

City of Miami Beach, Florida

Single Audit Reports in Accordance With
OMB Circular A-133
Year Ended September 30, 2013

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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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2014. Our report includes a reference to other auditors who 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 of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Miami, Florida
March 31, 2014



**Independent Auditor's Report
on Compliance For Each Major Federal Program; Report
on Internal Control Over Compliance; and Report on
Schedule of Expenditures of Federal Awards Required
by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Miami Beach, Florida's (the "City") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grant ("CDBG") and Community Development Block Grants – Neighborhood Stabilization Program ("CDBG –NSP")

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CDBG [CFDA 14.218], and CDBG – NSP [CFDA 14.228] as described in finding number CF 2013-01 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CDBG and CDBG-NSP

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CDBG [CFDA 14.218], and CDBG – NSP [CFDA 14.228] for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as CF 2013-02, CF 2013-03 and CF 2013-04. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-03 and 2013-04 to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2014, which contained unmodified opinions on those financial statements. Our report was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

Miami, Florida
June 16, 2014, except for our report on the Schedule of Expenditures
of Federal Awards for which the date is March 31, 2014.

City of Miami Beach, Florida

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013**

Federal/Pass-Through Entity Program Title	CFDA 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-11-MC-12-0014	\$ 1,313,742
Community Development Block Grant/ Entitlement Grants (NSP3)	14.218	B-11-MN-12-0039	649,478
			<u>1,963,220</u>
Home Investment Partnership Program	14.239	M-11-MC-12-0212	180,168
Community Development Block Grants – Section 108 Loan Guarantees	14.248	B-94-MC-12-0014	577,969
Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants (ED)	14.251	B-08-SP-FL-0543	46,937
Pass-through Department of Community Affairs:			
Community Development Block Grants – Neighborhood Stabilization Program	14.228	10DB-4X-11-23-02-F16	262,098
Pass-through Dept. Community Affairs – Pass through – Miami Dade County:			
Supportive Housing Program	14.235	FL0177B4D001104 & FL0177L4D001205	58,968
Total U.S. Department of Housing and Urban Development			<u>3,089,360</u>
U.S. Department of Justice:			
Direct Program:			
National Institute of Justice:			
National Institute of Justice Research, Evaluation, and Development – Police Homicide Cold Case	16.560	2009-DN-BX-K009	3,658
Congressionally Recommended Awards – Teen Club 2010	16.753	2010-DD-BX-0435	84,834
Federal Equitable Sharing Agreement	16.000	FL0130700	375,788
Edward Byrne Memorial Justice Assistance Grant Program Cluster – JAG (FY2009)	16.738	2009-DJ-BX-0746	115,065
ARRA – Edward Byrne Memorial Justice Assistance Cluster (JAG – CAD/RMS)	16.804	2009-SB-B9-2634	185,172
Pass-Through State of Florida/Miami-Dade County:			
Edward Byrne Memorial Justice Assistance Grant Program Cluster – Criminal Justice Records Improvement	16.738	N/A	8,389
ARRA-Edward Byrne Memorial Justice Assistance Grant Program Cluster - Countywide prisoner processing project	16.803	2010-ARRC-DADE-2-W7-118	18,000
Total Justice Assistance Grant Cluster			<u>326,626</u>
Pass-Through State of Florida/Office of the Attorney General:			
Crime Victim Assistance – VOCA	16.575	V12027	58,220
Total U.S. Department of Justice			<u>849,126</u>

