July 26, 2013

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of Compliance with the Financial Integrity Principles – Fiscal Year 2012
Audit No. 13-011

Executive Summary

We have completed an 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, primarily for the period October 1, 2011 through September 30, 2012. The audit was performed to determine if the City maintained a structurally balanced budget, developed and adopted short and long term financial and capital improvement plans, established and maintained adequate internal control systems, and followed best business practices.

Overall, we found that the City did not comply with five of the thirteen Financial Integrity Principles (FIP) as follows:

- Requests for grant reimbursements were not made in a timely manner (FIP3 – Interfund Borrowing)
- Non-Compliance with unassigned reserve requirements (FIP5 – Reserve Policies)
- The Multi-Year Financial Plan was not created (FIP7 – Multi-Year Financial Plan)
- The Multi-Year Capital Improvement Plan was not timely approved or adopted and did not include critical components (FIP8 – Multi-Year Capital Improvement Plan)
- Reporting and oversight requirements were not met (FIP10 – Financial Oversight and Reporting)

These and other findings are included on pages three through ten of the report.

It should be noted that the results of this audit demonstrate substantial improvement since the previous “Audit of Compliance with the Financial Integrity Principles – Fiscal Year 2011” (Audit No. 13-005) found that the City did not comply with eight of the Financial Integrity Principles.

We wish to express our appreciation for the cooperation and courtesies extended to us by the City management and staff while conducting the audit.
Sincerely,

Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General

C: The Honorable Mayor Tomas Regalado
Johnny Martinez, City Manager
Julie O. Bru, City Attorney
Todd Hannon, City Clerk
Alice Bravo, Assistant City Manager/Chief of Infrastructure
Luis Cabrera, Assistant City Manager/Chief Operations
Daniel J. Alfonso, Assistant City Manager/Chief Financial Officer
Manuel Orosa, Police Chief, Police Department
Maurice Kemp, Fire Chief, Fire-Rescue Department
Jose M. Fernandez, CPA, Director, Finance Department
Conrad C. Cross, Chief Information Officer
Mark Spanioli, Director, Capital Improvements Program
Kenneth Robertson, Director, Purchasing Department
Juan Pascual, Interim Director, Parks and Recreation Department
Joseph, Zahralban, Assistant Fire Chief
Members of the Audit Advisory Committee
Audit Documentation File

Audit conducted by: Scarlette Barrios, Staff Auditor
Audit reviewed by: Lewis Blake, CPA, CIA, Audit Manager
Karuna Khilnani, CPA, CISA, Senior Staff Auditor
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SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit was to assess and report on whether the City of Miami (City) implemented and complied with policies, procedures and the City Code to maintain a structurally balanced budget, short and long-term financial and capital improvement plans, and adequate internal control systems. The audit primarily covered the period October 1, 2011 through September 30, 2012, and focused on the following objectives:

- To determine whether the City complied with the 13 Financial Integrity Principles 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 for best business practices.

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 and 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:

- Interviews and inquiries of appropriate personnel
- Reviews of written policies and procedures in order to gain an understanding of the internal controls
- Observations of current practices and processing techniques
- Tests of applicable transactions and records
- Other audit procedures as deemed necessary
BACKGROUND

In response to notifying the Governor of the State of Florida of a financial emergency in the City of Miami in 1996, the State established a five member Financial Oversight Board (FOB). The City, Governor and FOB entered into an agreement to take corrective action, which resulted in the development of a set of Financial Integrity Principles (FIP) to protect public funds. In 2000, the City Commissioners approved and adopted an ordinance to include the FIP in the City Code, which is periodically reviewed and updated, as needed. Each year, the Office of the Independent Auditor General (OIAG) is responsible for preparing and transmitting a written report to the Mayor and City Commissioners regarding the City’s compliance with the FIP.

