July 27, 2012

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

Re: Audit of Compliance with the Financial Integrity Principles
Audit No. 012-003

Commissioners:
Section 18-541 of the City Code requires that a written report be prepared and “…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 results 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, 2009, through September 30, 2010 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 eight (8) 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,

Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General
C: The Honorable Mayor Tomas Regalado  
Johnny Martinez, Chief Administrator/City Manager  
Julie O. Bru, City Attorney, City Attorney’s Office  
Priscilla A. Thompson, City Clerk, City Clerk’s Office  
Alice Bravo, Assistant City Manager/Chief of Infrastructure  
Luis Cabrera, Assistant City Manager/Chief of Operations  
Janice Larned, Assistant City Manager/Chief Financial Officer  
Manuel Orosa, Police Chief, Police Department  
Maurice Kemp, Fire Chief, Fire-Rescue Department  
Stephen Petty, Director, Finance Department  
Cindy Torres, Acting Chief Information Officer, Information Technology Department  
Daniel J. Alfonso, Director, Strategic Planning, Budgeting & Performance  
Alberto Sosa, Director, Capital Improvement Program  
Kenneth Robertson, Director, Purchasing Department  
Nzeribe Ihekaba, Director, Public Works Department  
George Mensah, Director, Community Development Department  
Juan Pascual, Interim Director, Parks and Recreation Department  
Haydee Wheeler, Director, NET Program  
Members of the Audit Advisory Committee  

Audit Documentation File  
Audit Conducted By: Lewis Blake, CPA, CIA, Senior Staff Auditor  
Scarlette Barrios, Staff Auditor  
Audit Reviewed By: Robyn Sachs, CPA, CIA, CISA, Senior Information Systems Auditor
CITY OF MIAMI
AUDIT OF COMPLIANCE WITH THE FINANCIAL INTEGRITY PRINCIPLES FOR THE PERIOD OCTOBER 1, 2009, THROUGH SEPTEMBER 30, 2010

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OFFICE OF INDEPENDENT AUDITOR GENERAL/444 S.W. 7TH AVENUE, SUITE 711/MIA MIAMI, FLORIDA 33130-1910
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.
The following table displays the departments responsible for each of the Financial Integrity Principles (FIP) and findings and accomplishments 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>Requests for reimbursements were not filed on a timely basis</td>
<td>49</td>
</tr>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>55</td>
</tr>
<tr>
<td>8</td>
<td>Multi-Year Capital Improvement Plan was not timely approved and adopted</td>
<td>111</td>
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<table>
<thead>
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<th>FIP #</th>
<th>COMMUNITY DEVELOPMENT</th>
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<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>55</td>
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</table>

<table>
<thead>
<tr>
<th>FIP #</th>
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<tbody>
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<td>6</td>
<td>No Enterprise (Proprietary) Funds reported</td>
<td>106</td>
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<td>9</td>
<td>Debt managed in accordance with required principles</td>
<td>123</td>
</tr>
<tr>
<td>10</td>
<td>Several monthly reports were not timely issued</td>
<td>126</td>
</tr>
<tr>
<td>10</td>
<td>The CAFR and Management Letter were timely prepared</td>
<td>127</td>
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<td>10</td>
<td>Single Audit and Management Letter findings were timely presented</td>
<td>127</td>
</tr>
<tr>
<td>10</td>
<td>Single Audit was not timely prepared</td>
<td>128</td>
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<td>11</td>
<td>Basic financial policies were maintained</td>
<td>134</td>
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<thead>
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<th>FIP #</th>
<th>FIRE-RESCUE</th>
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<tbody>
<tr>
<td>3</td>
<td>Requests for reimbursement were not filed on a timely basis</td>
<td>32</td>
</tr>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>55</td>
</tr>
<tr>
<td>FIP #</td>
<td>INFORMATION TECHNOLOGY</td>
<td>Page #</td>
</tr>
<tr>
<td>-------</td>
<td>------------------------</td>
<td>--------</td>
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<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>PARKS AND RECREATION</th>
<th>Page #</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>There were outstanding reimbursement amounts due from other governments (DFOG)</td>
<td>55</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FIP #</th>
<th>PURCHASING</th>
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<td>Evaluation Committees were utilized and properly created</td>
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<td>1</td>
<td>Forecasting techniques could be enhanced</td>
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</tr>
<tr>
<td>1</td>
<td>Non-recurring expenditures have diminished Fund Balance</td>
<td>11</td>
</tr>
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<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>25</td>
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<tr>
<td>2</td>
<td>Estimating Conference Committee recommendations were not provided to the City Manager, Mayor, and City Commission</td>
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</tr>
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<td>5</td>
<td>The General Fund Unreserved, Undesignated Reserve was inadequate</td>
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<tr>
<td>5</td>
<td>The General Fund Unreserved, Designated Reserve was inadequate</td>
<td>99</td>
</tr>
<tr>
<td>7</td>
<td>Multi-Year Financial Plan was not timely approved and adopted</td>
<td>107</td>
</tr>
<tr>
<td>11</td>
<td>Basic financial policies were maintained</td>
<td>134</td>
</tr>
<tr>
<td>13</td>
<td>A full cost of services was not included in the annual budget</td>
<td>139</td>
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</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 2011 Audit Plan. The examination covered the period October 1, 2009 through September 30, 2010 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 auditees’ responses and corrective action plans.
NOTEWORTHY ACCOMPLISHMENTS

Based upon the audit tests performed, we determined that the City complied with the following aspects of the Financial Integrity Principles:

- Estimating Conference Committee meetings were held and attended by the required number of staff and non-staff members in accordance with Financial Integrity Principle 2.
- The budget surplus for the Information Technology Department was appropriately used for the purposes set forth in Financial Integrity Principle Number 4.
- The City managed its debt in accordance with Financial Integrity Principle Number 9.
- The City’s fiscal year 2010 (FY10) Comprehensive Annual Financial Report (CAFR) and the external auditor’s Management Letter were timely prepared; also, findings described in the Single Audit and Management Letter were timely presented to the City Mayor and the City Commission in accordance with Financial Integrity Principle Number 10.
- 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 (when feasible) in accordance with Financial Integrity Principle Number 12.
CONCLUSION AND SUMMARY OF FINDINGS

We conclude that during the period October 1, 2009 through September 30, 2010 the City did not comply with eight (8) 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 eight (8) 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 General Fund balance.
- Lack of compliance with Section 166.241(2) of the Florida Statutes, which prohibits municipal government from exceeding budgetary authorizations. Three (3) special revenue funds, one (1) debt service fund, and one (1) line item in the General fund exceeded their budgetary authorization as of September 30, 2010
- Three (3) General Fund actual expenditure line items exceeded the Original Budget by amounts greater than the recommended 4% threshold.

Refer to detailed audit findings and recommendations on pages 9 through 13 and pages 25 and 26.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 2 – ESTIMATING CONFERENCE PROCESS

- Estimating Conference Committee recommendations were never communicated in person or in writing to the City Manager, Mayor and Commissioners as required.

Refer to detailed audit findings and recommendations on pages 27 and 28.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 3 – INTERFUND TRANSACTIONS

- Our audit disclosed internal control deficiencies in grant management, 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) 2010 expenditures totaling **$112,611**
  - Requests for reimbursement of FY 2010 grant expenditures totaling **$750,584** were not filed on a timely basis.
  - As of the date (April 12, 2011) of audit testing, City departments had outstanding reimbursable amounts due from various other government and grantor agencies totaling **$12,066,516**. The number of days outstanding for the invoices that comprised these monies ranged from **195** to **1,654** days.

Refer to detailed audit findings and recommendations on pages 32 through 56.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 5 – RESERVE POLICIES

- The total “Unreserved, Undesignated” general fund balance reserve is **$0.00** which is **$47,801,706** less than the required amount ($47,801,706).
- The total “Unreserved, Designated” general fund balance reserve is **$3,998,971** which is **$43,802,735** less than the amount required amount ($47,801,706).

Refer to detailed audit findings and recommendations on pages 98 through 100.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 7 – MULTI-YEAR FINANCIAL PLAN

A 2009-2010 Multi Year Financial Plan was not presented to the City Commission.

Refer to detailed audit findings and recommendations on page 107.

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 111 and 112.

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 was not timely prepared.

Refer to detailed audit finding and recommendations on pages 126 through 128.

FINANCIAL INTEGRITY PRINCIPLE NUMBER 13 – FULL COST OF SERVICE

- The City's core services were not adequately defined and their full costs were not listed in accordance with Financial Integrity Principle Number 13.

Refer to detailed audit finding and recommendations on pages 139 and 140.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 1 - STRUCTURALLY BALANCED BUDGET

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 impact 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) 2010 budget presented by OSPBP and adopted by the City Commission on September 29, 2009 (Resolution 09-0454) showed 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 recurring expenditures such as pension costs. However, the final FY 2010 audited Comprehensive Annual Financial Report (CAFR) showed that $26.5 million of non-recurring revenues were actually required to balance the budget, and the “final” budget was amended in order to reflect the actual net decrease of $27 million in general fund balance.

Lastly, we noted that if not for $89,975,265 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 five (5) years, pension costs have become material recurring costs. As a result, the City’s budget does not adequately provide for these and other recurring expenditures.

A well-derived budget document assists the City Commission in its decision making processes, therefore, the Office of Strategic Planning, Budgeting, and Performance should continue to enhance its budget forecasting techniques.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Fund Balance Needed to Balance the budget</th>
<th>Actual Change in Fund Balance Per CAFR</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>($32.7 million)</td>
<td>($5 million)</td>
<td>84.71%</td>
</tr>
<tr>
<td>2005</td>
<td>($39.5 million)</td>
<td>($19.7 million)</td>
<td>50.13%</td>
</tr>
<tr>
<td>2006</td>
<td>($32 million)</td>
<td>$9.2 million</td>
<td>128.75%</td>
</tr>
<tr>
<td>2007</td>
<td>($13 million)</td>
<td>($25.8 million)</td>
<td>-98.46%</td>
</tr>
<tr>
<td>2008</td>
<td>$0</td>
<td>($6.9 million)</td>
<td>*</td>
</tr>
<tr>
<td>2009</td>
<td>$0</td>
<td>($53.6 million)</td>
<td>*</td>
</tr>
<tr>
<td>2010</td>
<td>$0</td>
<td>($26.5 million)</td>
<td>*</td>
</tr>
</tbody>
</table>

*Note: The "Zero" amount precludes the calculation of "Percentage Difference."
NON-RECURRING EXPENDITURES HAVE DIMINISHED FUND BALANCE

An annual budget is a financial operations plan that estimates proposed expenditures and the proposed means of financing them during each fiscal year. During FY 2010, the City’s recurring revenues (taxes and fees) were sufficient to fund budgeted recurring expenditures (salaries and other operating expenses, not including pension costs). However, as mentioned in the previous finding, non-recurring revenues (e.g. operating savings rollovers and transfers from fund balance reserves) were used mainly to fund pension costs (recurring expenditures) in five (5) of the last six (6) fiscal years. Funding of recurring expenditures in this manner has continually diminished the City’s fund balance, as illustrated in the table below. Therefore, in budgeting for material recurring expenditures, it is important that management closely monitor and structure the budget in order to decrease or limit total expenditures and/or increase recurring revenues and other funding sources.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ending General 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>$100,256,513</td>
<td>$(25,806,369)</td>
<td>-20.4%</td>
</tr>
<tr>
<td>2008</td>
<td>$93,450,144</td>
<td>$(6,872,696)</td>
<td>-6.8%</td>
</tr>
<tr>
<td>2009</td>
<td>$39,972,587</td>
<td>$(53,604,861)</td>
<td>-57.3%</td>
</tr>
<tr>
<td>2010</td>
<td>$13,442,370</td>
<td>$(26,530,217)</td>
<td>-66.4%</td>
</tr>
</tbody>
</table>

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

Section 241(2) of Chapter 166 of the Florida Statutes [F.S. 166.241(2)] 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 2010 (FY 2010), five (5) budget line items 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>General Fund Transfers-Out/Other Financing Sources (Uses)</td>
<td>$13,135,534</td>
<td>$13,493,245</td>
<td>$(357,711)</td>
</tr>
<tr>
<td>Emergency Services Fund Expenditures</td>
<td>$</td>
<td>$2,593,170</td>
<td>$(2,593,170)</td>
</tr>
<tr>
<td>General Special Revenue Fund Expenditures</td>
<td>$1,738,564</td>
<td>$1,982,711</td>
<td>$(244,147)</td>
</tr>
<tr>
<td>Public Services Tax Fund Transfers Out/Other Financing Sources (Uses)</td>
<td>$61,966,426</td>
<td>$65,112,629</td>
<td>$(3,146,203)</td>
</tr>
<tr>
<td>Special Obligations Bond Fund Interest &amp; Other Charges (Expend)</td>
<td>$19,065,709</td>
<td>$24,026,779</td>
<td>$(4,961,070)</td>
</tr>
</tbody>
</table>

The indicated variances are the amounts by which the actual amounts for each of the said items exceeded their budgeted amounts. However, all the variances were approved when the City Commission adopted the final (or “close-out”) budget as required. According to the OSPBP Director, the variances were caused when the City’s Oracle Accounting system was updated, or “loaded”, with the “close-out” budget after the City’s Comprehensive Annual Financial Report (CAFR) was finalized and issued.
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:
See auditee response on pages 14 through 20 and page 24.
Date: August 15, 2011

To: Daniel Alfonso, Director
   Office of Strategic Planning, Budgeting, and Performance

From: Lewis R. Blake, CPA, CIA, and Interim Audit Supervisor  
       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, 2009 through September 30, 2010, 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 August 22, 2011. 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 (August 22, 2011).

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.”

