

City of Miami Beach, Florida

Single Audit Reports in Accordance With OMB Circular A-133 and
Chapter 10.550, Rules of the Auditor General of the State of Florida
September 30, 2010

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**Independent Auditor's Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
*Government Auditing Standards***

The Honorable Mayor and City Commissioners
City of Miami Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2011. Our report included references to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Visitor and Convention Authority; the Miami Beach Convention Center as managed by Global Spectrum ("Global Spectrum"); the City of Miami Beach Florida Employees' Retirement Plan; the City of Miami Beach Florida Pension Fund for Firefighters and Police Officers; the Firemen's Relief and Pension Fund; and the Policemen's Relief and Pension Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Global Spectrum, the City of Miami Beach Florida Employees' Retirement Plan; the City of Miami Beach Florida Pension Fund for Firefighters and Police Officers; and the Miami Beach Policeman's Relief and Pension Fund, audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 30, 2011.

This report is intended solely for the information and use of the Honorable Mayor, the Members of the City Commission, management of the City, the Auditor General of the State of Florida, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Miami, Florida
March 30, 2011

**Independent Auditor's Report
on Compliance With Requirements That Could Have a Direct
and Material effect on Each Major Program and State Project
and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and Chapter 10.550,
*Rules of the Auditor General, State of Florida***

The Honorable Mayor and City Commissioners
City of Miami Beach, Florida

Compliance

We have audited the City of Miami Beach, Florida (the "City") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance supplement, that could have a direct and material effect on each of the City's major federal programs and each of its major state projects for the year ended September 30, 2010. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*, State of Florida. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state projects for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items CF 2010-01 through CF 2010-03.

Internal Control Over Compliance

The Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs, as items IC 2010-01 through IC 2010-06. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2010 and have issued our report thereon dated March 30, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, the Members of the City Commission, management of the City, the Auditor General of the State of Florida, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Miami, Florida
June 24, 2011, except for the
Schedule of Expenditures of Federal
Awards and State Financial Assistance
which is dated March 30, 2011

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2010

Federal/State Grantor/Pass-Through Entity Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures
Federal Grants:			
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Community Development Block Grant/Entitlement Grants	14.218	B-XX-MC-12-0014	\$ 1,534,050
Home Investment Partnership Program	14.239	M-XX-MC-12-0014	1,549,407
Community Development Block Grants_Section 108 Loan Guarantees	14.248	B-94-MC-12-0014	7,063
ARRA-Community Development Block Grant Recovery ARRA Entitlement Grants (CDBG-R) Recovery Act Funded	14.253	B-09-MY-12-0014	91,086
ARRA-Homeless Prevention and Rapid Rehousing Program	14.257	S09-MY-12-0007	359,082
Pass-through Dept. Community Affairs – Pass through – Miami Dade County:			
Supportive Housing Program	14.235	FL14B800034 & FL0177B4D000802	62,460
Community Development Block Grant-DRI-Villa Maria	14.228	08DB-D3-11-23-01-A01	398,250
Community Development Block Grant-DRI Flamingo Park Neighborhood Improvements	14.228	08-DB-D3-11-23-01-A01	58,900
Pass-through Department of Community Affairs:			
Community Development Block Grants-Neighborhood Stabilization Program	14.228	10DB-4X-11-23-01-F16	7,154,374
			<u>7,611,524</u>
Total U.S. Department of Housing and Urban Development			<u>11,214,672</u>
U.S. Department of Justice:			
Direct Program:			
Part E – Developing, Testing and Demonstrating Promising New Programs – Juvenile Justice and Delinquency Prevention –Teen Club	16.541	2008-JL-FX-0481	205,317
Part E – Developing, Testing and Demonstrating Promising New Programs – Juvenile Justice and Delinquency Prevention –Teen Club Salary	16.541	2009-D1-BX-0291	192,232
			<u>397,549</u>
ARRA- Edward Byrne Memorial Justice Assistance (JAG -CAD/RMS)	16.804	2009-SB-B9-2634	32,686
Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants-Child Sexual Predator Program	16.710	2009CSWX0004	166,378
National Institute of Justice:			
National Institute of Justice Research, Evaluation, and Development-Police Homicide Cold Case	16.560	2009-DN-BX-K009	70,020
Bulletproofvest Partnership/Body Armor Safety Initiative			
Bulletproof Vest Partnership Program	16.607	OMB# 1121-0235	4,638
Bulletproof Vest Partnership Program	16.607	OMB# 1121-0235	2,200
			<u>6,838</u>
Pass-Through State of Florida/Miami-Dade County:			
Edward Byrne Memorial Justice Assistance Grant Program – Byrne Criminal Justice Records	16.738	N/A	14,437
Total U.S. Department of Justice			<u>687,908</u>