City of Miami Beach, Florida

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2013**

Federal/Pass-Through Entity Program Title	CFDA Number	Grant/Contract Number	Expenditures
U.S. Department of Commerce:			
Pass-through State of Florida Department of Environmental Protection Coastal Zone Administration Awards	11.419	CM231	<u>\$ 4,972</u>
Total U.S. Department of Commerce			<u>4,972</u>
U.S. Department of Transportation:			
Pass-through State of Florida:			
Florida Department of Transportation			
Highway Planning and Construction – Middle Beach Recreational Corridor Phase 1	20.205	APG78	154,778
Highway Planning and Construction – Middle Beach Recreational Corridor Phase 2	20.205	APT97	108,287
Highway Planning and Construction – Venetian Causeway	20.205	APG95	325,725
Highway Planning and Construction – West Avenue Bridge	20.205	APJ33	99,344
Highway Planning and Construction – Dade Boulevard Bike	20.205	AP817	825,036
ARRA-Highway Planning and Construction – Dickens Avenue Lap Project	20.205	426629-3 (APS 85)	146,834
ARRA-Highway Planning and Construction – Byron Avenue	20.205	426629-4 (APS 86)	42,208
Total U.S. Department of Transportation			<u>1,702,212</u>
U.S. Department of Homeland Security:			
Pass-through United Way of Miami-Dade			
Emergency Food and Shelter National Board Program-EFS Phase 30	97.024	159400-076	<u>12,747</u>
			<u>12,747</u>
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 2008	97.067	10DS-48-11-23-02-195	65,708
Pass-through State of Florida:			
Florida Division of Emergency Management			
Pass-through City of Miami			
Homeland Security Grant Program – Urban Areas Security Initiative 2009	97.067	11DS-32-11-23-02-233	167,644
Homeland Security Grant Program – Urban Areas Security Initiative 2010	97.067	12DS-A1-11-23-02-428	178,307
Homeland Security Grant Program – Urban Areas Security Initiative 2011	97.067	12DS-22-11-23-02-236	93,383
Pass-through State of Florida:			
Florida Department of Financial Services			
Homeland Security Grant Program – State Homeland Security	97.067	10DS-39-13-00-16-414	347
			<u>505,389</u>
Pass-through State of Florida:			
Florida Department of Community Affairs			
Hazard Mitigation Grant	97.039	11HM-2Y-11-23-02-003	61,326
Emergency Preparedness Demonstration Program (EOC Grant)	97.001	11DS-37-11-23-02-198	20,764
Pass-through State of Florida:			
Florida Division of Emergency Management			
Pre-Disaster Mitigation Grant-Talmudic University	97.047	13DM-24-11-23-02-281	37,500
Pre-Disaster Mitigation Grant-Mount Sinai	97.047	12DM-5J-11-23-02-293	338,740
			<u>376,240</u>
Total U.S. Department of Homeland Security			<u>976,466</u>
U.S. Department of Interior:			
Pass through State of Florida Department of State:			
Division of Historical Resources			
Historic Preservation Fund Grants-In-Aid	15.904	F1202	10,000
Total U.S. Department of Interior			<u>10,000</u>
Total Expenditures of Federal Awards			<u>\$ 6,632,136</u>

N/A – Not Available

See Notes to Schedule of Expenditures of Federal Awards

City of Miami Beach, Florida

Notes to the Schedule of Expenditures of Federal Awards

1. General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the expenditure activity of all federal awards of the City of Miami Beach, Florida (the "City") for the year ended September 30, 2013. The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as amounts passed through other government agencies are included in the accompanying Schedule of Expenditures of Federal Awards and is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, changes in net assets or cash flows of the City.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards 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. Amounts are recognized following the cost principles contained in OMB Circular A-122, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

3. Sub-recipient Awards

Of the federal awards presented in the Schedule, the City provided the following amounts to sub-recipients:

Name of Program	CFDA Number	Amount Provided to Subrecipient
Federal:		
Community Development Block Grant	14.218	\$ 1,001,973
Community Development Block Grant-Neighborhood Stabilization Program	14.228	162,959
Home Program	14.239	131,260
Community Development Block Grant-Neighborhood Stabilization Program 3	14.218	582,853
Economic Development Initiative-Special Project, Neighborhood Initiative (EDI)	14.251	26,873
Pre-Disaster Mitigation Grant-Talmudic University	97.047	37,500
Pre-Disaster Mitigation Grant-Mount Sinai	97.047	338,740
Total Federal		\$ 2,282,158

City of Miami Beach, Florida

**Schedule of Findings and Questioned Costs
Federal Awards Programs**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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?	_____	X	Yes	_____	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: Qualified

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

<u>Federal CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grant (CDBG)
14.228	U.S. Department of Housing and Urban Development: Community Development Block Grant/ Entitlement Grants (NSP3)
14.248	U.S. Department of Housing and Urban Development: CDBG-Neighborhood Stabilization Program
16.738/16.803/16.804	U.S. Department of Housing and Urban Development: Community Development Block Grants - Section 108 Loan Guarantees
20.205	U.S. Department of Justice Cluster: Edward Byrne Memorial Justice Assistance Grant Program ARRA- Edward Byrne Memorial Justice Assistance
97.047	U.S. Department of Transportation: ARRA-Highway Planning and Construction
97.067	Pass-through State of Florida Division of Emergency Management: Pre-Disaster Mitigation Grant
	Pass-through State of Florida Division of Emergency Management: Homeland Security Grant Program -Urban Areas Security Initiative

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	_____	X	Yes	_____	No
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Schedule of Findings and Questioned Costs (Continued)
Federal Awards Programs

