,300,738</td>
</tr>
<tr>
<td>Variance - Positive</td>
</tr>
<tr>
<td>-4,491,925</td>
</tr>
<tr>
<td>(Negative)</td>
</tr>
<tr>
<td>-18.9%</td>
</tr>
<tr>
<td>Group Benefits</td>
</tr>
<tr>
<td>Original Budget (Per R-08-0553)</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Audited FY09 CAFR</td>
</tr>
<tr>
<td>41,314,516</td>
</tr>
<tr>
<td>Variance - Positive</td>
</tr>
<tr>
<td>-41,314,516</td>
</tr>
<tr>
<td>(Negative)</td>
</tr>
<tr>
<td>Other Financing Uses</td>
</tr>
<tr>
<td>Transfers-Out</td>
</tr>
<tr>
<td>Original Budget (Per R-08-0553)</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Audited FY09 CAFR</td>
</tr>
<tr>
<td>46,319,266</td>
</tr>
<tr>
<td>Variance - Positive</td>
</tr>
<tr>
<td>-46,319,266</td>
</tr>
<tr>
<td>(Negative)</td>
</tr>
<tr>
<td>Total Expenditures and Other Financing Uses</td>
</tr>
<tr>
<td>Original Budget (Per R-08-0553)</td>
</tr>
<tr>
<td>525,108,930</td>
</tr>
<tr>
<td>Audited FY09 CAFR</td>
</tr>
<tr>
<td>572,911,198</td>
</tr>
<tr>
<td>Variance - Positive</td>
</tr>
<tr>
<td>-47,802,268</td>
</tr>
<tr>
<td>(Negative)</td>
</tr>
<tr>
<td>-9.1%</td>
</tr>
</tbody>
</table>

According to March 25, 2010 Commission Meeting Minutes, the City’s Chief Financial Officer attributed the budget overages in Public Safety (Fire and Police) to labor costs which were “under-budgeted on some level.” The overages in Parks and Recreation were attributed to
operating costs of newly completed facilities that “were not necessarily considered in the appropriated budget...” Other overages were attributed to programmatic costs (e.g. summer and after-school care programs). The City Commission adopted Resolution #10-0141, which authorized the above negative variances to be funded from the City fund balance reserves.

However, in accordance with Section 18-502(10)(11) of the City Code, the City Commission has the sole authority to commit City resources or authorize expenditures in excess of $5,000 per transaction. Therefore, any department that anticipates exceeding its approved original budget threshold should formally request and obtain authorization from the City Commission before committing additional City resources. Upon receiving such request, the City Commission will decide whether or not to commit additional City resources and the appropriate funding source to use. The use of the fund balance reserve to balance City budgets defeats the purpose of using budgets as a means of controlling cost.

Recommendation

The City’s budget methodologies and procedures should be improved so as to ensure that expenditure/other financing uses variances are within recommended thresholds.

Auditee Response and Action Plan:

See auditee response on page 20.
City of Miami

Date: July 2, 2010

From: Mirtha Dziedzic, Interim Director
Office of Strategic Planning, Budgeting, and Performance

To: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 13, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 13, 2010).

Lack of Compliance with Section 241(2), Chapter 166, Florida Statutes

Section 241(2) of Chapter 166 of the Florida Statutes [F.S. 166.241(2)], which requires municipalities to adopt a budget each fiscal year. The statute also requires adopted budgets to “...regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.” Also, 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.....”

OBSERVATION

Our audit procedures disclosed that as of the end of Fiscal Year 2009 (FY 2009), 5 City funds exceeded their budgeted authority as illustrated in the table below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance (Positive/Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development &amp; Planning Services</td>
<td>0</td>
<td>207,496</td>
<td>(207,496)</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks &amp; Recreation Services Fund Transfers</td>
<td>0</td>
<td>667,254</td>
<td>(667,254)</td>
</tr>
<tr>
<td>Out/Other Financing Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Special Revenue Fund Other Financing</td>
<td>0</td>
<td>1,194,764</td>
<td>(1,194,764)</td>
</tr>
<tr>
<td>Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental Improvement Initiatives</td>
<td>104,379</td>
<td>868,379</td>
<td>(764,000)</td>
</tr>
<tr>
<td>Fund Transfers Out/Other Financing Sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Uses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Services Tax Fund Transfers</td>
<td>63,916,976</td>
<td>66,359,922</td>
<td>(422,946)</td>
</tr>
<tr>
<td>Out/Other Financing Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The variances listed above were attributed to the fact that there is no separate line item for the special revenue fund “Transfers-Out” amount in the budget. Instead, the said amount is included in the operating expenditure line item amount. In addition, the City’s Oracle system was not timely updated thus causing discrepancies in the reporting of “Transfers-Out” amounts. Going
forward, in order to facilitate timely budgetary information updates in Oracle, as well as to increase transparency and accountability, Budget Department staff indicated that separate “Transfers-Out” line items will be included in future adopted budgets.

Recommendation

It is important that actual expenditures be as close as possible to the projected budget. Budget amendments should be prepared, approved, and entered into the accounting system during the year to avert negative variances and ensure compliance with the F.S. 166.241(2) and the City’s Anti-Deficiency Act. Accordingly, OSPBP and FD should communicate and jointly ensure that all inter-fund transfers are fully documented, presented to the City Commission, and entered into the accounting system in a timely manner.

Auditee Response and Action Plan:

✓ I agree; □ I disagree. Please initial: ♫.

Explanation: We agree that actual expenditures should be as close as possible to the projected budget. Additionally, we have incorporated a “Transfers-Out” line item in our budget adoption and amendment process for the general fund but the other City funds are adopted and amended at the fund level and distinctions, such as type of inflow, are not currently identified in our resolutions; but line item budgets will be aligned to actual activity.

ACTUAL GENERAL FUND EXPENDITURES EXCEEDED THE ORIGINAL BUDGET AND RECOMMENDED THRESHOLDS

As described above, F.S. 166.241(2) prohibits actual City expenditures from exceeding appropriations unless otherwise approved by the City Commission. As such, a “Close-out” budget is prepared at the end of the fiscal year and approved by the Commission in order to adjust the original budget for appropriation increases and/or decreases. According to Financial Integrity Principle #7, the original budget, which includes the multi-year financial plan, must be created and approved by the Commission on or before September 30th each year.
When we compared the General Fund (GF) original budget, (which was adopted via Resolution 08-0553 on September 25, 2008) to actual amounts indicated in the FY09 CAFR, we noted the following negative variances as indicated in the following schedule:

<table>
<thead>
<tr>
<th>Comparison of General Fund Original Budget to Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Expenditures:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Parks and Recreation</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Group Benefits</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Other Financing Uses</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Transfers-Out</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total Expenditures and Other Financing Uses</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

According to March 25, 2010 Commission Meeting Minutes, the City’s Chief Financial Officer attributed the budget overages in Public Safety (Fire and Police) to labor costs which were “under-budgeted on some level.” The overages in Parks and Recreation were attributed to operating costs of newly completed facilities that “were not necessarily considered in the appropriated budget...” Other overages were attributed to programmatic costs (e.g. summer and after-school care programs). The City Commission adopted Resolution #10-0141, which authorized the above negative variances to be funded from the City fund balance reserves.

However, in accordance with Section 18-502(10)(11) of the City Code, the City Commission has the sole authority to commit City resources or authorize expenditures in excess of $5,000 per transaction. Therefore, any department that anticipates exceeding its approved original budget
threshold to formally request and obtain authorization from the City Commission before committing additional City resources. Upon receiving such request, the City Commission will decide whether or not to commit additional City resources and the appropriate funding source to use. The use of fund balance reserve to balance City budget defeats the purpose of using budget as a means of controlling cost.

**Recommendation**

The City’s budget methodologies and procedures should be improved so as to ensure that expenditure/other financing uses variances are within recommended thresholds.

**Auditee Response and Action Plan:**

☑️ I agree; ☐ I disagree. Please initial: [Initial]

**Explanation**

---

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 13, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: 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.”

Estimating Conference Committee meetings were held and attended by the required number of staff and non-staff members, and the committee's recommendations were communicated to the Mayor and the City Commission via a letter dated September 5, 2008. The recommendations were summarized as follows:

- “The Committee expressed that the City may benefit from the establishment of a verification process on property tax assessments for boundary properties.
- The Committee recommended that acceptable levels of variations between budgeted and actual expenditures be expressly outlined in the Financial Integrity Principles Ordinance. It was further recommended that variation thresholds be implemented in the form of a sliding scale: 4% variation first year of implementation, 3% second year of implementation and 2% for all future years.
- The Committee recommended that an Enterprise Resource System (ERP) cost-benefit analysis be prepared so that the leadership of the project can complete the
implementation for said system. Said implementation will allow management to reap the benefits of accurate financial information.

- The Committee concurred with management’s funding strategy for the requirements established by Governmental Accounting Standards Board (GASB) Statement 45, in connection with the accounting and financial reporting for Other Post Employment Benefits (OPEB). This strategy includes the full recognition of the liability on the City’s Balance Sheet but delays funding of said liability until a fiscally sensible method can be established.

- The Committee recommended that the City should focus on trying to control the growth of its personnel costs as the City is unlikely to sustain said levels in future years.

Recommendation

None

Auditee’s Response and Action Plan

None required.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 3 – INTERFUND BORROWING

REQUESTS FOR REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

The City of Miami’s (City) Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3) (b) of the City Code states 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...” As such, in order to verify citywide compliance with this principle, we tested reimbursement requests for fiscal year 2009 grant related expenditures totaling $1,685,267.

Miami Fire Rescue Department

During fiscal year 2009 (FY09), the City’s Miami Fire Rescue Department (MFR) expended $10,449,224 pursuant to ten (10) grant programs. We selected two of the grant programs [the Urban Search and Rescue (USAR) Fiscal Year 2008 (FY08) Cooperative Agreement and the Urban Area Security Initiative (UASI) Fiscal Year 2007 (FY07) Grant Agreement] for testing and examined all of the FY09 reimbursement requests for the two programs. The total FY09 expenditures for the two programs were $1,156,740.

We noted that there were no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the two programs. However, for the USAR FY08 Cooperative Agreement MFR is required to submit quarterly financial reports that are due 30 days after the end of each quarter, whether funds are drawn or not from the Health and Human Services (HHS) Smartlink System. The quarters are as follows: October through December, January through March, April through June, and July through September. As it relates to the UASI FY07 Grant Agreement, MFR is required to submit the quarterly programming reporting within 30 days after the end of the reporting periods. The reporting periods are: January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31.
Both grant programs require the timely submittal of quarterly reports, which are prerequisites for the issuance of reimbursement funding. Therefore, to minimize the period that city funds are used as float, reimbursement requests must be filed at the time the quarterly reports are due. Accordingly, since many of the grant-related expenditure items for both programs are incurred and paid for by the City on different dates, reimbursement request documentation for each item should be compiled and grouped with the applicable quarterly report for timely submittal to the respective grantors.

*Urban Search and Rescue (USAR) FY 2008 – Award #1485*

Our audit test of USAR for FY 2008 indicated that MFR submitted 5 reimbursement requests during the audit period which included 598 expenditure items totaling $769,800. However, our audit test determined that 3 (which included 179 expenditure items) of the 5 reimbursement requests, totaling $338,800 (or 44%) were not submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the 179 expenditure items ranged from 13 days to 71 days. However, all reimbursements were received without exception.

*Urban Area Security Initiative (UASI) FY 2007 Grant – Award #1564*

Our audit test of 32 UASI FY 2007 expenditure items totaling $383,212.91 that were incurred and paid for by the City during the audit period, indicated that no reimbursement requests were submitted for any of the 32 expenditure items. The time (in days) that has elapsed between the date that the reimbursement request s could have been filed (that the quarterly report was due) and the date we conducted our test (February 26, 2010) was 118 days.

Upon audit inquiry, MFR staff stated that the grantor [State of Florida Division of Emergency Management (DEM)] retroactively imposed new policies and procedures on MFR and other grantees throughout the State of Florida which resulted in additional staff time and resource allocation to comply with the grantor’s programmatic reviewer’s request. As such, the reimbursements were not made in a timely manner. However, our review of a memorandum dated April 8, 2008 from DEM indicated that even though policies/procedures for submitting reimbursement requests were communicated to MFR, such policies/procedures were not always
adhered to. For example, an email dated September 29, 2009 relative to reimbursement packets totaling $476,318 disallowed reimbursement requests pertaining to training expenses totaling $386,728 (or 81%) due to the lack of sign-in sheets that should have verified that attendees were present. The e-mail also described actions required of MFR, as well as other issues, pertaining to the reimbursement packets totaling $476,318

Therefore, we cannot conclude, as asserted by the MFR, that reimbursement request packets as described in the e-mail were not processed due to retroactively imposed requirements because effective control policies and procedures should have ensured that proper supporting documents, such as sign-in sheets for training sessions, be completed and retained for reimbursement purposes in accordance with the April 6, 2008 DEM memo described above.

In addition, as discussed above, the cause of untimely reimbursement request submittals appears to be the lack of adequate internal control policies and procedures that would require MFR staff to prepare and submit reimbursement requests along with the quarterly financial reports described above in a timely manner. The untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.

FOLLOW-UP ON PRIOR YEAR AUDIT FINDINGS

_Urban Area Security Initiative (UASI)_

Accordance to the City’s Oracle Accounts Receivable (AR) module (record), MFR executed four (4) UASI grant agreements with the State of Florida's Division of Emergency Management (DEM) during the period July 1, 2004 and April 30, 2010. Pursuant to said agreements, MFR has disbursed approximately $15.9 million as of June 21, 2010 (the date of our testing) and had applied for and received reimbursements from DEM totaling approximately $9.7 million; therefore, expenditures totaling approximately $6.2 million have not been reimbursed as of the said date. The time (days) that has elapsed from the date of the 24 un-reimbursed expenditures (the GL Date) to the date this test was performed (June 21, 2010) ranged from 265 to 996 days.
As noted above, MFR asserted that the primary cause of the delay in receiving the reimbursements as described above is the retroactive imposition of policy/procedure changes by DEM. However, our review of a memorandum dated April 8, 2008 from DEM indicated that even though policies/procedures for submitting reimbursement requests were communicated to MFR, such policies/procedures were not always adhered to. For example, an email dated September 29, 2009 relative to reimbursement packets totaling $476,318 disallowed reimbursement requests pertaining to training expenses totaling $386,728 (or 81%) due to the lack of sign-in sheets that should have verified that attendees were present. The e-mail also described actions required of MFR, as well as other issues, pertaining to the reimbursement packets totaling $476,318.

Therefore, we cannot conclude, as asserted by the MFR, that reimbursement request packets as described in the e-mail were not processed due to retroactively imposed requirements because effective control policies and procedures should have ensured that proper supporting documents, such as sign-in sheets for training sessions, be completed and retained for reimbursement purposes in accordance with the April 6, 2008 DEM memorandum described above. Also, our review of the said e-mail indicated that a material amount of the packets ($89,589.96 of the $476,318, or 18.8%) were not processed because of MFR errors and omissions as follows:

- Items not in pre-approved budget - $68,789.51 (or 14.4%)
- Missing expenditure documentation - $9,746.89 (or 2.05%)
- Clerical error - $8,841.84 (or 1.86%)
- Questioned item - $2,211.62 (or .46%)

As stated above, delays in receiving reimbursements from grantors prevent the City from optimizing the interest it could be earning on reimbursable funds.
Recommendation:

The MFR should implement internal control procedures that would ensure that reimbursement requests are submitted along with required quarterly financial reports (when applicable). Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

Auditee Response and Action Plan:

*See auditee responses on page 28 through 50.*
City of Miami

Date: July 22, 2010

To: Maurice Kemp, Fire Chief
Miami Fire Rescue Department

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 23, 2010. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by the indicated date (July 23, 2010).

REQUESTS FOR REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

The City’s Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3)(b) of the City Code states 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...”
During fiscal year 2009 (FY09), the City’s Miami Fire Rescue Department (MFR) expended $10,449,224 pursuant to ten (10) grant programs. We selected two of the grant programs [the Urban Search and Rescue (USAR) Fiscal Year 2008 (FY08) Cooperative Agreement and the Urban Area Security Initiative (UASI) Fiscal Year 2007 (FY07) Grant Agreement] for testing and examined all of the FY09 reimbursement requests for the two programs. The total FY09 expenditures for the two programs were $1,156,740.

We noted that there were no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the two programs. However, for the USAR FY08 Cooperative Agreement MFR is required to submit quarterly financial reports that are due 30 days after the end of each quarter, whether funds are drawn or not from the Health and Human Services (HHS) Smartlink System. The quarters are as follows: October through December, January through March, April through June, and July through September. As it relates to the UASI FY07 Grant Agreement MFR is required to submit the quarterly programming reporting within 30 days after the end of the reporting periods. The reporting periods are: January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31.

Both grant programs require the timely submittal of quarterly reports, which are prerequisites for the issuance of reimbursement funding. Therefore, to minimize the period that city funds are used as float, reimbursement requests must be filed at the time the quarterly reports are due. Accordingly, since many of the grant-related expenditure items for both programs are incurred and paid for by the City on different dates, reimbursement request documentation for each item should be compiled and grouped with the applicable quarterly report for timely submittal to the respective grantors.

*Urban Search and Rescue (USAR) FY 2008 – Award #1485*

Our audit test of USAR for FY 2008 indicated that MFR submitted 5 reimbursement requests during the audit period which included 598 expenditure items totaling $769,800. However, our audit test determined that 3 (which included 179 expenditure items) of the 5 reimbursement requests, totaling $338,800 (or 44%) were not submitted for reimbursement in a timely manner.
The time (in days) that elapsed between the reimbursement request dates for the 179 expenditure items ranged from 13 days to 71 days. However, all reimbursements were received without exception.

The cause of the untimely reimbursement request submittals appears to be the lack of adequate internal control policies and procedures that would require MFR staff to prepare and submit reimbursement requests along with the quarterly financial reports described above. The untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.

Recommendation:
The MFR should implement internal control procedures that would ensure that reimbursement requests are submitted along with required quarterly financial reports (when applicable). Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

Auditee Response and Action Plan:
☐ I agree; ☒ I disagree. Please initial: M.K

Explanation See attached memo.

Urban Area Security Initiative (UASI) FY 2007 Grant – Award #1564

Our audit test of 32 UASI FY 2007 expenditure items totaling $383,212.91 that were incurred and paid for by the City during the audit period indicated that no reimbursement requests were submitted for any of the 32 expenditure items. The time (in days) that has elapsed between the date that the reimbursement request could have been filed (that the quarterly report was due) and the date we conducted our test (February 26, 2010) was 118 days.

Upon audit inquiry, MFR staff stated that the grantor [State of Florida Division of Emergency Management (DEM)] retroactively imposed new policies and procedures on MFR and other
grantees throughout the State of Florida which resulted in additional staff time and resource allocation to comply with the grantor’s programmatic reviewer’s request. As such, the reimbursements were not made in a timely manner. However, our review of a memorandum (memo) dated April 8, 2008 from DEM indicated that even though policies/procedures for submitting reimbursement requests were communicated to MFR, such policies/procedures were not always adhered to. For example, an email dated September 29, 2009 relative to reimbursement packets totaling $476,318 disallowed reimbursement requests pertaining to training expenses totaling $386,728 (or 81%) due to the lack of sign-in sheets that should have verified that attendees were present. The e-mail also described actions required of MFR, as well as other issues, pertaining to the reimbursement packets totaling $476,318.

Therefore, we cannot conclude, as asserted by the MFR, that reimbursement request packets as described in the e-mail were not processed due to retroactively imposed requirements because effective control policies and procedures should have ensured that proper supporting documents, such as sign-in sheets for training sessions, be completed and retained for reimbursement purposes in accordance with the April 6, 2008 DEM memorandum described above.

In addition, as discussed above, the cause of untimely reimbursement request submittals appears to be the lack of adequate internal control policies and procedures that would require MFR staff to prepare and submit reimbursement requests along with the quarterly financial reports described above in a timely manner. The untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.