(Continued)

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2010

Federal/State Grantor/Pass-Through Entity Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures
U.S. Department of Energy:			
Direct Program:			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-SC0003489	197,438
Total U.S. Department of Energy			197,438
Pass-through State of Florida:			
Office of Attorney General			
Crime Victim Assistance – VOCA	16.575	V09027	52,927
Total Office of Attorney			52,927
Pass-through State of Florida:			
Department of Agriculture and Consumer Services			
Cooperative Forestry Assistance – Urban and Community Forestry	10.664	015154	15,000
ARRA-Recovery Act of 2009: Wildland Fire Management: Forest Health Improvement Initiative	10.688	015956	18,000
Total Department of Agriculture and Consumer Services			33,000
U.S. Department of Transportation:			
Federal Transit Administration			
Direct Program:			
Federal Transit – Capital Investment Grants – Electrowave Shuttle Service	20.500	FL-03-0233	735,821
Federal Transit – Capital Investment Grants – Electrowave Shuttle Service	20.500	FL-03-0245	377,951
Federal Transit – Capital Investment Grants – Electrowave Shuttle Service	20.500	FL-90-X487-00	600,000
			1,713,772
Pass-through State of Florida:			
Florida Department of Transportation			
Highway Planning and Construction-Beachwalk II	20.205	412796-1	34,626
ARRA-Highway Planning and Construction-Sunset Dr. Bridge	20.205	426501-1 (ARRA-453)	269,450
ARRA-Highway Planning and Construction-Sunset Dr. Bridge	20.205	426502-1 (ARRA-454)	254,014
ARRA-Highway Planning and Construction-Henedon Ave. Bridge	20.205	426497-1 (ARRA-339)	199,834
			757,924
Total U.S. Department of Transportation			2,471,696
U.S. Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter National Board Program – EFS Phase 27	97.024	159400-076	7,739
Emergency Food and Shelter National Board Program – EFS Phase 28	97.024	159400-076	9,675
Total U.S. Department of Homeland Security			17,414
Pass-through State of Florida:			
Florida Department of Community Affairs			
Pass-through Miami Dade County			
Office of Domestic Preparedness			
Homeland Security Grant Program – Urban Areas Security Initiative 2007	97.067	09DS-24-11-23-02-011	228,037
Homeland Security Grant Program – Urban Areas Security Initiative 2008	97.067	10DS-48-11-23-02-195	15,000
			243,037
Pass-through State of Florida:			
Florida Department of Community Affairs			
Disaster Grants-Public Assistance-FEMA-Disaster Relief Funding Agreement	97.036	06-WL-&K-11-23-02-567&	68,466
Hazard Mitigation Grant	97.039	08HM-6G-11-23-02-060	59,831
Total State-Pass-Florida Dept. of Community Affairs			371,334
Total Expenditures of Federal Awards			15,046,389

(Continued)