Currently, the City is required to comply with the following 13 FIP included in the City Code:

1) Structurally Balanced Budget
2) Estimating Conference Process
3) Interfund Borrowing
4) Citywide Surplus
5) Reserve Policies
6) Proprietary Funds
7) Multi-Year Financial Plan
8) Multi-Year Capital Improvement Plan
9) Debt Management
10) Financial Oversight and Reporting
11) Basic Financial Policies
12) Evaluation Committees
13) Full Cost of Services
AUDIT FINDINGS AND RECOMMENDATIONS

Based on the results of our audit, we have concluded that the City of Miami did not comply with five of the thirteen Financial Integrity Principles (FIP).

Details of our findings and recommendations follow:

**FINDING 1: REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER (FIP3 – Interfund Borrowing)**

Financial Integrity Principle 3 (FIP3) of the City Code states, “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...”

**Urban Area Security Initiative (UASI) 2010–Award #1839**

During fiscal year 2012 (FY12), the Miami Fire-Rescue Department (MFRD) incurred UASI 2010 grant-related expenditures totaling $472,404. We noted that none of the expenditures were submitted for reimbursement and were still outstanding as of the date of our testing (1/9/2013). The number of days that elapsed between the dates that the quarterly reports were due and the date of testing ranged from 70 days to 162 days (or an average of 66 days late, which includes timely reimbursement requests).

We were informed that an Informational Bulletin (IB) issued by the grantor required that UASI 2008/2009 grant funding be spent by September 30, 2012. As a result, MFRD decided to delay UASI 2010 expenditure reimbursements so as to ensure that UASI 2008/2009 grant awards were fully expended. In addition, MFRD stated that reimbursement packages are prepared two weeks after the Finance Department (FD) commences its month-end closing processes. This two week delay appears to contribute to increased reimbursement delays.

We also noted that non-allowable payroll cost items are incorrectly recorded into Projects and Grants (PnG) instead of the City’s General Fund. The steps required to identify such non-allowable expenditures and adjust them out of PnG is laborious and time-consuming and appears to cause delays in processing payroll-related reimbursement requests. Such delays may be eliminated by assigning the correct payroll elements when the grant awards are initially set-up in Oracle PnG.

The timely filing of reimbursement requests minimizes the period that City funds are used as float.

**Urban Search and Rescue (USAR)–Award #1804**

During fiscal year 2012 (FY12), MFRD incurred USAR 2011 grant-related expenditures totaling $910,396. We noted that $38,482 of these expenditures were for FY13 and were not considered for testing purposes. MFRD requested a total of $683,117 in reimbursements and all monies were received. The average time (in days) that elapsed between the dates that the quarterly reports were due and the dates that respective reimbursement requests were submitted ranged from 7 days to 280 days (or an average of 117 days late). Additionally, a total of $227,279 has not been submitted for reimbursement and is still outstanding; $6,536 of this total is related to FY13 expenditures.
The cause of the untimely USAR reimbursement request submittals appears to be the lack of a formal policy that would require MFRD staff to prepare and submit reimbursement requests along with the quarterly financial reports described above. As we also described above, non-allowable payroll cost items are incorrectly recorded into PnG instead of the City’s General Fund. The steps required to identify such non-allowable expenditures and adjust them out of PnG is laborious and time-consuming and appears to cause delays in processing payroll-related reimbursement requests. Such delays may be eliminated by assigning the correct payroll elements when the grant awards are initially set-up in Oracle PnG.

Upon audit inquiry MFRD and the City’s Information Technology Department (ITD) stated that steps are currently being implemented to facilitate assigning the correct payroll elements when the grant awards are initially set-up in Oracle PnG.

**RECOMMENDATION 1: MIAMI FIRE-RESCUE DEPARTMENT**

We recommend that the MFRD implement internal control procedures that would ensure reimbursement requests are submitted simultaneously with required quarterly financial reports (when applicable) to facilitate timeliness. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements. Lastly, MFRD should follow-up with ITD to ensure that correct payroll elements are accurately assigned in Oracle PnG.