Recommendation:
See above.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please initial: [Signature]

Explanation See attached memo.

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miami, FL 33126
FOLLOW-UP ON PRIOR YEAR AUDIT FINDINGS

Urban Area Security Initiative (UASI)

In accordance with the City’s Oracle Accounts Receivable (AR) module (record), MFR executed four (4) UASI grant agreements with the State of Florida’s Division of Emergency Management (DEM) during the period July 1, 2004 and April 30, 2010. Pursuant to said agreements, MFR has disbursed approximately $15.9 million as of June 21, 2010 (the date of our testing) and had applied for and received reimbursements from DEM totaling approximately $9.7 million; therefore, expenditures totaling approximately $6.2 million have not been reimbursed as of the said date. The time (days) that has elapsed from the date of the 24 un-reimbursed expenditures (the GL Date) to the date this test was performed (June 21, 2010) ranged from 265 to 996 days.

As noted above, MFR asserted that the primary cause of the delay in filing reimbursements as described above is the retroactive imposition of policy/procedure changes by DEM. However, our review of a memorandum (memo) dated April 8, 2008 from DEM indicated that even though policies/procedures for submitting reimbursement requests were communicated to MFR, such policies/procedures were not always adhered to. For example, an email dated September 29, 2009 relative to reimbursement packets totaling $476,318 disallowed reimbursement requests pertaining to training expenses totaling $386,728 (or 81%) due to the lack of sign-in sheets that should have verified that attendees were present. The e-mail also described actions required of MFR, as well as other issues, pertaining to the reimbursement packets totaling $476,318.

Therefore, we cannot conclude, as asserted by the MFR, that reimbursement request packets as described in the e-mail were not processed due to retroactively imposed requirements because effective control policies and procedures should have ensured that proper supporting documents, such as sign-in sheets for training sessions, be completed and retained for reimbursement purposes in accordance with the April 6, 2008 DEM memo described above. Also, our review of the said e-mail indicated that a material amount of the packets ($89,589.96 of the $476,318, or 18.8%) were not processed because of MFR errors and omissions as follows:
• Items not in pre-approved budget - $68,789.51 (or 14.4%)
• Missing expenditure documentation - $9,746.89 (or 2.05%)
• Clerical error - $8,841.84 (or 1.86%)
• Questioned item - $2,211.62 (or 0.46%)

As stated above, delays in receiving reimbursements from grantors prevent the City from optimizing the interest it could be earning on reimbursable funds.

Recommendation:
See above.

Auditee Response and Action Plan:
[X] I agree; [ ] I disagree. Please initial: [Initial]

Explanation: See attached memo.

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 23, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
   Reginald Duren, Deputy Fire Chief
   Allen Joyce, Assistant Fire Chief
   Audit Documentation File
### Analysis of Reimbursement Packet Amounts in Sept 29, 2009 E-Mail from State EM

<table>
<thead>
<tr>
<th>ITEM#</th>
<th>E-mail Ref</th>
<th>PACKET#</th>
<th>W/P Ref</th>
<th>NEEDED SIGN-IN SHEETS</th>
<th>NEEDED MORE DOC'S</th>
<th>ITEM(S) NOT IN BUDGET</th>
<th>CLERICAL ERROR</th>
<th>QUESTIONED ITEM</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1a</td>
<td>55b</td>
<td></td>
<td>15,947.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15,947.50</td>
</tr>
<tr>
<td>2</td>
<td>1b</td>
<td>55b</td>
<td></td>
<td>13,931.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13,931.57</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>39a</td>
<td></td>
<td>101,701.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>101,701.08</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>73</td>
<td></td>
<td>8,738.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,738.00</td>
</tr>
<tr>
<td>5</td>
<td>4</td>
<td>91</td>
<td></td>
<td>1,984.67</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,984.67</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>18</td>
<td></td>
<td>1,008.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,008.89</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
<td>74</td>
<td></td>
<td>53,867.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>53,867.00</td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>86</td>
<td></td>
<td>6,936.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,936.14</td>
</tr>
<tr>
<td>9</td>
<td>8</td>
<td>39b</td>
<td></td>
<td>153,346.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>153,346.41</td>
</tr>
<tr>
<td>10</td>
<td>9a</td>
<td>57c</td>
<td></td>
<td>65,664.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65,664.74</td>
</tr>
<tr>
<td>11</td>
<td>9b</td>
<td>57c</td>
<td></td>
<td>10,947.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,947.04</td>
</tr>
<tr>
<td>12</td>
<td>10</td>
<td>96</td>
<td></td>
<td>6,001.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,001.70</td>
</tr>
<tr>
<td>13</td>
<td>11</td>
<td>1a</td>
<td></td>
<td>8,841.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,841.84</td>
</tr>
<tr>
<td>14</td>
<td>12</td>
<td>23</td>
<td></td>
<td>25,190.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25,190.09</td>
</tr>
<tr>
<td>15</td>
<td>13</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,211.62</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td>386,728.43</td>
<td>9,746.89</td>
<td>68,789.51</td>
<td>8,841.84</td>
<td>2,211.62</td>
<td>476,318.29</td>
</tr>
</tbody>
</table>

| % OF TOTAL | 81.19% | 2.05%  | 14.44% | 1.86% | 0.46% | 100.00% |

**Conclusions:** According to the 9/29/09 e-mail from the grantor to FRD, we noted that during FY09, thirteen (13) UASEM FY05 reimbursement request packets totaling $476,318 were not processed because the grantor required additional information. Most of the information ($386,728, or 81.2%) was requested because there were missing sign-in sheets which were required in accordance with an April 2008 memo from DCA; in addition, information for packets totaling $68,790 (or 14.4%) was requested because items in the packets were not in the pre-approved budget. Lastly, the grantor requested information for items totaling $20,800 (or 4.4%) because of: missing expenditure documentation ($9,747); clerical error ($8,842); and, a questioned purchased ($2,212).
### Urban Area Security Initiative Grant Programs - Accounts Receivable Balances Per Oracle (As of 6/22/10)

| Customer Number | Customer Name                                      | Transaction Type | PO Number | Number | Org | Original | Amount Applied | Amount Adjusted | Amount Credited | Balance Due | Due Date | GL Date | Days Late | Status |
|-----------------|----------------------------------------------------|------------------|-----------|--------|-----|----------|----------------|----------------|----------------|-------------|----------|---------|-----------|---------|--------|
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1014      | 110244 | Fire | 17,031.80 | 0.00           | 0.00           | 0.00           | 17,031.80   | 30-Sep-07 | 30-Sep-07 | 995       | Open    |
|                 |                                                     |                  |           |        |     |          |                |                |                |             |          |         |           |         |        |
|                 | **Totals - UASI 2004 Grant**                       |                  |           |        |     | 17,031.80 | 0.00           | 0.00           | 0.00           | 17,031.80   |          |          |          |         |        |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110741 | Fire | 234,690.92 | 234,113.98    | 0.00           | 0.00           | 574.94      | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110756 | Fire | 236,942.32 | 236,627.50    | 0.00           | 0.00           | 314.72      | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110734 | Fire | 145,094.81 | 128,568.46    | 0.00           | 0.00           | 16,125.35   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110742 | Fire | 493,088.85 | 465,901.10    | 0.00           | (184.22)      | 27,003.53   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
|                 |                                                     |                  |           |        |     |          |                |                |                |             |          |         |           |         |        |
|                 | **Totals - PDI 2004 Grant**                        |                  |           |        |     | 579,776.54 | 525,635.54    | 0.00           | 0.00           | 53,125.99   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110738 | Fire | 910,288.45 | 880,246.35    | 0.00           | 0.00           | 30,022.10   | 30-Sep-08 | 30-Sep-08 | 630       | 1       |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110249 | Fire | 2,867,100.44 | 2,380,929.13  | 0.00           | (184.22)      | 486,152.19  | 30-Sep-07 | 30-Sep-07 | 996       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110243 | Fire | 82,223.55  | 24,561.50     | 0.00           | 0.00           | 57,662.05   | 30-Sep-07 | 30-Sep-07 | 996       | Open    |
|                 |                                                     |                  |           |        |     |          |                |                |                |             |          |         |           |         |        |
|                 | **Totals - PDI 2004 Grant**                        |                  |           |        |     | 4,811,070.44 | 4,031,710.26  | 0.00           | 0.00           | 770,360.18  | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110743 | Fire | 669,331.86 | 637,721.56    | 0.00           | 0.00           | 31,409.30   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110755 | Fire | 110,805.08 | 90,607.53     | 0.00           | 0.00           | 20,197.55   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
|                 |                                                     |                  |           |        |     |          |                |                |                |             |          |         |           |         |        |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 110757 | Fire | 207,650.15 | 176,453.12    | 0.00           | 0.00           | 31,199.33   | 30-Sep-08 | 30-Sep-08 | 630       | Open    |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 111292 | Fire | 305,219.31 | 0.00           | 0.00           | 0.00           | 305,219.31  | 30-Sep-09 | 30-Sep-09 | 265       | 1       |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 111221 | Fire | 337.93    | 1898.36       | 0.00           | 0.00           | 1428.57     | 29-Sep-09 | 29-Sep-09 | 265       | 1       |
| 1040            | PDI - State of Florida Department of Community Aff | Projects Invoice | 1261      | 111220 | Fire | 168.35    | 168.35        | 0.00           | 0.00           | 0.00         | 29-Sep-09 | 29-Sep-09 | 1         | 1       |
## Urban Area Security Initiative Grant Programs - Accounts Receivable Balances Per Oracle (As of 6/21/10)

<table>
<thead>
<tr>
<th>Line</th>
<th>Grant City</th>
<th>Department</th>
<th>NAID</th>
<th>Invoice</th>
<th>Invoice Date</th>
<th>Amount</th>
<th>Bal</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1261</td>
<td>Fire</td>
<td>111194</td>
<td>934.85</td>
<td>934.85</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1261</td>
<td>Fire</td>
<td>111183</td>
<td>89600.48</td>
<td>89600.48</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Totals:</td>
<td>UASI 2005 Grant</td>
<td></td>
<td></td>
<td></td>
<td>5,843,251.39</td>
<td>5,742,682.41</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>111217</td>
<td>263146.66</td>
<td>263146.66</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>111180</td>
<td>177365.55</td>
<td>177365.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110761</td>
<td>222854.03</td>
<td>171798.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110760</td>
<td>285446.67</td>
<td>363241.69</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110763</td>
<td>427312.92</td>
<td>81450.72</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110764</td>
<td>50777.55</td>
<td>29638.14</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110759</td>
<td>934330.08</td>
<td>929382.09</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>110760</td>
<td>27975.77</td>
<td>18035.11</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>111291</td>
<td>4491389.40</td>
<td>24838.12</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1323</td>
<td>Fire</td>
<td>111193</td>
<td>105180.00</td>
<td>105180.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Totals:</td>
<td>UASI 2006 Grant</td>
<td></td>
<td></td>
<td></td>
<td>8,662,618.65</td>
<td>3,983,933.81</td>
<td>0.00</td>
</tr>
<tr>
<td>1040</td>
<td>Fire</td>
<td>State of Florida Department of Community Affairs</td>
<td>Projects</td>
<td>Invoice 1564</td>
<td>Fire</td>
<td>111297</td>
<td>383212.91</td>
<td>383212.91</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Totals:</td>
<td>UASI 2007 Grant</td>
<td></td>
<td></td>
<td></td>
<td>383212.91</td>
<td>383212.91</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Grand Total:</td>
<td></td>
<td></td>
<td></td>
<td>15,904,154.71</td>
<td>9,716,516.22</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

**OASIS Note:**
According to the Oracle Accounts Receivable (AR) module, the City of Miami’s (City) Fire Rescue Department (FRD) has entered into four (4) Urban Area Security Initiative (UASI) grant agreements with the State of Florida’s Department of Community Affairs (DCA). Pursuant to grant provisions, FRD has expended $18.8 million and has applied for and received reimbursements from DCA totaling $9.72 million; therefore, expenditures totaling $9.2 million have not been reimbursed. The time (days) that has elapsed from the date of the un-reimbursed expenditures (the GL Date) to the date this test was performed (June 23, 2010) ranged from 285 to 996 days.
City of Miami

Date: July 22, 2010

To: Maurice Kemp, Fire Chief
    Miami Fire Rescue Department

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
      Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
        Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 23, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 23, 2010).

OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS

The City of Miami’s (City) Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3) (b) of the City Code states 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...”

City departments are required to incur program expenditures in accordance with grant agreements with other government agencies (grantors). Therefore, depending on the terms of the
agreement, a grantor may either advance funding to the City, or the City uses its funds to pay for program related expenditures and then request reimbursements for such expenditures.

When the City uses its funds to pay for grant related expenditures and then requests reimbursements for such expenditures, an "Accounts Receivable" (AR) and corresponding Revenue/Deferred Revenue are recorded. Accounts Receivables due from grantor agencies are classified as “Due from Other Governments” (DFOG). The number of days that such receivables are deemed “outstanding” or “due” is calculated by the Oracle financial accounting system from the date reimbursable expenditures were incurred and reimbursement requests are billed to respective grantors.

As of fiscal year end 2009 (FYE 2009), the City’s total DFOG amount was $35 million. However, as of the date of our testing (June 21, 2010), the Miami Fire Rescue Department (MFR) had outstanding reimbursable amounts due from various granting agencies totaling approximately $7.8 million (See Attached Schedule). The numbers of days that the $7.8 million (26 reimbursable expenditure items) has been outstanding ranged from 265 to 1,359 days.

We noted that delays in processing reimbursements can be partially attributed to non-compliance with grant provisions. For instance, we reviewed an audit report resulting from an audit of City disaster-related costs (Hurricanes Katrina and Wilma) performed by the U.S. Department of Homeland Security, Office of Inspector General (OIG) which described questioned emergency services and debris removal costs. The questioned costs included excess and non-disaster-related charges, losses covered by insurance, and excessive contract labor charges.

The untimely filing of reimbursements, as well as noncompliance with grant provisions, diminishes the City’s cash flow and the amount of interest that can be earned on such reimbursement receipts.
Auditee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: [Initial]

Explanation It should be noted we Disagree that all of the outstanding receivables per Oracle are reimbursable.

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. Please provide explanations as to why reimbursements requests are not filed in a timely manner. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 23, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
Audit Documentation File
<p>| Cust Number | Customer Name                  | Transaction Type | PO Number | Number | Org  | Original | Amount Applied | Amount Adjusted | Amount Credited | Balance Due | Due Date   | GL Date | Days Late | Status |
|-------------|--------------------------------|------------------|-----------|--------|------|----------|---------------|----------------|----------------|-------------|------------|----------|----------|---------|--------|
| 1040        | PnG - State of Florida         | Projects Invoice | 1014      | 110244 | Fire | 17,031.80| 0.00          | 0.00            | 0.00           | 17,031.80   | 30-Sep-07 | 30-Sep-07 | 925      | Open   |
| 1103        | PnG - Property Sale            | Projects Invoice | 1232      | 111240 | Fire | 1,000.00| 1,000.00     | 0.00            | 0.00           | 0.00        | 30-Sep-09 | 30-Sep-09 | Closed   |        |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110741 | Fire | 234,690.92| 234,115.98    | 0.00            | 0.00           | 574.94      | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110756 | Fire | 236,842.22| 236,627.50    | 0.00            | 0.00           | 314.72      | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110754 | Fire | 145,094.81| 128,989.46    | 0.00            | 0.00           | 16,115.35   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110742 | Fire | 493,088.85| 465,901.10    | 0.00            | (138.22)      | 27,003.53   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110745 | Fire | 459,869.97| 333,955.14    | 0.00            | 0.00           | 65,914.83   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110758 | Fire | 910,268.45| 880,246.35    | 0.00            | 0.00           | 30,022.10   | 30-Sep-08 | 30-Sep-08 | 630      | 1      |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110249 | Fire | 2,867,100.40| 2,380,929.13  | 0.00            | (19.08)       | 486,152.19  | 30-Sep-07 | 30-Sep-07 | 996      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110243 | Fire | 82,223.55 | 24,561.50    | 0.00            | 0.00           | 57,662.05   | 30-Sep-07 | 30-Sep-07 | 996      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110321 | Fire | 28,190.11 | 0.00         | 0.00            | 0.00           | 25,190.11   | 14-Dec-07 | 14-Dec-07 | 911      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110743 | Fire | 659,131.86| 687,722.56    | 0.00            | 0.00           | 31,409.30   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110755 | Fire | 110,805.08| 90,807.09    | 0.00            | 0.00           | 20,197.55   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |
| 1040        | PnG - State of Florida         | Projects Invoice | 1261      | 110757 | Fire | 207,650.25| 176,453.12   | 0.00            | 0.00           | 31,197.13   | 30-Sep-08 | 30-Sep-08 | 630      | Open   |</p>
<table>
<thead>
<tr>
<th>Cust Number</th>
<th>Customer Name</th>
<th>Transaction Type</th>
<th>PD Number</th>
<th>Number</th>
<th>Org</th>
<th>Original</th>
<th>Amount Applied</th>
<th>Amount Adjusted</th>
<th>Amount Credited</th>
<th>Balance Due</th>
<th>Due Date</th>
<th>GL Date</th>
<th>Days Late</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1261</td>
<td>111262</td>
<td>Fire</td>
<td>305219.31</td>
<td>0.00</td>
<td>0.00</td>
<td>- 0.00</td>
<td>305219.31</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>265</td>
<td>1</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1261</td>
<td>111221</td>
<td>Fire</td>
<td>3317.93</td>
<td>1889.36</td>
<td>0.00</td>
<td>0.00</td>
<td>1428.57</td>
<td>29-Sep-09</td>
<td>29-Sep-09</td>
<td>265</td>
<td>1</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1261</td>
<td>111220</td>
<td>Fire</td>
<td>168.35</td>
<td>168.35</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>29-Sep-09</td>
<td>29-Sep-09</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1261</td>
<td>111194</td>
<td>Fire</td>
<td>934.85</td>
<td>934.85</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>2-Sep-09</td>
<td>2-Sep-09</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1261</td>
<td>111183</td>
<td>Fire</td>
<td>8960.48</td>
<td>8960.48</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>28-Aug-09</td>
<td>28-Aug-09</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>111217</td>
<td>Fire</td>
<td>263146.66</td>
<td>263146.66</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>24-Sep-09</td>
<td>24-Sep-09</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>111180</td>
<td>Fire</td>
<td>1773695.52</td>
<td>1773695.52</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>28-Aug-09</td>
<td>28-Aug-09</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110761</td>
<td>Fire</td>
<td>222,854.03</td>
<td>171,798.50</td>
<td>0.00</td>
<td>0.00</td>
<td>51,055.33</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110762</td>
<td>Fire</td>
<td>365,446.67</td>
<td>353,241.69</td>
<td>0.00</td>
<td>0.00</td>
<td>2,204.98</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110763</td>
<td>Fire</td>
<td>427,312.92</td>
<td>81,450.72</td>
<td>0.00</td>
<td>0.00</td>
<td>345,862.20</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110764</td>
<td>Fire</td>
<td>50,777.55</td>
<td>29,638.14</td>
<td>0.00</td>
<td>0.00</td>
<td>21,139.41</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110759</td>
<td>Fire</td>
<td>934,930.08</td>
<td>929,382.00</td>
<td>0.00</td>
<td>0.00</td>
<td>5,548.08</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>110760</td>
<td>Fire</td>
<td>27,975.77</td>
<td>18,031.11</td>
<td>0.00</td>
<td>0.00</td>
<td>9,944.66</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PIN - State of Florida</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>111291</td>
<td>Fire</td>
<td>4,491,289.40</td>
<td>248,882.02</td>
<td>0.00</td>
<td>0.00</td>
<td>4,242,407.38</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>265</td>
<td>Open</td>
</tr>
</tbody>
</table>
### Outstanding Receivables as of June 21, 2010 Per Oracle (FRD)