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2010

Federal/State Grantor/Pass-Through Entity Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures
State Grants:			
Florida Department of Health:			
Pass-Through Miami-Dade County:			
Emergency Prev/Prep/Response-EMS County Grants	64.005	C-9013	\$ 49,794
Florida Department of Health:			
Emergency Prev/Prep/Response-EMS County Grants	64.003	M9273	14,426
Department of Management Services			
Pass through Miami-Dade County:			
E911 State Grant Program	72.002	S2-08-10-5	467,324
Florida Department of State:			
Division of Historical Resources:			
Historic Preservation Grant-Fire Station No 2	45.031	SC114	81,918
Division of Cultural Affairs:			
Cultural and Museum Grants/Culture Builds Florida-Sleepless Night 2009	45.058	N/A	25,000
Florida Department of Environmental Protection:			
Florida Recreation Development Assistance Program-Flamingo Park Tennis Renov.	37.017	A08187	178,910
Florida Housing Finance Corporation:			
State Housing Initiatives Partnership Program	52.901	NA	1,039,266
Florida Department of Transportation			
State Highway Project Reimbursement-Indian Creek SR A1A 41st-26th Street	55.023	AOY 48	939,803
16th Street Corridor	55.012	ANH65	27,265
Total Expenditures of State Financial Assistance			<u>2,823,706</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 17,870,095</u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

City of Miami Beach, Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the expenditure activity of all federal awards and state projects of the City of Miami Beach, Florida (the "City") for the year ended September 30, 2010. The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as amounts passed through other government agencies are included in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net assets of the City.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

3. Subrecipient Awards

Of the federal awards and state financial assistance presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance, the City provided the following amounts to subrecipients:

Name of Program/Projects	CFDA/CSFA Number	Amount Provided to Subrecipient
Federal:		
Community Development Block Grant	14.218	\$ 909,386
Community Development Block Grant – DRI	14.228	398,250
Community Development Block Grant – Neighborhood Stabilization Grant	14.228	7,057,456
Home Program	14.239	1,447,860
ARRA-Community Development Block Grant Recovery	14.253	91,086
Total Federal		\$ 9,904,038
State:		
State Housing Initiatives Partnership Program	52.901	\$ 1,023,370

City of Miami Beach, Florida

Schedule of Findings and Questioned Costs
Federal Awards Programs and State Projects

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major program:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No
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Identification of major program:

Federal CFDA No.

Name of Federal Program or Cluster

14.218

U.S. Department of Housing and Urban Development:
Community Development Block Grant

14.228

U.S. Department of Housing and Urban Development:
Community Development Block Grants-Neighborhood Stabilization Program

14.257

U.S. Department of Housing and Urban Development:
ARRA-Homeless Prevention and Rapid Rehousing Program

20.205

U.S. Department of Transportation:
ARRA-Highway Planning and Construction

20.500

U.S. Department of Transportation:
FTA Section 5309-Electrowave Shuttle Service

Dollar threshold used to distinguish between type A and type B programs:

\$451,392

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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City of Miami Beach, Florida

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None reported

Type of auditor's report issued on compliance for major projects:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*?

<u> X </u> Yes	<u> </u> No
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Identification of major projects:

State CSFA No.

52.901

Name of State Projects

Florida Housing Finance Corporation:
State Housing Initiatives Partnership Program

55.023

Florida Department of Transportation:
State Highway Project Reimbursement -
Indian Creek SR A1A 41st-26th Street

72.002

Department of Management Services
Pass through Miami-Dade County:
E911 State Grant Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

Section II – Financial Statement Findings

- A. *Internal Control*
None reported.
- B. *Compliance*
None reported

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

- A. *Internal Control over Compliance*

Federal Awards

IC 2010-01 Subrecipient Monitoring

U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant (CDBG)(CFDA No. 14.218)

U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant (CDBG)(CFDA No. 14.228)

Criteria: OMB Circular A-133, and the subrecipient agreements, requires that a pass-through entity be responsible for monitoring subrecipient activities and that the subrecipient is administering federal awards in compliance with federal requirements. A control system should be in place to ensure subrecipient monitoring activities occur on a timely basis.

Condition: Monthly and/or quarterly reports were not prepared and/or submitted in a timely manner by the subrecipients to the City. It was noted that the following reports were not submitted correctly by the subrecipients:

- One out of twelve required monthly reports was submitted for the Miami Beach Community Development Corporation – N. Beach Scattered Site project.
- Five out of twelve required monthly reports were submitted for the Housing Authority Rebecca Towers N. Elevators. Additionally of the five, December 2009, January 2010, March 2010, were submitted past their due date project.
- One out of four required quarterly reports was submitted for the Miami Beach Community Development Corporation – Home Ownership project.
- One out of four required quarterly reports was submitted for Miami Beach Community Development Corporation - Rehab Rental Housing project.
- Eight out of twelve required reports were not submitted for Miami Beach Community Development Corporation-Neighborhood Stabilization Program.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

Questioned costs: Undeterminable.