- **Auditee Response:** Please see MFRD comments on Pages 11 through 13
- **Implementation Date:** Beginning of Fiscal Year 2014

**FINDING 2: NON-COMPLIANCE WITH UNASSIGNED RESERVE REQUIREMENTS (FIP5 – Reserve Policies)**

The requirements for unassigned fund balance reserves, pursuant to Financial Integrity Principle 5 (FIP5) of the City Code, provides that,

“The city shall retain unassigned fund balance reserves equal to a threshold ten percent of the prior three years average of general revenues (excluding transfers). Amounts designated as “contingency” reserve in subsection 5a shall be included in the calculation of meeting the ten percent of the prior three years average of general revenues for the unassigned fund balance category. 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 and the City Manager shall present an oral report at the second commission meeting of every month, except during the month of September, regarding: i) the status of the current fiscal year budget and ii) the proposed budget for the subsequent fiscal year. Such oral report shall appear on the city commission agenda as a discussion item under the agenda category titled “Budget”. 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.”

The City’s FY12 Comprehensive Annual Financial Report (CAFR) indicated that although assigned fund balance reserves met requirements, there was no unassigned reserve. Our calculation indicates that since the annual average general revenue for the prior three fiscal years totaled $475,368,740, the unassigned reserve balance should have been at least $47,536,874.

RECOMMENDATION 2: OFFICE OF MANAGEMENT AND BUDGET

We recommend that City management create means by which recurring revenues will increase and recurring expenditures decrease so that required unassigned reserve amounts can be created and maintained in accordance with FIP5.

- **Auditee Response:** The City’s General Fund now has a balance of $57.5 million after it had fallen to $13.4 million. We anticipate a surplus for FY2012-13 which will move the City closer to compliance with reserve requirements as stipulated in the City’s Financial Integrity Principles.

- **Implementation Date:** Ongoing

FINDING 3: MULTI-YEAR FINANCIAL PLAN WAS NOT CREATED (FIP7 – Multi-Year Financial Plan)

Financial Integrity Principle 7 (FIP7) of the City Code 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.”

There was no evidence that a FY12 Multi-Year Financial Plan (MYF Plan) was presented to the City Commission. Additionally, the MYF Plan was not included in the FY12 Budget Book. Although the City did not meet the requirement for FY12, we noted that a 5-year Financial Plan for FY13 was adopted by the required September 30, 2012 date and was included in the FY13 Budget Book.

The MYF Plan is an important policy/planning tool that enables the Commission to anticipate levels of services, operational costs, revenues, and financing requirements. As such, in the absence of a MYF Plan, the Commission’s ability to forecast these items is limited.
RECOMMENDATION 3: OFFICE OF MANAGEMENT AND BUDGET

We recommend that City management implement internal controls that would ensure annual Multi-Year Financial Plans are created in a timely manner as stated in FIP7.

- **Auditee Response:** We concur with the recommendations.

- **Implementation Date:** The 5 year financial plan for FY13 was approved by the City Commission via Resolution #12-01361 on September 27, 2012.

FINDING 4: MULTI-YEAR CAPITAL IMPROVEMENT PLAN WAS NOT TIMELY APPROVED OR ADOPTED AND DID NOT INCLUDE CRITICAL COMPONENTS (FIP 8 – Multi-Year Capital Improvement Plan)

Financial Integrity Principle 8 (FIP8) 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.”

Based on the testing conducted, we noted that the City Commission did not adopt a Capital Improvements Plan (CIP Plan) by November 30th as required. Instead, the report was issued on June 28, 2012 (211 days late). Additionally, the CIP Plan did not contain the following critical components:

- R&R for infrastructure improvements needed to support City services.
- Estimates of the operational impacts produced by capital improvements upon their completion.
- Listing of active projects including: 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 of the project; and, estimated completion date.

- Approved projects with unforeseen circumstances which change the funding requirements of the projects.

Not creating and adopting a CIP Plan in a timely manner increases the risk that the progress and funding needs of City capital projects will not be determined on a timely basis. Furthermore, the absence of a repair and replacement (R&R) component in the plan increases the risk that funding needed to maintain completed projects (i.e. fixed asset additions) will be inadequate. In addition, if the CIP Plan does not provide the required information about each project (e.g. the start date, amount budgeted, amount spent since start date, remaining budget, estimated completion date, etc.), and does not address approved projects with unforeseen circumstances which change the funding requirements of the projects, then Commissioners and other stakeholders will be unable to monitor the progress of projects (especially information technology projects which tend to have short useful lives) and determine the effectiveness/efficiency of project management.

