

# City of Miami

THEODORE P. GUBA, CPA, CIA, CFE  
INDEPENDENT AUDITOR GENERAL



Telephone (305) 416-2044  
E-Mail: tguba@miamigov.com

June 17, 2021

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 2020  
Report No. 21-12

## 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, 2019 through September 30, 2020. 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 two of the 13 Financial Integrity Principles (FIP) as follows:

- FIP 3 - Requests for grant and other reimbursements were not made in a timely manner.
- FIP 11 - Cash Receipts policy does not fully comply with requirements of FIP 11; Investment policy should be revised.

Details of these findings are included on pages three through eight of the report.

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

cc: The Honorable Mayor Francis Suarez  
Arthur Noriega, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Nzeribe Ihekweba, Deputy City Manager  
Fernando Casamayor, Assistant City Manager/Chief Financial Officer  
Natasha Colebrook-Williams, Assistant City Manager  
Art A. Acevedo, Chief of Police, Police Department  
Joseph Zahralban, Fire Chief, Fire-Rescue Department  
Leon Michel, Interim Director, Office of Management and Budget  
Erica T. Paschal, Director of Finance, Finance Department  
William Porro, Director, Human Services Department  
Members of the Finance Committee  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit conducted by: Wesley Laurent, MBA, CPA, CIA, Senior Auditor  
Raymond Ishmael, CPA, CFE, Senior Auditor

Audit reviewed by: Mala Khilnani, CPA, CISA, Assistant to the Auditor General

**AUDIT OF COMPLIANCE WITH THE FINANCIAL INTEGRITY  
PRINCIPLES – FISCAL YEAR 2020**

**OCTOBER 1, 2019 THROUGH SEPTEMBER 30, 2020  
Report No. 21-12**

**TABLE OF CONTENTS**

SCOPE, OBJECTIVES, AND METHODOLOGY .....1

BACKGROUND.....2

AUDIT FINDINGS AND RECOMMENDATIONS .....3

FINDING 1 (FIP3): MIAMI POLICE DEPARTMENT REQUESTS FOR GRANT REIMBURSEMENTS  
WERE NOT MADE IN A TIMELY MANNER.....3

FINDING 2 (FIP 3): FIRE-RESCUE DEPARTMENT REQUESTS FOR GRANT REIMBURSEMENTS  
WERE NOT MADE IN A TIMELY MANNER.....4

FINDING 3 (FIP 3): HUMAN SERVICES DEPARTMENT/HOMELESS PROGRAM REQUESTS FOR  
GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER .....6

FINDING 4 (FIP11): CASH RECEIPTS POLICY DOES NOT COMPLY WITH REQUIREMENTS OF FIP  
11; INVESTMENT POLICY SHOULD BE REVISED.....7

## **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, 2019 through September 30, 2020, 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, appropriate evidence 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/Strategic Rollover Funds
- 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 two of the 13 Financial Integrity Principles (FIP) resulting in four findings.

Details of our findings and recommendations follow:

### **FIP 3: GRANT AND OTHER REIMBURSEMENTS**

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..."

The timely and accurate filing of reimbursement requests that are in compliance with grant requirements minimizes the period that City funds are used to pay for expenditures that should be covered by grant awards. In addition, filing delays due to non-compliance with grant provisions cause the City to forgo interest revenue it could be earning.

### **FINDING 1 (FIP3): MIAMI POLICE DEPARTMENT REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER**

During the audit period the Miami Police Department (MPD) incurred/processed grant-related expenditures totaling approximately \$3.2 million related to various grant awards and other programs funded on a reimbursement basis. We selected three MPD awards which together represent \$1.1 million (or 36%) of the total population to test compliance with FIP3. The results of our testing, for which there were exceptions, are as follows:

#### **FY 2017 COPS Hiring Program (PnG Award #2388):**

During FY20, the MPD incurred 2017 COPS Hiring Program (PnG Award #2388) grant-related expenditures totaling \$386,198. According to the grant agreement, reimbursement requests were required to be submitted to U.S. Department of Justice on a quarterly basis. We noted that 100% of the expenditures have been reimbursed to the City; however, \$155,329 (or 40%) of the total expenditures were not submitted for reimbursement in a timely manner and were submitted 69 days late. The average time that City funds were used as float (i.e., the time between the check date and cash receipt date) for the total \$386,198 of grant-related expenditures was 83 days.