Context: We selected five of the eighteen subrecipients who received CDBG funds. See relationship of findings to the population tested in the condition above.

Effect: Subrecipients may not be administering the activities funded by the program in accordance with the provisions of the program requirements and grant agreements which may result in repayment of awards.

Cause: The City has not developed formal policies and procedures on subrecipient monitoring and report review.

Recommendation: We recommend the City establish formal policies and procedures for monitoring and reviewing the activities of the sub-grantees of the program. A spreadsheet should be maintained for all subrecipients to track the timely submission of the reports.

Views of responsible officials and planned corrective action: Policies and Procedures were developed in January 2011 and are being reviewed for implementation. These include moving to quarterly reporting versus monthly reporting for all new sub recipients. Monitoring requirements for Real Estate, Housing & Community Development (REHCD) staff is also included and staff training will be conducted once they are finalized and implemented.

IC 2010-02 Reporting

**U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant “CDBG” (CFDA No. 14.218)**

Criteria: By the 15th of each quarter, a Federal Cash Transaction Report is to be submitted to the agency. The City must have an internal control policy in place to review each Federal Cash Transaction Report and ensure compliance with the reporting requirements.

Condition: There were no procedures in place to monitor and ensure compliance with the reporting requirements of the CDBG Program. As a result, the required report for one quarter was submitted approximately 5 months past due by the City to the Department of Housing and Urban Development.

Questioned costs: Undeterminable.

Context: In fiscal year 2010, the City submitted the Federal Cash Transaction Report for the quarter ended 9/30/10 on March 2, 2011, approximately 5 months past due.

Effect: City's non compliance with grant requirements may result in repayment of award monies.

Cause: The City has not developed a procedure to ensure compliance requirements are being adhered to.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

Recommendation: We recommend the City establish a formal policy and procedure to notify City employees on pertinent due dates relating to grant awards. A tracking system should be developed to track the timely submission of the reports.

Views of responsible officials and planned corrective action: A procedure has been established which includes the designation of responsibility for this requirement, and the inclusion of deadlines for the Federal Cash Transaction Reports on the Division's master calendar of required reports. Additionally, staff is reviewing current contract tracking/monitoring software options for feasibility of implementation.

IC 2010-03 Procurement & Suspension and Debarred

**U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant "CDBG" (CFDA No. 14.218)**

Criteria: Local governments shall use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule. Additionally, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" including those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.

Condition: In fiscal year 2010, the City did not have a system in place to verify whether vendors under contract were suspended or debarred.

Questioned costs: Undeterminable.

Context: In fiscal year 2010, four of the five covered transactions/contracts that were entered into on behalf of the City, were not reviewed for the suspension and debarred requirement.

Effect: City's non compliance with grant requirements may result in repayment of award monies.

Cause: The City has not developed a procedure to ensure compliance requirements are being adhered to.

Recommendation: We recommend the City establish a formal policy and procedure to notify City employees on pertinent requirements relating to grant awards and to ensure compliance requirements are being adhered to.

Views of responsible officials and planned corrective action: Policies and Procedures (PAP) were developed in January 2011 and are under review. A procedure will be included in the PAP requiring the confirmation and documentation by the City's sub-awardees that parties that they will contract with have been screened by them to ensure that none have been suspended or debarred/have principals that have been suspended or debarred, prior to the City's sub-awardee receiving any allocations of funding from the City relating to that contracted entity.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

IC 2010-04 Davis Bacon Act

U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant “CDBG” (CFDA No. 14.218)

Criteria: According to Department of Labor Regulation 29 CFR Part 5 and the OMB Circular A-110, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Condition: In fiscal year 2010, wages for three work classifications were noted to be under the Miami-Dade County minimum requirement.