**RECOMMENDATION 4.1: CAPITAL IMPROVEMENTS PROGRAM**

We recommend that the CIP Plan be prepared by November 30th of each year as required by FIP8. In addition, the CIP Plan should include an R&R component and estimates of the operational costs generated by capital improvements upon their completion.

- **Audittee Response:** We concur with the recommendation. The CIP Department will continue its efforts to meet the November 30th deadline for Capital Plan submittal and approval.

  *We do concur with the recommendation on the following items:*

  1) R&R component for infrastructure improvements needed to support City services.
     - The R&R component was not included in the FY2011-2012 Plan but is included as part of operating expenditures in FY2012-2013 Plan.

  2) Estimates of the operational impacts produced for the operation of the capital improvements upon their completion.
     - This section was not included in FY2011-2012 Plan but is included in FY2012-2013 Plan

- **Implementation Date:** Items described are included in the FY2012-2013 Plan

**RECOMMENDATION 4.2: FINANCE DEPARTMENT & CAPITAL IMPROVEMENTS PROGRAM**

Best practices require monthly reporting of capital project expenditures (CAPEX) with information described in the FIP including: project description and number; date funded; amount budgeted; amount spent since the start date (including current period expenditures); and, remaining budget. This information should be separated by Commission District and reported to Commissioners and senior management.
The financial data for construction and other capital projects requires usage of the City’s accounting system, and since such information should be accurately and timely reported in the City’s Comprehensive Annual Financial Report (CAFR), the City’s Finance Department (FD) should work collaboratively with the City’s Capital Improvements Program (CIPD) in compiling the information described above. Also, both departments should collaborate in monitoring actual amounts spent on projects (since their start dates) and comparing them to budgeted amounts. As a result of such monitoring, the FD would have the ability to ascertain which projects are near completion so as to ensure they are added to the City’s fixed assets system in a timely manner.

Lastly, the FD and the CIPD should work together in order to report the following as required by the FIP: 1) Fiscal impact of known changes to financial assumptions underlying the project; estimated expenditures by fiscal year of the project; and, estimated completion date; and, 2) Approved projects with unforeseen circumstances which change the funding requirements of the projects.

- **Auditee Response - Finance Department:** We are committed to working closely and collaboratively with CIP to ensure information in the CAFR is accurate and timely. Based on the existing structure, while there are financial components that are integral to the process and essential to Recommendation 4.2, as the process owners of the respective functions, CIP is best positioned to respond to the recommendation. If in the future, these functions are transferred to Finance, we will be happy to take on the responsibilities.

- **Implementation Date:** Implemented

- **Auditee Response - Capital Improvements Program:** We do concur with the recommendation on the following items:

  1) Listing of active projects which includes: 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 of the project; and, estimated completion date.

    o This section was not included in FY2011-2012 Plan but is partially included in FY2012-2013 Plan with the exception of: date funded; fiscal impact of known changes to financial assumptions underlying the project and estimated expenditures by fiscal year of the project. Amending Capital Projects Appropriations resolutions via Commission Meeting is done on a regular basis to fully or partially fund a project. This amendment approves the allocation of new funds to projects and/or the transfer of current funds from one project to another. More often than not, projects do not have a single “date funded” as funds may be appropriated as they become available. For example, we may have projects funded with any combination of Federal, State, Local Grants and/or City Funds and thus funds are made available as the various sources become available. On another case, we may fund only one of the following components: study, land acquisition, design, mitigation until we get a more realistic cost of construction. These resolutions amend the Adopted Capital Plan. A listing of the Appropriation Amendment for the fiscal year will be included in subsequent Capital Plans.
2) Approved projects with circumstances that arise which change the funding requirements of the projects.

   o Circumstances are addressed through Capital Appropriations on a regular basis and are approved via resolution during commission meetings. Circumstances changing funding requirements vary: reduction of scope, addition of scope, preliminary construction estimate differs from actual bid receives (upward or downward), unforeseen conditions, permitting issues with regulatory agencies, timing gap between City funds allocation and grants allocation from outside agencies since in most cases the matching funds to a grant must be identified and allocated prior to receipt of grant. These changes are typically reflected when a revision to the Project Activation Form is developed. Furthermore, funding can be added to a project not because the requirements change but because the project may have been partially funded when initiated.