#### **FY 2013 Smart Policing Program (PnG Award #2095):**

During FY20, the MPD incurred 2013 Smart Policing Program (PnG Award #2095) grant-related expenditures totaling \$307,148. According to the grant agreement, reimbursement requests were required to be submitted to U.S. Department of Justice on a quarterly basis. We noted that \$292,805 or 95% of the expenditures were reimbursed to the City; however, \$14,477 (or 5%) of the total expenditures were not requested for reimbursement prior to the grant end date and will be reclassified to the General Fund. The average time that City funds were used as float (i.e., the time between the check date and cash receipt date) for the total of \$292,805 of grant-related expenditures was 44 days.

## **RECOMMENDATION 1 (FIP 3): MIAMI POLICE DEPARTMENT**

We recommend that the MPD continuously improve internal control procedures in order to ensure grant reimbursement requests are submitted in a timely manner so as to minimize the time that City funds are used as float. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements. Finally, the MPD should ensure that all reimbursements are requested prior to the grant end date to avoid any financial loss to the City.

- **Auditee Response:** In July of 2020, the U.S. Department of Justice initiated a project to transition the Grant Payment Request System (GPRS) to a new program Automated Standard Application for Payments (ASAP). The system became available in November 2020. There were additional delays due to internal process, new individuals had to be set up in the new system which required the City Manager's approval. We also needed to create a banking profile with banking information which was not resolved till late December 2020.
- **Implementation Date:** Implemented

## **FINDING 2 (FIP 3): FIRE-RESCUE DEPARTMENT REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER**

During the audit period the Fire-Rescue Department (FRD) incurred/processed grant-related expenditures totaling \$6 million related to various grant awards including USAR, UASI, and CCTA. We selected two FRD awards which represent \$2.7 million (or 47%) of the total population to test compliance with FIP3. The results of our testing are as follows:

### **FY 2019 FEMA Urban Search and Rescue (USAR) Program Grant (PnG Award #2581):**

During fiscal year 2020 (FY20), the Fire-Rescue Department (FRD) incurred FY19 FEMA USAR (PnG Award #2581) grant-related expenditures totaling \$677,939. According to the grant agreement, the Federal Financial Reports (FFR) were required to be submitted to the U.S Department of Homeland Security, Federal Emergency Management Agency (FEMA) on a quarterly basis. Although the grant agreement did not specify the due dates for reimbursement requests, we considered the required dates for submission of the FFR to be a reasonable measure of timeliness for reimbursements.

Based on the result of our test, we noted that of the total \$677,939 grant-related expenditures, \$403,070 (or 59 %) had not been submitted for reimbursement and were outstanding for 161 to 399 days (or an average of 272 days). On inquiry, the program manager stated that "Our team started to have difficulty reconciling payroll back in 2017 which in turn delayed our ability to ask for reimbursement in a timely manner. USAR hired a Special Projects Assistant in November of 2019 to focus on payroll reconciliation and ensure timely drawdowns". In addition, we noted that \$186,271 (or 27%) of the total expenditures were not submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 54 to 356 days (or an average of 225 days late). The average time that City funds were used as float (i.e., the time between the check date and cash receipt date or fieldwork date) for the total \$677,939 of grant-related expenditures was 11 to 420 days (or an average of 234 days).

**2018 Urban Area Security Initiative (UASI) Program Grant (PnG Award #2496):**

During fiscal year 2020 (FY20), the FRD incurred FY18 FEMA UASI (PnG Award #2496) grant-related expenditures totaling \$2,066,087. According to the grant agreement, reimbursement requests were required to be submitted to the State of Florida, Division of Emergency Management within 90 calendar days of the expenditure of funds.