<table>
<thead>
<tr>
<th>Cust Number</th>
<th>Customer Name</th>
<th>Transaction Type</th>
<th>PO Number</th>
<th>Number</th>
<th>Org</th>
<th>Original</th>
<th>Amount Applied</th>
<th>Amount Adjusted</th>
<th>Amount Credited</th>
<th>Balance Due</th>
<th>Due Date</th>
<th>GL Date</th>
<th>Days Late</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1040</td>
<td>PGA - State of Florida, Dept. of Community Affairs</td>
<td>Projects Invoice</td>
<td>1323</td>
<td>111198</td>
<td>Fire</td>
<td>105,180.00</td>
<td>105,167.45</td>
<td>0.00</td>
<td>0.00</td>
<td>22.60</td>
<td>31-Aug-09</td>
<td>31-Aug-09</td>
<td>285</td>
<td>Open</td>
</tr>
<tr>
<td>1045</td>
<td>PGA - United States, Dept. of Homeland Security</td>
<td>Projects Invoice</td>
<td>1485</td>
<td>111249</td>
<td>Fire</td>
<td>36,404.90</td>
<td>36,404.90</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td>1045</td>
<td>PGA - United States, Dept. of Homeland Security</td>
<td>Projects Invoice</td>
<td>1485</td>
<td>111254</td>
<td>Fire</td>
<td>79,740.67</td>
<td>79,740.67</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>17-Sep-09</td>
<td>17-Sep-09</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td>1045</td>
<td>PGA - United States, Dept. of Homeland Security</td>
<td>Projects Invoice</td>
<td>1515</td>
<td>110769</td>
<td>Fire</td>
<td>7,187.54</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>7,187.54</td>
<td>30-Sep-08</td>
<td>30-Sep-08</td>
<td>630</td>
<td>Open</td>
</tr>
<tr>
<td>1040</td>
<td>PGA - State of Florida, Dept. of Community Affairs</td>
<td>Projects Invoice</td>
<td>1564</td>
<td>111297</td>
<td>Fire</td>
<td>383,212.91</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>383,212.91</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>265</td>
<td>Open</td>
</tr>
<tr>
<td>60569</td>
<td>PGA - State of Florida, Dept. of Financial Services</td>
<td>Projects Invoice</td>
<td>1574</td>
<td>111296</td>
<td>Fire</td>
<td>4,223.61</td>
<td>4,223.61</td>
<td>0.00</td>
<td>0.00</td>
<td>154.00</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>265</td>
<td>Open</td>
</tr>
<tr>
<td>1045</td>
<td>PGA - United States, Dept. of Homeland Security</td>
<td>Projects Invoice</td>
<td>1583</td>
<td>111295</td>
<td>Fire</td>
<td>365,795.39</td>
<td>365,795.39</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>30-Sep-09</td>
<td>30-Sep-09</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16,398,606.86</td>
<td>10,213,726.79</td>
<td>0.00</td>
<td>(205.30)</td>
<td>6,184,676.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Days Late Range

<table>
<thead>
<tr>
<th>Raw Labels</th>
<th>Sum of Original</th>
<th>Sum of Amount Applied</th>
<th>Sum of Amount Adjusted</th>
<th>Sum of Amount Credited</th>
<th>Sum of Balance Due</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>16,398,606.86</td>
<td>10,213,726.79</td>
<td>0.00</td>
<td>0.00</td>
<td>6,184,676.77</td>
<td>285</td>
<td>995</td>
</tr>
<tr>
<td>FEMA</td>
<td>16,468,161.85</td>
<td>14,875,714.36</td>
<td>(2,542.69)</td>
<td>0.00</td>
<td>1,889,904.85</td>
<td>1359</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>32,866,768.71</td>
<td>25,089,441.15</td>
<td>(2,542.69)</td>
<td>(203.30)</td>
<td>7,774,361.57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our Response regarding "Requests for Reimbursements were not made in a timely manner" (Memo 1 dated July 21, 2010):

Urban Search and Rescue (USAR) FY 2008 – Award #1485:
We agree with this finding as it has been identified and corrected.

On approximately June 16, 2010 the Urban Search and Rescue Program received a site visit from Principal Staff Analyst, Angela Johnson Sippio. Within the scope of her review she discussed the need to Smartlink in a timely manner. Smartlink was executed on all outstanding obligations. Upon completion of the evaluation, a meeting was held between the Program Manager and Deputy Chief of Administration. An additional meeting was held between the Program Manager and Principal Staff Analyst. A final meeting was held between the Program Manager and USAR Staff.

a. Action Plan: As a result of this evaluation, the Urban Search and Rescue program has revised its procedures to ensure that reimbursements are submitted in a timely manner. A policy has been reviewed and approved by the Program Manager and Deputy Chief of Administration. The following provisions are to be followed when utilizing Smartlink to draw down funding for the USAR Program.

- Smartlink draw down will occur on the 25th of each month.
- Monthly calendar reminders will be established to ensure reconciliation. These reminders will advise the following personnel.
  - Principal Staff Analyst
  - USAR Fiscal Assistant
  - USAR Staff Officers
- Upon Completion of Smartlink, an email will be sent to the Principal Staff Analyst and USAR Staff Officers advising of the amount requested.

Please see attachments and supporting documentation.
- Memo to Principal Staff Analyst
- Florida Task Force II Program Directive [Smartlink]
Urban Area Security Initiative (UASI) FY 2007 Grant – Award #1564:
We agree that there have been certain challenges regarding reimbursements being made in a timely manner.

Challenges:

1. UASI Reimbursements and Grantor’s Priority: The Grantor informed MFR that their priority was conducting programmatic review of the UASI 2005 Grant Program (which at the time was backlogged). As a result, our focus became the UASI 2005 reimbursement packages that were under review. If any part of the packages were questioned by the programmatic reviewers, our response to them was done in a timely manner.

2. Retroactive Requirements: It has been our experience that the Grantor retroactively imposes requirements on the reimbursements packages that were not originally in place when the grant expenses took place. These new requirements resulted in additional staff time and resource allocation to comply with the Grantor’s programmatic reviewer’s request.
   a. Action Plan: MFR Staff has become more familiar with the retroactive requirements and has developed a control system consisting of new procedures to streamline the completion of the reimbursement package. We have also communicated the new requirements to our sub-grantees to ensure they submit the appropriate backup documentation with their requests. It has also been recommended by the Miami UASI that the Grant Agreement be amended to identify formally what the required documents are that need to be included as part of a reimbursement package for qualified related expenditures under this grant program. In addition, Technical Assistance has been solicited from the Grantor in order to be formally trained in how to prepare an ideal reimbursement package to expedite reimbursements to the City. We are awaiting a response from the Grantor concerning training dates.

3. Staffing: It should be noted that the Miami UASI had an inadequate number of staff allocated to the program, which resulted in a backlog and inefficiency of compiling reimbursement requests.
   a. Action Plan:
      i. MFR has solicited the support of temporary personnel services to assist with compiling source documentation in order to prepare reimbursement packages to be submitted to the Grantor. This has resulted in reducing the backlog and will help us streamline the process moving forward.
      ii. MFR is in the process of hiring permanent staff to help better manage the UASI program.

4. Access to City and Subgrantee Records: A continued challenge is experiencing delays with obtaining source documentation from external municipalities who are our sub-grantees. In addition, we also experience internal delays in accessing City records from other supporting City Departments.
a. Action Plan: MFR Staff has informed the sub-grantees regarding the documentation requirements for reimbursement and the need for more timely submission. For internal record access and processing, we reached out to other UASIs, the Grantor and other City Departments to review best practices. Furthermore, we have developed new processes (within our control system), enhanced our collaboration with City Departments, become familiar with City legacy records systems (which has allowed us quicker access to records) to expedite our reconciliation and reimbursement packaging.

Our Response regarding “Follow up on prior year audit findings” (Memo 1 dated July 21, 2010):

We agree that various reimbursement packages were delayed due to additional information that needed to be provided by MFR.

Challenges:

I. Initial Errors and Omissions: We agree that various reimbursement packages were delayed due to additional information that needed to be provided by MFR.

   a. Action Plan: MFR Staff has become more familiar with the retroactive requirements and has developed a control system consisting of new procedures to streamline the completion of reimbursement packages. We have also communicated the new requirements to our sub-grantees to ensure they submit the appropriate backup documentation with their requests. It has also been recommended by the Miami UASI that the Grant Agreement be amended to identify formally what the required documents are that need to be included as part of a reimbursement package for qualified related expenditures under this grant program. In addition, Technical Assistance has been solicited from the Grantor in order to be formally trained in how to prepare an ideal reimbursement package to expedite reimbursements to the City. We are awaiting a response from the Grantor concerning training dates.

2. Staffing: It should be noted that the Miami UASI had an inadequate number of staff allocated to the program, which resulted in a backlog and inefficiency of compiling reimbursement requests.

   a. Action Plan:

      i. MFR has solicited the support of temporary personnel services to assist with compiling source documentation in order to prepare reimbursement packages to be submitted to the Grantor. This has resulted in reducing the backlog and will help us streamline the process moving forward.

      ii. MFR is in the process of hiring permanent staff to help better manage the UASI program.

3. Access to City and Sub-grantee Records: A continued challenge is experiencing delays with obtaining source documentation from external municipalities who are our sub-grantees. In addition, we also experience internal delays in accessing City records from other supporting City Departments.

   a. Action Plan: MFR Staff has informed the sub-grantees regarding the documentation requirements for reimbursement and the need for more
timely submission. For internal record access and processing we reached out to other UASIs, the Grantor and other City Departments to review best practices. Furthermore we have developed new processes (within our control system), enhanced our collaboration with City Departments, become familiar with City legacy records systems (which has allowed us quicker access to records) to expedite our reconciliation and reimbursement packaging.

Our Response regarding “Outstanding reimbursement amounts due from other Governments” [Memo 2 dated July 14, 2010]:
We disagree that all of the Outstanding Receivables per Oracle (attached to the Memo that was sent to us) are reimbursable. The following should be noted and removed from the list:
   a. Award 1515 [Hurricane Ike] is not reimbursable because Miami-Dade County never received a Disaster Declaration.
   b. Award 1014 (UASI 2004) has been fully reimbursed and closed by the State of Florida.

We agree that there are some outstanding reimbursement amounts due.
Challenges:
1. Outstanding Reimbursement Amounts Due: Once UASI reimbursement packages are submitted to the State of Florida, there is an extensive programmatic review that is conducted before it is sent to the Finance and Accounting Office to authorize the wire to the City of Miami. The Grantor’s approval process is something that is outside of MFR’s [sub-grantee] control.
   a. Action Plan: There has been increased communication between MFR Staff and the Grantor’s programmatic reviewers to ensure that questions or concerns are quickly addressed. Additionally MFR Staff has become more familiar with the reimbursement process at the Grantor level.

2. Retroactive Requirements: It has been our experience that the Grantor retroactively imposes requirements on the reimbursements packages that were not originally in place when the grant expenses took place. These new requirements result in additional staff time and resource allocation to comply with the Grantor’s programmatic reviewer’s request.
   a. Action Plan: MFR Staff has become more familiar with the retroactive requirements and has developed a control system consisting of new procedures to streamline the completion of reimbursement packages. We have also communicated the new requirements to our sub-grantees to ensure they submit the appropriate backup documentation with their requests. It has also been recommended by the MFR Staff that the Grant Agreement be amended to identify formally what the required documents are that need to be included as part of a reimbursement package for qualified related expenditures under this grant program. In addition, Technical Assistance has been solicited from the Grantor in order to be formally trained in how to prepare an
ideal reimbursement package to expedite reimbursements to the City. We are awaiting a response from the Grantor concerning training dates.

3. **Staffing for UASI**: It should be noted that the Miami UASI had an inadequate number of staff allocated to the program, which resulted in a backlog and inefficiency of compiling reimbursement requests.
   
   a. **Action Plan**: MFR has solicited the support of temporary personnel services to assist with compiling source documentation in order to prepare reimbursement packages to be submitted to the Grantor. This has resulted in reducing the backlog and will help us streamline the process moving forward.
   
   b. MFR is in the process of hiring permanent staff to help better manage the UASI program.

4. **Staffing for FEMA Programs**: We are currently challenged in these programs with inadequate staffing. Currently, each City Department manages their various FEMA grant projects and submits their reimbursement requests to MFR's "Hazard Mitigation and Recovery Specialist." The specialist reviews the packages as a programmatic coordinator to ensure eligibility. We are in need of staffing to better oversee the various programs and monitor project timelines and corresponding reimbursements.
   
   a. **Action Plan**: Due to the current financial budget situation and hiring freeze facing Miami, we continue to be challenged in acquiring adequate staffing for these FEMA programs.

MLK/RD/AJ/acp

Cc: Victor Igwe, CPA, CIA, Independent Auditor General  
    Reginald K. Duren, Deputy Fire Chief  
    Allen R. Joyce, Assistant Fire Chief, DEM  
    Joe Zahralban, USAR Program Manager
July 6, 2010

To: Angela Johnson, Principal Staff Analyst

Subject: Smartlink

Ms. Johnson,

The purpose of this letter is to outline corrective action in support of your finding of Smartlink deficiency. As a result of your evaluation, I have taken the following action:

- Smartlink will occur on the 25th of each month.
- Recurrent reminders have been scheduled on the calendar of the USAR Fiscal Assistant.
- Reminders have also been placed on the calendars of USAR Staff Officers.
- A Program Directive has been established outlining the process moving forward.

Thank you for your attention to this matter.

Joseph Zahran, CAPT 1 EA
Captain Joseph Zahran
Executive Assistant to the Fire Chief
City of Miami Department of Fire-Rescue
Program Manager, Florida Task Force II
U.S. Department of Homeland Security
Our Response regarding “Requests for reimbursements were not made in a timely manner” (Memo dated July 14, 2010):

Urban Search and Rescue (USAR) FY 2008 – Award #1485

We agree with this finding as it has been identified and corrected.

On approximately June 16, 2010 the Urban Search and Rescue Program received a site visit from Principal Staff Analyst, Angela Johnson Sippio. Within the scope of her review she discussed the need to smarlink in a timely manner. Smartlink was executed on all outstanding obligations.

Upon completion of the evaluation, a meeting was held between the Program Manager and Deputy Chief of Administration. An additional meeting was held between the Program Manager and Principal Staff Analyst. A final meeting was held between the Program Manager and USAR Staff.

As a result of this evaluation, the Urban Search and Rescue program has revised its procedures to ensure that reimbursements are submitted in a timely manner. A policy has been reviewed and approved by the Program Manager and Deputy Chief of Administration. The following provisions are to be followed when utilizing Smartlink to draw down funding for the USAR Program.

- Smartlink draw down will occur on the 25th of each month.
- Monthly calendar reminders will be established to ensure reconciliation. These reminders will advise the following personnel.
  - Principal Staff Analyst
  - USAR Fiscal Assistant
  - USAR Staff Officers
- Upon Completion of Smartlink an email will be sent to the Principal Staff Analyst and USAR Staff Officers advising of the amount requested.

Please see attachments and supporting documentation.
- Memo to Principal Staff Analyst
- Florida Task Force II Program Directive (Smartlink)
Program Directive: 2010-01 / Smartlink

This policy has been reviewed and approved by the Program Manager and Deputy Chief of Administration.

The following provisions are to be followed when utilizing Smartlink to draw down funding for the USAR Program.

- Smartlink draw down will occur on the 25th of each month.

- Monthly calendar reminders will be established to ensure reconciliation. These reminders will advise the following personnel.
  - Principal Staff Analyst
  - USAR Fiscal Assistant
  - USAR Staff Officers

- Upon completion of Smartlink an email will be send to the Principal Staff Analyst and USAR Staff Officers advising of the amount requested.

Joseph Zahvalban
Captain
Executive Assistant to the Fire Chief
Program Manager/FL-TF-2
U.S. Department of Homeland Security
Economic Initiatives

Brownfields (Allapattah/Wynwood Area-Wide) Assessment Grant – Award #1494

The U.S. Environmental Protection Agency's (EPA) "Brownfields Assessment Grant Terms and Conditions" allows (not requires) reimbursement requests to be submitted quarterly along with the quarterly progress reports, which are due "30 days after the end of each Federal fiscal quarter, i.e., October 30, January 30, April 30, July 30." Accordingly, the City’s Economic Initiatives Division (EI) staff informed us that during the audit period, reimbursement requests were submitted along with quarterly progress reports as suggested (not required) by EPA. Since many of the grant-related expenditure items are incurred and paid by the City on different dates, reimbursement request documentation for each item should be compiled and grouped with the applicable quarterly report for timely submittal to the grantor.

During our review of Brownfields Assessment Grant reimbursement requests, we noted that EI submitted 3 reimbursement requests during the audit period which included 23 expenditure items totaling $196,003. However, our audit test determined that none of the 23 expenditure items were submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the respective items and the dates that respective quarterly reports were due ranged from 10 days to 153 days. However, all reimbursements were received without exception.

Upon audit inquiry, we were informed by EI staff that other functional duties, such as off-site training sessions and field inspections, attributed to the untimely submittal of reimbursement requests. However, the untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.
Recommendation:

The City’s EI Division should create procedures that ensure that reimbursement requests are submitted along with the quarterly reports described above.

Auditee Response and Action Plan:

*See auditee responses on pages 53 through 55.*
Date: July 6, 2010

To: Harry James, Brownfields Coordinator
Economic Initiatives, Office of the City Manager

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 13, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 13, 2010).

REQUESTS FOR REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

The City of Miami’s (City) Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3) (b) of the City Code states 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...”
The U.S. Environmental Protection Agency's (EPA) "Brownfields Assessment Grant Terms and Conditions" allows (not requires) reimbursement requests to be submitted quarterly along with the quarterly progress reports, which are due "30 days after the end of each Federal fiscal quarter, i.e., October 30, January 30, April 30, July 30." Accordingly, the City's Economic Initiatives Division (EI) staff informed us that during the audit period, reimbursement requests were submitted along with quarterly progress reports as suggested (not required) by EPA. Since many of the grant-related expenditure items are incurred and paid by the City on different dates, reimbursement request documentation for each item should be compiled and grouped with the applicable quarterly report for timely submittal to the grantor.

Brownfields (Allapattah/Wynwood Area-Wide) Assessment Grant – Award #1494

During our review of Brownfields Assessment Grant reimbursement requests, we noted that EI submitted 3 reimbursement requests during the audit period which included 23 expenditure items totaling $196,003. However, our audit test determined that none of the 23 expenditure items were submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the respective items and the dates that respective quarterly reports were due ranged from 10 days to 153 days. However, all reimbursements were received without exception.

We were informed by EI staff that other functional duties, such as off-site training sessions and field inspections, attributed to the untimely submittal of reimbursement requests. However, not timely requesting reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.

Recommendation:
The City's EI Division should create procedures that ensure that reimbursement requests are submitted along with the quarterly reports described above.
Auditee Response and Action Plan:

☑️ I agree; ☐ I disagree. Please initial: [Signature]

Explanation: Timely reimbursement requests will be implemented no longer than on a quarterly basis. Large invoices will be submitted for reimbursement on an immediate basis.

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 13, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
    Tony Crapp, Jr., Assistant City Manager
    Dorcas Perez, Director, Grants Administration
    Audit Documentation File
OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS

Article IX, Division 1, Section 18-502(3) (b) of the City Code as noted above states 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...”

City departments are required to incur program expenditures in accordance with grant agreements with other government agencies (grantors). Therefore, depending on the terms of the agreement, the grantors may either advance funding to the City or the City uses its funds to pay for program related expenditures and then requests reimbursements for such expenditures.

When the City uses its funds to pay for grant related expenditures and then requests reimbursements for such expenditures, an "Accounts Receivable" (AR) and corresponding Revenue/Deferred Revenue are recorded. Accounts Receivables due from grantor agencies are classified as “Due from Other Governments” (DFOG). The number of days that such receivables are deemed “outstanding” or “due” is calculated by the Oracle financial accounting system from the date reimbursable expenditures were incurred and reimbursement requests are billed to respective grantors.