T-50
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 impact 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) 2010 budget presented by OSPBP and adopted by the City Commission on September 29, 2009 (Resolution 09-0454) T-14.2 showed 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 recurring expenditures such as pension costs T-14.5. However, the final FY 2010 audited Comprehensive Annual Financial Report (CAFR) showed that $26.5 million of non-recurring revenues were actually required to balance the budget, T-51.22 and the "final" budget was amended in order to reflect the actual net decrease of $27 million in general fund balance. T-15

Lastly, we noted that if not for $89,975,265 of pension costs T-15, use of non-recurring sources to balance the City's budget would have been unnecessary. Also, we noted that in the past five (5) years, pension costs have become material recurring costs. As a result, the City's budget does not adequately provide for these and other recurring expenditures.
A well-derived budget document assists the City Commission in its decision making processes, therefore, the Office of Strategic Planning, Budgeting, and Performance should continue to enhance its budget forecasting techniques.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Fund-Balance Needed to Balance the budget</th>
<th>W/P Ref</th>
<th>Actual Change in Fund Balance Per CAFR</th>
<th>W/P Ref</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>($32.7 million)</td>
<td>T-51.2</td>
<td>($5 million)</td>
<td>T-51.16</td>
<td>84.71%</td>
</tr>
<tr>
<td>2005</td>
<td>($39.5 million)</td>
<td>T-51.3</td>
<td>($19.7 million)</td>
<td>T-51.17</td>
<td>50.13%</td>
</tr>
<tr>
<td>2006</td>
<td>($32 million)</td>
<td>T-51.4</td>
<td>$9.2 million</td>
<td>T-51.18</td>
<td>128.75%</td>
</tr>
<tr>
<td>2007</td>
<td>($13 million)</td>
<td>T-51.5</td>
<td>($25.8 million)</td>
<td>T-51.19</td>
<td>-98.46%</td>
</tr>
</tbody>
</table>
| 2008        | $0                                                 | T-51.6  | ($6.9 million)                       | T-51.20 |        *
| 2009        | $0                                                 | T-51.7  | ($53.6 million)                      | T-51.21 |        *
| 2010        | $0                                                 | T-51.1  | ($26.5 million)                      | T-51.22 |        *

* Note: The "Zero" amount precludes the calculation of "Percentage Difference."

NON RECURRING EXPENDITURES HAVE DIMINISHED FUND BALANCE

An annual budget is a financial operations plan that estimates proposed expenditures and the proposed means of financing them during each fiscal year. During FY 2010, the City’s recurring revenues (taxes and fees) were sufficient to fund budgeted recurring expenditures (salaries and other operating expenses, not including pension costs). However, as mentioned in the previous finding, non-recurring revenues (e.g. operating savings rollovers and transfer from fund balance reserves) were used mainly to fund pension costs (recurring expenditures) in five (5) of the last six (6) fiscal years. Funding of recurring expenditures in this manner has continually diminished the City’s fund balance, as illustrated in the table below. Therefore, in budgeting for material recurring expenditures, it is important that management closely monitor and structure the budget in order to decrease or limit total expenditures and/or increase recurring revenues and other funding sources.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ref</th>
<th>Ending General Fund Balance</th>
<th>Yearly Increase (Decrease)</th>
<th>Yearly Percent Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>T-51.8</td>
<td>141,862,336</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2004</td>
<td>T-51.9</td>
<td>136,852,762</td>
<td>(5,009,574)</td>
<td>-3.5%</td>
</tr>
<tr>
<td>2005</td>
<td>T-51.10</td>
<td>117,105,055</td>
<td>(19,747,707)</td>
<td>-14.4%</td>
</tr>
<tr>
<td>2006</td>
<td>T-51.11</td>
<td>126,756,513</td>
<td>9,151,458</td>
<td>7.8%</td>
</tr>
<tr>
<td>2007</td>
<td>T-51.12</td>
<td>100,450,144</td>
<td>(25,806,369)</td>
<td>-20.4%</td>
</tr>
<tr>
<td>2008</td>
<td>T-51.13</td>
<td>93,577,648</td>
<td>(6,872,696)</td>
<td>-6.8%</td>
</tr>
<tr>
<td>2009</td>
<td>T-51.14</td>
<td>39,972,587</td>
<td>(53,604,861)</td>
<td>-57.3%</td>
</tr>
<tr>
<td>2010</td>
<td>T-51.15</td>
<td>13,442,370</td>
<td>(26,530,217)</td>
<td>-66.4%</td>
</tr>
</tbody>
</table>

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 August 22, 2011.

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

Cc: Audit Documentation File
Date: August 15, 2011

To: Daniel Alfonso, Director
Office of Strategic Planning, Budgeting, and Performance

From: Lewis R. Blake, CPA, CIA, Interim Audit Supervisor
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 August 22, 2011. 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 (August 22, 2011).

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

Section 241(2) of Chapter 166 of the Florida Statutes [F.S. 166.241(2)] 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.” T-6 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

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 716/Miami, FL 33126
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..." T-4

Our audit procedures disclosed that as of the end of Fiscal Year 2010 (FY 2010), 5 budget line items 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>General Fund Transfers-Out/Other Financing Sources (Uses)</td>
<td>13,135,534</td>
<td>13,493,245</td>
<td>(357,711)</td>
</tr>
<tr>
<td>Emergency Services Fund Expenditures</td>
<td>0</td>
<td>2,593,170</td>
<td>(2,593,170)</td>
</tr>
<tr>
<td>General Special Revenue Fund Expenditures</td>
<td>1,738,564</td>
<td>1,982,711</td>
<td>(244,147)</td>
</tr>
<tr>
<td>Public Services Tax Fund Transfers Out/Other Financing Sources (Uses)</td>
<td>61,966,426</td>
<td>65,112,629</td>
<td>(3,146,203)</td>
</tr>
<tr>
<td>Special Obligations Bond Fund Interest &amp; Other Charges (Expend)</td>
<td>19,065,709</td>
<td>24,026,779</td>
<td>(4,961,070)</td>
</tr>
</tbody>
</table>

The indicated variances are the amounts by which the actual amounts for each of the said items exceeded their budgeted amounts. However, all the variances were approved when the City Commission adopted the final (or “close-out”) budget as required. According to the OSPBP Director, the variances were caused when the City’s Oracle Accounting system was updated, or “loaded”, with the “close-out” budget after the City’s Comprehensive Annual Financial Report (CAFR) was finalized and issued. S-12
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

________________________________________

________________________________________

________________________________________
ACTUAL GENERAL FUND EXPENDITURES EXCEEDED THE ORIGINAL BUDGET AND RECOMMENDED THRESHOLDS

As described 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 T-676.

When we compared the General Fund (GF) original budget, (which was adopted via Resolution 09-0454 on September 29, 2009) to actual amounts indicated in the FY10 CAFR, we noted that the General Government, Parks and Recreation, and Transfers-out line items in the City’s General Fund had negative variances ranging from 15.3% to 50.3%. These variances exceed the ±14% threshold recommended by the City’s Estimating Conference Committee in a memorandum.
to the City Commission dated September 5, 2008. T-14.9/T-14.10. The said variances are indicated in the following schedule:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>42,074,664 T-14.1</td>
<td>54,913,599 T-11</td>
<td>-12,838,935 T-11</td>
<td>-30.6%</td>
<td>55,361,117 T-14.1</td>
<td>447,518 T-14.1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Planning and Development</td>
<td>11,603,276 T-14.1</td>
<td>8,074,463 T-11</td>
<td>2,528,422 T-11</td>
<td>22.0%</td>
<td>8,074,463 T-14.1</td>
<td>0 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Public Works</td>
<td>50,043,493 T-14.1</td>
<td>51,276,116 T-11</td>
<td>-1,232,623 T-11</td>
<td>-2.5%</td>
<td>51,276,116 T-14.1</td>
<td>247,601 T-14.1</td>
<td>0.5%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>221,851,807 T-14.1</td>
<td>230,713,543 T-11</td>
<td>-8,861,736 T-11</td>
<td>-4.0%</td>
<td>230,713,543 T-14.1</td>
<td>109,700 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Public Facilities</td>
<td>5,191,788 T-14.1</td>
<td>4,386,912 T-11</td>
<td>801,876 T-11</td>
<td>15.4%</td>
<td>4,386,912 T-14.1</td>
<td>0 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>25,898,559 T-14.1</td>
<td>28,765,930 T-11</td>
<td>-2,867,371 T-11</td>
<td>-9.9%</td>
<td>28,765,930 T-14.1</td>
<td>1 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>24,610,147 T-14.1</td>
<td>22,394,729 T-11</td>
<td>2,215,418 T-11</td>
<td>9.9%</td>
<td>28,968,188 T-14.1</td>
<td>0,543,428 T-14.1</td>
<td>22.9%</td>
</tr>
<tr>
<td>Organizational Support: Cilistat:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>137,034 T-14.1</td>
<td>137,034 T-14.1</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Office of Grants Admin:</td>
<td>436,060 T-14.1</td>
<td>0 T-11</td>
<td>0</td>
<td>0.0%</td>
<td>331,444 T-14.1</td>
<td>331,444 T-14.1</td>
<td>100.0%</td>
</tr>
<tr>
<td>Miami Office of Sustainable Initiatives:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Organizational Support:</td>
<td>436,060</td>
<td>0 T-11</td>
<td>0</td>
<td>0.0%</td>
<td>468,478</td>
<td>468,478</td>
<td>100.0%</td>
</tr>
<tr>
<td>Pensions</td>
<td>93,710,690 T-14.4</td>
<td>80,975,265 T-11</td>
<td>3,735,425 T-11</td>
<td>4.0%</td>
<td>80,975,265 T-14.1</td>
<td>0 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Group Benefits</td>
<td>32,218,742 T-15</td>
<td>32,218,742 T-11</td>
<td>0</td>
<td>0.0%</td>
<td>32,218,742 T-14.1</td>
<td>0 T-14.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>502,449,230</td>
<td>518,072,073</td>
<td>-15,622,843</td>
<td>3%</td>
<td>528,469,656</td>
<td>7,448,896</td>
<td>1.4%</td>
</tr>
<tr>
<td>Other Financing Uses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers-Out</td>
<td>8,076,097 T-16</td>
<td>13,493,245 T-11</td>
<td>-5,417,148 T-11</td>
<td>-40.3%</td>
<td>13,493,245 T-14.1</td>
<td>-357,711 T-14.1</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Total Other Financing Uses</td>
<td>8,076,097</td>
<td>13,493,245</td>
<td>-5,417,148</td>
<td>-40.3%</td>
<td>13,493,245</td>
<td>-357,711</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Total Expenditures and Other Financing</td>
<td>511,525,327</td>
<td>532,565,324</td>
<td>-21,040,997</td>
<td>-4.0%</td>
<td>539,926,239</td>
<td>7,098,828</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

The City Commission adopted Resolution #11-0129 on March 24, 2011, 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 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 variances, if any, are within the recommended thresholds.

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 August 22, 2011.

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

Cc: Audit Documentation File
Blake, Lewis

From: Dziedzic, Mirtha
Sent: Friday, May 06, 2011 11:04 AM
To: Blake, Lewis
Cc: Michel, Leon
Subject: RE: Financial Integrity Principle 1 - Negative Budget Variances

Yes, the variances occurred because the close-out budget was loaded into Oracle after the CAFR was issued. As far as the adjusting entries beyond the close-out resolution, we will not be adjusting Oracle or submitting another resolution for commission approval. Those variances will remain.

Regards,

Mirtha Dziedzic
Director, Management and Budget
City of Miami
444 SW 2nd Avenue, 5th Floor
Miami, Florida 33130
Phone: (305) 416-1503
Fax: (305) 416-2150
Email: mdziedzic@miamigov.com

From: Blake, Lewis
Sent: Thursday, May 05, 2011 5:15 PM
To: Dziedzic, Mirtha
Cc: Michel, Leon
Subject: FW: Financial Integrity Principle 1 - Negative Budget Variances
Importance: High

Mirtha,

As you are aware, I’ve met with your Assistant Director, Leon Michel, regarding the variances listed in the attached spreadsheet.

Essentially, he explained that the variances occurred because the close-out budget (which was approved at the March 24th Commission meeting) was loaded into Oracle after the CAFR was issued. We corroborated this information by watching a video of the March 24th meeting during which the Finance Director acknowledged (subsequent to your discussions with Commissioner Sarnoff and comments by Commissioner Carollo) that there were more adjusting entries to be made before the CAFR could be issued.

Please acknowledge that you concur (or not) with the above by responding to this e-mail ASAP.

Thanks.
Lewis
ACTUAL GENERAL FUND EXPENDITURES EXCEEDED THE ORIGINAL BUDGET AND RECOMMENDED THRESHOLDS

As previously described, 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 09-0454 on September 29, 2009) to actual amounts indicated in the FY10 CAFR, we noted that the General Government, Parks and Recreation, and Transfers-out line items in the City’s General Fund had negative variances ranging from 15.3% to 50.3%. These variances exceed the ±4% threshold recommended by the City’s Estimating Conference Committee in a memorandum to the City Commission dated September 5, 2008. The said variances are indicated in the following schedule:

<table>
<thead>
<tr>
<th>Comparison of General Fund Original Budget to Actual</th>
<th>Comparison of General Fund Close-out Budget to Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Budget (Per R-09-0454 Approved 9/29/09)</td>
<td>Audited FY10 CAFR</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>42,074,644</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>20,598,959</td>
</tr>
<tr>
<td>Other Financing Uses:</td>
<td></td>
</tr>
<tr>
<td>Transfers-Out</td>
<td>8,978,997</td>
</tr>
</tbody>
</table>

The City Commission adopted Resolution #11-0129 on March 24, 2011, 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 fund balance reserve to balance the City budget defeats the purpose of using a budget as a means of controlling cost.

**Recommendation**

The City’s budget methodologies and procedures should be improved so as to ensure that variances, if any, are within the recommended thresholds.

**Auditee Response and Action Plan:**

*See auditee response on pages 21 through 23.*
Chapter 18, Article IX, Section 18-542(2) [Financial Integrity Principle 2 (FIP2)] 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 recommendation 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.”

We noted that members of the Estimating Conference Committee reviewed the assumptions and estimates used in preparing the City’s fiscal year 2011 budget and put forth the following recommendations:

- The assessment of a Fire Fee, which would potentially generate revenue of $15 million annually.
- The formation of a committee which would meet monthly in order to review budget estimates and projections.

However, we noted that the above recommendations were never communicated in person or in writing to the City Manager, Mayor and Commissioners as required by FIP2 by the Estimating Conference Committee.