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 2013-01 Allowable Costs

**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
Community Development Block Grants-Neighborhood Stabilization Program (NSP) (CFDA
No. 14.228)**

Criteria: OMB Circular A-87 requires that in situations where employees work on multiple grants, their salary distribution must be supported by personnel activity reports or similar documents delineating the hours worked on each grant and other activities. In addition, the personnel activity reports should be prepared at least monthly and must include the employee’s signature. In situations where all of an individual’s salary is charged to a federal program, certifications should be prepared at least bi-annually to support the amounts charged to the federal program. In addition, 2 CFR part 215 requires that non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: We noted that for twenty-seven out of thirty-seven payroll expenditures tested, we were not provided any personnel activity reports delineating the hours worked by employees on each grant or certifications for those employees that work solely on one grant.

Questioned costs: \$273,481

Context: See “Condition” above.

Effect: Failure to maintain complete certifications could result in disallowance by the grantor of payroll expenditures. Without adequate internal controls over program costs, management faces the risk of submitting reimbursement requests for unallowable costs.

Cause: The City did not follow their internal control process in place to ensure that all individuals whose salaries are charged to federal programs and included in the personnel activity reports or certifications are signed by each employee. Further, there does not appear to be effective internal controls over payroll to ensure compliance with Federal requirements.

City of Miami Beach, Florida

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

Recommendation: We recommend that the City adhere to its formal policies and procedure relating to the payroll certification process. The provisions of the policy include the following: (1) If only a portion of the individual's salary is charged to the program, an after-the-fact payroll distribution should be maintained with the employee's signature. (2) If all of the employee's salary is charged to the program, the required certification should be prepared at least semi-annually with the employee's signature.

Views of responsible officials and planned corrective action: As of June 2, 2013, the City has required that all grant-funded employees complete individualized timesheets documenting the time expended by funding source. The timesheets must be signed by the employee and his/her supervisor as well as the Payroll Coordinator.

IC 2013-02 Period of Availability

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

Criteria: In accordance to Title 24 Code of Federal Regulations 570, recipients are required to carry out its CDBG assisted activities in a timely manner. In addition, it requires that non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: We noted for one out of forty-three non-payroll expenditures selected for testing, the City charged an expenditure to the grant that occurred outside of the period of availability.

Questioned costs: \$50,507

Context: In fiscal year 2013, for one of the expenditures tested, internal controls were not in place with regards to the period of availability.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend the City conduct training on their established policies and procedures and on the grant operating departments' responsibilities as they relate to the compliance requirements of the grant.

Views of responsible officials and planned corrective action: In May 2013, the City replaced department personnel and undertook an extensive review of HUD-funded activities. In July 2013, the City met with HUD officials to proactively review areas of concern and subsequent corrective actions. In July 2013, the City created several levels of review to ensure that grant funds are released as required. Among these: 1. The creation of an Excel-based contract management workbook that tracks the completion of required documentation (including the Environmental Review Release, contract agreement and required regulatory documentation) which must be completed prior to the creation of a funding account; 2. Sub-recipient reimbursement requests are reviewed to ensure adherence to the approved budget as reflected in the agreement by the Coordinator responsible for the contract, followed by the Financial Analyst who performs a secondary review, and, finally the Department Director; and 3. Contracts now specify a specific window for reimbursements and any change in either project timeframe or budget requires the approval of the Coordinator responsible for the contract, the Department Director and the City Manager. Such approval must be executed prior to the realization of any change or incurrence of any funds.

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

IC 2013-03 Allowable Activities, Allowable Costs and Subrecipient Monitoring

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

Criteria: OMB Circular A-133 Compliance Supplement stipulates adequate and effective internal controls must be in place over the applicable compliance requirements, including proper monitoring of subrecipients.

Condition: We noted that for seven out of the forty-three non-payroll expenditures that were submitted for reimbursement by the City to HUD, did not include adequate documentation provided by the subrecipient to the City, for the City to determine if the costs were allowable.

Questioned costs: \$150,736

Context: See condition above.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend that the City follow policies and procedures with regards to the accumulation and retention of supporting documentation to demonstrate compliance with applicable compliance requirements. In addition, we recommend that the City adequately reviews all documentation, including those submitted by subrecipients, before requesting reimbursement from the grantor agency.

