

# McGladrey & Pullen

Certified Public Accountants

## 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, 2009

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# McGladrey & Pullen

Certified Public Accountants

**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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 26, 2010. Our report was modified to include a reference to other auditors and the adoption of the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No.54, *Accounting for Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2009. 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; the Firemen's Relief and Pension Fund; and the Policemen'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 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 April 26, 2010.

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-Dade County, Florida  
April 26, 2010.

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Compliance With Requirements Applicable  
to Each Major Federal 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 compliance of the City of Miami Beach, Florida (the "City") 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 are applicable to each of its major federal programs and each major state project for the year ended September 30, 2009. 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 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 requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. 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 2009-01, CF 2009-02, CF 2009-03, CF 2009-04, CF 2009-05, CF 2006-06 and CF 2009-07.

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project, that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC 2009-01 through IC 2009-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by any entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### ***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, 2009 and have issued our report thereon dated April 26, 2010. Our report was modified to include a reference to other auditors and the adoption of the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No.54, *Accounting for Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2009. 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-Dade County, Florida

June 22, 2010, except for the Schedule of Expenditures of Federal Awards and State Financial Assistance which is dated April 26, 2010.

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2009

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	14.218	B-XX-MC-12-0014	\$ 1,744,174
CDBG-Section 108 Loan Guarantees	14.248	B-94-MC-12-0014	35,719
Home Investment Partnership Program	14.239	M-XX-MC-12-0014	747,697
Homeless Prevention and Rapid Rehousing Program (Recovery Act Funded)	14.257	S09-MY-12-0007	<u>2,109</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><u>2,529,699</u></u>
U.S. Department of Justice:			
Direct Program:			
Juvenile Justice and Delinquency Prevention –Teen Club	16.541	2008-JL-FX-0481	330,110
Pass-Through State of Florida:			
Office of Attorney General			
Crime Victim Assistance – VOCA	16.575	V8057	<u>52,927</u>
<b>Total U.S. Department of Justice</b>			<u><u>383,037</u></u>
U. S. Department of Transportation:			
Pass-Through State of Florida:			
Florida Department of Transportation Highway Planning and Construction-Beachwalk II	20.205	4127961	<u>28,523</u>
U.S. Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter National Board Program – EFS Phase 26	97.024	159400-076	4,570
Emergency Food and Shelter National Board Program – EFS Phase 27	97.024	159400-076	8,240
Pass-through State of Florida:			
Florida Department of Community Affairs			
Pass-through Miami Dade County			
Office of Domestic Preparedness Homeland Security Grant Program	97.067	07DS-5S-11-23-02-379	249,576
Homeland Security Grant Program – Urban Areas Security Initiative 2007	97.067	09DS-24-11-23-02-011	25,301
Disaster Grants-Public Assistance – FEMA – Disaster Relief Funding Agreement	97.036	06-WL-&K-11-23-02-567	<u>14,078</u>
<b>Total U.S. Department of Homeland Security</b>			<u><u>301,765</u></u>

(Continued)

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)  
 Year Ended September 30, 2009

Federal/State Grantor/Pass-Through Entity Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures
National Endowment for the Arts Direct Program: Promotion of the Arts Sleepless Night 2009	45.024	09-6200-7027	<u>\$ 24,780</u>
<b>Total Expenditures of Federal Awards</b>			<u>3,267,804</u>
State Grants:			
Florida Department of Health: Pass-Through Miami-Dade County: Emergency Medical Services	64.005	C-8013	10,792
Florida Department of State: Division of Historical Resources: Historic Preservation Grant-Fire Station No 2	45.031	SC114	15,515
Division of Cultural Affairs: Cultural Facilities Grant Program-Colony Theatre Renovation	45.014	07-09007	291,789
Florida Department of Environmental Protection: Water Resource Management-Normandy Shores	37.039	LP6055/3	500,000
Florida Housing Finance Corporation: State Housing Initiatives Partnership Program	52.901	NA	<u>544,142</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>1,362,238</u>
<b>Total Expenditures of Federal Awards and State Financial Assistance</b>			<u><u>\$ 4,630,042</u></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  
Year Ended September 30, 2009

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1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance 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, 2009. 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.