One of the City Commission’s critical responsibilities is to approve annual budgets that would fund core services/programs; therefore, it is important that recommendations proffered by the
Estimating Conference Committee be properly summarized and timely reported to the Mayor, City Manager and Commissioners so that they can make decisions that are based on relevant and potentially useful input from the Committee. When such recommendations are not provided in a timely manner, there is an increased risk the said officials will not be able to make informed decisions.

Recommendation:

We recommend that any assistance/input provided by the Estimating Conference Principals for the annual budget process should be properly documented, maintained, and timely communicated to the Mayor, City Manager, and Commissioners.

Auditee’s Response and Action Plan

See auditee response on pages 29 through 31.
Date: May 13, 2011

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

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

Subject: Audit of Financial Integrity Principles
Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 20, 2011. 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 (May 20, 2011).

ESTIMATING CONFERENCE COMMITTEE RECOMMENDATIONS WERE NOT COMMUNICATED TO THE CITY MAYOR, MANAGER, AND COMMISSIONERS

Chapter 18, Article IX, Section 18-542(2) [Financial Integrity Principle 2 (FIP2)] 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 recommendation 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.” T-54

We noted that members of the estimating conference committee reviewed the assumptions and estimates used in preparing the City’s fiscal year 2011 budget and the following recommendations:

- The assessment of a Fire Fee, which would potentially generate revenue of $15 million annually. T-61
- The formation of a committee which would meet monthly in order to review budget estimates and projections. T-58

However, we noted that the above recommendations were never communicated in person or in writing to the City Manager, Mayor and Commissioners as required by FIP2 by the estimating conference committee. T-69, T-69.1

One of the City Commission’s critical responsibilities is to approve annual budgets that would fund core services/programs; therefore, it is important that recommendations proffered by the Estimating Conference Committee be properly summarized and timely reported to the City Mayor, Manager and Commissioners so that they can make decisions that are based on relevant and potentially useful input from the Committee. When such recommendations are not provided in a timely manner, there is an increased risk the said officials will not be able to make informed decisions.

Recommendation:

We recommend that any assistance/input provided by the Estimating Conference Principals for the annual budget process should be properly documented, maintained, and timely communicated to City officials.
Audittee Response and Action Plan:

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

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 May 20, 2011.

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
FINANCIAL INTEGRITY PRINCIPLE NUMBER 3 – INTERFUND BORROWING

REQUESTS FOR REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER

The City’s Financial Integrity Principles as codified in Article IX, Division 2, Section 18-542(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…”

Miami Fire Rescue (MFR)

During fiscal year ended September 30, 2010 (FY10), the Miami Fire Rescue (MFR) expended $7,888,267.58 in connection with twelve (12) grant programs. We selected three (3) of the grant programs [the Urban Area Security Initiative Fiscal Year 2008 (UASI FY 2008) Grant Agreement, the Urban Search and Rescue Fiscal Year 2009 Cooperative Agreement (USAR FY 2009) and the Urban Search and Rescue Fiscal Year 2010 Cooperative Agreement (USAR FY 2010)] for testing and examined all of the FY10 reimbursement requests for the three programs. The total FY10 expenditures for the three programs were $800,937.59.

We noted that there were no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the three programs. However, for both the USAR FY 2009 and USAR FY 2010 Cooperative Agreements, 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. With regards to the UASI FY 2008 Grant Agreement, MFR is required to submit a “Quarterly Programmatic Report” within thirty (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.

As noted above, there are no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the three programs. However, to minimize the period that City
funds are used as float, reimbursement requests must be filed no later than 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 Area Security Initiative (UASI) FY 2008 Grant – Award #1660_

During fiscal year 2010 (FY10), the City's Miami Fire Rescue Department (MFR) incurred Urban Area Security Initiative (UASI) Fiscal Year 2008 (FY08) Grant-related expenditures totaling **$107,897.69**. We tested the total population of those expenditures (consisting of 116 items) and noted that as of the date of our testing (February 28, 2011) none of the expenditures had been submitted for reimbursement. The time (in days) that elapsed between the "cleared dates" of the checks that paid for the expenditures (i.e. the dates the checks cleared the bank) and the date of testing ranged from 28 to 212 days (or an average of 56 days).

Also, during our audit field work test of the said UASI FY08 reimbursement requests performed on February 28, 2011, we noted that a request for a reimbursement package totaling $77,398.56 or 71.7% of the FY10 UASI grant expenditures was prepared on 12/14/2010 but was not submitted for payment, as of February 28, 2011. However, subsequent to our audit inquiry, the request for the reimbursement for $77,389.56 was submitted to the granting agency and the amount was paid to the City by the granting agency on March 22, 2011.

We were informed by MFR staff that the delay in filing reimbursement requests for FY08 UASI grant expenditures was because the grantor (Florida Division of Emergency Management) precluded MFR from submitting such requests due to errors and unresolved issues relating to UASI reimbursement requests previously submitted for FY06 and FY07 UASI grant expenditures. These matters were also described in previously issued financial integrity audit report numbers 10-005 and 10-015.

In addition, as discussed above, the cause of untimely filing of reimbursement requests appears to be caused by inadequate 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.

**Urban Search and Rescue (USAR) FY 2009 – Award #1583**

Our audit test of USAR grant expenditures for FY 2009 indicated that MFR submitted five (5) reimbursement requests during the audit period which included 1,188 expenditure items totaling $569,089.97. However, our audit test determined that 1 (which included 697 expenditure items) of the 5 reimbursement requests, totaling $285,616.31 (or 50.2%) were not submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the 697 expenditure items ranged from 47 days to 137 days (or an average of 61 days). However, all request for reimbursements were paid to the City without exception.

**Urban Search and Rescue (USAR) FY 2010 – Award #1675**

Our audit test of USAR grant expenditures for FY 2010 indicated that MFR submitted two (2) reimbursement requests during the audit period which included 104 expenditure items totaling $110,967.67. However, our audit test determined that there were 33 items totaling $20,719.60 (or 18.7%) that were not submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the 33 expenditure items ranged from 30 days to 128 days (or an average of 45 days).

Also, we noted that the said 33 items included journal entries (JE) for salary allocations totaling $2,870.36. As of the date we conducted this test (March 7, 2011), a reimbursement for the said amount of $2,870.36 had not yet been requested. However, all of the other reimbursements were received without exception.

The cause of the untimely reimbursement request submittals described above appears to be due to inadequate 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.

**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 five (5) UASI grant agreements with the State of Florida's Department of Community Affairs (DCA) during the period July 1, 2004 through April 19, 2011. The City executed one (1) grant agreement during each of the respective fiscal years. Pursuant to the said agreements, MFR has disbursed approximately $32.6 million as of April 19, 2011 (the date of our testing) and had applied for and received reimbursements from DCA totaling approximately $26.5 million; therefore, expenditures totaling approximately $6.07 million have not been reimbursed as of the said date. The time (days) that has elapsed from the date of the twelve (12) un-reimbursed expenditures totaling $6.07 million (the GL Date) to the date this test was performed (April 19, 2011) ranged from 201 to 931 days.

As noted above, we were informed by MFR staff that the delay in filing reimbursement requests for FY08 UASI grant expenditures was because the grantor (Florida Division of Emergency Management) precluded MFR from submitting such requests due to errors and unresolved issues relating to UASI reimbursement requests previously submitted for FY06 and FY07 UASI grant expenditures. These matters were also described in previously issued financial integrity audit report numbers 10-005 and 10-015.

We were informed by the UASI grants manager that the FY06 UASI grant will not be extended beyond June 30, 2011 even though “payments may be submitted for reimbursement after that date.” The grant manager stated that UASI is currently seeking an extension for the FY07 UASI grant through December 31, 2011 and she noted that: “further extensions are dependent upon receiving an extension from the Dept. of Homeland Security.”
In light of the impending expiration of both UASI agreements, there is an increased risk that the City may not be reimbursed for FY06 and FY07 UASI grant-related expenditures if filing and processing the respective reimbursement requests continues to be extraordinarily delayed.

Lastly, as discussed above, the cause of untimely filing of reimbursement requests appears to be due to inadequate 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:**

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 pages 37 through 48.*
May 26th, 2011

Lewis Blake, CPA, CIA
Senior Staff Auditor
Office of Independent Auditor General
Miami, FL 33130

Dear Mr. Blake:

**Our Response regarding “Requests for Reimbursements were not made in a timely manner” (Memo dated May 18, 2011):**

**Urban Search and Rescue (USAR) FY 2009 – Award 1583**

We agree that there have been certain challenges regarding reimbursements being made in a timely manner.

**Action Plan:** Through our internal controls, a Smartlink deficiency was found on July 16, 2010. As a result, a Program Directive was subsequently developed.

- Smartlink draw down will occur on the 25th of each month.
- Monthly calendar reminders will be established to ensure reconciliation.
- Upon completion of Smartlink an email will be sent to the Principal Staff Analyst advising of the amount requested.

**Urban Search and Rescue (USAR) FY 2010 – Award 1675**

The 33 items totaling $20,719.60 were all payroll related. There is a delay in posting payroll in PnG. We were not able to request a reimbursement for the 9-17-10 payroll ($17849.24) since it was still pending in PnG.

A journal entry in the amount of $2870.36 was done on April 23, 2011 to transfer payroll charges that were incorrectly posted to Award 1675.

If you have any other questions or concerns, please do not hesitate to contact either myself or Deputy Chief Reginald Duren at 305-416-5403.

Sincerely,

Maurice L. Kemp
Fire Chief

DEPARTMENT OF FIRE-RESCUE
1151 N.W. 7th Street / Miami, FL 33136 / (305) 416-5400 / Mailing Address: P.O. Box 330708 Miami, FL 33233-0708
May 25th, 2011

Lewis Blake, CPA, CIA
Senior Staff Auditor
Office of Independent Auditor General
City of Miami
Miami, FL 33130

Dear Mr. Blake:

Please find below the Department’s Responses and Corrective Action Plan regarding your UASI Grant “Findings” two Memos (audit # 011-011), for the 2008 UASI Grant dated May 18, 2011.

1. Requests for Reimbursements were not made in a timely manner:
   a. Our Response:
      i. We agree with the finding
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State’s OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

FL.049

DEPARTMENT OF FIRE-RESCUE
1151 N.W. 7th Street / Miami, Fl 33136 / (305) 416-5400 / Mailing Address: P.O. Box 330708 Miami, Fl. 33233-0708
b. Our Corrective Action Plan:
   i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
   ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.

2. Follow up on prior year audit findings:
   a. Our Response:
      i. We agree with the finding
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State's OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

   b. Our Corrective Action Plan:
      i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
      ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.

FL049
3. **Outstanding reimbursement amounts due from other Governments:**
   
   a. **Our Response:**
      
      i. We agree with the finding except for the last sentence of page 3 on Memo #2. We do not agree that we are in noncompliance with grant provisions of the Grantor.
      
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State’s OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

   b. **Our Corrective Action Plan:**
      
      i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
      
      ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.

   If you have any other questions or concerns, please do not hesitate to contact either myself or Asst. Chief Allen Joyce at 305-416-5402.

   Sincerely,

   [Signature]

   Maurice L. Kemp
   Fire Chief

   FL049
City of Miami

Date: May 18, 2011

To: Maurice Kemp, Fire Chief
   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. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 25, 2011. 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 date indicated (May 25, 2011).

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...” T-74
During fiscal year ended September 30, 2010 (FY10), the Miami Fire Rescue (MFR) expended $7,888,267.58 in connection with twelve (12) grant programs. T-75 We selected three of the grant programs [the Urban Area Security Initiative Fiscal Year 2008 (UASI FY 2008) Grant Agreement, the Urban Search and Rescue Fiscal Year 2009 Cooperative Agreement (USAR FY 2009) and the Urban Search and Rescue Fiscal Year 2010 Cooperative Agreement (USAR FY 2010)] for testing and examined all of the FY10 reimbursement requests for the three programs. The total FY10 expenditures for the three programs were $800,937.59. T-75

We noted that there were no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the three programs. T-210 However, for both the USAR FY 2009 and USAR FY 2010 Cooperative Agreements, 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. T-466, T-495 The quarters are as follows: October through December, January through March, April through June, and July through September. With regards to the UASI FY 2008 Grant Agreement, MFR is required to submit a “Quarterly Programmatic Report” 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. T-211

As noted above, there are no reimbursement requirement deadlines or due dates stipulated in the applicable grant agreements for the three programs. However, to minimize the period that city funds are used as float, reimbursement requests must be filed no later than 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 Area Security Initiative (UASI) FY 2008 Grant – Award #1660**

During fiscal year 2010 (FY10), the City's Miami Fire Rescue Department (MFR) incurred Urban Area Security Initiative (UASI) Fiscal Year 2008 (FY08) Grant-related expenditures
totaling $107,897.69 T-75. We tested the total population of those expenditures (consisting of 116 items) T-83 and noted that as of the date of our testing (February 28, 2011) none of the expenditures had been submitted for reimbursement T-83. The time (in days) that elapsed between the "cleared dates" of the checks that paid for the expenditures (i.e. the dates the checks cleared the bank) and the date of testing ranged from 28 to 212 days (or an average of 56 days) T-80.

Also, during our audit field work test of the said UASI FY08 reimbursement requests performed on February 28, 2011, we noted that a request for a reimbursement package totaling $77,398.56 T-179 or 71.7% of the FY10 UASI grant expenditures was prepared on 12/14/2010 but was not submitted for payment, as of February 28, 2011. However, subsequent to our audit inquiry, the request for the reimbursement for $77,389.56 was submitted to the granting agency and the amount was paid to the City by the granting agency on March 22, 2011 T-209.4.

We were informed by MFR staff that the delay in filing reimbursement requests for FY08 UASI grant expenditures was because the grantor (Florida Division of Emergency Management) precluded MFR from submitting such requests due to errors and unresolved issues relating to UASI reimbursement requests previously submitted for FY06 and FY07 UASI grant expenditures. These matters were also described in previously issued financial integrity audit report numbers 10-005 and 10-015 T-84.3, T-84.5/T-84.7.