Questioned costs: Undeterminable.

Context: In fiscal year 2010, wages for three work classifications were noted to be under the Miami-Dade County minimum requirement.

Effect: City's non compliance with grant requirements may result in repayment of award monies.

Cause: The City has not developed a procedure to ensure compliance requirements are being adhered to.

Recommendation: We recommend the City establish a formal policy and procedure to notify City employees on pertinent requirements relating to grant awards and to ensure compliance requirements are being adhered to.

Views of responsible officials and planned corrective action: Policies and Procedures (PAP) were developed in January 2011 and are being reviewed for implementation. The PAP will delineate the requirements for the monitoring of construction projects and establishes criteria for use by contract monitors to ensure compliance with all federal requirements, including the Davis-Bacon Act.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

State Awards

IC 2010-05 – Subrecipient Monitoring

Florida Department of Environmental Protection
State Housing Initiatives Partnership “SHIP” (CFSA No. 52.901)

Criteria: Florida statutes, Sections 420.907 through 420.9079 over the SHIP grant and Chapter 67-37.007 Florida Administrative Code, stipulates that a pass-through entity is responsible for monitoring subrecipient activities and that the subrecipient is administering state awards in compliance with state requirements. A control system should be in place to ensure subrecipient monitoring activities occur on a timely basis.

Condition: There were no procedures in place to monitor and ensure compliance with the subrecipient requirements of the SHIP Program. As a result, monthly reports were not prepared and or submitted in a timely manner by the subrecipient, Miami Beach Community Development Center, to the City as required by the subrecipient's agreements.

Questioned costs: Undeterminable.

Context: In fiscal year 2010, there was one subrecipient who received SHIP funds. We tested the one subrecipient and noted for the months of January, February, April, July, and August of 2010 the reports were submitted past the due date of 10 days after month end.

Effect: Subrecipients may not be administering the activities funded by the program in accordance with the provisions of the program requirements and grant agreements which may result in repayment of awards.

Cause: The City has not developed a formal policy and procedures on subrecipient monitoring and site visit review.

Recommendation: We recommend the City establish a formal policy and procedure for monitoring and reviewing the activities of the sub-grantees of the program. A spreadsheet should be maintained for all subrecipients to track the timely submission of the reports.

Views of responsible officials and planned corrective action: Policies and Procedures (PAP) were developed in January 2011 and are being reviewed for implementation. The PAP will delineate the requirements for contract monitoring. In addition, staff is reviewing current contract tracking software options for feasibility of implementation to assist in tracking compliance requirements.

However, it should be noted that the Florida Housing Program Administration Manual, which are the rules for the SHIP program, does not require monthly or quarterly reporting from sub-recipients, only the submission of an annual report by the City to the State. However, the City's Fiscal Year 2009/2010 contract with the City's sub-recipient required quarterly status reports containing information derived from each reimbursement request submitted by the sub-recipient.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

IC 2010-06 – Reporting

Florida Department of Environmental Protection
State Housing Initiatives Partnership “SHIP” (CFSA No. 52.901)

Criteria: Each county of eligible municipality shall submit to the Florida Housing Finance Corporation (FHFC) by September 15 of each year a report of its affordable housing programs and accomplishments through June 30th. The City must have an internal control policy in place to review each housing project and ensure compliance with the reporting requirements.

Condition: There was no procedure in place to monitor and ensure compliance with the reporting requirements of the SHIP Program. As a result, the required report was submitted two days late by the City to FHFC.

Questioned costs: Undeterminable.

Context: In fiscal year 2010, the City submitted the Annual Report for fiscal years 2007-2008, 2008-2009, and 2009-2010 on September 17, 2010, two days past due.

Effect: City's non compliance with grant requirements may result in repayment of award monies.

Cause: The City has not developed a procedure to ensure compliance requirements are being adhered to.

Recommendation: We recommend the City establish a formal policy and procedure to notify City employees on pertinent due dates relating to grant awards. A tracking system should be developed to track the timely submission of the reports.