As indicated in the schedule below, the City’s fiscal year end 2009 (FYE 2009) DFOG totaled $35 million (See Schedule Below).
However, as of the date of our audit test (June 21, 2010), City departments had outstanding reimbursable amounts due from various grantor agencies (DFOG) totaling **$12.8 million** as indicated in the schedule below. The number of days that invoices that comprised these monies had been outstanding ranged from 264 to 1359 days.

According to the fiscal year 2009 (FY 2009) Management Letter prepared by the City’s external auditor, City management attributed delays in the receipt of grant funding to the following deficiencies:
• Delay in the compiling and filing of proper documentation necessary to receive reimbursements.
• Incomplete/improper reimbursement packages submitted to grantors, which were subsequently rejected.
• In certain instances management has decided not to submit for reimbursement until certain capital projects are 100% complete, even though the grantors did not impose such restrictions on the City.
• The City’s grant management process is decentralized, which has resulted in ineffective oversight over grant administrators.

The untimely filing of reimbursements diminishes the City’s cash flow and the amount of interest that can be earned on such reimbursement receipts.

Recommendation:

The City should implement internal control procedures that will ensure that program expenditures are reimbursed in a timely manner. Such procedures should also ensure that reimbursement requests are appropriately reviewed and approved, clerically accurate, and are completed in accordance with grant provisions. Lastly, since a disaster declaration was never declared for Miami-Dade County after the occurrence of Hurricane Ike, outstanding reimbursements totaling $7,187.54 associated with Award #1515 should be written-off by the City’s Finance Department.

Auditee Response and Action Plan:

See auditee responses on:
   Pages 37 through 50 for Miami Fire Rescue.
   Pages 59 through 61 for NET
   Pages 62 through 80 for CIP
   Page 81 for Parks and Recreation
   Page 82 for Community Development
Date: July 14, 2010

To: Haydee Wheeler, Acting Director
   Neighborhood Enhancement Team

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
      Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
         Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami's (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 21, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 21, 2010).

OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS

The City of Miami’s (City) Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3)(b) of the City Code states 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...”
When the City uses its funds to pay for grant related expenditures and then request reimbursements for such expenditures, an "Accounts Receivable" (AR) and corresponding Revenue/Deferred Revenue are recorded. Accounts Receivables due from grantor agencies are classified as "Due from Other Governments" (DFOG). The number of days that such receivables are deemed “outstanding” or “due” is calculated by the Oracle financial accounting system from the date reimbursable expenditures were incurred and reimbursement requests are billed to respective grantors.

As of fiscal year end 2009 (FYE 2009), the City’s total DFOG amount was $35 million. However, as of the date of our testing (June 21, 2010), the City’s Neighborhood Enhancement Team (NET) had incurred reimbursable expenditures totaling $20,000 which is still outstanding or due from the respective granting agency (See Attached Schedule). The number of days that the $20,000 reimbursable expenditure item has been outstanding is 996 days.

The untimely filing and receipt of reimbursements diminishes the City’s cash flow and the amount of interest that can be earned on such reimbursement receipts.

Auditee Response and Action Plan
☐ I agree; ☐ I disagree. Please initial:  

Explanations:

The memorandum of agreement between “Roots in the City” and the City of Miami, as well as the agreement between the City of Miami and Miami-Dade Co., was never executed when the grant was first received back in November 2005. When the request for reimbursement was made to the County in 2008, that is when it was made notice that no agreement was ever executed. Recently, both agreements are complete and initialing in the spaces provided and returning this memorandum to us. Please provide explanations as to why the reimbursement request is still outstanding. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 21, 2010.
If you have any questions, please feel free to contact me at 305-416-2173 or by e-mail.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
    Audit Documentation File

Explanation cont'd.

However, we are quitting the agreement between the City of Miami and Miami Dade County to be executed by the County/City Manager, County/City Clerk and County/City Attorney. It has already been executed by the City and is quitting the completion of the County's execution. (Copy of agreement attached for your perusal) and the agreement between the City of Miami and Roe's in the City. (Copy attached).

If there is any additional information needed please don't hesitate to give me a call at 7/2017.

Berta J. Davis
OIC of NEI
Date: July 15, 2010

To: Alice Bravo, Director
    Capital Improvement Programs

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
      Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
        Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 23, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 23, 2010).

OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS

The City of Miami’s (City) Financial Integrity Principles as codified in Article IX, Division 1, Section 18-502(3) (b) of the City Code states 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...”

City departments incur program expenditures in accordance with grant agreements with other government agencies (grantors). Depending on agreement terms, agencies can either advance
funding to the City or the City must incur expenditures and then request reimbursements for such expenditures.

When the City uses its funds to pay for grant related expenditures and then request reimbursements for such expenditures, an "Accounts Receivable" (AR) and corresponding Revenue/Deferred Revenue are recorded. Accounts Receivables due from grantor agencies are classified as “Due from Other Governments” (DFOG). The number of days that such receivables are deemed "outstanding" or “due” is calculated by the Oracle financial accounting system from the date reimbursable expenditures were incurred and reimbursement requests are billed to respective grantors.

As of fiscal year end 2009 (FYE 2009), the City’s total DFOG amount was $35 million. However, as of the date of our testing (June 21, 2010), the City’s Department of Capital Improvement Programs (CIP) had incurred reimbursable expenditures totaling $7.3 million and had outstanding reimbursable amounts due from various grantor agencies totaling $4.3 million. (See Attached Schedule). The number of days that the $4.3 million (16 invoices) had been outstanding ranged from 264 to 995 days.

The untimely receipt of reimbursements diminishes the City’s cash flow and the amount of interest that can be earned such reimbursement receipts.

**Auditee Response and Action Plan:**

☒ I agree; ☐ I disagree. Please initial: __________________

**Explanation:**

☑️ It is agreed that reimbursements need to be timely. Refer to attached table for a status on each award listed on your schedule. Supporting documentation is also included where available.

As requested above, please confirm our understanding by marking whether you agree or disagree and initiating in the spaces provided and returning this memorandum to us. Please provide explanations as to why reimbursements request has not been filed. In the event that you disagree
with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 23, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
    Audit Documentation File
<table>
<thead>
<tr>
<th>Customer Number</th>
<th>Customer Name</th>
<th>Transaction Type</th>
<th>PO Number</th>
<th>Number</th>
<th>Org</th>
<th>Original</th>
<th>Amount Applied</th>
<th>Amount Adjusted</th>
<th>Amount Granted</th>
<th>Balance Due</th>
<th>Due Date</th>
<th>EL Date</th>
<th>Days Late</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1025</td>
<td>FL - Florida Department of Transportation</td>
<td>Projects Invoice</td>
<td>1025</td>
<td>110218</td>
<td>CP</td>
<td>29,849.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>28,682.55</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Federal Emergency Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>2,089,767.39</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>2,089,767.39</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Florida Department of Transportation</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>733,131.12</td>
<td>274,855.85</td>
<td>0.00</td>
<td>0.00</td>
<td>458,277.27</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - South Florida Water Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>175,593.45</td>
<td>73,584.70</td>
<td>0.00</td>
<td>0.00</td>
<td>102,008.75</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Florida Department of Transportation</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>393,301.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>57,802.25</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - South Florida Water Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>189,198.79</td>
<td>105,082.00</td>
<td>0.00</td>
<td>0.00</td>
<td>84,116.79</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Federal Emergency Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>109,500.37</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>159,500.37</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Miami Dade County</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>505,525.80</td>
<td>679,139.29</td>
<td>0.00</td>
<td>0.00</td>
<td>177,614.49</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Miami Dade County</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>102,701.47</td>
<td>102,701.47</td>
<td>0.00</td>
<td>0.00</td>
<td>892.00</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Miami Dade County</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>120,301.50</td>
<td>93,301.40</td>
<td>0.00</td>
<td>0.00</td>
<td>27,000.20</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Miami Dade County</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>89,675.00</td>
<td>89,675.16</td>
<td>0.00</td>
<td>0.00</td>
<td>12,010.42</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Miami Dade County</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>137,407.27</td>
<td>116,380.52</td>
<td>0.00</td>
<td>0.00</td>
<td>21,026.74</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Federal Emergency Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>815,450.70</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>815,450.70</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Federal Emergency Management Agency</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>95,203.97</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>95,203.97</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Florida Department of Community Affairs</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>11,577.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>11,577.00</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td>1025</td>
<td>FL - Florida Department of Community Affairs</td>
<td>Projects Invoice</td>
<td>1132</td>
<td>110218</td>
<td>CP</td>
<td>10,289.73</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>10,289.73</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,013,277.45</td>
<td>3,718,753.04</td>
<td>0.00</td>
<td>0.00</td>
<td>294,524.42</td>
<td>9-09-07</td>
<td>10-09-07</td>
<td>955</td>
</tr>
</tbody>
</table>
### Financial Integrity Audit
### Status of Reimbursements

<table>
<thead>
<tr>
<th>Project Code</th>
<th>Project Description</th>
<th>Status Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1096</td>
<td>FDOT-Brickell Ave Lighting</td>
<td>Final Reimbursement requested 3/23/10- Pending receipt of payment</td>
</tr>
<tr>
<td>1127</td>
<td>FEMA Recovery</td>
<td>Grant not managed by CIP*</td>
</tr>
<tr>
<td>1131</td>
<td>FDOT- Miami Streetcar Project</td>
<td>The amount was corrected as a receivable in the Mass Transit Fund 39900, and, has been recognized as revenue. The Office of Transportation staff will continue to investigate if the amount is still outstanding.</td>
</tr>
<tr>
<td>1151</td>
<td>SFWMD - Avalon Storm</td>
<td>All money for this project has been received since August 2007</td>
</tr>
<tr>
<td>1336</td>
<td>City Hall Renovations</td>
<td>Received final payment 11/6/09</td>
</tr>
<tr>
<td>1125</td>
<td>FEMA Hazard Mitigation</td>
<td>Grant not managed by CIP*</td>
</tr>
<tr>
<td>1380</td>
<td>MD GO Bonds- Old Miami High</td>
<td>All money for this project has been received since January 2010</td>
</tr>
<tr>
<td>1360</td>
<td>MD GO Bonds- Glenroyal Storm Sewer (Series I)</td>
<td>Reimbursement request submitted 5/12/10 (Pending receipt of Payment)</td>
</tr>
<tr>
<td>1361</td>
<td>MD GO Bonds- Englewood Storm Sewer (Series I)</td>
<td>Reimbursement request submitted 5/12/10 (Pending receipt of Payment)</td>
</tr>
<tr>
<td>1362</td>
<td>MD GO Bonds- Northwest Storm Sewer (Series I)</td>
<td>Reimbursement request submitted 5/12/10 (Pending receipt of Payment)</td>
</tr>
<tr>
<td>1129</td>
<td>Florida Dept. of Community Affairs</td>
<td>Grant not managed by CIP*</td>
</tr>
</tbody>
</table>

---

*FEMA Grants, represented by Awards 1125, 1127, and 1129, are managed by the Fire Department; however, CIP staff provides assistance by providing project updates and invoices as requested by Fire Personnel. Final reimbursement for the FEMA Hazard Mitigation Grant (Award 1125) was received on 6/25/2010. A final inspection and reimbursement will be requested for FEMA Recovery Grant (Award 1127) and Florida Department of Community Affairs (Award 1128) once all projects are 100% complete.*
---Original Message-----
From: Huynh, Dat [mailto:Dat.Huynh@dot.state.fl.us]
Sent: Friday, May 14, 2010 11:20 AM
To: Franco, Mayren
Cc: Hicks, Hamilton
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Mayren, could you please send me a new transmital memo for this invoice.

Thanks,

Dat

---Original Message-----
From: Huynh, Dat
Sent: Friday, May 14, 2010 10:33 AM
To: 'Franco, Mayren'
Cc: Hicks, Hamilton
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

We are processing the invoice for payment.

Thanks,

Dat

---Original Message-----
From: Franco, Mayren [mailto:mfranco@miamigov.com]
Sent: Thursday, May 13, 2010 2:23 PM
To: Huynh, Dat
Cc: Hicks, Hamilton
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Hi Dat,

Can you please advise of the status of this reimbursement request? The initial request was submitted on February 12, 2009. Subsequently, you requested several documents including final plans and acceptance letter. The requested documents were submitted on March 23, 2010. Please advise.

Thanks,

Mayren Franco, Contract Compliance Analyst City of Miami, Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130
Ph: 305-416-1747
Fax: 305-416-2153
Email: mfranco@miamigov.com
Website: www.miamigov.com/capitalprojects

---Original Message-----
From: Franco, Mayren
Sent: Tuesday, March 23, 2010 1:01 PM
To: Huynh, Dat
Cc: Hicks, Hamilton
Subject: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Dat,
Please find attached the final acceptance letter for the Brickell Avenue Lighting project. I will forward a copy of the Plans in several e-mails. Please advise should you require additional documents prior to release of final grant disbursement to the City.

Thank you,

Mayren Franco  
Contract Compliance Analyst  
Capital Improvements Program  
444 SW 2nd Avenue, 8th Floor  
Miami, FL 33130  
305-416-1747
Franco, Mayren

From: Huynh, Dat [Dat.Huynh@dot.state.fl.us]
Sent: Friday, May 14, 2010 5:00 PM
To: Franco, Mayren
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Thank you, you too.

-----Original Message-----
From: Franco, Mayren [mailto:mfranco@miamigov.com]
Sent: Friday, May 14, 2010 4:58 PM
To: Huynh, Dat
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

As requested.

Have a great weekend!

Mayren Franco
Contract Compliance Analyst
City of Miami, Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130
Ph: 305-416-1747
Fax: 305-416-2153
Email | Website

-----Original Message-----
From: Huynh, Dat [mailto:Dat.Huynh@dot.state.fl.us]
Sent: Friday, May 14, 2010 2:28 PM
To: Franco, Mayren
Cc: Hicks, Hamilton
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Yes, or something similar. The original one that I have is dated Feb 12, 2009.

Thanks,

Dat

-----Original Message-----
From: Franco, Mayren [mailto:mfranco@miamigov.com]
Sent: Friday, May 14, 2010 2:25 PM
To: Huynh, Dat
Cc: Hicks, Hamilton
Subject: RE: JPA Contract No. A0C88 (Brickell Ave Lighting, B-40666A)- PART 1

Are you referring to the request letter as originally submitted?

Mayren Franco, Contract Compliance Analyst City of Miami, Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130
Ph: 305-416-1747
Fax: 305-416-2153
Email: mfranco@miamigov.com
Website: www.miamigov.com/capitalprojects
Franco, Mayren

From: Eisenhart, Maria
Sent: Wednesday, February 03, 2010 4:45 PM
To: Hicks, Hamilton; Shah, Yogesh
Cc: Smith, Yvette; Paschal, Erica; Franco, Mayren
Subject: RE: Audit Inquiry

Hamilton,

Is there any way that we can get a complete history for Avalon, Flagami projects funded by awards 11A9 and 11517? The final check is just not enough for me to submit the write off of the invoices that were created in the system for expenditures related to the projects. I can even go upstairs and get it but scanned would be best.

Thanks,

Maria

From: Hicks, Hamilton
Sent: Tuesday, January 26, 2010 10:21 AM
To: Shah, Yogesh
Cc: Smith, Yvette; Paschal, Erica; Eisenhart, Maria; Franco, Mayren
Subject: Audit Inquiry

Yogesh, I understand you have an inquiry from an auditor about why we have not received reimbursement for Avalon and Brickell Lighting. FDOT has declined to reimburse without submittal of close-out documentation for the Brickell project which was delayed due to a lengthy punch list process. The documentation has been submitted and we expect reimbursement shortly, Mayren will provide further details. As for Avalon, finance has asked when the money will be received for this project a number of times over the past few years. Again, we have received all money for this project. The attached check is for final payment for Avalon from SFWMD, received 8/23/07.

Thank you,

Hamilton Hicks

To: Shah, Yogesh
Cc: Smith, Yvette; Paschal, Erica; Eisenhart, Maria; Vega, Fernando; Franco, Mayren
Subject: RE: rough draft of first 3 CIP PnG Concession farms

Yogesh, I received all grant money owed for these awards (except for $1,000——SFWMD said they did not know why there was $1000 less in their account for the grant). I have no idea why you still have outstanding expenditures for it. I believe the funds may have been misattributed to another award when they were received. Someone will need to review the award attributions upon receipt of the money. Attached are the reimbursements we submitted since I have
been tracking them. I also attached one of the checks we received since I happen to have it on file. I also have notations that reimbursements prior to these were all received. I cannot fill out Concession forms for these amounts because they do not match what is actually outstanding ($1,000). Hope this helps.

Hamilton Hicks
Contact Officer
Capital Improvements Program
444 S.W. 2nd Avenue, 6th Floor
Miami, Florida 33130
+ (305) 416-1298
Email | Website

From: Shah, Yogesh
Sent: Monday, April 27, 2009 2:09 PM
To: Franco, Mayren; Hicks, Hamilton
Cc: Smith, Yvette; Paschal, Erica; Eisenhart, Maria; Vega, Fernando
Subject: FW: rough draft of first 3 CIP PnG Concession forms

Hi
Award# 1149 & Award#1151
Outstanding A/B invoice for FYE2007 & FYE2008
Please review and let PnG know for concession or Hold for money (reimbursement) will received from South Florida Water Mgmt.

Thanks
Shah

From: Vega, Fernando
Sent: Monday, April 27, 2009 1:35 PM
To: Shah, Yogesh
Subject: FW: rough draft of first 3 CIP PnG Concession forms

Hi Shah,
I began the attached (draft) Concession forms for the first 3 potential CIP concessions (Inv. 110268, 110269, 110800). When the final decision is made, please feel free to use them & finish them.
Thanks again,
Fernando
<table>
<thead>
<tr>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>09-26-06</td>
<td>476,954.00</td>
</tr>
<tr>
<td>08-09-07</td>
<td>39,046.00</td>
</tr>
<tr>
<td>08-09-07</td>
<td>176,187.30</td>
</tr>
<tr>
<td>08-09-07</td>
<td>40,000.00</td>
</tr>
</tbody>
</table>

**TOTAL**

726,187.30
<table>
<thead>
<tr>
<th>Award #</th>
<th>Project Name</th>
<th>B-Number</th>
<th>Fund</th>
<th>Greater Agency</th>
<th>Greater Contract No.</th>
<th>Amount Requested</th>
<th>As of</th>
<th>Amount Received</th>
<th>As of</th>
<th>Amount Requested</th>
<th>As of</th>
<th>Amount Received</th>
<th>As of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1148/1113</td>
<td>Perishable Stainless Refrid</td>
<td>B-94633</td>
<td>Closed</td>
<td>SPWMD</td>
<td>C-12442/131164</td>
<td>$11,000.00</td>
<td>1/11/2007</td>
<td>$10,000.00</td>
<td>1/12/2007</td>
<td>$11,000.00</td>
<td>1/29/2007</td>
<td>$11,000.00</td>
<td>1/31/2007</td>
</tr>
</tbody>
</table>
September 9, 2009

Mr. Gary Fabrikant
City of Miami
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130

RE: Miami City Hall/Pan American Seaplane Terminal
Grant Number SC3733
Award Amount $350,000.00

Dear Mr. Fabrikant:

This is to inform you that the above referenced grant has now met all Grant Award Agreement and grant expenditure documentation requirements. Our office now considers this grant closed.

Your total approved cumulative expenditures for this grant are $293,293.07 in approved grant funds and $293,293.08 in approved Local Cost Share. Your final payment of $188,201.07 has also been approved. This payment amount differs from your $188,200.06 final payment request because our office rounded your last payment down to the nearest dollar. You should receive this payment in 60-90 days. Unspent and unclaimed grant funds in the amount of $56,706.93 will revert to the State of Florida.

Please recall that your project remains subject to any Restrictive Covenants or Preservation Agreements that may have been assigned to your grant ten years from the date of their enactment. While the Restrictive Covenant or Preservation Agreement is in effect, no modifications may be made to the property, other than routine repairs and maintenance, without advance review and approval of the plans and specifications by the Department's Bureau of Historic Preservation.