In addition, as discussed above, the cause of untimely filing of reimbursement requests appears to be caused by inadequate 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:

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: **MK**

Explanation: see attached memo
Urban Search and Rescue (USAR) FY 2009 – Award #1583

Our audit test of USAR grant expenditures for FY 2009 indicated that MFR submitted 5 reimbursement requests during the audit period which included 1,188 expenditure items totaling $569,089.97 T-244. However, our audit test determined that 1 (which included 697 expenditure items) of the 5 reimbursement requests, totaling $285,616.31 T-232 (or 50.2%) were not submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the 697 expenditure items ranged from 47 days to 137 days T-223 (or an average of 61 days) T-244. However, all request for reimbursements were paid to the City without exception. T-244

The cause of the untimely reimbursement request submittals appears to be due to inadequate 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).

Auditee Response and Action Plan:

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

Explanation

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

OFFICE OF INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 715/MIAMI, FLORIDA 33130-1910
Urban Search and Rescue (USAR) FY 2010 – Award #1675

Our audit test of USAR grant expenditures for FY 2010 indicated that MFR submitted 2 reimbursement requests during the audit period which included 104 expenditure items totaling $110,967.67 T-471. However, our audit test determined that there were 33 items totaling $20,719.60 T-471 (or 18.7%) that were not submitted for reimbursement in a timely manner. The time (in days) that elapsed between the reimbursement request dates for the 33 expenditure items ranged from 30 days T-470 to 128 days T-467 (or an average of 45 days T-471).

Also, we noted that the said 33 items included journal entries (JE) for salary allocations totaling $2,870.36. As of the date we conducted this test (March 7, 2011), a reimbursement for the said amount of $2,870.36 had not yet been requested T-474. However, all of the other reimbursements were received without exception.

The cause of the untimely reimbursement request submittals appears to be due to inadequate 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).

Audittee Response and Action Plan:

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

Explanation

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miami, FL 33128
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 five (5) UASI grant agreements with the State of Florida’s Department of Community Affairs (DCA) during the period July 1, 2004 through April 19, 2011. The City executed one grant agreement during each of the respective fiscal years. Pursuant to the said agreements, MFR has disbursed approximately $32.6 million as of April 19, 2011 (the date of our testing) and had applied for and received reimbursements from DCA totaling approximately $26.5 million; therefore, expenditures totaling approximately $6.07 million have not been reimbursed as of the said date T-495.8. The time (days) that has elapsed from the date of the 12 un-reimbursed expenditures totaling $6.07 million (the GL Date) to the date this test was performed (April 19, 2011) ranged from 201 to 931 days. T-495.8

As noted above, we were informed by MFR staff that the delay in filing reimbursement requests for FY08 UASI grant expenditures was because the grantor (Florida Division of Emergency Management) precluded MFR from submitting such requests due to errors and unresolved issues relating to UASI reimbursement requests previously submitted for FY06 and FY07 UASI grant expenditures. These matters were also described in previously issued financial integrity audit report numbers 10-005 and 10-015 T-84.3, T-84.5/T-84.7.

We were informed by the UASI grants manager that the FY06 UASI grant will not be extended beyond June 30, 2011 even though “payments may be submitted for reimbursement after that date.” The grant manager stated that UASI is currently seeking an extension for the FY07 UASI grant through December 31, 2011 and he noted that: “further extensions are dependent upon receiving an extension from the Dept. of Homeland Security.” T-607.25

In light of the impending expiration of both UASI agreements, there is an increased risk that the City may not be reimbursed for FY06 and FY07 UASI grant-related expenditures if filing and processing the respective reimbursement requests continues to be extraordinarily delayed.
Lastly, as discussed above, the cause of untimely filing of reimbursement requests appears to be due to inadequate 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: ML

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 May 25, 2011.

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
CAPITAL IMPROVEMENTS PROGRAM (CIP)

Drainage and Storm System Improvements: Northwest Area – Award #1362

Miami-Dade County’s (County) “Drainage and Storm System Improvements: Northwest Area” (Northwest Storm Sewer) General Obligation Bond (GOB) Program Agreement stipulates that the City of Miami (City) would receive an allocation of GOB proceeds in order to fund storm drainage improvement projects in the Northwest area of the City. The said agreement is governed by County “Administrative Rules” which requires allocation recipients to submit reimbursement/payment request by quarterly deadlines. The agreement also stipulates that “Failure to comply with this requirement shall render the Recipient in non-compliance with the Administrative Rules and may result in reduction or forfeiture of payment, at the discretion of the County Manager.”

During our review of Northwest Storm Sewer reimbursement requests, we noted that two (2) reimbursement requests were submitted during fiscal year 2010 (FY10) which included three (3) expenditure items totaling $336,350.22. However, our audit test determined that all of the expenditure items were submitted for reimbursement in an untimely manner. The time (in days) that elapsed between the reimbursement request dates for the respective items and the quarterly deadline dates of December 31, 2009, March 31, 2010, and September 30, 2010 ranged from 41 days to 158 days (or an average of 110 days). Except for a reimbursement request for $82,112, all reimbursements were received without exception.

Upon audit inquiry, CIP staff stated that lack of adequate personnel necessary to process and file for the reimbursement requests attributed to the untimely submittal of reimbursement requests. However, not filing such requests on a quarterly basis subjects the City to the risk that reimbursements would be forfeited pursuant to the terms of the said agreement. As it relates to the outstanding $82,112 reimbursement request described above, we were informed by the County on May 24, 2011 that the said amount is currently “in the approval path and the City will receive the payment next week.” Lastly, the untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.
Recommendation:

The City’s CIP Department should implement internal control procedures that would ensure that reimbursement requests are submitted quarterly as required by the GOB Program Agreement.

Auditee Response and Action Plan:

See auditee responses on pages 51 through 53.
City of Miami

Date: May 25, 2011
To: Alice Bravo, Director
    Capital Improvement Program (CIP)
From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
      Office of the Independent Auditor General
Subject: Audit of Financial Integrity Principles
        Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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; include your initials in the spaces provided; and return this memo to us by June 2, 2011. 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 date (June 2, 2011) indicated.

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...” T-74
Drainage and Storm System Improvements: Northwest Area – Award #1362

Miami-Dade County's (County) "Drainage and Storm System Improvements: Northwest Area" (Northwest Storm Sewer) General Obligation Bond (GOB) Program Agreement stipulates that the City of Miami (City) would receive an allocation of GOB proceeds in order to fund storm drainage improvement projects in the Northwest area of the City. T-510 The said agreement is governed by County "Administrative Rules" which requires allocation recipients to submit reimbursement/payment request by quarterly deadlines. T-518 The agreement also stipulates that "Failure to comply with this requirement shall render the Recipient in non-compliance with the Administrative Rules and may result in reduction or forfeiture of payment, at the discretion of the County Manager." T-518

During our review of Northwest Storm Sewer reimbursement requests, we noted that 2 reimbursement requests were submitted during fiscal year 2010 (FY10) which included 3 expenditure items T-496 totaling $336,350.22 T-496. However, our audit test determined that all of the expenditure items were submitted for reimbursement in an untimely manner T-496. The time (in days) that elapsed between the reimbursement request dates for the respective items and the quarterly deadline dates of December 31, 2009, March 31, 2010, and September 30, 2010 ranged from 41 days to 158 days (or an average of 110 days) T-496. Except for a reimbursement request for $82,112, all reimbursements were received without exception. T-496

Upon audit inquiry, CIP staff stated that lack of adequate personnel necessary to process and file for the reimbursement requests attributed to the untimely submittal of reimbursement requests. However, by not filing such requests on a quarterly basis, subjects the City to the risk that reimbursements would be forfeited pursuant to the terms of the said agreement. As it relates to the outstanding $82,112 reimbursement request described above, we were informed by the County on May 24, 2011 that the said amount is currently "in the approval path and the City will receive the payment next week." T-526.1 Lastly, the untimely filing of reimbursement requests prevents the City from optimizing the interest it could be earning on reimbursable funds.
Recommendation:

The City's CIP Department should implement internal control procedures that would ensure that reimbursement requests are submitted quarterly as required by the GOB Program Agreement.

Auditee Response and Action Plan:

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

Explanation: As noted, CIP staff experienced considerable changes in personnel which has benefited City by making timely reimbursement request a priority for new staff.

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 have not been received 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 June 2, 2011.

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
OUTSTANDING REIMBURSEMENT AMOUNTS DUE FROM OTHER GOVERNMENTS

Article IX, Division 2, Section 18-542(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.

The City’s fiscal year end 2010 (FYE 2010) DFOG totaled $30.6 million, which included $23.4 million due from grantor agencies as indicated in the schedule on the next page.
However, as of the date of our audit test (April 12, 2011), City departments had outstanding reimbursable amounts due from various grantor agencies (DFOG) totaling $12.07 million as indicated in the schedule below. The number of days that such receivables were deemed “outstanding” or “due”, as calculated by the Oracle financial accounting system, ranged from 195 to 1,654 days.
According to the fiscal year 2010 (FY 2010) 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.
- 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.

**Auditee Response and Action Plan:**

*See auditees’ responses on pages 57 through 95.*
Date: May 10, 2011
To: George Mensah, Director
Department of Community Development
From: Lewis R. Blake, CPA, CIA, and Senior Staff Auditor
Office of the Independent Auditor General
Subject: Audit of Financial Integrity Principles
Audit No. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 18, 2011. 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 date indicated (May 18, 2011).

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...” T-542.1

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 2010 (FYE 2010), the City’s total DFOG amount pertaining to grantor agencies was $23.4 million T-557 or 77% of the $30.5 million total FYE 2010 DFOG amount T-557.1 However, as of the date of our testing (April 12, 2011), the City’s Department of Community Development (CD) had outstanding reimbursable amounts due from various granting agencies totaling $59,017.17 (See Attached Schedule). T-560 The numbers of days that the $59,017.17 (7 invoices T-559) had been outstanding ranged from 195 to 925 days. T-558

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 See attached.

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 May 18, 2011.

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
that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by May 18, 2011.

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
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</table>
Explaination to Audit Findings from the Office of Independent Auditor General

The Department of Community Development has policies and procedures in place that requests reimbursements in a timely manner. For the year ended September 30, 2011, the aggregate expenditures in Community Development was approximately $39 million. The only items that were technically open on April 12, 2011 were two items amounting to $51,733 which were due to the refusal of Miami-Dade County to allow reimbursement of all the administrative costs of the Disaster Relief program until all the projects were completed. The other 5 items totaling $7,284 arose at the time of the closing of the books and they have since been resolved. In all, the amount of unreimbursed expenses shown as a percentage of the total expenditures in the department is 0.2%.

[Signature]
INTER-OFFICE MEMORANDUM

TO: Lewis R. Blake, CPA, CIA
   Interim Audit Supervisor,
   Office of the Independent Auditor General

FROM: Albert Sosa, P.E., Director
      Capital Improvements Program

DATE: October 20, 2011

FILE:

SUBJECT: Status Update: CIP outstanding reimbursable amounts

REFERENCES: Audit No. 011-011
ENCLOSURES: Dated May 10, 2011

As requested in our exit conference, please include the attached updated table as part of the CIP response to Financial Integrity Principle No. 3. The table provides the status of CIP outstanding reimbursable amounts as of October 17, 2011. The total FY 2010 outstanding reimbursable amount is $388,738.16.
| Customer Number | Customer Name (Grantee) | Transaction Type | PO Order Number | Project # | Project Name | Grant Amount | Org | Original | Amount Applied | Amount Adjusted | Amount Credited | Balance Due | Due Date | GL Date | Days Late | Status | Comment |
|-----------------|------------------------|------------------|----------------|-----------|-------------|--------------|-----|----------|---------------|----------------|---------------|-------------|-----------|---------|---------|---------|---------|---------|--------|---------|
| 1016            | FL - Florida Department of Transportation | Projects Involved | 110259 | CP | 6-886.95 | 6-886.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-07 | 30-Sep-07 | Closed |         |         |
| 1016            | FL - Florida Department of Transportation | Projects Involved | 110778 | CP | 339,301.05 | 339,301.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-08 | 30-Sep-08 | Closed |         |         |
| 1014            | FL - Florida Department of Environmental Protection | Projects Involved | 111091 | CP | 31,941.68 | 31,941.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-07 | 30-Sep-07 | Closed |         |         |
| 1014            | FL - Florida Department of Environmental Protection | Projects Involved | 111082 | CP | 700,000.00 | 700,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1013            | FL - Federal Emergency Management Agency | Projects Involved | 111205 | CP | 20,610.79 | 20,610.79 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1015            | FL - Federal Emergency Management Agency | Projects Involved | 111249 | CP | 2,080,767.99 | 2,080,767.99 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-07 | 30-Sep-07 | Closed |         |         |
| 1015            | FL - Federal Emergency Management Agency | Projects Involved | 111260 | CP | 251,080.00 | 251,080.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1015            | FL - Federal Emergency Management Agency | Projects Involved | 111230 | CP | 59,398.67 | 59,398.67 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1-Oct-10 | 1-Oct-10 | Closed |         |         |
| 1019            | FL - Florida Department of Community Affairs | Projects Involved | 111230 | CP | 11,527.00 | 11,527.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-09 | 30-Sep-09 | 560       | Open    |         |
| 1019            | FL - Florida Department of Community Affairs | Projects Involved | 111316 | CP | 10,289.73 | 10,289.73 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-09 | 30-Sep-09 | 560       | Open    |         |
| 1019            | FL - Florida Department of Community Affairs | Projects Involved | 111204 | CP | 2,991.86 | 2,991.86 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | 195       | Closed  |         |
| 1016            | FL - Florida Department of Transportation | Projects Involved | 111256 | CP | 720,132.12 | 724,955.85 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-07 | 30-Sep-07 | Closed |         |         |
| 1016            | FL - South Florida Water Management District | Projects Involved | 111299 | CP | 171,533.43 | 171,533.43 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-07 | 30-Sep-07 | Closed |         |         |
| 1016            | FL - South Florida Water Management District | Projects Involved | 111300 | CP | 100,605.57 | 100,605.57 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1-Oct-08 | 1-Oct-08 | Closed |         |         |
| 61202           | MI - Miami-Dade County Dept of Environmental Resources | Projects Involved | 111406 | CP | 1,168,42.01 | 1,168,42.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | 195       | Open    |         |
| 1025            | MI - Miami-Dade County | Projects Involved | 111317 | CP | 130,301.00 | 130,301.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-09 | 30-Sep-09 | Closed |         |         |
| 1025            | MI - Miami-Dade County | Projects Involved | 111309 | CP | 117,128.62 | 117,128.62 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | 195       | Closed  |         |
| 1025            | MI - Miami-Dade County | Projects Involved | 111862 | CP | 254,280.45 | 254,280.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1-Oct-10 | 1-Oct-10 | 377       | Closed  |         |
| 1025            | MI - Miami-Dade County | Projects Involved | 111306 | CP | 83,111.77 | 83,111.77 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1025            | MI - Miami-Dade County | Projects Involved | 111251 | CP | 13,550.00 | 13,872.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1014            | FL - Florida Department of Environmental Protection | Projects Involved | 111091 | CP | 134,728.51 | 134,728.51 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1014            | FL - Florida Department of Environmental Protection | Projects Involved | 111208 | CP | 22,126.00 | 22,126.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1019            | FL - Florida Inland Navigation District | Projects Involved | 111999 | CP | 21,686.00 | 21,686.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |
| 1019            | FL - South Florida Water Management District | Projects Involved | 111995 | CP | 784,117.10 | 784,117.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30-Sep-10 | 30-Sep-10 | Closed |         |         |