• **Implementation Date:** Items described are included in the FY2012-2013 Plan

**FINDING 5:** REPORTING AND OVERSIGHT REQUIREMENTS WERE NOT MET
(FIP 10 – Financial Oversight and Reporting)

Financial Integrity Principle 10 (FIP10) of the City Code 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.

Also, 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. Finally, 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.”

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

• Monthly financial reports were not issued by the Finance Department within 30 days after the close of each month, as required, for seven of the 11 months tested. The number of days late ranged from four to 43 days as noted below:
The CAFR was not issued by March 31, 2013 as required by FIP10. Instead, the CAFR was issued on June 18, 2013 (79 days late).

The Single Audit Report and Management Letter were not issued by April 30, 2013 as prescribed by FIP10. Instead, they were issued on June 20, 2013 (51 days late).

There is an apparent lack of internal controls in place to ensure that the monthly financial reports, CAFR, Single Audit Report, and management letter are prepared and issued in a timely manner. Transmitting financial reports untimely diminishes their relevance and usefulness.

**RECOMMENDATION 5: FINANCE DEPARTMENT**

We recommend that City management develop policies and procedures to ensure that financial reports (monthly financial reports, the CAFR, Single Audit Report, and Management Letter) are issued in a timely manner. Such policies/procedures may include cross-training qualified/appropriate FD staff to perform timely account balance reconciliations, reviews and approvals.

**Auditee Response:** The timeliness of monthly reports, CAFR, Single Audit Report and management letter are not due to lack of internal controls. Instead, the lack of timeliness was due to a high turnover in personnel during the 2012 fiscal year as well as the loss of key leadership positions during the same period. These factors carried into the 2013 fiscal year, thus further hindering the Department’s ability to meet deadlines. The Finance Department will continue to work closely with the Department of Human Resources in filling vacancies in an expeditious manner. Since the issuance of the CAFR, the department has delegated monthly report tasks to available staff in order to ensure the timely issuance of reports, starting with June 2013. The Department will strive to ensure that monthly reports, CAFR, Single Audit Report and management letter are issued in accordance with the City's Financial Integrity Principles.

**Implementation Date:** June 2013
June 14, 2013

Scarlett Barrios, Staff Auditor
Office of the Independent Auditor General
City of Miami
Miami, FL 33130

RE: Response to Internal Audit Findings
Urban Areas Security Initiative (UASI) Grant Year (GY) 2010- Award # 1839
& Urban Search & Rescue (US&R) Award #1804

Dear Ms. Barrios:

This letter is respectfully being submitted in response to internal audit findings regarding Urban Areas Security Initiative (UASI) Grant Year (GY) 2010- Award # 1839 & Urban Search & Rescue (US&R) Award #1804 and grant reimbursements not being made in a timely manner. This is a brief overview of some of the issues affecting our ability to request timely reimbursement of expenditures from the federal government. While we strive to constantly improve our administrative process, we strongly believe that improvement in each of these areas will represent considerable progress in the outstanding liabilities incurred by the City of Miami.

The City of Miami Department of Fire-Rescue has been working towards developing a plan that would result in federally-funded, full-reimbursement, grant programs being as close to cost neutral to the City of Miami as possible. The first portion of the process was to identify each of the issues resulting in a delay in the ability to reimburse federal expenditures back to the City of Miami. Next, was to generate solutions that would satisfy each of these issues and implement them over an 18 month period.