Based on the result of our test, we noted that 100% of these expenditures have been reimbursed to the City; however, \$184,576 (or 9%) of the total expenditures had not been submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 1 to 317 days (or an average of 99 days late). The average time that City funds were used as float (i.e., the time between the check date and the cash receipt date) for a total of \$2,066,087 of grant-related expenditures was 181.

**RECOMMENDATION 2 (FIP3): FIRE-RESCUE DEPARTMENT**

We recommend that the FRD continuously improve internal control procedures in order to ensure grant reimbursement requests are submitted in a timely manner so as to minimize the time that City funds are used as float. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

- **Auditee Response:**

**FY 2019 FEMA Urban Search and Rescue (USAR) Program Grant (PnG Award #2581):**

As stated on the above response, USAR hired a Special Projects Assistant in November of 2019 to focus on payroll reconciliation and ensure timely drawdowns. Because of COVID-19, our efforts to be completely up to date with payroll reconciliation have been negatively affected. However, since this year's meetings/findings with the auditors, USAR has been able to make a huge progress on reconciling payroll and drawing down funds. Out of the total \$677,939 of grant-related expenditures identified, USAR has been able to ask and receive reimbursement for \$629,697.14. Currently, there is only an outstanding balance of \$48,241.86 that needs additional adjustments to be able to include them for reimbursement. This new update corroborates the fact that our corrective action implemented is working, and that USAR is moving in the right direction to be completely in compliance with the recommendations from the audit team. USAR will continue to work on making the payroll reconciliation a high priority to be able to request drawdowns in a timely manner.

- **Implementation Date:** Implemented

- **Auditee Response:**

**2018 Urban Area Security Initiative (UASI) Program Grant (PnG Award #2496):**

During the time covered within this audit more adjustments than normal were needed because we had issues with regards to overtime for some personnel to assist with the Super Bowl and COVID at the EOC. Those were charges that needed to be moved out from the grant and moved into the Super Bowl or Disaster account. Also occurring, were changes within the Finance department protocol and how they accepted the journal entries and additional redline memos that had to be completed which all caused

additional delays. We also had to overcome the passing of a Division of Emergency Management (DEM) employee in March of 2020 just before the COVID Quarantine occurred.

We had no findings in the prior audit for the UASI program. We were experiencing unprecedented circumstances during a global pandemic, which reflects that this is an exception and not a pattern of tardiness. We averaged 99 days late within that \$184,576 in question. Regarding the period of time that the City “floats” funds, we have no control over the delays caused by the State in reimbursing our requests. Generally, the State has been much faster at reimbursing our requests but like us, the State was handling the pandemic response and so delays in processing our reimbursements did occur.

- **Implementation Date:** Implemented

### **FINDING 3 (FIP 3): HUMAN SERVICES DEPARTMENT/HOMELESS PROGRAM REQUESTS FOR GRANT REIMBURSEMENTS WERE NOT MADE IN A TIMELY MANNER**

During the audit period the Human Services Department/Homeless Program incurred/processed grant-related expenditures totaling \$1.6 million related to various grant awards and other programs funded on a reimbursement basis. We selected one award which represents \$860,000 (or 55%) of the total population to test compliance with FIP3. The results of our testing, for which there were exceptions, are as follows:

#### **2019-20 Emergency Hotel/Motel Placement Program Grant (HTMT) (PnG Award #2614):**

During FY20, the Human Services/Homeless Program incurred HTMT (PnG Award #2614) grant-related expenditures totaling \$860,000. According to the grant agreement, payment/reimbursement requests shall be made to Miami-Dade County on a monthly basis. The payment request for the previous month is due by the 10th of the month following the month for which payment is invoiced.