*FEMA Grants, represented by awards 1120, 1125, and 1126, are managed by the Fire Department, however, CIP still provides assistance by providing project updates and inovations as requested by the Personnel.*
<table>
<thead>
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<th>Customer Number</th>
<th>Customer Name (Group)</th>
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<td>Grant not managed by GIP, The managing department is Parks.</td>
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Total: 7,931,039.76 6,331,649.62 0.00 (471,642.52) 184,647.72

GIP balance of outstanding reimbursables: 471,642.52

NOTES: Grants represented by Indorse 1105E, 1105D, and 110D, are managed by the GIP Department. However, CIP staff provides assistance by providing project updates and invoices as requested by the GIP Personnel.
CITY OF MIAMI, FLORIDA
INTER-OFFICE MEMORANDUM

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

DATE: May 27, 2011

FROM: Alice N. Bravo, P.E., Director
      Capital Improvements Program

SUBJECT: Audit of Financial Integrity Principles

REFERENCES: Audit No. 011-011
            Dated May 10, 2011

ENCLOSURES:

It is agreed that reimbursements need to be timely. Please note that several of the grants identified in the audit are not managed by CIP. The department managing these grants needs to be identified as the department responsible for the collection of reimbursements.

Please refer to the attached table for a status on each award listed on your schedule. Supporting documentation is also included where available.
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<th>Retail Store</th>
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</table>
Date: May 10, 2011

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. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 18, 2011. 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 date indicated (May 18, 2011).

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...” T-542.1

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 2010 (FYE 2010), the City’s total DFOG amount pertaining to grantor agencies was $23.4 million T-557 or 77% of the $30.5 million total FYE 2010 DFOG amount T-557.1 However, as of the date of our testing (April 12, 2011), the City’s Department of Capital Improvement Programs (CIP) had incurred reimbursable expenditures totaling $7.35 million and had outstanding reimbursable amounts due from various grantor agencies totaling $4.4 million (See Attached Schedule). T-571.4 The numbers of days that the $4.4 million (21 invoices T-571.4) had been outstanding ranged from 195 to 1291 days. T-571.3

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: [Signature]

Explanations Please see attached response.

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 May 18, 2011.

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
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<th>Actual Amount Disbursed (AAD)</th>
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<th>Date Paid</th>
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<th>Date Incur (Proposed)</th>
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<th>Date Incurred</th>
<th>Date Incur (Actual)</th>
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Subtotal: 459,011.72

Grand total: 7,617,775.00

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May 26th, 2011

Lewis Blake, CPA, CIA
Senior Staff Auditor
Office of Independent Auditor General
Miami, FL 33130

Dear Mr. Blake:

Our Response regarding “Requests for Reimbursements were not made in a timely manner” [Memo dated May 18, 2011]:

Urban Search and Rescue (USAR) FY 2009 – Award 1583

We agree that there have been certain challenges regarding reimbursements being made in a timely manner.

Action Plan: Through our internal controls, a Smartlink deficiency was found on July 16, 2010. As a result, a Program Directive was subsequently developed.

- Smartlink draw down will occur on the 25th of each month.
- Monthly calendar reminders will be established to ensure reconciliation.
- Upon completion of Smartlink an email will be sent to the Principal Staff Analyst advising of the amount requested.

Urban Search and Rescue (USAR) FY 2010 – Award 1675

The 33 items totaling $20,719.60 were all payroll related. There is a delay in posting payroll in PnG. We were not able to request a reimbursement for the 9-17-10 payroll ($17849.24) since it was still pending in PnG.

A journal entry in the amount of $2870.36 was done on April 23, 2011 to transfer payroll charges that were incorrectly posted to Award 1675.

If you have any other questions or concerns, please do not hesitate to contact either myself or Deputy Chief Reginald Duren at 305-416-5403.

Sincerely,

Maurice L. Kemp
Fire Chief
FL050
May 25th, 2011

Lewis Blake, CPA, CIA
Senior Staff Auditor
Office of Independent Auditor General
City of Miami
Miami, FL 33130

Dear Mr. Blake:

Please find below the Department’s Responses and Corrective Action Plan regarding your UASI Grant “Findings“ two Memos (audit # 011-011), for the 2008 UASI Grant dated May 18, 2011.

1. Requests for Reimbursements were not made in a timely manner:
   a. Our Response:
      i. We agree with the finding
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State’s OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

DEPARTMENT OF FIRE-RESUE
1151 NW 7th Street / Miami, FL 33136 / (305) 416-5400 / Mailing Address: P.O. Box 330708 Miami, FL 33233-0708
b. Our Corrective Action Plan:
   i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
   ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.

2. **Follow up on prior year audit findings:**
   a. Our Response:
      i. We agree with the finding
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State's OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

b. Our Corrective Action Plan:
   i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
   ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.
3. Outstanding reimbursement amounts due from other Governments:
   a. Our Response:
      i. We agree with the finding except for the last sentence of page 3 on Memo #2. We do not agree that we are in noncompliance with grant provisions of the Grantor.
      ii. We acknowledge that our reimbursement submissions have not been submitted in optimal time. In large part the delay was due to a major multi-grant year backlog of UASI grant requirements due to personnel shortages over the past few years. In the past 12 months the City has hired additional staff to better manage the UASI grants. Unfortunately since the backlog was quite severe we were challenged with simultaneously addressing all of the backlog issues, which limited our ability to submit the reimbursement requests in an efficient and timely manner. Additionally, over the past 12 months we had a number of competing priorities, such as closing the 2005 UASI Grant, reconciling all of the open UASI Grant Projects, completing numerous delinquent Environmental Historical Preservation applications, developing a UASI Equipment Inventory System and spreadsheet, compiling and responding to the State’s OIG Analysis and other Audits, training our new staff, developing internal policies and procedures and insuring ongoing spending for remaining open grant years.

   b. Our Corrective Action Plan:
      i. Regarding the recommendation, we will improve on submitting more timely Reimbursements to the Grantor. As soon as the reimbursement packages contain accurate supporting documentation, in accordance with Grantor requirements, they will be forwarded to the Grantor.
      ii. We now have in place adequate staffing, policies and procedures to comply with the Grant requirements. We have significantly reduced the backlog mentioned above and our goal is to completely resolve the backlog by Year End Close of 2011.

If you have any other questions or concerns, please do not hesitate to contact either myself or Asst. Chief Allen Joyce at 305-416-5402.

Sincerely,

Maurice L. Kemp
Fire Chief
City of Miami

Victor I. Igwe, CPA, CIA
Independent Auditor General

Date:      May 18 2011
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. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 25, 2011. 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 date indicated (May 25, 2011).

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...” T-74

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 ended 2010 (FYE 2010), the City's total DFOG amount pertaining to grantor agencies was $23.4 million T-557 or 77% of the $30.5 million total DFOG amount reported in Comprehensive Annual Financial Report for the FYE 2010 T-557.1. However, as of the date of our testing (April 12, 2011), the Miami Fire-Rescue Department (MFR) had outstanding reimbursable amounts due from various granting agencies totaling approximately $7 million (See Attached Schedule). T-570 The numbers of days that the $7 million (17 reimbursable expenditure items T-570) has been outstanding ranged from 195 to 1,654 days. T-570

Almost all of the said $7 million is attributable to reimbursements that have been delayed by the following grantors:

- **The Florida Department of Community Affairs (DCA),** which is the grantor for three (3) Urban Area Security Initiative (UASI) grants [UASI FY06 (Award 1323); UASI FY07 (Award 1564); UASI FY08 (Award 1660)] with outstanding reimbursements receivables totaling $6.16 million; and,

- **The U.S. Department of Homeland Security,** which is the grantor for the Federal Emergency Management Agency (FEMA) public assistance agreement (grant) with outstanding reimbursements receivables totaling $849,193.

The number of days outstanding, or "days late" for the respective reimbursements appear to be extraordinarily long. The average days late for the UASI grants are **654 days**, or 1.79 years, and the average days late for the FEMA grant is **925 days** or 2.5 years.

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miami, FL 33130
We noted that DCA’s processing of the reimbursement requests for the UASI grant expenditures was delayed due to MFR errors/omissions and unresolved issues relating to previously submitted reimbursement requests for FY06 and FY07 UASI grant expenditures. These matters were also described in previously issued financial integrity audit report numbers 10-005 and 10-015 T-84.3, T-84.5/T-84.7.

We were informed by the UASI grants manager that the FY06 UASI grants will not be extended beyond June 30, 2011 even though “payments may be submitted for reimbursement after that date”. The grants manager also stated that UASI is currently seeking an extension for the FY07 UASI grant through December 31, 2011 and he noted that: “further extensions are dependent upon receiving an extension from the United States department of Homeland Security.” T-607.25

In addition, the public assistance officer for the FEMA grant informed us that there is “no defined termination date” for the grant T-607.31. However, the FEMA grant agreement stipulates that the agreement may be terminated if “the monies necessary to fund this Agreement are unavailable due to any failure to appropriate or other action, or inaction by the Congress, Legislature, Office of the Comptroller or Office of Management and Budget.” T-607.24

In light of the impending expiration of both UASI agreements and that the future receipt of FEMA reimbursements are subject to the availability of funding from federal sources, there is an increased risk that the City may not be reimbursed for UASI and FEMA grant-related expenditures if filing for the reimbursement requests continues to be extraordinarily delayed.

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: MF

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. Please provide explanations as to why the filing for reimbursements requests for the UASI and FEMA grant-related expenditures continues to be extraordinarily delayed. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by May 25, 2011.

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
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**Summary**

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**Days Late Calculation**

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City of Miami

Date: May 20, 2011

To: Haydee Wheeler, 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. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 27, 2011. 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 (May 27, 2011).

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...” T-542.1

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 2010 (FYE 2010), the City's total DFOG amount pertaining to grantor agencies was $23.4 million. T-557 or 77% of the $30.5 million total FYE 2010 DFOG amount reported in the Comprehensive Annual Financial Report. T-557.1 However, as of the date of our testing (April 12, 2011), the City's Neighborhood Enhancement Team (NET) had outstanding reimbursable amounts due from one granting agency totaling $40,000 (See Attached Schedule). T-567 The numbers of days that the $40,000 (2 invoices T-567) had been outstanding was 195 and 1291 days. T-567 However, upon audit inquiry we were informed that the grantor (Miami-Dade County) will never reimburse the City for the $40,000 because the grant agreement was never fully executed. The said outstanding amount was part of a $132,000 landscaping project in Overtown which was prematurely commenced by the former NET Overtown Administrator before the agreement was prepared. T-607.35/T-607.36

Recommendation

In light of the fact that the City will never be reimbursed by the grantor, we recommend that the said $40,000 be written-off by the Finance Department. Also, we recommend that all future contractual agreement be fully executed before commencement of the related services.

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 715/Miam, FL 33128
Audittee Response and Action Plan:

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

Explanation: I understand the legal audit that was not followed by my previous predecessor, therefore, I have established strict guidelines to ensure that this will not happen again.

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 May 27, 2011.

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
    Diana Gomez, Director, Finance Department
    Berta Davis, Senior NET Administrator
    Audit Documentation File
### Outstanding Receivables (From Grantees) Per Grade as of April 13, 2011

| Customer Number | Customer Name | Transaction Type | PO (Award) | Inv Number | Org | Original | Amount Applied | Amount Adjusted | Amount Credited | Balance Due | Due Date | GL Date | Days Late | Status |
|-----------------|---------------|------------------|------------|------------|-----|----------|----------------|----------------|----------------|-------------|----------|---------|---------|----------|--------|
| 3033            | Profit - Miami Dade County | Projects Invoice | 1182       | 110109     | NET | 20,000.00 | 0.00           |                 | 20,000.00      | 30-Sep-07    | 1-Oct-07 | 1291     | Open    |         |        |
| 3035            | Profit - Miami Dade County | Projects Invoice | 1182       | 110109     | NET | 20,000.00 | 0.00           |                 | 20,000.00      | 30-Sep-07    | 1-Oct-07 | 1291     | Open    |         |        |
| **Total**       |               |                  |            |            |     |           | 40,000.00      |                 | 40,000.00      |            |          |         |         | Open   |
Date: May 20, 2011

To: Ernest Burkeen, Director
   Parks & Recreation 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. 011-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 27, 2011. In the event that you disagree with any of the items listed below, please provide your explanations and attach all supporting documents/records by the date indicated (May 27, 2011).

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...” T-542.1

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 grantees.