Further, please be advised that your organization is required to comply with the provisions of the State of Florida Single Audit Act as described in the Addendum of your Grant Award Agreement should you meet certain eligibility standards. Additional information is available at the Florida Auditor General's website at www.state.fl.us/audgen/

Congratulations on your successful completion of this important project and thank you for your commitment to the preservation of Florida's heritage. Should you have any questions about your grant's close-out or final payment, or if I may be of any assistance, please feel free to contact me at (850) 245-6399, toll free at (800) 847-7278, or via e-mail at CMHoffer@flh.state.fl.us.

Sincerely,

Chaste M. Holmer
Historic Preservation Grants Specialist
Bureau of Historic Preservation

500 S. Bronough Street • Tallahassee, FL 32399-0250 • http://www.flheritage.com

□ Director's Office (850) 245-6300 • FAX: 245-6435
□ Archeological Research (850) 245-6444 • FAX: 245-6422
□ Historic Preservation (850) 245-6333 • FAX: 245-6457
□ Historical Museums (850) 245-6390 • FAX: 245-6433
□ Southeast Regional Office (850) 467-4990 • FAX: 467-4991
□ Northeast Regional Office (904) 825-5065 • FAX: 625-5044
□ Central Florida Regional Office (813) 272-3643 • FAX: 272-2368
Franco, Mayron

From: Hicks, Hamilton
Sent: Wednesday, September 09, 2009 4:07 PM
To: Eisenhart, Maria; Shah, Yogesh
Cc: Fabrikant, Gary; Aluko, Olu O.; Smith, Yvette; Rose, Adalgisa; Paschal, Erica; Franco, Mayron
Subject: Award 1336: SC733 Miami Seaplane Terminal/City Hall Final P&E Report and Final Payment
Attachments: SC733 Miami Seaplane Terminal City Hall, closeout letter, 9.9.2009.doc
Importance: High

Please see attached letter and note that $56, 706.93 of this $350,000 award will not be reimbursed due lower than expected bid amounts. Please revise award 1336 accordingly. 50% of all eligible expenditures, as allowed by the agreement, have been approved and the grant is now closed.

Thank you,

Hamilton Hicks
Contracts Officer
Capital Improvements Program
444 S.W. 2nd Avenue, 8th Floor
Miami, Florida 33130
+(305) 416-1700
Email | Website

From: Hosmer, Cristina M. [mailto:CHosmer@dos.state.fl.us]
Sent: Wednesday, September 09, 2009 3:50 PM
To: Franco, Mayron
Cc: Fabrikant, Gary; Helland, Sharyn E.
Subject: RE: SC733 Miami Seaplane Terminal/City Hall Final P&E Report and Final Payment
Importance: High

Dear Ms. Franco:

Thank you for submitting the missing processed check today. Your grant is now considered closed.

Please see a copy of your grant's close-out letter attached with this email. Also, I am sending a hard copy of the letter to Mr. Fabrikant in the mail today. Thank you!

Thank you,

Cristina Hosmer
Special Category Grants Manager
Bureau of Historic Preservation

• Interested in our grant program? Please visit our website, www.flheritage.com/grants.
• For information about preservation resources available through the Federal Stimulus Package of: www.flheritage.com/stimulus.
• **Current Grantees:** Need a grant payment? Remember that all grant payment requests must be made in writing and addressed to your grant manager. With the amount you are requesting, you must also include a summary of your grant’s current progress and a description of what the funds will be used to purchase or reimburse.

• **Current Grantees:** Please remember that Small Matching payments take 2-3 weeks to be paid after approval by your grant manager. Special Category grant payments take 45-90 days to be paid after approval by your grant manager. Please be sure to plan accordingly. Check to see if the Florida Department of Financial Services has processed your payment by visiting [https://fosq.dfs.state.fl.us](https://fosq.dfs.state.fl.us) and selecting “Vendor Payment History.” You will need to have your FED # or Social Security # handy.

• **Current and Prospective Grantees:** View and download grant documents, including new P&E Reports, Special Conditions forms, sample Grant Award Agreements (GAAs), Attachment A, etc. at: [http://www.flheritage.com/grants/info/reports/](http://www.flheritage.com/grants/info/reports/)

---

**Crista M. Hosmer, M.A., FCCM**
Historic Preservation Grants Specialist
Special Category Grants
Bureau of Historic Preservation
Florida Department of State
R.A. Gray Building 4th Floor
500 South Bronough Street
Tallahassee, Florida 32399

Phone: 850-245-6359 or 772-778
Fax: 850-245-6437
Email: CHosmer@dos.state.fl.us
Website: [www.flheritage.com/grants](http://www.flheritage.com/grants)

---

Please consider the environment before printing this email.

---

Please take a few minutes to provide feedback on the quality of service you received from our staff. The Florida Department of State values your feedback as a customer. Kurt Browning, Florida Secretary of State, is committed to continuously assessing and improving the level and quality of services provided to you. Simply click on the link to the “DOS Customer Satisfaction Survey.” Thank you in advance for your participation. [DOS Customer Satisfaction Survey](https://www.dos.state.fl.us/comments/)

---

From: Franco, Mayren [mailto:mfranco@miamilgov.com]
Sent: Wednesday, September 09, 2009 12:12
To: Hosmer, Crista M.
Cc: Fabritzian, Gary
Subject: RE: SC733 Miami Seaplane Terminal/City Hall Final P&E Report and Final Payment

Ms. Hosmer;

Attached please find the cancelled check for Walter L. Lista in the amount of $14,250.00. Should you require additional information, please contact me.

Thank you,

Mayren Franco
305-416-1747

---

76
Wachovia Connection Information Reporting

** BANK/ACCOUNT: WBFL 2696206833948
** CITY OF MIAMI

RECV ACCOUNT # : 2696206833948
ORIG COMPANY ID : 12696206669
TRANSACTION REF #: 8639080207680009

ID: 5940000375 62

ADD CNMT: 0004
NAME: OF MIAMI

ADHOC:
*** THE FOLLOWING ADHOC IS NOT IN X12 COMPLIANCE AND CANNOT BE TRANSLATED. ***
$0513 364-70542-REQ3(FINAL) 0001500001
CVCQ0140000030CCQ0000024 01 364-70542-REQ3(FINAL) REIMB.FIRST IBM 502095354 1
$0513 364-70542-REQ3 00122103901
CVCQ18000034030CCQ0000026 03 304-70588-REQ3 REIMB.WW STORM 550209354 1

© Wachovia Corporation, 2006

First Miami: High $15,000.01
Northwest Steel: $124,036

https://wc.wachovia.com/infoReporting/asp/IFRRreports.asp?RPT=&FORMAT=&ACCT=... 1/7/2010
Franco, Mayren

From: Franco, Mayren  
Sent: Tuesday, January 19, 2010 3:31 PM  
To: Shah, Yogesh  
Cc: Hicks, Hamilton; Smith, Yvette  
Subject: FW: wire $136036.92 from Miami-Dade County  
Attachments: Old Miami High-Final Reimbursement (Retainage Release).pdf

Please see attached the final reimbursement request for the Old Miami High Project (Award # 1380) in the amount of $15,000.01. Please note that CIP will not be receiving the remainder of this grant as per the grant agreement, the County placed a GOB sign at the project site in the amount of $543.20.

Should you have any questions, please call me.

Mayren Franco

_____________________________
From: Shah, Yogesh  
Sent: Tuesday, January 19, 2010 3:08 PM  
To: Franco, Mayren  
Subject: FW: wire $136036.92 from Miami-Dade County

Hi Mayren
This for CIP, I only have reimbursement copy for NW Storm $121036.91
What about $15000.01 ???

_____________________________
From: Li, Tina Zhan-Qin  
Sent: Friday, January 08, 2010 9:25 AM  
To: Shah, Yogesh  
Subject: wire $136036.92 from Miami-Dade County

Good Morning Shah,

Please review the attached wire and advise.

Thanks,

Tina
Dear Mr. Galan:

Attached for your review and processing, as applicable, are reimbursement requests for the below-referenced projects for design expenses per the contracts. The originals are being mailed concurrently.

<table>
<thead>
<tr>
<th>Project</th>
<th>Reimb. Request Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glenroyal (304-70580)</td>
<td>$116,289.97</td>
</tr>
<tr>
<td>Englewood (304-70582)</td>
<td>$232,624.04</td>
</tr>
</tbody>
</table>

Should you have any questions, please contact me.

Thank you,

Mayren Franco
Contract Compliance Analyst
Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130
305-416-1747
Franco, Mayren

From: Franco, Mayren
Sent: Wednesday, May 12, 2010 1:26 PM
To: ‘GALANJ@miamidade.gov’, ‘Barriga, Frank (OCI)’
Cc: Paschal, Erica; Shah, Yogesh; Eisenhart, Maria; Perez, Dorcas; Hicks, Hamilton
Subject: Document Distribution: Reimbursement Requests for GOB Project No. 304-70584-Northwest
Storm Sewers
Attachments: Northwest-Reimbursement No. 4.pdf

Dear Mr. Galan:

Attached for your review and processing, as applicable, is the 4th reimbursement request for the above-mentioned project in the amount of $241,526.53 for design expenses per the contract. The original is being mailed concurrently.

Should you have any questions, please contact me.

Thank you,

Mayren Franco
Contract Compliance Analyst
Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, FL 33130
305-416-1747
INTER-OFFICE MEMORANDUM

TO: Lewis R. Blake, CPA, CIA & Senior Staff Analyst
    Office of Auditor General

FROM: Ernest W. Barkeen, Director
      Parks and Recreation Department

DATE: August 12, 2010

SUBJECT: Principles Audit No. 010-015
        Audit of Financial Integrity

REFERENCES:

ENCLOSURES:

In response to your memorandum dated July 15, 2010 regarding outstanding reimbursement amounts due from other governments, please be advised that we agree with your finding that we were late in filing reimbursement request to Miami Dade County Safe Neighborhood Program. In some projects late filing was caused due to the SNP office revising the rules and regulations and establishing new procedures for scope/budget changes; these projects require a Scope Change Ordinance that the County has been working on for some time and the Office of Safe Neighborhood Program had requested no reimbursement be submitted until the Ordinance was finalized. However because the Ordinance Change has taken longer than anticipated the Parks Department foreseeing a finding from your office submitted reimbursements regardless of the County’s request. Attached please find correspondence between the City and the County referencing changes.

We also concur with the finding that currently funds have not been received by the City. This delay is explained in the attached May 5, 2010 correspondence received from Veronica Rubert of the County’s Capital Improvement Office.

Should further information be required, please feel free to contact me.

EWB/MMP/MDC/md

Attachment

c: Victor Igwe, CPA, CIA
    Independent Auditor General

   Maria M. Perez
    Support Services Coordinator
Igwe, Victor

From: Mensah, George  
Sent: Friday, August 13, 2010 8:14 AM  
To: Blake, Lewis  
Cc: Igwe, Victor; Duran, Alfredo; Mirones, Pedro  
Subject: RE: Excerpt of Audit Report Indicating Disagreement to CD’s Response to MOU  
Attachments: RE: CDBG-DRI Round I

Please see response below and email attachment.

“The Department of Community agrees with the auditor’s findings, however, despite the written email from the County, the County has always insisted that this contract is a “project delivery” contract which means that no administration is earned until project completion. It is under this assumption that the department waited until a completed project before submitting the reimbursement for the administration cost. As is evident with the attached email, the County only approved half of the administration request citing the fact that we have other projects still under construction.

Please note that in the last three years, the Department of Community Development has expensed more than $135 million which has all been reimbursed but the amount in question, which is less than 0.08% of the total expenditure of the department. The department acknowledges that any amount, however small, not reimbursed is an amount that affects the City’s cash flow and will work to ensure that in future contracts with the County all efforts, including soliciting assistance from the City Attorney’s office, is used to ensure that the county adheres to the terms of the contract.

George Mensah  
Director, Dept. of Community Development  
City of Miami  
444 SW 2nd Ave, 2nd Floor  
Miami, FL 33130  
Ph: 305-416-2080  
Fax: 305-416-2090

George Mensah  
Director, Dept. of Community Development  
City of Miami  
444 SW 2nd Ave, 2nd Floor  
Miami, FL 33130  
Ph: 305-416-2080  
Fax: 305-416-2090

From: Blake, Lewis  
Sent: Tuesday, August 10, 2010 2:09 PM  
To: Mensah, George  
Cc: Igwe, Victor; Duran, Alfredo; Mirones, Pedro  
Subject: Excerpt of Audit Report Indicating Disagreement to CD’s Response to MOU  
Importance: High

George,

Attached is an excerpt of the audit report which will reflect our disagreement with the assertion in CD’s response to our MOU which states, “The Department of Community Development does not have any receivables from grantors in excess of one year, except a grant from Miami-Dade OCED for Hurricane Disaster Relief, in which the City has been working for the last two years incurring administration expenses that can only be reported and drawn down

1
at the time of the completion of the construction of each unit. The amount outstanding is $103,467.04." (See Attached).

As indicated in the other attachments, which includes an e-mail from Miami-Dade County and excerpts of the grant agreement, there was no need to await completion of the projects covered under the grant before the required "Progress Reports" and reimbursement requests could be filed.

Accordingly, we would like to schedule an exit conference with you in order to discuss this matter. In the interim, if you wish to revise CD's response by acknowledging that CD should have filed the applicable "Progress Reports" and corresponding reimbursement requests as far back as the dates indicated in the report, please do so immediately and forward the revised response to us by August 12, 2010. Alternatively, if you would like to simply revise CD's response as suggested and waive the exit conference, please do so and let us know by the same date (August 12, 2010).

Thanks.

Lewis R. Blake, CPA, CIA
Senior Staff Auditor
City of Miami, Office of Auditor General
Phone: (305) 416-3173
Fax: (305) 400-6130
INAPPROPRIATE USE OF LOCAL OPTION FUEL TAX (LOFT) PROCEEDS

Section 336.025, Florida Statutes expressly states that Local Option Fuel Tax (LOFT) monies (restricted funds) shall be used to fund both capital expenditures (or CAPEX - which are the cost of installing/developing a system) and operational expenditures (or OPEX - which are ongoing/daily cost of operating and/or maintaining a system).

Section 336.025(7)(a)(b)(f), Florida Statutes provides that LOFT monies may be used to fund the operational expenditures for the following types of transportation infrastructure:

1. Public transportation (operations and maintenance) [Section 336.025(7)(a), Florida Statutes]
2. Roadway/right-of-way (maintenance) and equipment and structures used primarily for the storage and maintenance of such equipment [Section 336.025(7)(b), Florida Statutes]
3. Bridges (maintenance and operation) [Section 336.025(7)(f), Florida Statutes]

In contrast, except for the cost of dredging canals and retention ponds used in roadway drainage systems as opined by the State of Florida Attorney General (SAG) [Attorney General Opinion (AGO) Number 99-70], Section 336.025(7)(c)(d)(e)(g), Florida Statutes expressly states that LOFT monies shall only be used for the cost of constructing and installing (capital expenditures, i.e. cost of developing a system or providing non-consumable parts to a system) the following transportation infrastructure:

4. Roadway and right-of-way drainage (storm drainage), Section 336.025(7)(c), Florida Statutes.
5. Street lighting (poles, bulbs, and wiring), Section 336.025(7)(d), Florida Statutes.
6. Traffic signalization equipment, Section 336.025(7)(e), Florida Statutes.
7. Debt service and current expenditures for transportation capital projects in the foregoing program area, including construction or reconstruction of roads and sidewalks, Section 336.025(7)(g), Florida Statutes.
Therefore, there is no provision in the enabling legislation (Section 336.025(7)(c)(d)(e)(g), Florida Statutes) that allows for LOFT monies to be used to fund ongoing/daily cost of operating and/or maintaining transportation infrastructure for numbers 4 through 7 as listed above, except for the cost of dredging canals and retention ponds used in roadway drainage systems, as opined by the State of Florida Attorney General (SAG) [Attorney General Opinion (AGO) Numbers 99-70].

The records reviewed as part of this audit indicated that during fiscal years (FY) 2008 and 2009, LOFT proceeds totaling $5,171,822 and $5,243,106 respectively, were transferred from the City’s LOFT Fund (restricted monies) to the City’s General Fund (unrestricted monies). Our audit determined that $4,519,980 (or 87.4%) of the $5,171,822 transferred to the General Fund in FY 2008, and $4,950,392 (or 94.4%) of the $5,243,106 transferred in 2009 were used to pay for FPL street lighting utility services to City street lights, which are ongoing/daily cost of operations that are not authorized by the enabling legislation. In addition, the Assistant Director of Public Works (PW) in response to our audit inquiry confirmed via an email dated March 11, 2010 that $5.199 million of the said $5.24 million of FY 2009 LOFT allocation was used to pay for FPL Street lighting utility services and also for electricity for decorative and outdoor lighting at City Parks.

In response to our audit inquiry pertaining to whether the City is authorized to use LOFT monies to pay for FPL street lighting utility service charges, the Assistant Director of PW Department requested a legal opinion from the City’s Office of the City Attorney. The resulting opinion concluded:

“If the cost of the street lighting within the City of Miami can be distinguished from the total cost of the general utilities/electrical bill, then that portion can be paid from the revenue collected from the local option fuel tax.” Please see page 103 through 105.

However, this legal opinion did not address our concern regarding the distinction between the use of LOFT monies for capital expenditures (for the initial installation of street lighting...
equipment and wiring) and the daily operational expenditures (for the FPL street lighting utility service charges).

The City’s 2008-2009 Capital Budget and 5-Year Capital Plan (CIP) lists streets and sidewalk project needs totaling $414.4 million, including public transportation infrastructure needs. However, the said capital budget plan projected a funding shortage of approximately $222.5 million. Section 336.025, Florida Statutes, authorized the levy of local option fuel taxes on motor fuel and diesel fuel for the purpose of funding local transportation system projects that will increase the City’s transportation capacity, such as those listed on the City’s CIP Plan, that are not being funded as a result of funding shortages.

To ensure that the taxes on motor fuel and diesel fuel are being properly used for the intended purpose as mandated by Section 336.025, Florida Statutes, we sought further legal clarification and obtained a legal opinion from the State of Florida Attorney General. As part of our request for legal opinion we forwarded the legal opinion issued by the City’s Office of the City Attorney, as well as AGO 2002-02, which cites AGO 99-70 as a reference, other pertinent documents, and requested further clarification and guidance. The State of Florida Attorney General concluded that:

“Local option fuel tax revenues levied pursuant to section 336.025, Florida Statutes, may not be used to pay operational expenditures for storm drainage, street lighting, and traffic signalization.” Please see page 89 through 93.

The City’s Chief Financial Officer (CFO) in a written response to our inquiry stated that: “We disagree with the IAG’s assertion regarding the allowable use of the LOFT for street lighting. To support our position we have included Legal Opinion from Florida Attorney General Number AGO 2002-02, which contradicts the IAG’s conclusion (Exhibit1).” Please see page 98. The CFO’s assertion is very misleading. In fact, The CFO failed to acknowledge in his written response that the Attorney General clearly considered earlier opinions (AGO 2002-02 that addressed bicycle paths and AGO 99-70 that addressed dredging of canals and retention ponds
used in roadway drainage systems [see pages 90 through 92] before concluding that LOFT monies may not be used for daily operational expenditures relative to electrical service to street lighting. Furthermore, the Attorney General stated: “Had the Legislature wished to include the operational cost of street lighting, traffic signalization, and storm drainage, it could have done so, as it has for bridges and public transportation....” Also, the CFO’s assertion seems to imply that the Attorney General’s earlier opinion (AGO 99-70, which was cited as a reference in AGO 2002-02) contradicted the Attorney General’s opinion that was issued to the City’s Office of the Independent Auditor General.

At an audit exit conference held on August 11, 2010 that was attended by the Independent Auditor General and the Staff Auditor assigned to this audit engagement, the CFO verbally indicated that LOFT monies have been routinely used to pay for FPL street lighting utility service charges as far back as 2002 when he first became a City employee (as the Budget Director). Therefore, it appears that much more LOFT proceeds, and not just the approximately $10 million identified in this audit, may have been inappropriately used to pay for FPL street lighting utility service charges and not for much needed roads and public transportation infrastructure.