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	\$ 1,444,174
Home Program	14.239	598,309
<b>Total Federal</b>		<u><u>\$ 2,042,483</u></u>
State:		
State Housing Initiatives Partnership Program	52.901	<u><u>\$ 426,252</u></u>

City of Miami Beach, Florida

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

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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? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X       No

Federal Awards

Internal control over major program:

Material weakness(es) identified? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?       X       Yes \_\_\_\_\_ 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?       X       Yes \_\_\_\_\_ No

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

14.239

U.S. Department of Housing and Urban Development:  
Home Investment Partnership Program

16.541

U.S. Department of Justice:  
Juvenile Justice and Delinquency Prevention -Teen Club

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

\$300,000

Auditee qualified as low-risk auditee?       X       Yes \_\_\_\_\_ No

City of Miami Beach, Florida

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

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State Financial Assistance

Internal control over major projects:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ <u>X</u> Yes	_____ 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	_____ No
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Identification of major projects:

State CSFA No.

45.014

52.901

Name of State Projects

Division of Cultural Affairs:

Cultural Facilities Grant Program-Colony Theatre Renovation

Florida Housing Finance Corporation:

State Housing Initiatives Partnership 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

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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 2009-01 Subrecipient Monitoring

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

Criteria: OMB Circular A-133 which requires that a pass-through entity is 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 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. It was noted that the following reports were not submitted by the subrecipients and the following monitoring visits were not documented or evident in subrecipients files:

- Miami Beach Community Development Center was missing monthly reports for the entire fiscal year for the Allen House Apartments, Home Ownership Assistance, Multi-family housing program, and Tenant services coordinator. Additionally all of the reports for the Meridian Apartments Façade's were submitted past their due dates.
  
- Unidad of Miami Beach, Inc. North Beach Senior Center's November 2008, December 2008, April 2009, June 2009, and September 2009 were the only reports that were submitted during fiscal year 2009. Additionally, all of the above reports listed were submitted past their due date.
  
- Miami Beach Community Development Corporation – Allen House Apartments, Home Ownership Assistance, Multi-Family Housing Programs, Tenant Services; Unidad of Miami Beach, Inc.–North Beach Senior Center, and Project Link, had no evidence of a monitoring visit being performed.

Questioned costs: Undeterminable.

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

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Context: We selected seven of the twenty-four subrecipients who received CDBG funds. During subrecipient testing we noted the inconsistency of reporting by the subrecipients. In addition, we performed inquiry and verification from subrecipients' files on the documentation results of monitoring visits. We noted Miami Beach Community Development Corporation – Allen House Apartments, Home Ownership Assistance, Multi-Family Housing Programs, Tenant Services; Unidad of Miami Beach, Inc. – North Beach Senior Center, and Project Link, had no evidence of a monitoring visit being performed.

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. In addition, each site monitoring should be clearly documented indicating at a minimum, the name of the monitor, the date the monitoring occurred, the procedures performed, and if the subrecipient complied with laws, regulations and the provisions of contracts and grant agreements.

Views of responsible officials and planned corrective action: The City agrees that formal policies and procedures for monitoring and reviewing activities are necessary. Staff concurs that a formal process must be implemented for monitoring visits and other program compliance. We are currently undergoing a review of all files and developing monitoring tools (cover pages) for each subrecipient file which will document responsibilities, contract deliverables, and deadlines. Staff is also being cross-trained to ensure compliance with program rules and notifying all subrecipients that failure to file monthly reports is a default under their contracts.

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

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IC 2009-02 Earmarking

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

Criteria: 24 CFR section 570.201(e) of OMB Circular A-133, stipulates that funds obligated during the program year for public services must not exceed fifteen percent of the grant amount it received for that year plus fifteen percent of the program income it received during the preceding program year. The City must have an internal control policy in place to review each housing project and ensure compliance with the earmarking requirements.

Condition: 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.

Questioned costs: \$32,830.

Context: In fiscal year 2009, total public services expenditure amounted to \$291,218 while the maximum funds available to be obligated for public services expenditure (fifteen percent of fiscal year 2009 total expenditures) amounted to \$258,389.

Effect: Failure to review amounts incurred for earmarking could result in prescribed limits not being met and not being detected in a timely detection and could thus result in noncompliance.

Cause: The City has not developed sufficient procedures to ensure and monitor compliance. The City did not budget appropriately the amount of total public services expenditure allowed based on the fiscal year 2009 award amount.

Recommendation: We recommend that the City establish an appropriate budget for the public service expenditures and implement a procedure whereby as part of the review process management compares actual expenditures to budgeted expenditures to ensure adherence to the compliance requirements.