As of fiscal year ended 2010 (FYE 2010), the City’s total DFOG amount pertaining to grantor agencies was $23.4 million T-557 or 77% of the $30.5 million total FYE 2010 DFOG amount reported in the Comprehensive Annual Financial Report T-557.1 However, as of the date of our testing (April 21, 2011), the City’s Parks & Recreation Department (PRD) had outstanding reimbursable amounts due from various granting agencies totaling $485,957.04 (See Attached Schedule). T-568 The numbers of days that the $485,957.04 (5 invoices T-568) had been outstanding ranged from 195 to 925 days. T-567/T-568 As a result of our concern about the collectability of the said funds, we contacted the grantor who informed us that the City has until August 15, 2011 “to submit final reimbursement packages for review and payment”; however, the grantor acknowledged that it is currently processing reimbursement requests totaling $793,596, which includes the said outstanding amount of $485,957, for payment to the City. T-607.33

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, 

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 711 Miami, FL 33128
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 May 27, 2011.

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
Maria M. Perez, Support Services Coordinator
Maria de Cardenas, Park Services Coordinator
Audit Documentation File
Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 June 1, 2011. 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 (June 1, 2011).

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...” T-542.1

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 ended 2010 (FYE 2010), the City's total DFOG amount pertaining to grantor agencies was $23.4 million T-557 or 77% of the $30.5 million of the total FYE 2010 DFOG amount T-557.1. However, as of the date of our testing (May 19, 2011), the City's Police Department (PD) had outstanding reimbursable amounts due from various granting agencies totaling $15,187.38 (See Attached Schedule). T-610.1 The numbers of days that the $15,187.38 (4 invoices T-610.1) had been outstanding was 195 days. T-610.1

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

Auditee Response and Action Plan:

X I agree; □ I disagree. Please initial: JUN 1 O 2011

Explanation Summarized on attached schedule.

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 June 1, 2011.
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
    Roy Brown, Assistant Chief of Police
    Mae C. Shepherd, Budget Unit Supervisor
    Audit Documentation File
<table>
<thead>
<tr>
<th>Customer Number</th>
<th>Customer Name [Account]</th>
<th>PO [Grant] Number</th>
<th>Inv Number</th>
<th>Original</th>
<th>Amount Applied</th>
<th>Amount Adjusted</th>
<th>Amount Credited</th>
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<th>Due Date</th>
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<td>3-Oct-10</td>
<td>195</td>
<td>Open</td>
<td>Requires adjustment in PO</td>
<td></td>
</tr>
</tbody>
</table>

**Summary**

- Explanations for Amounts Due: Balance Due
- Balance Due: 12,994.74

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<thead>
<tr>
<th>Explanation</th>
<th>Amount</th>
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<td>Pending due to additional grant requirements</td>
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<tr>
<td>Pending due to processing delay</td>
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<tr>
<td>Less: PO Adjustment</td>
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<td>Less: PO Adjustment</td>
<td>5,805.29</td>
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<tr>
<td>Total PO Balance</td>
<td>25,467.28</td>
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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, 2010 totaled $3,998,971 as compared to $24,851,397 for the fiscal year ended September 30, 2009. This is equivalent to a decrease (citywide deficit) of $20,852,426 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, 2010, there was no surplus amount available for rollover in Fiscal Year (FY) ended 2010; moreover, only the Information Technology Department (IT) had a FY 2010 budget allocation for surplus rollover expenditures totaling $34,166.20. 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>
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<tr>
<th>Organization Code</th>
<th>Organization Name</th>
<th>Beg Bal 10/09</th>
<th>Revenue/Trf-In FY10</th>
<th>FY10 Expenditures</th>
<th>Expendit under(over) Available Funding</th>
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</thead>
<tbody>
<tr>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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</table>

OIAG NOTE: Without exception, the documentation we examined provided sufficient evidence that the IT strategic rollover expenditures incurred during FY 2010 were for allowable purposes in accordance with City Code, Division 2, Sec. 18-542(4)(a to d).

Recommendation
None required.

Auditee Response and Action Plan:
None required.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 5 – RESERVE POLICY

OFFICE OF STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE

NON-COMPLIANCE WITH UNRESERVED, UNDESIGNATED AND DESIGNATED RESERVE REQUIREMENTS

Undesignated Reserve

Pursuant to Chapter 18, Article IX, Section 18-542(5)(b) [Financial Integrity Principle 5b (FIP 5b)] of the City Code as amended: “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.”

As indicated in the table below, the City’s Fiscal Year 2010 (FY10) Comprehensive Annual Financial Report (CAFR) indicated that the “Undesignated Reserve” has a $0.00 balance in lieu of $47,801,706 as required by FIP5b. As such, the City is not in compliance with FIP5b.
### Designated Reserve

Pursuant to Chapter 18, Article IX, Section 18-542(5)(c) [Financial Integrity Principle 5c (FIP5c)] of the City Code as amended: “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.”
As indicated in the table below, the City’s Fiscal Year 2010 (FY10) Comprehensive Annual Financial Report (CAFR) indicated that the “Designated Reserve” has a $3,998,971 balance, which is $43,802,735 less than the $47,801,706 required by FIP5c. As such, the City is not in compliance with FIP5c.

<table>
<thead>
<tr>
<th>Calculation of 10% of prior three years average of general revenues (In U.S. Dollars):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2008</td>
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<tr>
<td>2007</td>
</tr>
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<tr>
<td><strong>+ 3 Years</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>x 0.10</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Designated Reserves Per FY10 CAFR:</th>
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</thead>
<tbody>
<tr>
<td>General Fund Reserves</td>
</tr>
<tr>
<td>Strategic Initiatives</td>
</tr>
<tr>
<td>Management Initiatives</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Required Designated Reserves</td>
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<tr>
<td><strong>Excess (Deficient) Reserves</strong></td>
</tr>
</tbody>
</table>

The total “Unreserved” general fund balance reserve for fiscal year 2010 (FY 2010) equaled the said designated reserve balance of $3,998,971 since there was no undesignated reserve balance as discussed above. As such, the said deficiency is 91.63% of the required $47,801,706 “Unreserved, Designated” general fund balance reserve amount.

**Recommendation:**

We recommend that the appropriate steps be taken to achieve the threshold within two (2) fiscal years, as required. City management should create means by which recurring revenues will increase and recurring expenditures decrease.
Auditee Response and Action Plan:

*See auditee responses on pages 102 through 105.*
Date: May 20, 2011

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

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

Subject: Audit of Financial Integrity Principles
Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 27, 2011. 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 (May 27, 2011).

NON-COMPLIANCE WITH UNRESERVED, UNDESIGNATED AND DESIGNATED RESERVE REQUIREMENTS

Undesignated Reserve
Pursuant to Chapter 18, Article IX, Section 18-542(5)(b) [Financial Integrity Principle 5b (FIP5b)] of the City Code as amended: “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.” T-651

As indicated in the table below, the City’s Fiscal Year 2010 (FY10) Comprehensive Annual Financial Report (CAFR) indicated that the "Undesignated Reserve" has a $0.00 balance in lieu of $47,801,706 as required by FIP 5b. As such, the City is not in compliance with FIP 5b. T-652

<table>
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<th>Year</th>
<th>General Revenue</th>
<th>Calculation of 10% of prior three years average of general revenues:</th>
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<td>2008</td>
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<td>2007</td>
<td>490,095,954.00</td>
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<td></td>
<td>1,434,051,109.00</td>
<td>Total general revenue for prior 3 years + 3 Years</td>
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<td></td>
<td>478,017,063.33</td>
<td>Average annual general revenue for prior 3 years x 0.10</td>
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<tr>
<td></td>
<td>47,801,706</td>
<td>10% of 3 year average annual general revenue</td>
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Undesignated Reserves Per FY10 CAFR: 0.00

Required Undesignated Reserve 47,801,706

Excess (Deficient) Reserve (47,801,706)

**Designated Reserve**

Pursuant to Chapter 18, Article IX, Section 18-542(5)(c) [Financial Integrity Principle 5c (FIP5c)] of the City Code as amended: “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.” T-651

As indicated in the table below, the City’s Fiscal Year 2010 (FY10) Comprehensive Annual Financial Report (CAFR) indicated that the "Designated Reserve" has a $3,998,971 balance, which is $43,802,735 less than the $47,801,706 required by FIP 5c. As such, the City is not in compliance with FIP 5c. T-653

<table>
<thead>
<tr>
<th>Year</th>
<th>General Revenue</th>
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<tbody>
<tr>
<td>2009</td>
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<td>1,443,025,300.00</td>
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<td></td>
<td>(Total general revenue for prior 3 years)</td>
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<td>$478,017,063.33</td>
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<td>(Average annual general revenue for prior 3 years)</td>
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<td>x 0.10</td>
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<tr>
<td></td>
<td>47,801,706</td>
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<td>(10% of 3 year average annual general revenue)</td>
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Designated Reserves Per FY10 CAFR:

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<th>General Fund Reserves</th>
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<tbody>
<tr>
<td>Strategic Initiatives</td>
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<td>Management Initiatives</td>
<td>2,350,281.00</td>
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<tr>
<td>Total</td>
<td>3,988,971.00</td>
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<tr>
<td>Required Designated Reserves</td>
<td>47,801,706</td>
</tr>
<tr>
<td>Excess (Deficient) Reserves</td>
<td>(43,802,736)</td>
</tr>
</tbody>
</table>
The total "Unreserved" general fund balance reserve for fiscal year 2010 (FY 2010) equaled the said designated reserve balance of $3,998,971 since there was no undesignated reserve balance as discussed above. As such, the said deficiency is 91.63% of the required $47,801,706 "Unreserved, Designated" general fund balance reserve amount.

Recommendation:

We recommend that the appropriate steps be taken to achieve the threshold within two fiscal years, as required. City management should create means by which recurring revenues will increase and recurring expenditures decrease.

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 May 27, 2011.

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
FINANCIAL INTEGRITY PRINCIPLE NUMBER 6 – PROPRIETARY FUNDS

FINANCE DEPARTMENT

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, 2010, 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.”

As of the date of our audit field work test, April 25, 2011, there was no evidence that a 2009-2010 Multi-Year Financial Plan was presented to the City Commission. We were informed by the current Director that a Multi Year Financial Plan was never prepared and presented to the City commission as required. As such, the City is not in compliance with Chapter 18, Article IX, Section 18-542(7) of the City Code [Financial Integrity Principle 7 (FIP7)].

The multi-year financial plan provides the City Commissioners and senior management with critical information needed for: deriving cost estimates of all current city operations and pension obligations, debt service payments requirements, reserves required to maintain City’s officially adopted level operation levels and, estimate of recurring and non-recurring revenues.

Recommendation:

We recommend that internal controls be implemented that would ensure the creation and timely issuance of a multi-year financial plan as required by Financial Integrity Principle 7.

Auditee Response and Action Plan:

See auditee responses on pages 108 through 109.
Date: May 13, 2011

To: Mirtha Dziedzic, 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—(FIP)
         Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 20, 2011. 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 (May 20, 2011).

MULTI-YEAR FINANCIAL PLAN WAS NOT TIMELY APPROVED OR ADOPTED

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." T-676

As of the date of our audit field work test, April 25, 2011, there was no evidence that a 2009-2010 Multi Year Financial Plan was presented to the City Commission. We were informed by the current Director that a Multi Year Financial Plan was never prepared and presented to the City commission as required. T-680 As such, the City is not in compliance with Chapter 18, Article IX, Section 18-542(7) of the City Code [Financial Integrity Principle 7 (FIP7)].

The multi-year financial plan provides the City Commissioners and senior management with critical information needed for: deriving cost estimates of all current city operations and pension obligations, debt service payments requirements, reserves required to maintain City's officially adopted level operation levels and, estimate of recurring and non-recurring revenues.

Recommendation:
We recommend that internal controls be implemented that would ensure the creation and timely issuance of a multi-year financial plan as required by Financial Integrity Principle 7.

Auditee Response and Action Plan:
☑□ 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 May 20, 2011.
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
Chapter 18, Article IX, Section 18-542(8) of the City Code provides that, “The city commission shall annually adopt a capital improvements plan (“CIP”) by November 30th of each year. The CIP shall address cost estimates for all necessary infrastructure improvements needed to support city services, including information technology, with an adequate repair and replacement (“R&R”) component. Funded, partially funded and unfunded projects shall be clearly delineated. The CIP shall be detailed for the current fiscal year and for five additional years and, if practicable, additional required improvements aggregated for two additional five year periods. To the extent feasible, department heads shall be required to submit independent needs assessments for their departments for use in preparing the CIP. The CIP will be detailed by fund, include recommended project prioritization rankings, identified revenue sources, planned financing options and unfunded projects. The CIP shall include estimates of the operational impacts produced for the operation of the capital improvements upon their completion. The CIP shall include a component reflecting all on-going approved capital projects of the city, the date funded, amount budgeted, amount spent since the start date, remaining budget, fiscal impact of known changes to financial assumptions underlying the project, estimated expenditures by fiscal year for the project and estimated completion date. Approved projects, with circumstances that arise which change the funding requirements of the project, shall be addressed in the CIP annually.”

As of the date of our testing, April 21, 2011, there was no evidence that a 2009 - 2010 CIP Plan was presented to the City Commission. We were informed by the current Director of the Department of Capital Improvement Programs that a CIP Plan was not issued. As such, the City is not in compliance with Chapter 18, Article IX, Section 18-542(8) of the City Code [Financial Integrity Principle 8 (FIP8)].
The preparation and adoption of a CIP Plan ensures that the progress and funding needs of City capital projects, as well as the operating costs of the assets associated with completed capital projects, will be ascertained in a timely manner. The plan also serves a tool for monitoring the progress of projects in order to ascertain the effectiveness/efficiency with which projects are being managed.

**Recommendation:**

We recommend that internal controls be implemented that would ensure the creation and issuance of the CIP by November 30\textsuperscript{th} of each year as required by Financial Integrity Principle 8.

**Auditee Response and Action Plan:**

*See auditee responses on pages 113 through 122.*
Date: May 20, 2011

To: Alice Bravo, Director
Capital Improvements Program

Mirtha Dziedzic, 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. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 27, 2011. 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 (May 27, 2011).