Although the CFO in his written response disagreed with this audit finding; however, he stated at the audit exit conference that for the Fiscal Year 2011 budget, LOFT monies will not be budgeted for FPL street lighting utility service charges until the City’s Office of the City Attorney provides him with further clarification. However, the Attorney General, in his legal opinion to the City’s Office of the Independent Auditor General stated:

“Until legislatively or judicially determined otherwise, therefore, it is my opinion that local option fuel tax revenues levied pursuant to section 336.025, Florida Statutes, may not be used to pay for the operational cost for street lighting, traffic signals, and storm drainage.”

Therefore, it is our position that LOFT monies should no longer be used to pay for the FPL street lighting utility service charges until it is legislatively or judicially determined otherwise.
Such funds should be used to pay for much needed transportation infrastructure citywide, including but not limited to the new trolley service.

**Recommendation**

We recommend that management adopt and adhere to a policy which requires that all transfers of City’s restricted funds to the General Fund be subject to supervisory and legal review and approval before they are presented to the City Commission for final authorization. The supervisory and legal review and approval should be performed by personnel knowledgeable of all applicable laws, restrictions, regulations, in order to appropriately assess the validity and/or legal use of the proposed resources. Also, we recommend that all monies inappropriately transferred out of City’s Local Option Gas Tax (LOGT) fund be replenished.

**Auditee Response and Action Plan**

*See auditee responses on pages 94 through 105.*
Mr. Victor Igwe  
Independent Auditor General  
Office of the Independent Auditor General  
City of Miami  
444 Southwest 2nd Avenue, Suite 711  
Miami, Florida 33130

Dear Mr. Igwe:

As the Independent Auditor General for the City of Miami, you ask substantially the following question:

May proceeds from the local option fuel tax authorized in section 336.025, Florida Statutes, be used to fund operational expenditures for storm drainage, street lighting, and traffic signalization?

In sum:

Local option fuel tax revenues levied pursuant to section 336.025, Florida Statutes, may not be used to pay operational expenditures for storm drainage, street lighting, and traffic signalization.

You state that operational expenditures include electricity and water service used to operate traffic signals, street lights, and storm water pumping stations.

Section 336.025, Florida Statutes, authorizes the levy of local option fuel taxes (LOFT) on motor fuel and diesel fuel for local transportation system projects.\(^1\) Fuel taxes levied pursuant to the statute, however, may be used by county and municipal governments "only for transportation expenditures."

The statute defines "transportation-expenditures" for purposes of the act as:

\[
\text{Expenditures by the local government from local or state shared revenue sources, excluding expenditures of bond proceeds, for the following}
\]

---
\(^1\) Source: Florida Statutes, Section 336.025.
programs:

(a) Public transportation operations and maintenance.
(b) Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment.
(c) Roadway and right-of-way drainage.
(d) Street lighting.
(e) Traffic signs, traffic engineering, signalization, and pavement markings.
(f) Bridge maintenance and operation.
(g) Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads and sidewalks. (e.s.)

When a statute enumerates the things upon which it operates, it is ordinarily construed as excluding from its operation all things not expressly mentioned. Thus, a listing of allowed expenditures for LOFT revenues precludes use of such revenues for any other purpose.

The statute clearly authorizes the use of LOFT revenues to fund programs that, among others, provide roadway and right-of-way drainage, street lighting, and traffic signalization.

While not applicable in this instance, section 336.025(8), Florida Statutes, authorizes the governing body of a county with a population of 50,000 or less on April 1, 1992, or the governing body of a municipality within such a county to use local option fuel tax revenues to “fund infrastructure projects, if such projects are consistent with the local government’s approved comprehensive plan.” The paragraph further states: “Except as provided in subsection (7), such funds shall not be used for the operational expenses of any infrastructure.”

Thus, it would appear that the pervasive intent of section 336.025, Florida Statutes, is to provide a revenue source to fund certain road system infrastructure, which in specific instances includes the operation and maintenance costs of such infrastructure. The Legislature has used the terms “maintenance” and “operation” separately. To interpret them to mean the same thing would mean that the Legislature had enacted redundant, useless legislation. The statute should be read such that each term is given its distinct meaning. The projects encompassing drainage, street lighting, and traffic signalization do not specifically state that the cost of their operation is included and would not, therefore, be an authorized expenditure of LOFT funds. This office, however, has commented upon the use of local option fuel tax revenues for the
maintenance of a drainage system. 7

Had the Legislature wished to include the operational cost of street lighting, traffic signalization, and storm drainage, it could easily have done so, as it has for bridges and public transportation. Until legislatively or judicially determined otherwise, therefore, it is my opinion that local option fuel tax revenues levied pursuant to section 336.025, Florida Statutes, may not be used to pay for the operational cost for street lighting, traffic signals, and storm drainage. 8

Accordingly, it is my opinion that proceeds from the local option fuel tax revenues levied pursuant to section 336.025(1)(g), Florida Statutes, may not be used to pay operational expenditures for storm drainage, street lighting, and traffic signalization.

Sincerely,

Bill McCollum
Attorney General

BM/alls

1 Section 336.025(1)(a), Fla. Stat., states: "[T]here may be levied as provided in ss. 206.41(1)(e) and 206.07(1)(e) a 1-cent, 2-cent, 3-cent, 4-cent, 5-cent, or 6-cent local option fuel tax upon every gallon of motor fuel and diesel fuel sold in a county and taxed under the provisions of part I or part II of chapter 206." Section 336.025(1)(b), Fla. Stat., provides: "In addition to other taxes allowed by law, there may be levied as provided in ss. 206.411(1)(e) a 1-cent, 2-cent, 3-cent, 4-cent, or 5-cent local option fuel tax upon every gallon of motor fuel sold in a county and taxed under the provisions of part 1 of chapter 206. The tax shall be levied by an ordinance adopted by a majority plus one vote of the membership of the governing body of the county or by referendum."


3 Section 336.025(7), Fla. Stat.

4 See Thayer v. State, 335 So. 2d 815, 817 (Fla. 1976).
5 See, e.g., Smith v. Pizza Technology and Professional Administrators, 427 So. 2d 182 (Fla. 1983); Arnold v. Shumpert, 217 So. 2d 116 (Fla. 1966); Nsu v. Miami Herald Publishing Company, 462 So. 2d 821 (Fla. 1985) (in construing legislation, courts should not assume legislature acted pointlessly); Sharer v. Hotel Corporation of America, 144 So. 2d 813 (Fla. 1962) ("It should never be presumed that the legislature intended to enact purposeless and therefore useless legislation. Legislators are not children who build block playhouses for the purpose, and with the gleeful anticipation, of knocking them down.").

6 See Pinellas County v. Wooley, 189 So. 2d 217 (Fla. 2d DCA 1966) (generally, words in a statute will not be construed as surplusage if a reasonable construction which will give them some force and meaning is possible).

7 See Op. Att’y Gen. Fla. 99-70 (1999) (taxes collected pursuant to section 336.025(1)(a), Florida Statutes, could be used to pay for canal dredging to the extent such work was part of roadway and right-of-way drainage maintenance; such tax revenues could not be used for other canal-related activities, such as the removal of silt and other materials deposited in the canals to prevent water quality degradation, since prevention of water pollution is not a program included within "transportation expenditures"). Cf. Op. Att’y Gen. Fla. 97-25 (1997), in which it was concluded that the county could expend s. 336.025(1)(b), Fla. Stat., tax revenues for the operation and maintenance of a public transportation facility where the capital improvements element of the county’s comprehensive plan identifies the need for such a facility.

8 See Op. Att’y Gen. 92-20 (1992) (the power of a political subdivision to levy taxes must be expressly and distinctly granted, and must be exercised in strict conformity with the terms of the grant; a legislative grant of taxation power will be strictly construed, since the reasonable presumption is that the state has granted in clear and unmistakeable terms all that it intended to grant). Cf. Joe Hatton, Inc. v. Connor, 240 So. 2d 145 (Fla. 1970) (legislative power to tax may be exercised through subordinate governmental agencies within definite limitations fixed by law).
RE: LOCAL OPTION FUEL TAX – COUNTIES – MUNICIPALITIES –
TRAFFIC EXPENDITURES – use of local option fuel tax to pay for
electricity and water to operate street lighting, traffic signals, and water
pumps for drainage. s. 336.025, Fla. Stat.
Date: July 14, 2010

To: Johnny Martinez, Assistant City Manager/Chief of Infrastructure
   Office of the City Manager

   Larry Spring, Assistant City Manager/Chief financial Officer
   Office of the City Manager

From: Victor Igwe, CPA, CIA, Independent Auditor General
       Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
         Audit No. 010-015

The City's Financial Integrity Principle #3 (Chapter 18, Article IX, Section 18-542(3) of the City Code) states 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...." T-413

INAPPROPRIATE USE OF LOCAL OPTION FUEL (LOFT) TAX PROCEEDS (RESTRICTED FUNDS) FOR STREET LIGHTING OPERATIONAL EXPENDITURES

Section 336.025(7)(a)(b)(f), Florida Statutes expressly states that Local Option Fuel Tax (LOFT) monies (restricted funds) shall be used to fund capital expenditures, which are the cost of developing a system, as well as operational expenditures, which are ongoing/daily cost of operating and/or maintaining the following types of infrastructure:

1. Public transportation (operations and maintenance) [Section 336.025(7)(a), Florida Statutes] T-460
2. Roadway/right-of-way (maintenance) and equipment and structures used primarily for the storage and maintenance of such equipment [Section 336.025(7)(b), Florida Statutes] T-460

3. Bridges (maintenance and operation) [Section 336.025(7)(f), Florida Statutes] T-460

In contrast, Section 336.025(7)(c)(d)(e)(g), Florida Statutes expressly states that LOFT monies shall only be used for the cost of constructing and installing (capital expenditures, i.e. cost of developing or providing non-consumable part) the following transportation infrastructure:

4. Roadway and right-of-way drainage (storm drainage), Section 336.025(7)(c), Florida Statutes. T-460
5. Street lighting (poles, bulbs, and wiring), Section 336.025(7)(d), Florida Statutes. T-460
6. Traffic signalization equipment, Section 336.025(7)(e), Florida Statutes. T-460
7. Debt service and current expenditures for transportation capital projects in the foregoing program area, including construction or reconstruction of roads and sidewalks, Section 336.025(7)(g), Florida Statutes. T-460

Therefore, there is no provision in the enabling legislation (Section 336.025(7) (c)(d)(e)(g), Florida Statutes) that authorizes LOFT monies to be used to fund ongoing/daily cost of operating and/or maintaining transportation infrastructure numbers 4 through 7 as listed above.

The records reviewed as part of this audit indicated that during fiscal years (FY) 2008 and 2009, LOFT proceeds totaling $5,171,822 and $5,243,106 respectively, were transferred from the City’s Local Option Gas Tax (LOGT) fund to the City’s General Fund (GF). Our audit disclosed that $4,519,980 (or 87.4%) of the $5,171,822 transferred to the General fund during FY 2008; and $4,950,392 (or 94.4%) of the $5,243,106 transferred in 2009 were used to pay for electricity services to street lights (See Attached) which are ongoing/daily cost of operations that are not authorized by the enabling legislation.

In support of the above, the Office of the Independent Auditor General sought and obtained a legal opinion from the State of Florida Attorney General, which concluded that: (See Attached).
“Local option fuel tax revenues levied pursuant to section 336.025, Florida Statutes, may not be used to pay operational expenditures for storm drainage, street lighting, and traffic signalization.” S-125.1

The City’s 2008-2009 (08-09) Capital Budget and Multi-Year Capital Plan (CIP) lists streets and sidewalk projects totaling $414.4 million, including transportation infrastructure needs; however, the said capital budget projected a funding shortage of approximately $222.5 million. T-474 Accordingly, the $9,470,372 ($4,519,980 + $4,950,392) of LOFT proceeds that were used to pay for electricity services to street lights could have been used to fund much needed transportation infrastructure citywide, including but not limited to the new trolley service.

Ms. Julianne Diaz Assistant Director of Public Works (PW) confirmed via an email dated March 11, 2010 that $5.199 million of $5.24 million of LOFT FY 2009 allocation was used to pay for FPL utility service (Electricity). S-104 Also, please confirm that $4.5 million of LOFT FY 2008 allocation was also used to pay for FPL utility service (Electricity).

Auditee Response and Action Plan:

☐ I confirm that LOFT proceeds were used to pay for FPL utility service in FYs 2008 and 2009;
☐ LOFT proceeds were not used to pay for FPL utility service in FYs 2008 and 2009.

Please initial: __________________________ Date 2/11/10

Explanation See Attached Memo

As requested above, please confirm our understanding by marking the appropriate box and initialing in the spaces provided and returning this memorandum to us. In the event that you
disagree with any of the items listed above, please provide your explanations and attach all supporting documents/records by July 21, 2010.

If you have any questions, please feel free to contact me at 305-416-2044 or by e-mail.

Cc: Mirtha Dziedzic, Interim Director, Off. of Strategic Plan, Budgeting, and Performance
    Nzeribe Ihekwa, Director, Public Works Department
    Julianne Diaz, Assistant Director, Public Works Department
    Pilar Saenz, Assistant Director, Capital Improvement Programs
    Lewis Blake, CPA, CIA, Office of Independent Auditor General
    Audit Documentation File
In response to the finding cited by the Independent Auditor General (IAG) regarding the use of Local Option Fuel Tax (LOFT), we confirm the use LOFT for the payment of street lighting utility service. However, we disagree with the IAG’s assertions regarding the allowable use of the LOFT for street lighting. To support our position we have included Legal Opinion from Florida Attorney General Number AGO 2002-02, which contradicts the IAG’s conclusion (Exhibit 1). Specifically, the opinion clarifies the statutes definition of allowable transportation expenditures one of which includes street lighting. Additionally, we have included a Legal Opinion prepared by the City of Miami Law department which more expressly concludes that LOFT can be used for street lighting and the related utility bill (Exhibit 2).

Finally, we have included the certifications provided to Miami-Dade County pursuant to the interlocal agreement, between the City of Miami and Miami-Dade County regarding the City’s compliance with Florida Statute 336.025 (1) (b) (3). (Exhibit 3). We are continuing to work with the City of Miami law department to obtain a legal opinion from the Florida Attorney General which will further clarify the issue.
Florida Attorney General
Advisory Legal Opinion

Number: AGO 2002-02
Date: January 3, 2002
Subject: Local option fuel tax, used for bicycle paths

Mr. Michael Dyer
Attorney for Town of Ponce Inlet
Post Office Box 15110
Daytona Beach, Florida 32115

RE: MUNICIPALITIES—LOCAL OPTION FUEL TAX—BICYCLES—TRANSPORTATION—
authorized uses for local option fuel tax on motor fuel and diesel

Dear Mr. Dyer:

As town attorney for the Town of Ponce Inlet, you have asked for my
opinion on substantially the following question:

Is the Town of Ponce Inlet authorized to expend local option fuel
tax moneys collected pursuant to section 336.025, Florida Statutes,
for the construction of bicycle paths adjacent to roads or streets?

In sum:

Tax moneys collected pursuant to section 336.025, Florida Statutes,
may not be used to construct bicycle paths separate and apart from
roads or streets. However, several other possible revenue sources
such as the constitutional fuel tax and special assessments are
available for bicycle path construction.

According to your letter, the Town of Ponce Inlet is in the process
of planning a system of bicycle paths to be located adjacent to
roadways and streets throughout the town. These will take the form
of separate bicycle path construction apart from the bed of the
roadway. You have asked whether the construction of these bicycle
paths may be funded from revenues generated from a local option fuel
tax authorized by section 336.025, Florida Statutes.

Section 336.025, Florida Statutes, authorizes the levy of local
option fuel taxes on motor fuel and diesel fuel for local
transportation system projects. Section 336.025(1)(a)2., Florida

http://www.myfloridalaw.com/ago.nsf/printview/07ABA79ACBC01B7E85256B3700560... 3/3/2010

99
Statutes, provides that "[c]ounty and municipal governments shall utilize moneys received pursuant to this paragraph only for transportation expenditures."

Further, section 336.025(1)(b)(3), Florida Statutes, states:

"County and municipal governments shall utilize moneys received pursuant to this paragraph only for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted comprehensive plan. For purposes of this paragraph, expenditures for the construction of new roads, the reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads shall be deemed to increase capacity and such projects shall be included in the capital improvements element of an adopted comprehensive plan. Expenditures for purposes of this paragraph shall not include routine maintenance of roads."

"Transportation expenditures" are defined for purposes of this statute as:

"[E]xpenditures by the local government from local or state shared revenue sources, excluding expenditures of bond proceeds, for the following programs:
(a) Public transportation operations and maintenance.
(b) Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment.
(c) Roadway and right-of-way drainage.
(d) Street lighting.
(e) Traffic signs, traffic engineering, signalization, and pavement markings.
(f) Bridge maintenance and operation.
(g) Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads."[1]

In addition to these uses, counties that had a population of 50,000 or less on April 1, 1992, may use local option gas tax revenues to fund infrastructure projects that are consistent with the local government’s approved comprehensive plan.[2]

Where a statute enumerates the things upon which it operates, it is ordinarily construed as excluding from its operation all things not expressly mentioned.[3] Thus, a listing of expenditures allowed for local option gas tax revenues precludes use of such revenues for any other purpose.

This office has, over the years, considered the expenditure of local option fuel taxes in a number of situations.[4] For example,
Advisory Legal Opinion - Local option fuel tax, used for bicycle paths

Attorney General's Opinion 99-70, concluded that providing adequate road and right-of-way drainage in the form of canals or a retention pond appeared to be a basic requirement for an efficient drainage program and would have the appropriate nexus to be considered a valid transportation expenditure. Thus, local option fuel tax revenues could be used to fund the dredging of canals that the city maintained as part of the city's road and right-of-way drainage program.

In contrast, in Attorney General's Opinion 00-37 this office was asked to determine whether tax moneys collected pursuant to section 336.025, Florida Statutes, could be used for sidewalk construction as a stand-alone project. The sidewalks were to be constructed or extended without any accompanying road construction, reconstruction or maintenance. The opinion reviewed the definition of "transportation expenditures" and concluded that the construction of sidewalks does not fall within the scope of section 336.025, Florida Statutes, for the use of a local option fuel tax.

Like sidewalks, bicycle paths that are constructed separately from roads and streets would appear to be outside the scope of "transportation expenditures" as defined in section 336.025(7), Florida Statutes.

While section 336.025, Florida Statutes, does not authorize the use of local option fuel taxes for the construction of bicycle paths, other revenue sources are available to accomplish this type of project. Section 206.47(7), Florida Statutes, authorizes the use of the constitutional fuel tax[5] for "the construction and installation of traffic signals, sidewalks, bicycle paths, and landscaping."[6] Further, a municipality may provide improvements such as bicycle paths by levying and collecting special assessments on the property that has been specially benefitted by such improvements as provided in section 170.01(3)(a), Florida Statutes. Thus, while the Town of Ponce Inlet may not use local option fuel tax moneys to construct bicycle paths, a number of options exist for funding this project.

Accordingly, it is my opinion that local option fuel tax funds may not be used to construct bicycle paths separate and apart from the road or street, as such a project would not be within the purposes authorized by section 336.025, Florida Statutes.

Sincerely,

Robert A. Butterworth
Attorney General

http://www.myfloridalegal.com/ugo.nsf/printview/07ABA79ACBC01B7D85256B3700560... 3/3/2010


[5] See, s. 206.41(1)(a), Fla. Stat, which states that this tax is levied by s. 16, Art. IX, of the 1885 Florida Constitution, as amended, and continued by s. 9(c), Art. XII of the 1968 Florida Constitution.