Based on the result of our test, we noted that 100% of these expenditures had been reimbursed to the City; however, 23% (or \$198,680) of the expenditures were not submitted for reimbursement in a timely manner. The number of days these expenditures were requested late ranged from 3 to 128 days (or an average of 50 days late). The average time that City funds were used as float (i.e., the time between the check payment date and cash receipt date) for the total \$860,000 of grant-related expenditures was 138 days.

### **RECOMMENDATION 3 (FIP 3): HUMAN SERVICES DEPARTMENT/HOMELESS PROGRAM**

We recommend that the Human Services/Homeless Program continuously improve internal control procedures in order to ensure grant reimbursement requests are submitted in a timely manner so as to minimize the time that City funds are used as float. Also, such procedures should ensure that reimbursement packets contain accurate supporting documentation which is in accordance with grantor requirements.

- **Auditee Response:** The finding is due to the complexity of the fiscal process of the special revenue accounts and the facts that some expenditures, such as the lodging of homeless family's predictability, is affected by an adopted policy of not allowing children to sleep on the streets. As it has happened in prior years, expenditures exceeded FY contracted amounts requiring those amounts to be procured further past the FY. Those surpassed amounts must also be approved by the grantor's board of directors, in this case the MDC Homeless Trust, which requires due process for approval.
- **Implementation Date:** We have made the grantor aware of the affecting issue and are awaiting resolution.

**FINDING 4 (FIP11): CASH RECEIPTS POLICY DOES NOT COMPLY WITH REQUIREMENTS OF FIP 11; INVESTMENT POLICY SHOULD BE REVISED**

Section 18-542(11) of the City Code provides that the City shall endeavor to maintain formal policies, which reflect "best business practices" in the areas of cash management and investments and revenue collection. The Code states that the Cash Management and Investment Policy "shall require a 24-month gross and net cash-flow projections by fund and address adequacy, risk, liquidity and asset allocation issues." The Code further states that the Revenue Collection Policy "shall provide for maximum collection and enforcement of existing revenues, monitoring procedures, and the adequacy level of subsidy for user fees."

We reviewed the City's Cash Receipts Policy. As noted in our prior audit, the City's Cash Receipts Policy appears to have been last updated in 2005. As a result, the cash receipts manual does not reflect current best practices and does not address procedures relative to implementation of the POS system. The City's Cash Receipts Policy states that, "Good controls are designed to safeguard assets and insure the accuracy and reliability of accounting data. Good controls also promote operational efficiency and ensure adherence to city, state, and federal statutes." Therefore, it is imperative that the policy be updated to ensure proper receipt, handling, money transfer, and documentation of City funds.

We also reviewed the City's Investment Policy which includes cash management, to determine whether the City has established policy which requires 24-month gross and net cash-flow projections by fund and addresses adequacy, risk, liquidity, and asset allocation in accordance with Section 18-542(11)(b). While the City's Investment Policy addresses adequacy, risk, liquidity, and asset allocation issues, it does not require a 24-month gross and net cash-flow projection by fund.

**RECOMMENDATION 4 (FIP11): FINANCE DEPARTMENT**

As recommended in our prior three audits, the City's Cash Receipts Policies and Procedures Manual should be updated to reflect current best practices as well as procedures relative to implementation of the POS system.

As recommended in our prior two audits, the Cash Management and Investments Policy should be revised to require a 24-month cash flow projection in accordance with Section 18-542(11)(b) and utilize the projection to ensure adequate amounts of liquidity, investment diversification, and portfolio management to control risks and manage reasonably anticipated cash flow requirements.

- **Auditee Response:** The Cash Receipts Policy and the Investment Policy were both updated internally but were not presented to City Commission for approval due to the following reasons. To be presented to the City Commission, the policies must first be presented and approved by the City's Finance Committee. Due to the pandemic, there was only one Finance Committee convened. In addition, there are current discussions being conducted that will directly affect both policies requiring further revisions and updates. The administration intends to present the updated policies concurrently once final decisions are implemented.
- **Implementation Date:** Policies will be updated prior to December 31, 2021.