MULTI-YEAR CAPITAL IMPROVEMENT PLAN WAS NOT TIMELY APPROVED OR 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&R”) component. Funded, partially funded and unfunded projects shall be clearly delineated. The CIP shall be detailed for the current fiscal year and for five additional years and, if practicable, additional required improvements aggregated for two additional five year periods. To the extent feasible, department heads shall be required to submit independent needs assessments for their departments for use in preparing the CIP. The CIP will be detailed by fund, include recommended project prioritization rankings, identified revenue sources, planned financing options and unfunded projects. The CIP shall include estimates of the operational impacts produced for the operation of the capital improvements upon their completion. The CIP shall include a component reflecting all on-going approved capital projects of the city, the date funded, amount budgeted, amount spent since the start date, remaining budget, fiscal impact of known changes to financial assumptions underlying the project, estimated expenditures by fiscal year for the project and estimated completion date. Approved projects, with circumstances that arise which change the funding requirements of the project, shall be addressed in the CIP annually.” T-683

As of the date of our testing, April 21, 2011, there was no evidence that a 2009 - 2010 CIP Plan was presented to the City Commission. We were informed by the current Director of the Department of Capital Improvement Programs that a CIP Plan was not issued. T-687 As such, the City is not in compliance with Chapter 18, Article IX, Section 18-542(8) of the City Code [Financial Integrity Principle 8 (FIP8)].

The preparation and adoption of a CIP Plan ensures that the progress and funding needs of City capital projects, as well as the operating costs of the assets associated with completed capital projects, will be ascertained in a timely manner. Such plan provides a tool for monitoring the progress of projects in order to ascertain the effectiveness/efficiency with which projects are being managed.
Recommendation:
We recommend that internal controls be implemented that would ensure the creation and issuance of the CIP by November 30th of each year as required by Financial Integrity Principle 8.

Auditee Response and Action Plan:
☐ I agree; ☐ I disagree. Please initial: 
Explanation Please see attached response.

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 May 27, 2011.

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
My understanding of the events surrounding the 2009-2010 Capital Plan ("Plan") is based on limited email records from past CIP management at the time. Attached are the records we were able to find at this time. Based on these emails, as well as the recollection of the CIP Project Controls staff, the responsibility for the preparation of the Plan was assumed by the previous Budget Director, Michael Boudreaux. Mr. Boudreaux separated from the City and the Plan was not completed. For the 2010-2011 Plan and going forward, CIP has resumed the preparation of the Plan.
De Crumpe, Edwige

From: Saenz, Pilar
Sent: Thursday, November 05, 2009 6:59 PM
To: Boudreaux, Michael
Cc: Anido, Bill; Aluko, Ola O.; De Crumpe, Edwige; Dziedzic, Mirtha; Smith, Yvette; Gonzalez, Jose (Transportation); Medina, Lilia I.
Subject: File Comparing FY08-09 Plan to Current Project Info
Attachments: Mike_Boudreaux_CIP_INFO.XLSX

Hello Mike:
Pursuant to your request for information for the 5-year CIP Plan, attached is a file containing two tabs with required information. The first tab presents projects that were included in the FY08-09 Plan with current information as of FY2010 that we have in our project planning database. This tab provides you with District number, current project estimate, any changes to funding allocation and project phase, and capital program (aka fund).

The second tab presents projects that we are considering “completed” since the last FY08-09 Plan. It should be noted that, for our purposes, a completed project is not necessarily financially complete (with a close-out package). It means that the construction has been substantially completed and a ribbon cutting ceremony, if applicable, has taken place. These projects may still incur some final expenditure activity. A list of projects that are to be closed-out will be provided to you and Finance Department once the personnel charge back analysis has been finalized and applied to respective projects.

Separately, we will be sending you a horseblanket containing other info you need, such as project description and location. Other information pertaining to spend downs, CIP managed projects, and awards is forthcoming. Please advise if you have questions. Thank you.

Pilar Saenz Gonzalez
Assistant Director
City of Miami Capital Improvements Program
305.416.1463
psaenz@miamigov.com
De Crumpe, Edwige

From: Boudreaux, Michael  
Sent: Friday, November 06, 2009 12:18 PM  
To: Saenz, Pilar  
Cc: Anido, Bill; Aluko, Ola O.; De Crumpe, Edwige; Dziedzic, Mirtha; Smith, Yvette; Gonzalez, Jose (Transportation); Medina, Lilia I.  
Subject: RE: File Comparing FY08-09 Plan to Current Project Info

Thanks for the information.

From: Saenz, Pilar  
Sent: Thursday, November 05, 2009 6:59 PM  
To: Boudreaux, Michael  
Cc: Anido, Bill; Aluko, Ola O.; De Crumpe, Edwige; Dziedzic, Mirtha; Smith, Yvette; Gonzalez, Jose (Transportation); Medina, Lilia I.  
Subject: File Comparing FY08-09 Plan to Current Project Info

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Pursuant to your request for information for the 5-year CIP Plan, attached is a file containing two tabs with required information. The first tab presents projects that were included in the FY08-09 Plan with current information as of FY2010 that we have in our project planning database. This tab provides you with District number, current project estimate, any changes to funding allocation and project phase, and capital program (aka fund).

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Pilar Saenz Gonzalez  
Assistant Director  
City of Miami Capital Improvements Program  
305.416.1463  
p.saenz@miamigov.com
De Crumpe, Edwige

From: Saenz, Pilar
Sent: Friday, November 06, 2009 3:56 PM
To: Boudreaux, Michael
Cc: Aluko, Ola O.; De Crumpe, Edwige
Subject: FW: File Comparing FY08-09 Plan to Current Project Info
Attachments: Mike_Boudreaux_CIP_INFO.XLSX

Mike: Effective today we revised the title to B-39910C to be “North Venetian Dr. Lighting (D2 QOL)”. The revision is included in the attached file, and will be included in subsequent transmittal. Please update any of your other records accordingly. Thank you.

From: Saenz, Pilar
Sent: Thursday, November 05, 2009 6:59 PM
To: Boudreaux, Michael
Cc: Anido, Bill; Aluko, Ola O.; De Crumpe, Edwige; Dziedzic, Mirtha; Smith, Yvette; Gonzalez, Jose (Transportation); Medina, Lilia I.
Subject: File Comparing FY08-09 Plan to Current Project Info

Hello Mike:

Pursuant to your request for information for the 5-year CIP Plan, attached is a file containing two tabs with required information. The first tab presents projects that were included in the FY08-09 Plan with current information as of FY2010 that we have in our project planning database. This tab provides you with District number, current project estimate, any changes to funding allocation and project phase, and capital program (aka fund).

The second tab presents projects that we are considering “completed“ since the last FY08-09 Plan. It should be noted that, for our purposes, a completed project is not necessarily financially complete (with a close-out package). It means that the construction has been substantially completed and a ribbon cutting ceremony, if applicable, has taken place. These projects may still incur some final expenditure activity. A list of projects that are to be closed-out will be provided to you and Finance Department once the personnel charge back analysis has been finalized and applied to respective projects.

Separately, we will be sending you a horseblanket containing other info you need, such as project description and location. Other information pertaining to spend downs, CIP managed projects, and awards is forthcoming. Please advise if you have questions. Thank you.

Pilar Saenz Gonzalez
Assistant Director
City of Miami Capital Improvements Program
305.416.1463
psaenz@miamigov.com

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OFFICE OF INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/Miami, Florida 33130-1910
De Crumpe, Edwige

From: Saenz, Pilar
Sent: Friday, November 13, 2009 7:31 PM
To: Aluko, Ola O.; De Crumpe, Edwige; Smith, Yvette
Cc: Revuelta, Sheiza
Subject: Update on FY2010 CIP Plan Data

Ola: We need your assistance in requesting that the Technical Teams review their project dates in order for us to finalize info to Mike. This is crucial for Spend Down figures and Completion Dates that we need to provide to Mike for the Capital Plan. The dates need to be updated by next Tuesday. Also, we need to consult with Tim Malagon to identify a way to only cashflow CIP Managed projects. TRACS is not programmed to do it this way currently. Do we have the contractual capacity and your authorization to proceed with this? Please advise.

Edwige/Yvette: Here’s a status from my perspective on the items we are working on as requested by Mike during the CIP Plan meetings last week:

1. Update Project Estimates: A file was provided to Mike but several estimates have been updated after the fact due to allocations of FY2010 budgeted contributions and reallocations. I have advised Mike that we are updating the file and will highlight the changes from the previous file.
2. Provide Missing Districts: This file was provided to Mike
3. Awards List: We worked with Mike to update the Award titles and clarify the sources that he could not identify. This was provided.
4. Allocate FY2010 Budgeted Contributions: We have allocated the FY2010 contributions and markups are completed, except for the horizontal aspect of Coral Gate Park.
5. Project Spend Down: We need to have a comfort level with dates in TRACS on our funded Active and Future projects in order to provide accurate cashflow. We are only going to provide spend downs for CIP Managed projects.
6. Estimated Completion Date: We need to have a comfort level with dates in TRACS on our funded Active and Future projects in order to provide accurate dates. We are only going to provide dates for CIP Managed projects.
7. Identify Equipment/Non-CIP Managed Projects from CIP Managed Projects: Edwige ran the horseblanket and the equipment projects are clearly identified in this file. See next item.
8. Provide Horseblanket: The horseblanket has project scopes, locations, estimates, equipment vs. CIP Managed projects and other info. I have not sent the file to Mike because I want to include the Completion Dates and Spend Down in this file. This is the last large item pending and I want to avoid sending it piecemeal.
Edwige/Yvette: Here’s another Item. I ran the Funding Type by Job No. report from TRACS and am leaving it on Edwige’s desk along with some related markups. I do not see the ARRA Sidewalk ADA and the Energy Grant projects on this list. I may have missed them but otherwise, please advise if these are supposed to be included in the FY2010 allocations. If so, please prepare markups.

If I have missed anything please advise. I am out of the office on Monday and possibly Tuesday. Thanks so very much to all for your efforts.

Pilar Saenz Gonzalez
Assistant Director
City of Miami Capital Improvements Program
305.416.1463
psaenz@miamigov.com

De Crumpe, Edwige

From: Saenz, Pilar
Sent: Thursday, December 03, 2009 7:46 PM
To: Boudreaux, Michael; Smith, Yvette
Cc: Ali xo, Ola O.; De Crumps, Edwige; Revuelta, Sheiza
Subject: Completed Projects FY09 for FY2010 CIP Plan.xlsx
Attachments: Completed Projects FY09 for FY2010 CIP Plan.xlsx

Importance: High

Mike:
Attached is info you’ll need for the Completed Projects report for the FY2010 CIP Plan. These projects were finalised out during the FY2009, from October 1, 2008 to September 30, 2009.
Mike,

The attached file contains additional information you require including project description, spend down by fiscal year, anticipated completion dates and revised project details. The items included in the file are strictly the CIP managed projects, either active or future. The CRA and CD projects have been highlighted in yellow as these are not funded with sources in the capital funds.

Please advise if we can further assist you.

Edwige De Crumpe
Program Controls Manager
City of Miami - Capital Improvements Program
444 SW 2nd Avenue, 8th Floor
Miami, Florida 33130
Direct Line: (305)-416-1264
e-mail: edecrumpe@miamigov.com
web: www.miamigov.com/capitalprojects

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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.

   o On December 2, 2009, the City issued $65,000,000 in Special Obligation Bonds, (Street and Sidewalks), Series 2009 for the purpose of financing various street and sidewalk capital improvement projects. The estimated useful lives (approximately 30 years) of the street and sidewalk capital improvement projects financed with the bonds are greater than the 29 year life of the bonds.

   o On July 29, 2010, the City issued $84,540,000 in Tax-Exempt Special Obligation Parking revenue Bonds, Series 2010A for the purpose of financing parking garages, parking lots and parking structures adjacent to the Miami Marlins Baseball Stadium. The estimated useful life (approximately 50 years) of the parking garage financed with the bonds is greater than the 29 year life of the bonds.

   o On July 29, 2010 the City issued $16,830,000 in Taxable Special Obligation Parking Revenue Bonds, Series 2010-B for the purpose of financing retail space and surface lots adjacent to the Miami Marlins Baseball Stadium. The estimated useful life (approximately 50 years) of the parking garage financed with the bonds is greater than the 17 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 (5%) and the net direct and overlapping general obligation debt (GOB) shall not exceed ten percent (10%) 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, 2010, the net direct general obligation debt is 0.72% [($265,804,455 (net direct general obligation debt)/$36,949,521,366 (taxable assessed valuation of property) x 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 $491,371,658 ($265,804,455+$225,567,203) or 1.33% ($491,371,658/$36,949,521,366 x 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. **T-693** The City is in compliance with this requirement as described below:

- The weighted average GOB maturity is 9.63 years ($2,559,616,990.10/$265,804,455.10), which is less than 15 years.

The City is therefore in compliance with this requirement.

(d) Special obligation debt service shall not exceed 20 percent (20%) of non-ad valorem general fund revenue.
The special obligation debt service is 13.43% of the non-ad valorem general fund revenue ($34,638,694/$257,899,188 x 100), which is less than twenty percent (20%).

The City is therefore 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 July 29, 2010, the City issued $84,540,000 in Tax Exempt Special Obligation Parking Revenue Bonds, Series 2010-A for the purpose of financing parking garages, parking lots and parking structures adjacent to the Miami Marlins Baseball Stadium. In addition, the City issued $16,830,000 in Taxable Special Obligation Parking Revenue bonds for the purpose of financing retail space and surface lots adjacent to the Miami Marlins Baseball Stadium. The bonds are to be repaid by pledged revenue generated from (i) the City’s portion of the proceeds of the Convention Development Tax (CDT), (ii) all parking fees and charges earned at the home games and (iii) eighty percent (80%) of the City’s parking surcharge.

Our audit determined that the pledged revenue appears to cover the debt service for both Marlins Parking Garage Revenue Bond issues.

Recommendation
None required.

Auditee’s Response and Action Plan
None required.
FINANCIAL INTEGRITY PRINCIPLE NUMBER 10 – FINANCIAL OVERSIGHT AND REPORTING

FINANCE DEPARTMENT

REPORTING AND OVERSIGHT REQUIREMENTS

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 external auditor shall prepare the city’s comprehensive annual financial report (CAFR) by March 31 of each year. The single audit and management letter of the city shall be prepared by the external auditor by April 30 of each year. The external auditor shall present the findings and recommendations of the audit, single audit and management letter, to the mayor and city commission at a scheduled commission meeting prior to July 30 of each year.