View of responsible officials and planned corrective action: The City exceeded the Public Services cap by assigning a service category to an affordable housing developer. The developer's tenant services activities were erroneously labeled as a housing activity, as such, the City exceeded its public services cap. This error was noted by City staff in the 2008/2009 CAPER to HUD. HUD has recently informed City staff that an adjustment may be made in the allocations of CDBG public service funds for the FY2010/2011 award. The excess public services funds utilized in FY2008/2009 will be reduced from the next funding cycle.

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

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IC 2009-03 Special Test

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

Criteria: 24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604 of OMB Circular A-133 stipulates that projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from request for release of funds and environmental certification requirements. Additionally, when CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed. The City must have an internal control policy in place to review each housing project and ensure compliance with the environmental review requirements.

Condition: An environmental review was not completed for the Miami Beach Community Development Corporation – Allen House Apartments.

Questioned costs: Undeterminable.

Context: In fiscal year 2009, the City did not have documentation of a completed environmental review for the Miami Beach Community Development Corporation - Allen House Apartments.

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 by subrecipients.

Recommendation: We recommend the City establish a formal policy and procedure for monitoring and reviewing the activities of the sub-grantees of the program to ensure that the subrecipients are adhering to all compliance requirements.

View of responsible officials and planned corrective action: Staff concurs that the environmental assessment was not received prior to the end of the fiscal year. The environmental report has now been performed and has been submitted for approval to the State of Florida.

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

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IC 2009-04-Subrecipient Monitoring

U.S. Department of Housing and Urban Development (HUD) -  
HOME Investment Partnership Program (CFDA No. 14.239)

Criteria: OMB Circular A-133 stipulates that a pass-through entity is responsible for monitoring subrecipient activities and that the subrecipient is administering federal awards in compliance with federal requirements.

Condition: Monitoring of subrecipient activities was not conducted during fiscal year 2009 for the Miami Beach Community Development Center – Community Housing Development Organization.

Questioned costs: Undeterminable.

Context: In fiscal year 2009, there was one subrecipient who received HOME funds. M&P tested the one subrecipient and noted there was no evidence of submission of monthly reports by the subrecipient to the City. Additionally, we performed inquiry and verification from the subrecipient's file on the documentation results of monitoring visits and noted no evidence of review of the one monitoring visit conducted on Miami Beach Community Development Corporation during fiscal year 2009.

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. In addition, each site monitoring should be clearly documented indicating at a minimum, the name of the monitor, the date the monitoring occurred, the procedures performed, and if the subrecipient complied with laws, regulations and the provisions of contracts and grant agreements.

View of responsible officials and planned corrective action: The City agrees that formal policies and procedures for monitoring and reviewing activities are necessary. Staff concurs that a formal process must be implemented for monitoring visits and other program compliance. We are currently undergoing a review of all files and developing monitoring tools (cover pages) for each subrecipient file which will document responsibilities, contract deliverables, and deadlines. Staff is also being cross-trained to ensure compliance with program rules and notifying all subrecipients that failure to file monthly reports is a default under their contracts.

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

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State Awards

IC-2009-05 – 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 forty-nine days late by the City to FHFC.

Questioned costs: Undeterminable.

Context: In fiscal year 2009, the City submitted the Annual Report for fiscal years 2006-2007, 2007-2008, and 2008-2009 on November 3, 2009, forty-nine 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.

View of responsible officials and planned corrective action: The City will use a tracking system already in place that required reports are filed in a timely manner.

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

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IC 2009-06 – Special Test

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

Criteria: The City must have an internal control policy in place to review each housing project and ensure compliance with the earmarking requirements. Florida statutes, Sections 420.907 through 420.9079 over the SHIP grant, stipulates the following earmarking requirements:

- At least 65 % of the funds made available in each county must be reserved for home ownership for eligible persons.
- At least 75% of funds made available must be reserved for construction, rehabilitation, or emergency repair of affordable, eligible housing.
- At least 30% of funds must be reserved for awards to very low income persons or eligible sponsors who will serve very low income persons and at least an additional 30% of funds must be reserved for awards to low-income persons or eligible sponsors who will serve low income persons.
- Administrative Expense (LHAP).

Condition: 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.

Questioned costs: Undeterminable.

Context: The City did not meet any of the required earmarking requirements during fiscal year 2009 for the closing year of fiscal year 2006-2007. This is a systemic problem as there was no procedure in place to ensure and monitor compliance.