The first issue was to address payroll reconciliation which comprises a large part of our expenditures under federal grants utilizing the Oracle system. This has created some issues in both award processes and in that certain pay elements were incorrectly applied to the federal grant and other pay elements that should have been applied were not. This requires City personnel to manually adjust payroll pay elements, line by line, for each person and for each hour of payroll. This is a very cumbersome and labor-intensive process, causing a back up with payroll expenses.

As a result, the Department of Fire-Rescue solicited the assistance of the City’s IT department along with the Oracle team in order to determine effective solutions. A committee has been established to monitor progress and identify issues which are affecting payroll elements and working towards correcting them. Currently, based upon the progress reports that are published by the IT department, corrections to the issues causing the inappropriate application of funds have been identified and a strategy has been developed to fix them.
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Urban Areas Security Initiative (UASI) Grant Year (GY) 2010- Award # 1839
& Urban Search & Rescue (US&R) Award #1804

We have been informed that due to Oracle restrictions an updated program will be implemented at the beginning of the next fiscal year.

The second issue having a dramatic effect on the ability to request reimbursements in a timely manner revolves around the history of the program and working out of previous grant years. With multiple grant years open, operating and eligible for expenditures, it is necessary to reimburse the oldest grants first, to avoid losing money through de-obligation of funds to the federal government based upon timelines that have been set forth by the US Department of Homeland Security - IB #379. This unavoidably has delayed our ability to reimburse expenditures from newer or more current years grants. The only way to effectively manage this issue is to implement an aggressive spending plan and draw down all previous grant year awards until we are operating out of a current grant year (similar to how the city operates out of a current fiscal budget).

An 18-month plan was implemented to draw down all of the existing funds out of multiple grant years from UASI GY ’07 through UASI GY ’10. This involved approximately $44 million in regional dollars. This was a considerable obstacle due to the fact that the region typically spent $4-$10 million a year, so performance had to increase by about 400%.

This strategy was implemented and we have currently spent down and closed out ’07-09 and are in the process of closing out UASI GY’10. Currently, federal UASI GYs ’10 & ’11 are the only open and active awards. UASI GY’12 is in the process of being submitted to commission. UASI GY’13 is in the application phase and has not been released by the federal government or the State of Florida. Our timeline for the completion of expenditures will have been accomplished through the 18-month strategy by July 31, 2013.

The third obstacle, which affects both award programs, revolves around large-scale drills or exercises. These drills or exercises span anywhere from a four to a six-month period of time. Exercises and drills require a long period of planning over a series of months and ultimately culminates in a large-scale event involving multiple municipalities and /or disciplines. When reimbursing these types of projects there are certain benchmarks that the federal government requires in order to submit a complete package and receive reimbursement. One of those benchmarks is the completion of the exercise and associated paperwork, such as an After Action Report (AAR) being completed and submitted along with the overtime forms from day one. Without a complete package (the culmination of the drill, the development of the AAR and overtime forms) we are not able to submit for reimbursement. This necessitates an outstanding liability for the City of Miami for approximately a six-month period.

DEPARTMENT OF PRE-Rescue/Administration
444 SW 2nd Avenue / Miami, FL 33130 / (305) 468-5402 / Mailing Address: PO Box 330708 Miami, FL 33235-0708

OFFICE OF INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/MIAMI, FLORIDA 33130-1910

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     Urban Areas Security Initiative (UASI) Grant Year (GY) 2010- Award # 1839
     & Urban Search & Rescue (US&R) Award #1804

As a result of this, we are instituting a new policy outlining planning for exercises and the culmination of
said exercise not to exceed a 90-day period. Without extenuating circumstances and at the end of that 90-
day period, the exercise will commence, the AAR will be developed and the comprehensive
reimbursement package will be submitted to the federal government for approval and ultimately payment.

Should you have any other questions or concerns, please do not hesitate to contact either myself or
Assistant Chief Joseph Zahralban at 305-416-5402.

Sincerely,

Maurice L. Kemp, Fire Chief
Director of the Department of Fire-Rescue

MLK/RKD/JZ/ARF/Im