Financial reports, offering statements and other financial related documents issued to the public, shall provide full and complete disclosure of all material financial matters.”

OBSERVATIONS

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:

MONTHLY REPORTS WERE NOT TIMELY ISSUED

Monthly reports were not issued within thirty (30) days after the close of each month, as required, for 3 of the 11 months tested. The number of days late ranged from 3 to 17 days (or an average of 10 days late) as noted below:
THE CAFR AND MANAGEMENT LETTER WERE TIMELY PREPARED

Our audit disclosed that the Comprehensive Annual Financial Report (CAFR) and the external auditor’s Management Letter for the year ended September 30, 2010, were dated March 31, 2011 and April 30, 2011 respectively and were, therefore, timely issued in accordance with Financial Integrity Principle #10 (FIP 10) 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>3</td>
<td>12/31/2009</td>
<td>1/21/2010</td>
<td>2/20/2010</td>
<td>2/20/2010</td>
<td>0</td>
</tr>
</tbody>
</table>

Average days Early 7
Average days Late (10)

THE SINGLE AUDIT AND MANAGEMENT LETTER FINDINGS WERE TIMELY PRESENTED

Our audit disclosed that the City’s external auditor timely presented the findings and recommendations of the audit, single audit and management letter (for the year ended September 30, 2010) to the Mayor and City Commission on July 14, 2011 in accordance with FIP 10 as noted below:

<table>
<thead>
<tr>
<th></th>
<th>Date Required to be Prepared</th>
<th>Date Actually Prepared</th>
<th>Days Early(Late)</th>
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<td>CAFR</td>
<td>3/31/2011</td>
<td>3/31/2011</td>
<td>0</td>
</tr>
</tbody>
</table>

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SINGLE AUDIT WAS NOT TIMELY PREPARED

We noted that the Single Audit for the year ended September 30, 2010, was prepared on June 28, 2011 (59 days late) as indicated below:

<table>
<thead>
<tr>
<th>Date Required to be Prepared</th>
<th>Date Actually Prepared</th>
<th>Days Early (Late)</th>
</tr>
</thead>
</table>

There is an apparent lack of internal controls in place that would ensure that monthly financial reports and the Single Audit report are prepared and issued on a timely basis. Not transmitting financial reports in a timely manner diminishes their relevance and usefulness.

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 129 through 132.
Date: August 26, 2011

To: Diana Gomez, Director
    Finance Department

From: Lewis R. Blake, CPA, CIA, Interim Audit Supervisor
      Office of the Independent Auditor General

Subject: Audit of Financial Integrity Principles
         Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami’s (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 September 2, 2011. 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 (September 2, 2011).

REPORTING REQUIREMENTS

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 external auditor shall prepare the city’s comprehensive annual financial report (CAFR) by March 31 of each year. The single audit and management letter of the city shall be prepared by the external auditor by April 30 of each year. The external auditor shall present the findings and recommendations of the audit, single audit and management letter, to the mayor and city commission at a scheduled commission meeting prior to July 30 of each year.

Financial reports, offering statements and other financial related documents issued to the public, shall provide full and complete disclosure of all material financial matters.” T-761

OBSERVATIONS

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:

MONTHLY REPORTS WERE NOT TIMELY ISSUED

Monthly reports were not issued within 30 days after the close of each month, as required, for 3 of the 11 months tested. The number of days late ranged from 3 to 17 days (or an average of 10 days late) as noted below: T-762

<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>3</td>
<td>12/31/2009</td>
<td>1/21/2010</td>
<td>2/20/2010</td>
<td>2/20/2010</td>
<td>0</td>
</tr>
</tbody>
</table>

Average days Early: 7
Average days Late: (10)
THE CAFR AND MANAGEMENT LETTER WERE TIMELY ISSUED

Our audit disclosed that the Comprehensive Annual Financial Report (CAFR) and the external auditor’s Management Letter for the year ended September 30, 2010, were dated March 31, 2011 and April 30, 2011 respectively and were, therefore, timely issued in accordance with Financial Integrity Principle #10 (FIP 10) as noted below:

<table>
<thead>
<tr>
<th></th>
<th>Date Required to be Prepared</th>
<th>Date Actually Prepared</th>
<th>Days Early(Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAFR</td>
<td>3/31/2011</td>
<td>3/31/2011</td>
<td>0</td>
</tr>
</tbody>
</table>

THE SINGLE AUDIT AND MANAGEMENT LETTER FINDINGS WERE TIMELY PRESENTED

Our audit disclosed that the City’s external auditor timely presented the findings and recommendations of the audit, single audit and management letter (for the year ended September 30, 2010) to the Mayor and City Commission on July 14, 2011 in accordance with FIP 10 as noted below:

<table>
<thead>
<tr>
<th></th>
<th>Date Required to be Presented to the Mayor and Commission</th>
<th>Date Actually Presented to the Mayor and Commission</th>
<th>Days Early(Late)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Audit</td>
<td>7/30/2011</td>
<td>7/14/2011</td>
<td>16</td>
</tr>
<tr>
<td>Mgt Letter</td>
<td>7/30/2011</td>
<td>7/14/2011</td>
<td>16</td>
</tr>
</tbody>
</table>
SINGLE AUDIT WAS NOT TIMELY PREPARED

We noted that the Single Audit for the year ended September 30, 2010, was prepared on June 28, 2011 (59 days late) as indicated below: T-776

<table>
<thead>
<tr>
<th>Date Required to be Prepared</th>
<th>Date Actually Prepared</th>
<th>Days (Late)</th>
</tr>
</thead>
</table>

There is an apparent lack of internal controls in place that would ensure that monthly financial reports and the Single Audit report are prepared and issued on a timely basis. Not transmitting financial reports in a timely manner diminishes their relevance and usefulness.

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: [Signature]

Explanations

OFFICE OF INDEPENDENT AUDITOR GENERAL
444 S.W. 2nd Avenue, Suite 150 Miami, FL 33130

132
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 September 2, 2011.

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

Cc: Audit Documentation File
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. Accordingly, if practices prescribed in the
  “Debt Management Procedures Manual” are properly implemented, control activities
  relating to debt issuance and management 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 2010 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 29, 2009 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 goods/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.
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 27 formal solicitations, which included Requests for Proposals (RFP), Requests for Qualifications (RFQ), and Invitations for Bid (IFB). We tested 11 competitive processes for compliance, including 6 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.
FULL COST OF SERVICES WAS NOT PRESENTED AS PART OF THE ANNUAL BUDGET AND FINANCIAL PLAN

Chapter 18, Article IX, Section 18-542(13) of the City Code as amended, 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 City’s fiscal year 2010 (FY10) budget clearly indicated the direct costs of delivering its core services which are follows: Fire Rescue, Police, Public Works, Solid Waste, Building, Parks and Recreation, NET (Neighborhood Enhancement Team) Offices, Community Development. The budget also indicated the costs of delivering its non-core services (such as Employee Relations, Finance, Risk Management, Purchasing, etc.) that support/supplement the activities and functions of the core service departments. For example, the Employee Relations Department assists the core service departments in hiring and training of their staff.

However, there was no evidence in the budget document of an indirect cost allocation plan describing how non-core service costs would be allocated to core service costs in order to derive the full cost of providing the City’s core services. As a result, the full costs of operating each of the City’s core service departments cannot be determined from the FY10 budget document as required by Chapter 18, Article IX, Section 18-542(13) of the City Code [Financial Integrity Principle #13 (FIP13)]. Upon audit inquiry, we were informed by the current Budget Director that the last indirect cost allocation plan completed was in fiscal year 2009 (FY 2009). Absent a cost allocation plan, the full cost of delivering/providing core services cannot be determined.
Recommendation:

We recommend internal controls be implemented that would ensure that an Indirect Cost Allocation Plan be prepared as part of the annual budget and financial plan every year as required by Financial Integrity Principle 13.

Auditee’s Response and Action Plan

See auditee responses on pages 141 through 142.
City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL

Date: May 20, 2011

To: Mirtha Dziedzic, 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 (FIP 13)
Audit No. 11-011

Pursuant to our ongoing audit of compliance with the City of Miami's (City) Financial Integrity Principles for the period October 1, 2009 through September 30, 2010, 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 May 27, 2011. 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 (May 27, 2011).

FULL COST OF SERVICES WAS NOT PRESENTED AS PART OF THE ANNUAL BUDGET AND FINANCIAL PLAN

Chapter 18, Article IX, Section 18-542(13) of the City Code as amended, 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”. T-812
The City’s fiscal year 2010 (FY10) budget clearly indicated the direct costs of delivering its core services which are as follows: Fire Rescue, Police, Public Works, Solid Waste, Building, Parks and Recreation, NET Offices, Community Development. The budget also indicated the costs of delivering its non-core services (such as Employee Relations, Finance, Risk Management, Purchasing, etc.) that support/supplement the activities and functions of the core service departments. For example, the Employee Relations Department assists the core service departments in hiring and training of their staff.

However, there was no evidence in the budget document of an indirect cost allocation plan describing how non-core service costs would be allocated to core service costs in order to derive the full cost of providing the City’s core services. As a result, the full costs of operating each of the City’s core service departments cannot be determined from the FY10 budget document as required by Chapter 18, Article IX, Section 18-542(13) of the City Code [Financial Integrity Principle #13 (FIP13)]. Upon audit inquiry, we were informed by the current Budget Director that the last indirect cost allocation plan completed was in fiscal year 2009 (FY 2009). Absent a cost allocation plan, the full cost of delivering/providing core services cannot be determined.

Recommendation:
We recommend internal controls be implemented that would ensure that an Indirect Cost Allocation Plan be prepared as part of the annual budget and financial plan every year as required by Financial Integrity Principle 13.

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

As requested above, please confirm our understanding by marking whether you agree or disagree and initializing in the spaces provided and returning this memorandum to us.
event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records by May 27, 2011.

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
FINANCE DEPARTMENT AND OFFICE OF STRATEGIC PLANNING, BUDGETING AND PERFORMANCE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

McGladrey & Pullen, LLP, partnered with Sanson, Kline, Jacomino & Co., LLP and Sharpton, Brunson & Co., PA, to audit the City’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010. The auditors issued an unqualified opinion on the City’s CAFR in an audit report dated March 31, 2011. 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, 2010, 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 auditors to issue a Management Letter and include it as a part of the audit report. The Management Letter shall include: a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report; a statement as to whether or not the City complied with Section 218.415 Florida Statutes regarding the investment of public funds; inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations, and contractual provisions that have occurred; a statement as to whether or not the City has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes; information regarding the auditor’s financial condition assessment; any recommendations to improve the City’s financial management, accounting procedures, and
internal controls; and other matters. Based on our review of the Management Letter dated March
31, 2011 and the accompanying “Index of Current Year Findings”, we noted that McGladrey
& Pullen, LLP, determined the following:

1. There were five (5) internal control deficiencies, one (1) compliance issue and three (3)
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, 2010”. The said section disclosed a total of seven (7) outstanding prior
audit findings that have yet to be resolved/corrected and four (4) prior audit findings for
which certain corrective actions have been taken:

- Fiscal year ended 2009 – Filing for Grant Reimbursements (not corrected).
- Fiscal year ended 2009 – Capital Asset Management (Certain corrective action taken).
- Fiscal year ended 2009 – Pension Plans (not corrected).
- Fiscal year ended 2009 – Bank reconciliation (Certain corrective action taken).
- Fiscal year ended 2009 – Recording of Accruals and Accounts Payable (Not corrected).
- Fiscal year ended 2009 – Payroll Processing (Certain corrective action taken)
- Fiscal year ended 2009 – Excess of Expenditures over Appropriations (Not corrected)
- Fiscal year ended 2009 – Password settings (Not corrected)
- Fiscal year ended 2009 – IT Policies and Procedures (Certain corrective action taken)
- Fiscal year ended 2009 – Timeliness of Financial Reporting (Not corrected)
- Fiscal year ended 2009 – Fund Balance Reserve Requirements (Not corrected)
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 2010. 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 and subrecipient monitoring 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, 2010; also, a physical inventory was not performed in the last two fiscal years. It was also noted that the City did not have an appropriate system in place to manage and safeguard equipment acquired with federal funds as required by OMB Circular A-102 Common Rule (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) **Payroll Costs** – Quarterly comparisons of budget to actual payroll costs charged to the program showed budgeted costs exceeded actual by greater than ten percent (10%). Additionally, payroll cost was not properly adjusted to reflect an after the fact distribution of actual cost charged to the program. (Compliance [i.e. non-compliance]; “Significant deficiency”).

(d) **Cash Management** – For the City’s reimbursement basis grants, the drawdown of grant funding or the submission and receipt of reimbursements occurred before the payment and/or incurrence of qualifying expenditures. Additionally, funding received from the grantor was not expended on qualifying expenditures within at least two weeks from date of receipt. (Compliance [i.e. non-compliance] “Significant deficiency”).

(e) **Reporting** – Reports filed with grantor are not formally reviewed and approved by supervisory personnel. Also, the City is required to submit to HUD unaudited financial statements 2 months after its fiscal year end and audited financial statements 9 months after the fiscal year end. The City did not submit the unaudited and audited financial statements as required by HUD. (Compliance [i.e. non-compliance] “Significant deficiency”).

(f) **Subrecipient Monitoring** – The only monitoring activity performed over subrecipients is the review and approval of reimbursement packages submitted to the City. The City did not comply with the subrecipient monitoring requirements of OMB Circular A-133. (Compliance [i.e. non-compliance] “Significant deficiency”).
Lastly, the “Schedule of Prior Year Findings and Questioned Costs Fiscal Year Ended September 30, 2010” lists five (5) items that have not been resolved/corrected and three (3) items where certain corrective action has been taken:

- Five (5) items for the fiscal year ended 2009 that have not been resolved/corrected (Recording of Accruals and Accounts Payable, Filing for Grant Reimbursements, Payroll Certification, and Equipment and Real Property Management [2 items]).
- Three (3) items for the fiscal year ended 2009 where certain corrective action has been taken (Bank Reconciliations, Payroll Processing, and Capital Asset Management).