CITY OF MIAMI
CITY ATTORNEY'S OFFICE
MEMORANDUM

TO: Monica Rodriguez, Public Works
FROM: Rafael Suarez-Rivas, Assistant City Attorney
DATE: March 12, 2010
RE: Usage of Local Option Fuel Tax- Street Lighting
     Law Dept. Matter No. #10-850

You have requested an informal legal opinion on substantially the following issue:

QUESTION

Whether the City of Miami is authorized to expend revenue collected from the local option fuel tax to pay the utility/electrical company?

Subject to judicial, administrative, or legislative clarification, or reasons set forth below, the answer to this question is in the affirmative in certain situations.

DISCUSSION

Section 336.025(1), Florida Statutes, authorizes a local option gas tax of 1-cent to 6-cents upon every gallon of motor fuel and special fuel sold in a county and taxed under the provisions of Part I or Part II of Chapter 206, Florida Statutes.1 The statute limits county and municipal governments to using such revenues “only for transportation expenditures.” For purposes of the section, “transportation expenditures” is defined to mean expenditures by the local government for the following programs:

(a) Public transportation operations and maintenance.
(b) Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment.
(c) Roadway and right-of-way drainage.
(d) Street lighting.
(e) Traffic signs, traffic engineering, signalization, and pavement markings.
(f) Bridge maintenance and operation.
(g) Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads.

In addition to the above-cited uses, counties that had a population of 50,000 or less on April 1, 1992, may use local option gas tax revenues to fund infrastructure projects that are consistent with the local government’s approved comprehensive plan or, if the approval or denial of the plan has not become final, consistent with the last plan submitted to the state.2

1 Fla. Stat. 336.025
2 Fla. Stat. 336.025
Where a statute enumerates the things upon which it operates, it is ordinarily construed as excluding from its operation all things not expressly mentioned.\textsuperscript{3} Thus, the list of expenditures allowed for local option gas tax revenues precludes use of such revenues for any other purpose.\textsuperscript{4} Therefore, if the City of Miami intends on using the revenue collected from the local option fuel tax towards paying the utility/electrical company, it may do so only for the cost of the street lighting. Whatever the total cost of the street lighting is, that amount may be paid for through the revenue collected from the local option fuel tax.

The statute clearly indicates that the municipal governments shall use moneys received pursuant to this tax for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted comprehensive plan or for expenditures needed to meet immediate local transportation problems.\textsuperscript{5} It cannot be said that the utility/electrical company bill for the entire City is a cost of the capital improvements element of the City nor the immediate local transportation problems. However, if the specific cost of the street lighting can be distinguished from the total utility/electrical company bill, then that would be acceptably paid for through the local option fuel tax revenue. Essentially, the revenue can only be used for the operation and maintenance of the capital improvements for transportation expenditures OR the existing street lighting and the other items described in e.g. In sum, only a utilities/electrical bill attributable to the actual street lighting may be paid in this manner, not other utility costs.

CONCLUSION

If the cost of the street lighting within the City of Miami can be distinguished from the total cost of the general utilities/electrical bill, then that portion can be paid from the revenue collected from the local option fuel tax.

\textsuperscript{3} See Thayer v. State, 335 So. 2d 815, 817 (Fla. 1976).
\textsuperscript{5} Fla. Stat. 336.023(1)(b)(3).
Prepared by:
Daniel Levin, Legal Intern
CITYWIDE DEFICIT

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, 2009 totaled $24,851,397 as compared to $88,961,368 for the fiscal year ended September 30, 2008. This is equivalent to a decrease (citywide deficit) of $64,109,971 in unreserved (designated and undesignated) general fund balance.
SURPLUS ROLLOVER EXPENDITURES WERE FOR ALLOWABLE PURPOSES

INFORMATION TECHNOLOGY DEPARTMENT

Based on our examination of surplus rollover amounts, we noted that due to the Citywide deficit for fiscal year ended September 30, 2009, there was no surplus amount available for rollover in Fiscal Year (FY) ended 2009; moreover, only the Information Technology Department (IT) had a FY 2009 budget allocation for surplus rollover expenditures totaling $963,949. Accordingly, as indicated in the table below, we examined IT surplus rollover amounts accumulated in prior years to determine whether they had been used for their intended purposes. All expenditures we examined were for allowable purposes in accordance with Financial Integrity Principle number 4.

<table>
<thead>
<tr>
<th>Department</th>
<th>* Budget Surplus available for Roll Over in FY09</th>
<th>Accumulated Roll Over from prior years (Remaining Budget Allocation)</th>
<th>FY 09 Expenditures</th>
<th>Expenditures tested</th>
<th>Prior year surplus properly appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected Officials</td>
<td>None</td>
<td>$364,413</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>None</td>
<td>$(531,440)</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Public Facilities</td>
<td>None</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Information Technology</td>
<td>None</td>
<td>$963,949</td>
<td>$905,221</td>
<td>$469,022</td>
<td>YES</td>
</tr>
</tbody>
</table>

* No surplus amount was available for roll over in FY2009
N/A = No amounts were expended during FY 2009

Recommendation

None required.

Auditee Response and Action Plan:

None required.
OFFICE OF STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE

COMPLIANCE WITH CONTINGENCY RESERVE LEVEL

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 2009 budget for non-departmental accounts disclosed that $5 million was budgeted for contingency reserve as required. Pursuant to Resolution No.08-0553 (passed and adopted by the Commission on September 25, 2008) all $5 million was appropriated for various unanticipated expenditures.

LACK OF COMPLIANCE WITH THE UNDESIGNATED RESERVE REQUIREMENTS

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 of 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.”

**Inadequate Undesignated Reserves**

The City’s Fiscal Year 2009 (FY09) Comprehensive Annual Financial Report (CAFR) indicated that there was no ($0.00) Undesignated Reserve. Our calculation indicates that the required undesignated reserve balance should have been equal to $47,126,666 as illustrated below:

<table>
<thead>
<tr>
<th>Calculation of 10% of prior three years average of general revenues:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>Total general revenue for prior 3 years</td>
</tr>
<tr>
<td>3 years</td>
</tr>
<tr>
<td>Average annual general revenue for prior 3 years</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>10% of 3 year average annual general revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deficient Undesignated Reserves Per FY09 CAFR:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated Reserves Per FY09 CAFR</td>
</tr>
<tr>
<td>Required Undesignated Reserves</td>
</tr>
<tr>
<td>Excess (Deficient) Reserves</td>
</tr>
</tbody>
</table>
LACK OF COMPLIANCE WITH THE DESIGNATED RESERVE REQUIREMENTS

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%) of such liabilities are funded. Other designated reserves may be drawn upon without the need for replenishment.”

Inadequate Designated Reserve

Our calculations indicated that the designated reserve balance was deficient by $22,275,269 as illustrated in the table below:
### Calculation of 10% of prior three years average of general revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>General Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>472,433,900</td>
</tr>
<tr>
<td>2007</td>
<td>490,095,954</td>
</tr>
<tr>
<td>2006</td>
<td>451,270,132</td>
</tr>
<tr>
<td>Total general revenue for prior 3 years</td>
<td>1,413,799,986</td>
</tr>
<tr>
<td>Average annual general revenue for prior 3 years</td>
<td>471,266,662</td>
</tr>
<tr>
<td>10% of 3 year average annual general revenue</td>
<td>47,126,666</td>
</tr>
</tbody>
</table>

### Deficient Designated Reserves Per FY09 CAFR:

<table>
<thead>
<tr>
<th>Reserves</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Reserves</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Strategic Initiatives</td>
<td>1,648,710</td>
</tr>
<tr>
<td>Management Initiatives</td>
<td>18,202,687</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,851,397</strong></td>
</tr>
<tr>
<td><strong>Required Designated Reserves</strong></td>
<td><strong>47,126,666</strong></td>
</tr>
<tr>
<td><strong>Excess (Deficient) Reserves</strong></td>
<td><em>(22,275,269)</em></td>
</tr>
</tbody>
</table>

The apparent cause of the above deficiencies in the City’s undesignated and designated reserve balances was the dramatic decrease in recurring revenues and increases in recurring expenditures.

As codified in Chapter 18, Article IX, Section 18-542(5)(b) of the City Code, the city commission shall adopt a plan to achieve the threshold within two fiscal years any time these reserve funds fall below the ten percent threshold.
Recommendation:

We recommend that appropriate plans be adopted to achieve the required threshold, as codified.

Auditee Response and Action Plan:

See auditee responses on pages 113 through 119.
Date: June 29, 2010

To: Larry Spring, Acting Director
   Office of Strategic Planning, Budgeting, and Performance

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
      Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
         Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by:
reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 7, 2010.
In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by July 7, 2010.

**COMPLIANCE WITH THE CONTINGENCY RESERVE LEVEL**

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 2009 budget disclosed that $5 million was budgeted for contingency reserve as required. Pursuant to Resolution No.08-0553 all $5 million was appropriated for various unanticipated expenditures.

**NON-COMPLIANCE WITH UNDESIGNATED RESERVE REQUIREMENTS**

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."

**Inadequate Undesignated Reserves**

The City’s Fiscal Year 2009 (FY09) Comprehensive Annual Financial Report (CAFR) indicated that there was no ($0.00) Undesignated Reserve. Our calculation indicates that the reserve balance should have been equal to $47,126,666 as illustrated below:
### Calculation of 10% of prior three years average of general revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>General Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>472,433,900</td>
</tr>
<tr>
<td>2007</td>
<td>490,095,854</td>
</tr>
<tr>
<td>2006</td>
<td>451,270,132</td>
</tr>
<tr>
<td></td>
<td><strong>Total general revenue for prior 3 years</strong></td>
</tr>
<tr>
<td></td>
<td>3 years</td>
</tr>
<tr>
<td></td>
<td>Average annual general revenue for prior 3 years</td>
</tr>
<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>10% of 3 year average annual general revenue</td>
</tr>
</tbody>
</table>

### Deficient Undesignated Reserves Per FY09 CAFR:

- Undesignated Reserves Per FY09 CAFR: 0.00
- Required Undesignated Reserves: 47,126,666
- Excess (Deficient) Reserves: (47,126,666)
NON-COMPLIANCE WITH DESIGNATED RESERVE REQUIREMENTS

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.”

Inadequate Designated Reserve

Our calculation indicated that the designated reserve balance was deficient by $22,275,269 as illustrated in the table below:
Calculation of 10% of prior three years average of general revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>General Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>472,433,900</td>
</tr>
<tr>
<td>2007</td>
<td>490,095,954</td>
</tr>
<tr>
<td>2006</td>
<td>451,270,132</td>
</tr>
<tr>
<td>Total general revenue for prior 3 years</td>
<td>1,413,799,986</td>
</tr>
<tr>
<td>Average annual general revenue for prior 3 years</td>
<td>471,266,662</td>
</tr>
<tr>
<td>10% of 3 year average annual general revenue</td>
<td>47,126,666</td>
</tr>
</tbody>
</table>

Deficient Designated Reserves Per FY09 CAFR:

<table>
<thead>
<tr>
<th>General Fund Reserves</th>
<th>6,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiatives</td>
<td>1,648,710</td>
</tr>
<tr>
<td>Management Initiatives</td>
<td>18,202,687</td>
</tr>
<tr>
<td>Total</td>
<td>24,851,397</td>
</tr>
<tr>
<td>Required Designated Reserves</td>
<td>47,126,666</td>
</tr>
<tr>
<td>Excess (Deficient) Reserves</td>
<td>(22,275,269)</td>
</tr>
</tbody>
</table>

The apparent cause of the above deficiencies in the City's undesignated and designated reserve balances was the dramatic decrease in recurring revenues and increases in recurring expenditures.

As codified in Chapter 18, Article IX, Section 18-542(5)(b) of the City Code, the city commission shall adopt a plan to achieve the threshold within two fiscal years any time these reserve funds fall below the ten percent threshold. What plans (if any) are currently being considered to achieve this threshold within the two fiscal years?

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 711/Miami, FL 33130
Recommendation:

We recommend that appropriate plans be adopted to achieve the required threshold, as codified.

Auditee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: ____________________

Explanation See Attached Explanation

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 7, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
Audit Documentation File
CITY OF MIAMI, FLORIDA
INTER-OFFICE MEMORANDUM

TO: Lewis R. Blake, CPA
Office of the Independent Auditor General

FROM: Larry M. Spring, Jr.
Chief Financial Officer

DATE: July 29, 2010
SUBJECT: Audit of Financial Integrity Principles
Audit 010-015
REFERENCES: Reserve Requirements
ENCLOSURES:

In response to the finding regarding Non-Compliance with Designated and Undesignated Reserve Requirements, we agree with the findings cited by the Auditor. The City Administration has been working on developing a fiscal plan that will result in the restoration of the reserve to required levels within two years. While the plan has not been adopted by the City Commission, we have publicly shared our intent to monetize parking revenues to generate enough money to replenish the reserve. We expect to bring the formal adoption of the financing plan to City Commission within next 90 to 120 days.
NO ENTERPRISE (PROPRIETARY) FUNDS REPORTED

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, 2009, 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, 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….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.” Accordingly, the plan, which is included in the City’s budget book, should accurately reflect budgetary amounts listed in the resolution through which the City’s annual budget is formally adopted by the City Commission (Commission).

We noted that the 5 Year Financial Plan was included in the Fiscal Year 2009 (FY09) budget, which was adopted or approved by the Commission via Resolution 08-0553 (R-08-0553) on September 25, 2008, or 5 days ahead of the required September 30, 2008 deadline date. However, we noted the following, which is also summarized in the table below:

- The "Property Taxes" for FY 2009 totaling $276,396,874, as shown in the plan does not agree with the "Property Taxes" for FY 2009 totaling $267,217,693, as indicated in the FY 2009 Budget Resolution. The difference is -$9,179,181, or -3.4% of the resolution amount.

- The "Transfers-In" totaling $35,610,390, as shown in the plan does not agree with the "Transfers-In" totaling $44,789,572, as indicated in the budget resolution. The difference is $9,179,182, or 20.5% of the resolution amount.
- The "Non-Departmental Account (NDA)" expenditures totaling -$3,305,940, as shown in the plan does not agree with the NDA expenditures totaling $29,529,682, as indicated in the resolution. The $32,835,622 difference is 111% of the resolution amount.

- The plan indicated "Transfers-Out" totaling $33,246,653; however, there were no "Transfers-Out" indicated in the budget resolution.

### Comparison of Adopted Budget to 5-Year Forecast Amounts

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget R-08-0553</th>
<th>5-Year Forecast</th>
<th>Difference</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund (GF) Revenues/Transfers-In</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Property Taxes</td>
<td>267,217,693</td>
<td>276,396,874</td>
<td>(9,179,181)</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Transfers-In</td>
<td>44,789,572</td>
<td>35,610,390</td>
<td>9,179,182</td>
<td>20.5%</td>
</tr>
<tr>
<td><strong>General Fund (GF) Expenditures/Transfers-Out</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Departmental Expenditures</td>
<td>29,529,682</td>
<td>(3,305,940)</td>
<td>32,835,622</td>
<td>111.2%</td>
</tr>
<tr>
<td>Transfers-Out</td>
<td>0.00</td>
<td>33,246,653</td>
<td>(33,246,653)</td>
<td></td>
</tr>
</tbody>
</table>

According to the City’s Office of Strategic Planning, Budgeting, and Performance (OSPB) staff, the $9.2 million differences indicated in the General Fund (GF) Revenues/Transfers-In amounts are attributed to clerical errors committed in typing the resolution; and, the $33 million differences indicated in the GF Expenditures/Transfers-Out amounts are attributed to the fact that there was no line item for Transfers-Out in the budget resolution; however, the $33 million Transfers-Out amount indicated in the 5-Year forecast is included in the Non-Departmental Expenditures line item in the resolution. OSPBP stated that going forward, a line item for Transfers-Out will be included in future budget resolutions.
The multi-year budget document is an important policy/planning tool that requires considerable input from elected officials to ensure that it correctly reflects their vision of anticipated increases in the City’s operations and the level of services to be provided to City residents. Therefore, in the absence of accurate and reliable budget estimates, the effectiveness of the multi-year budget document as a long term policy/planning tool will be limited.

Recommendation:

City management should implement the necessary controls to ensure that budgetary information agrees with the 5-Year Financial Plan and the budget resolution.

Auditee Response and Action Plan:

See auditee responses on pages 124 through 128.
Date:       June 29, 2010
To:          Larry Spring, Acting Director
             Office of Strategic Planning, Budgeting, and Performance
From:        Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
             Office of the Independent Auditor General
Subject:     Audit of Financial Integrity Principles
             Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 7, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 7, 2010).

GENERAL FUND 5-YEAR PLAN AMOUNTS DO NOT MATCH ADOPTED BUDGET AMOUNTS

Chapter 18, Article IX, Section 18-542(7) of the City Code as amended, 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....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.” Accordingly, the plan, which is included in the City’s budget book, should accurately reflect budgetary amounts listed in the resolution through which the City’s annual budget is formally adopted by the City Commission (Commission).

**General Fund Amounts in 5-Year Plan Do Not Agree with Adopted Budget Amounts**

We noted that the 5 Year Financial Plan was included in the Fiscal Year 2009 (FY09) budget, which was adopted or approved by the Commission via Resolution 08-0553 (R-08-0553) on September 25, 2008, or 5 days ahead of the required September 30, 2008 deadline date.

However, we noted the following, which is also summarized in the table below:

- **Total "Property Taxes"** for FY 2009 in the plan ($276,396,874) does not agree with the "Property Taxes" indicated in the FY 2009 Budget Resolution ($267,217,693). The difference is -$9,179,181, or -3.4% of the resolution amount.

- **Total "Transfers-In"** for the plan ($35,610,390) does not agree with the "Transfers-In" in the budget resolution ($44,789,572). The difference is $9,179,182, or 20.5% of the resolution amount.

- **Total "Non-Departmental Account (NDA)" expenditures in the plan** (-$3,305,940) does not agree with the total NDA expenditures in the resolution ($29,529,682). The $32,835,622 difference is 111% of the resolution amount.

- The plan indicated "Transfers-Out" totaling $33,246,653; however, there were no "Transfers-Out" indicated in the budget resolution.
### Comparison of Adopted Budget to 5-Year Forecast Amounts

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget R-08-09S3</th>
<th>5-Year Forecast</th>
<th>Difference</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund (GF) Revenues/Transfers-In</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Property Taxes</td>
<td>267,217,893</td>
<td>278,396,874</td>
<td>(9,179,181)</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Transfers-In</td>
<td>44,789,572</td>
<td>35,610,390</td>
<td>9,179,182</td>
<td>20.6%</td>
</tr>
<tr>
<td><strong>General Fund (GF) Expenditures/Transfers-Out</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Departmental Expenditures</td>
<td>29,529,982</td>
<td>(3,305,940)</td>
<td>32,835,622</td>
<td>111.2%</td>
</tr>
<tr>
<td>Transfers-Out</td>
<td>0.00</td>
<td>33,246,653</td>
<td>(33,246,653)</td>
<td></td>
</tr>
</tbody>
</table>

According to the City's Office of Strategic Planning, Budgeting, and Performance (OSPBP) staff, the $9.2 million differences indicated in the General Fund (GF) Revenues/Transfers-In amounts are attributed to clerical errors committed in typing the resolution; and, the $33 million differences indicated in the GF Expenditures/Transfers-Out amounts are attributed to the fact that there was no line item for Transfers-Out in the budget resolution; however, the $33 million Transfers-Out amount indicated in the 5-Year forecast is included in the Non-Departmental Expenditures line item in the resolution. OSPBP stated that going forward, a line item for Transfers-Out will be included in future budget resolutions.

The multi-year budget document is an important policy/planning tool that requires considerable input from elected officials to ensure that it correctly reflects their vision of anticipated increases in the City's operations and the level of services to be provided to City residents. Therefore, in
the absence of accurate and reliable budget estimates, the effectiveness of the multi-year budget document as a long term policy/planning tool will be limited.

**Recommendation:**
City management should create means by which budgetary information agrees with the 5-Year Financial Plan and the budget resolution.