Views of responsible officials and planned corrective action: The annual SHIP report was sent on the due date, September 15, 2010, via electronic correspondence to Florida Housing Finance Corporation, but was not accepted as a timely submission due to the new online submission requirement. A procedure and new time-line has been established and calendared to complete and file the annual SHIP report as required by program rules. This procedure will be memorialized in the Policies and Procedures manual.

Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs and State Projects

B. Compliance Findings

Federal Awards

CF 2010-01 Reporting

**U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant “CDBG” (CFDA No. 14.218)**

See IC 2010-02

Views of responsible officials and planned corrective actions: See IC 2010-02 for detailed view of responsible officials and planned corrective action.

CF 2010-02 Davis Bacon

**U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant “CDBG” (CFDA No. 14.218)**

See IC 2010-04

Views of responsible officials and planned corrective actions: See IC 2010-04 for detailed view of responsible officials and planned corrective action.

State Financial Assistance

CF 2010-03 – Reporting

**Florida Department of Environmental Protection
State Housing Initiatives Partnership “SHIP” (CFSA No. 52.901)**

See IC 2010-06

Views of responsible officials and planned corrective actions: See IC 2010-06 for detailed view of responsible officials and planned corrective action.

City of Miami Beach, Florida

Schedule of Prior Year Audit Findings
Federal Awards Programs and State Projects

Finding #	Finding Title	Status	Explanation
Findings related to financial statements:			
CF 2009-01	Subrecipient Monitoring (CFDA No.14.218) Monthly reports were not prepared and/or submitted in a timely manner by the subrecipients to the City as required by the subrecipient agreements. In addition, no evidence of monitoring visits were found in several subrecipient's files.	Not Corrected	The City agrees that formal policies and procedures for monitoring and reviewing activities are necessary. The City concurs that a formal process must be implemented for monitoring visits and other program compliance. The City is currently undergoing a review of all files and developing monitoring tools for each subrecipient file which will document responsibilities, contract deliverables, and deadlines. Furthermore, The City is in the process of notifying all subrecipients that failure to file monthly reports is a default under their contracts.
CF 2009-02	Earmarking (CFDA No. 14.218) There was no procedure in place to monitor and ensure compliance with the earmarking requirements of the CDBG Program, therefore, the City exceeded the allotted amount during fiscal year 2009.	Corrected	The City corrected the specific finding in fiscal year 2009.
CF 2009-03	Special Test (CFDA No.14.218) An environmental review was not completed for the Miami Beach Community Development Corporation – Allen House Apartments.	Corrected	The City corrected the specific finding in fiscal year 2009.
CF 2009-04	Subrecipient Monitoring (CFDA No.14.239) Monitoring of subrecipient activities was not conducted during fiscal year 2009 for the Miami Beach Community Development Center – Community Housing Development Organization.	Corrected	The City corrected the specific finding in fiscal year 2009.
CF 2009-05	Reporting (CSFA No. 55.901) There was no procedure in place to monitor and ensure compliance with the reporting requirements of the SHIP Program. As a result, the required report was submitted forty-nine days late by the City to FHFC.	Corrected	The City corrected the specific finding in fiscal year 2009.

City of Miami Beach, Florida

Schedule of Prior Year Audit Findings Federal Awards Programs and State Projects (Continued)

CF 2009-06 Special Test (CSFA No. 55.901)

There was no procedure in place to monitor and ensure compliance with the earmarking requirements of the SHIP Program. As a result, the City did not meet any of the required earmarking requirements during fiscal year 2009 for the closing year of fiscal year 2006-2007.

Corrected

The City corrected the specific finding in fiscal year 2009.

CF 2009-07 Subrecipient Monitoring (CSFA No.55.901)

There was no procedure in place to monitor and ensure compliance with the subrecipient requirements of the SHIP Program. As a result, monthly reports were not prepared and or submitted in a timely manner by the subrecipient, Miami Beach Community Development Center, to the City as required by the subrecipient's agreements. Additionally, monitoring of subrecipient activities was not conducted during fiscal year 2009 by the City.

Corrected

The City corrected the specific finding in fiscal year 2009.