Effect: Failure to review amounts incurred for earmarking could result in prescribed limits not being met and not being detected in a timely detection and could thus result in noncompliance.

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 ensure compliance requirements are met.

View of responsible officials and planned corrective action: The City has three years in which to expend SHIP funds. The original deadline to expend the grant year ending June 30, 2007 funds was June 30, 2009, however two six month extensions were requested and granted by the State. The deadline to expend the funds is currently June 30, 2010.

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

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IC 2009-07 – 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 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.

Questioned costs: Undeterminable.

Context: In fiscal year 2009, there was one subrecipient who received SHIP funds. M&P tested the one subrecipient and noted there was no evidence of submission of monthly reports by the subrecipient to the City. Additionally, we performed inquiry and verification from subrecipients’ file on the documentation results of monitoring visits. We noted Miami Beach Community Development Corporation had no evidence of a monitoring visit being performed.

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. In addition, each site monitoring should be clearly documented indicating at a minimum, the name of the monitor, the date the monitoring occurred, the procedures performed, and if the subrecipient complied with laws, regulations and the provisions of contracts and grant agreements.

View of responsible officials and planned corrective action: The City agrees that formal policies and procedures for monitoring and reviewing activities are necessary. Staff concurs that a formal process must be implemented for monitoring visits and other program compliance. We are currently undergoing a review of all files and developing monitoring tools (cover pages) for each subrecipient file which will document responsibilities, contract deliverables, and deadlines. Staff is also being cross-trained to ensure compliance with program rules and notifying all subrecipients that failure to file monthly reports is a default under their contracts.

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

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*B. Compliance Findings*

**Federal Awards**

**CF 2009-01 Subrecipient Monitoring**

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

See IC 2009-01

Views of responsible officials and planned corrective actions: See IC 2009-01 for detailed view of responsible officials and planned corrective action.

**CF 2009-02 Earmarking**

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

See IC 2009-02

Views of responsible officials and planned corrective actions: See IC 2009-02 for detailed view of responsible officials and planned corrective action.

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

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**CF 2009-03 Special Test**

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

See IC 2009-03

Views of responsible officials and planned corrective actions: See IC 2009-03 for detailed view of responsible officials and planned corrective action.

**CF 2009-04 Subrecipient Monitoring**

**U.S. Department of Housing and Urban Development (HUD) -  
HOME Investment Partnership Program (CFDA No. 14.239)**

See IC 2009-04

Views of responsible officials and planned corrective actions: See IC 2009-04 for detailed view of responsible officials and planned corrective action.

**State Financial Assistance**

**CF 2009-05 Reporting**

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

See IC 2009-05

Views of responsible officials and planned corrective actions: See IC 2009-05 for detailed view of responsible officials and planned corrective action.

**CF 2009-06 Special Test**

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

See IC 2009-06

Views of responsible officials and planned corrective actions: See IC 2009-06 for detailed view of responsible officials and planned corrective action.

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

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CF 2009-07 Subrecipient Monitoring

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

See IC 2009-07

Views of responsible officials and planned corrective actions: See IC 2009-07 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

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Finding #	Finding Title	Status	Explanation
<b>Findings related to financial statements:</b>			
<b>CF 2008-01</b>	<b>Subrecipient Monitoring(CFDA No.14.218)</b> There was no evidence of monitoring being performed by the City for one of the subrecipients in order to ensure that the subrecipient was in compliance with the provisions of contracts and grant agreements.	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.
<b>CF 2008-02</b>	<b>Reporting(CFDA No. 14.248)</b> The City failed to submit the monthly reports by the 15th day of each month. For six of the twelve reports selected for testing.	Corrected	The City corrected the specific finding in fiscal year 2009.
<b>CF 2008-03</b>	<b>Reporting(CFDA No. 16.738)</b> During our testing we noted of the four reports tested, two reports were not submitted timely.	Corrected	The City corrected the specific finding in fiscal year 2009.

June 25, 2010

**CONFIDENTIAL**

Allison Williams, Chief Accountant  
City of Miami Beach, Florida  
1700 Convention Center Drive  
Miami Beach, FL 33139

Dear Allison:

Enclosed you will find ten (10) bound copies of the City of Miami Beach, Florida Single Audit Report for the year ended September 30, 2009.

Please destroy the final copies that were sent to you previously.

Very truly yours,

McGLADREY & PULLEN, LLP

*Carrie A. DeRosa*