**Auditee Response and Action Plan:**

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

Explanation

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 7, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Independent Auditor General
Audit Documentation File
Blake, Lewis

From: Dziedzic, Mirtha
Sent: Monday, August 09, 2010 9:00 PM
To: Blake, Lewis
Cc: Igwe, Victor
Subject: Financial Integrity Principal #7

Mr. Blake,

In the test of Principal #7 the comparison shows large variances for Public Safety, Parks and Recreation, Group Benefits and Transfers-Out from the original budget. Although a close-out budget appropriation was prepared before the end of the fiscal year the resolution was deferred until March 2010 at which point all unfavorable balances were addressed. Additionally, the negative variances for Group Benefits and Transfers-Out refer to a reporting issue not a real unfavorable balance. In the budget appropriation Group Benefits is combined with Risk Management and Transfers-Out is a part of the Non-Departmental Accounts (NDA) budget. Please note these respective areas will show the offsetting positive variances. Starting in FY10 the Office of Strategic Planning, Budgeting and Performance has incorporated the split-out of the Transfers-Out from NDA to facilitate the reporting process.

Mirtha Dziedzic
Interim Budget Director
FINANCIAL INTEGRITY PRINCIPLE NUMBER 8 – MULTI-YEAR CAPITAL IMPROVEMENT PLAN

OFFICE OF STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE

MULTI-YEAR CAPITAL IMPROVEMENT PLAN WAS NOT TIMELY APPROVED AND ADOPTED

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&Rs") 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.”

As of the date of our testing, May 13, 2010, there were 516 City of Miami (City) capital projects totaling $874,727,391. Our audit determined that the City did not adopt a Capital Improvement Plan (CIP) by November 30, 2009, for fiscal year 2009/2010 along with a Multi-Year Capital Improvement Plan (for fiscal years 2010/2011 through 2014/2015), as required. Upon audit
inquiry, CIP Department personnel stated that the responsibility for preparing the said plan was given to the Office of Strategic Planning, Budgeting, and Performance (OSPBP). The Acting Director for OSPBP, who also serves as the City’s Chief Financial Officer (CFO), concurred with the finding and noted that via Resolution 10-00555, the City Commission adopted an update of the CIP at the June 24, 2010 Commission meeting, or 206 days from the November 30, 2009 deadline date. The Acting Director for OSPBP, also stated that he “could not respond to why the adoption was initially delayed beyond the November 30 deadline.”

The adoption of the CIP Plan by November 30th will ensure that the said plan, which addresses citywide capital needs, is prepared concurrently with the citywide annual financial budget, which allocates projected revenues to overall citywide needs. Therefore, the completion of the CIP Plan by the end of November, as required each year, will ensure that capital needs will compete favorably with other needs for yearly resources (projected revenues).

Recommendation:

We recommend that the necessary controls be implemented to ensure that the CIP is prepared by November 30th of each year as required by the Financial Integrity Principle.

Auditee Response and Action Plan:

See auditee responses on page 131.
Blake, Lewis

From: Spring, Larry
Sent: Wednesday, June 30, 2010 5:35 PM
To: Blake, Lewis
Cc: Dziedzic, Mirtha
Subject: RE: Memo of Understanding (MOU) for Financial Integrity Principle #8

Mr. Blake,

I have reviewed the finding documented in the attached MOU. I concur with the finding. However the City Commission approved the Capital Appropriation at the June 24th, 2010 Commission meeting. I would also note with the transition of Budget Director I could not really respond to why the adoption was initially delayed beyond the November 30 deadline.

If you have any further questions please do not hesitate to ask.

Larry M. Spring, Jr.
CFO

From: Blake, Lewis
Sent: Wednesday, June 30, 2010 3:37 PM
To: Spring, Larry
Subject: Memo of Understanding (MOU) for Financial Integrity Principle #8
Importance: High

Larry,

Please review and provide your response to the attached MOU by July 7, 2010.

Thanks.

Lewis R. Blake, CPA, CIA
Senior Staff Auditor
City of Miami, Office of Auditor General
Phone: (305) 416-2173
Fax: (305) 460-5130
FINANCIAL INTEGRITY PRINCIPLE 9 – DEBT MANAGEMENT

FINANCE DEPARTMENT

DEBT MANAGED IN ACCORDANCE WITH REQUIRED PRINCIPLES

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.

- On March 25, 2009, the City obtained a $20,000,000 loan from the Sunshine State Governmental Financing Commission (a/k/a Sunshine State Financing Commission Loan Number 3) for the purpose of financing various capital projects. This is a variable rate loan maturing in 2016. Our review disclosed that said debt was issued for the purpose of financing three (3) information technology (IT) projects whose estimated useful lives (approximately 7 years) coincide with the term of the 7 year loan.

- On May 29, 2009, the City issued $51,055,000 Limited Ad Valorem Tax Bonds, Series 2009 (a/k/a Homeland Defense/Neighborhood Capital Improvement Projects Bonds [HD3]). The estimated useful lives (approximately 30 years) of the capital improvement projects financed with the bonds are greater than the 20 year life of the bonds.

- On December 2, 2009, shortly after the audit period but before the City’s Comprehensive Annual Financial Report (CAFR) was issued (April 20, 2010), the City issued $65,000,000 in Special Obligation Bonds, Series 2009 (a/k/a Street Bonds Series 2) The note disclosures to the CAFR indicated that the bonds were
issued for the purpose of financing various street and sidewalk capital improvement projects. The estimated useful lives (approximately 30 years) of the capital improvement projects financed with the bond proceeds are greater than the 29 year life of the bonds.

It appears that the City is in compliance with this requirement.

(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 provided in the audited CAFR for the fiscal year ended September 30, 2009, the net direct general obligation debt is 0.74% \[\frac{276,113,503}{37,149,190,992} \times 100\] 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 $500,165,178 \[\frac{276,113,503+224,051,675}{37,149,190,992} \times 100\] of the taxable assessed valuation of property in the City, which is less than ten percent (10%).

The City is therefore in compliance with both ratio requirements.

(c) The weighted average general obligation bond maturity shall be maintained at 15 years or less. The City is in compliance with this requirement as described below:

- The weighted average GOB maturity is 10.27 years \[\frac{2,835,730,492.70}{276,113,502.60}\] years, 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 14.93% of the non-ad valorem general fund revenue ($37,698,012/$252,446,074 x 100), which is less than twenty percent (20%). 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.

- As described above, On December 2, 2009, shortly after the audit period but before the City’s Comprehensive Annual Financial Report (CAFR) was issued (April 20, 2010), the City issued $65,000,000 in Special Obligation Bonds, Series 2009 (a/k/a Street Bonds, Series 2). It should be noted that this issuance was the second series of Street Bonds totaling $80 million (Series 2007) that were issued during FY 2008. The note disclosures to the CAFR indicated that the bonds were issued for the purpose of financing various street and sidewalk capital improvement projects and would be repaid by certain designated revenue. The designated revenues are from proceeds derived from Local Option Fuel Tax (LOFT), eight percent (80%) of the City’s portion of the Transportation surtax, and twenty percent (20%) of the City’s Parking Surcharge.

- Our audit determined that the actual revenue pledged for the FY 2010 totaled approximately $28.6 million and the debt service payment for same period totaled $7.1 million. The projected revenue for FY 2011 is approximately $29 million and the debt service cost will be approximately $9 million.
Recommendation

None required.

Auditee’s Response and Action Plan

None required.
FINANCE DEPARTMENT

SEVERAL FINANCIAL REPORTS WERE NOT ISSUED IN A TIMELY MANNER

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 recommendations 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 the required reports were issued in a timely manner disclosed the following:

SEVERAL MONTHLY FINANCIAL REPORTS WERE NOT TIMELY ISSUED

Several monthly financial reports were not issued within 30 days after the close of each month, as required, for 6 of the 11 months tested. The number of days late ranged from 1 to 35 days as noted below:
The relevance and/or usefulness of monthly financial reports are diminished when said reports are not issued in a timely manner.

**THE CAFR WAS NOT TIMELY ISSUED**

Our audit disclosed that the Comprehensive Annual Financial Report (CAFR), for the year ended September 30, 2009, was dated April 20, 2010 (20 days late) as noted below:

<table>
<thead>
<tr>
<th>#</th>
<th>Reporting Month</th>
<th>Date Books Closed</th>
<th>Date Reports Due</th>
<th>Report Issued</th>
<th>Early (Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10/31/2008</td>
<td>12/19/2008</td>
<td>1/18/2009</td>
<td>1/7/2009</td>
<td>11</td>
</tr>
</tbody>
</table>

**SINGLE AUDIT AND MANAGEMENT LETTER WERE NOT TIMELY ISSUED**

We noted that both the Single Audit and the Management Letter for the year ended September 30, 2009, were finalized and submitted to the City’s Agenda Office on June 29, 2010 for presentation to be made at the City Commission meeting of July 8, 2010 (90 days late) as indicated below:

<table>
<thead>
<tr>
<th>A-B</th>
<th>Date Required to Present CAFR to Mayor and Commission</th>
<th>Date CAFR Actually Issued</th>
<th>Days Early (Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/2010</td>
<td>4/20/2010</td>
<td>(20)</td>
</tr>
</tbody>
</table>
Pursuant to the Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 320 (a), the Single Audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) 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, 2009; therefore, the Single Audit Report was due to the FAC by June 30, 2010 (nine months after the end of the audit period). The Single Audit report was timely transmitted to the FAC on June 30, 2010, as required.

The relevance and usefulness of annual financial reports are diminished when said reports are not issued in a timely manner.

Recommendation:

City management must develop policies and procedures that mitigate the risk that financial reports will not be issued in a timely manner. Such policies/procedures could include cross-
training qualified/appropriate FD staff to perform timely account balance reconciliations reviews/approvals.

**Auditee’s Response and Action Plan**

*See auditee responses on pages 140 through 144.*
Date: July 15, 2010

To: Diana Gomez, Director
Finance Department

From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
Audit No. 010-015

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2008 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm our understanding by: reviewing this memorandum (memo); mark whether you agree or disagree with its contents and provide your initials in the spaces provided; and, return this memo to us by July 22, 2010. In the event that you disagree with any of the items listed below, please provide your explanation and attach all supporting documents/records by the indicated date (July 22, 2010).

SEVERAL FINANCIAL REPORTS WERE NOT ISSUED IN A TIMELY MANNER

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 recommendations 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 the required reports were issued in a timely manner disclosed the following:

**SEVERAL MONTHLY REPORTS WERE NOT TIMELY ISSUED**

Monthly reports were not issued within 30 days after the close of each month, as required, for 6 of the 11 months tested. The number of days late ranged from 1 to 35 days as noted below:

<table>
<thead>
<tr>
<th>#</th>
<th>Reporting Month</th>
<th>Date Books Closed</th>
<th>Date Reports Due</th>
<th>Report Issued</th>
<th>B-C Early (Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10/31/2008</td>
<td>12/19/2008</td>
<td>1/16/2009</td>
<td>1/17/2009</td>
<td>11</td>
</tr>
</tbody>
</table>

The relevance and/or usefulness of monthly financial reports are diminished when said reports are not issued in a timely manner.
Recommendation:

City management must develop policies and procedures that mitigate the risk that financial reports will not be issued in a timely manner. Such policies/procedures could include cross-training qualified/appropriate FD staff to perform timely account balance reconciliations reviews/approvals.

Auditee Response and Action Plan:

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

Explanation

The Finance Dept includes information prepared by the Budget Dept in the Monthly Reports. In all instances noted as late, with the exception of 5/31/09 report, information needed was received late from the Budget Dept. Going forward, the Finance Dept and Budget Dept will work towards ensuring the information is reported timely.

THE CAFR WAS NOT TIMELY ISSUED

Our audit disclosed that the Comprehensive Annual Financial Report (CAFR), for the year ended September 30, 2009, was dated April 20, 2010 (20 days late) as noted below:

<table>
<thead>
<tr>
<th>Date Required to Present CAFR to Mayor and Commission</th>
<th>Date CAFR Actually Issued</th>
<th>Days Early (Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/2010</td>
<td>4/20/2010</td>
<td>(20)</td>
</tr>
</tbody>
</table>
SINGLE AUDIT AND MANAGEMENT LETTER WERE NOT TIMELY ISSUED

We noted that both the Single Audit and the Management Letter for the year ended September 30, 2009, were finalized and submitted to the City’s Agenda Office on June 29, 2010 for presentation to be made at the City Commission meeting of July 8, 2010 (90 days late) as indicated below:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>A-B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date Required</td>
<td>Date Actually</td>
<td>Days (Late)</td>
<td></td>
</tr>
<tr>
<td>Presented to</td>
<td>Presented</td>
<td>Early</td>
<td></td>
</tr>
<tr>
<td>Mayor and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pursuant to the Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 320 (a), the Single Audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) 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, 2009; therefore, the Single Audit Report was due to the FAC by June 30,
2010 (nine months after the end of the audit period). The Single Audit report was timely transmitted to the FAC on June 30, 2010.

The relevance and usefulness of annual financial reports are diminished when said reports are not issued in a timely manner.

Recommendation:
See above.

Auditee Response and Action Plan:

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

Explanation See response provided in the Single Audit Report and Management Letter.

As requested above, please confirm our understanding by marking whether you agree or disagree and initialing in the spaces provided and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by July 22, 2010.

If you have any questions, please feel free to contact me at 305-416-2173 or by email.

Cc: Victor Igwe, CPA, CIA, Auditor General
Audit Documentation File
FINANCIAL INTEGRITY PRINCIPLE NUMBER 11 – BASIC FINANCIAL POLICIES

FINANCE DEPARTMENT, OFFICE OF STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE AND PURCHASING DEPARTMENT

BASIC FINANCIAL POLICIES WERE MAINTAINED

Chapter 18, Article IX, Section 18-542(11) of the City Code, as amended, 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 finance committee, general debt governing polices, specific debt policies, and ratios and measurement, has been implemented. In addition, we noted that the “Debt Management Procedures Manual” covered areas 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, and selection of bond underwriters. If the Debt Management Policy and Procedures Manuals as articulated are properly implemented, issues relating to affordability, and capacity to issue and manage debt would be enhanced.

“(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, 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 Office of Strategic Planning, Budgeting and Performance (SPBP) is responsible for performing the indirect cost analysis, which was included in the FY 2009 budget book.

- The City has a policy related to the estimating conference process which includes requirements for membership, meetings, and reporting.
• The estimates for interest income are provided to the SPBP by the Finance Department in accordance with the Finance Department’s investment policy.

• The annual budget for the audit period was adopted on September 25, 2008 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 a “Collection Accounts Policies and Procedures” and “Billings and Collections Manual” have been implemented. These manuals describe the procedures to be followed for revenue collection, 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 that, if properly implemented, would provide appropriate checks and balances as it relates to the acquisition of good/services.

**Recommendation**

We recommend that the Finance Department, Purchasing Department, and Office of Strategic Planning, Budgeting and Performance continue to periodically review and update all policies and procedures.

**Auditee’s Response and Action Plan**

None required.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 12 – EVALUATION COMMITTEE

EVALUATION COMMITTEES WERE PROPERLY CREATED

PURCHASING AND CAPITAL IMPROVEMENTS PROGRAMS DEPARTMENTS

Chapter 18, Article IX, Section 18-542(12) of the City Code, as amended, 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.”

During the audit period we noted that the City issued/initiated 90 formal solicitations, which included Requests for Proposals (RFP), Requests for Qualifications (RFQ), and Invitations for Bid (IFB). We tested 9 competitive processes for compliance, including 4 processes issued by the Purchasing Department (PD) and 5 issued by the Capital Improvement Department (CIP).

Our audit test disclosed that:

- Each RFP/RFQ process included a majority of Evaluation Committee members who were citizens and/or business appointees from outside City employment.
- The Committees' recommendations were provided to the City Manager and City Commission prior to official action.

Recommendation

None required.

Auditee’s Response and Action Plan

None required.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 13 – FULL COST OF SERVICE

FINANCE DEPARTMENT AND OFFICE OF STRATEGIC PLANNING, BUDGETING AND PERFORMANCE

FULL COST OF SERVICES WAS INCLUDED IN BUDGET BOOK

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 annually accumulate all the costs of delivering these core services have been implemented by the Finance Department and the Office of Strategic Planning, Budgeting and Performance (SPBP). Our audit disclosed that the full cost of providing core services was included in the FY2009 budget book.

Recommendation

None

Auditee’s Response and Action Plan

None required.
McGladrey & Pullen, LLP, partnered with Sanson, Kline Jacomino, to audit the City’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009. The auditors issued an unqualified opinion on the City’s CAFR in an audit report dated April 20, 2010. An unqualified opinion certifies 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, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MANAGEMENT LETTER

Section 10.554(1)(i), Rules of the Auditor General, State of Florida, require the external auditor 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 20, 2010 and the accompanying “Index of Current Year Findings”, we noted that McGladrey & Pullen, LLP, determined the following:

1. There were six (6) internal control deficiencies, one (1) compliance issue and nine (9) other comments. Two of the control deficiencies, which were considered material weaknesses, pertained to bank reconciliations and recording accruals and accounts payable.

2. The recommendations that were made in prior years were addressed in the Section (Appendix B) titled “Status of Prior Year’s Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls Fiscal Year ended September 30, 2009”. The said section disclosed a total of three (3) outstanding prior audit findings that have yet to be resolved and two (2) prior audit findings for which certain corrective actions have been taken:

   • Fiscal year ended 2008 – Filing for Grant Reimbursements (not corrected).
   • Fiscal year ended 2008 – Capital Asset Management (not corrected).
   • Fiscal year ended 2008 – Pension Plans (not corrected).
   • Fiscal year ended 2008 – Bank reconciliation (Certain corrective action taken).
   • Fiscal year ended 2007 – Employee Cross Training (Certain corrective action taken).

3. The City complied with Section 218.415, Florida Statutes relative to the investment of public funds.

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.
SINGLE AUDIT REPORT

The McGladrey & Pullen, LLP’s audit engagement contract also included the audit of City programs that were funded with Federal awards and State of Florida financial assistance during the fiscal year (FY) ended 2009. Non-Federal/State entities either receive such funding directly from Federal/State awarding agencies and/or indirectly from pass-through entities. Some of the awarded monies are received on a cost-reimbursement basis. 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 a non-Federal/State entity equals or exceeds $500,000. The auditors’ report issued an unqualified opinion for the financial statements and with regards to compliance for major projects funded via “State Financial Assistance”. However, the said report issued a qualified opinion, and reported an audit finding, with regards to compliance for major projects funded via “Federal Awards”. The said audit finding, which was reported in accordance with Section 510(a) of Circular A-133, stated that the City did not comply with requirements regarding equipment and real property management that are applicable to its Homeland Security Grant Program (HSGP).

Including the finding mentioned above, the audit report disclosed the following Federal Awards and State Financial Assistance audit findings and questioned costs:

(a) Payroll Certification – Payroll certifications were not prepared for employees who worked solely on grant programs (finding considered a “Significant Deficiency”).
(b) Equipment and Real Property Management – The City did not maintain an up to date inventory listing of equipment acquired with federal funds as of September 30, 2009; also, a physical inventory was not performed in the last two fiscal years (Compliance [i.e. non-compliance]; finding is considered to be a “Significant Deficiency” in control over compliance and also considered to be a “Material Weakness”).
(c) Program income – Program income is not being reported on a quarterly basis; also, program income is not being used/expended before the use of entitlement funds (Compliance [i.e. non-compliance]; “Significant deficiency”).
(d) Environment Review – There were instances where environmental reviews were not performed or activities were undertaken before preparation of the required documentation for environmental review (Compliance [i.e. non-compliance]).

Lastly, the “Schedule of Prior Year Findings and Questioned Costs Fiscal Year Ended September 30, 2009” lists four (4) items that have not been resolved and one (1) item where certain corrective action has been taken:

- Two (2) for the fiscal year ended 2008 (Filing for Grant Reimbursements and Capital Asset Management).
- Two (2) for the fiscal year ended 2007 (Equipment and Real Property Management).
- One (1) for the fiscal year ended 2008 (Bank Reconciliations) – (certain corrective action has been taken)

Recommendation

None required.

Auditee Response and Action Plan

None required.