Views of responsible officials and planned corrective action: In May 2013, the City replaced department personnel and undertook an extensive review of HUD-funded activities. In July 2013, the City met with HUD officials to proactively review areas of concern and subsequent corrective actions. Since July 2013, the City has required that Sub-recipient reimbursement requests include, at a minimum, documentation asserting the incurrence of expense including the expense invoice and copy of cancelled check. In addition, the back-up documentation demonstrating expense is included in the accounts payable system. While City contracts are primarily reimbursement-based, any request for an advance draw now requires advance written request from the Sub-recipient followed by the written approval of the Department Director and the City Manager prior to the release of any advance funds. Please further note that, as of the 2013/14 fiscal year, Sub-recipients are required to attend a contract compliance workshop prior to the issuance of their contracts and receive copies of the US Department of Housing and Urban Development expenditure and compliance manuals.

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

IC 2013-04 Cash Management [Review of Reimbursement Packages]

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

Criteria: OMB Circular A-133 Compliance Supplement states internal control over cash management should be designed and placed into operation to provide reasonable assurance that advancements and reimbursements comply with the federal award requirements. Per the granting agency, the grant is on reimbursement basis, in which expenditures are reimbursed as they occur.

Condition: We noted for nine out of forty-three non-payroll transactions selected for testing, that supporting documentation provided by the City did not include proof of payment by the subrecipient evidencing that the expenditure was actually incurred.

Questioned costs: \$594,422

Context: This condition is considered to be systemic in nature.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend that a more thorough review be performed by City personnel with respect to reimbursement packages received from subrecipients, to ascertain if amounts are first paid by them, prior to submission for reimbursement.

Views of responsible officials and planned corrective action: In May 2013, the City replaced department personnel and undertook an extensive review of HUD-funded activities. In July 2013, the City met with HUD officials to proactively review areas of concern and subsequent corrective actions. As of July 2013, the City requires that Sub-recipient reimbursement requests include, at a minimum, documentation asserting the incurrence of expense including the expense invoice and copy of cancelled check. In addition, the back-up documentation demonstrating expense is included in the accounts payable system. While City contracts are primarily reimbursement-based, any request for an advance draw now requires advance written request from the Sub-recipient followed by the written approval of the Department Director and the City Manager prior to the release of any advance funds and such language is included in the funding agreement with the Sub-recipient. Please further note that, as of the 2013/14 fiscal year, Sub-recipients are required to attend a contract compliance workshop prior to the issuance of their contracts and receive copies of the US Department of Housing and Urban Development expenditure and compliance manuals.

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

B. Compliance Findings

Federal Awards

CF 2013-01 Allowable Costs

**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
Community Development Block Grants-Neighborhood Stabilization Program (NSP) (CFDA
No. 14.228)**

See IC 2013-01

Views of responsible officials and planned corrective actions: See IC 2013-01 for detailed views of responsible officials and planned corrective action.

CF 2013-02 Period of Availability

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

See IC 2013-02

Views of responsible officials and planned corrective actions: See IC 2013-02 for detailed views of responsible officials and planned corrective action.

CF 2013-03 Allowable Activities, Allowable Costs and Subrecipient Monitoring

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

See IC 2013-03

Views of responsible officials and planned corrective actions: See IC 2013-03 for detailed views of responsible officials and planned corrective action.

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

CF 2013-04 Allowable Cost and Cash Management

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

Criteria: OMB Circular A-133 Compliance Supplement states internal control over cash management should be designed and placed into operation to provide reasonable assurance that advancements and reimbursements comply with the federal award requirements. Per the granting agency, the grant is on reimbursement basis, in which expenditures are reimbursed after expenditures are incurred.

Condition: We noted for one out of forty-three non-payroll transactions selected for testing, that the supporting documentation provided was a quote, not an invoice. We noted that this transaction was submitted for reimbursement. We noted that an item reimbursed was based on a price quotation estimate instead of a third party invoice indicating that grant payments were made prior to the receipt of the corresponding goods or service.

Questioned costs: \$36,800

Context: One of forty-three non-payroll transactions.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: Proper review should be performed to ensure that only allowable cost items for goods and services received or rendered are paid for with grant resources. Consistent with other city policies, such review should be evidenced by appropriate supervisory signature.

Views of responsible officials and planned corrective action: In May 2013, the City replaced department personnel and undertook an extensive review of HUD-funded activities. In July 2013, the City met with HUD officials to proactively review areas of concern and subsequent corrective actions. As of July 2013, the City requires that Sub-recipient reimbursement requests include, at a minimum, documentation asserting the incurrence of expense including the expense invoice and copy of cancelled check. In addition, the back-up documentation demonstrating expense is included in the accounts payable system. While City contracts are primarily reimbursement-based, any request for an advance draw now requires advance written request from the Sub-recipient followed by the written approval of the Department Director and the City Manager prior to the release of any advance funds and such language is included in the funding agreement with the Sub-recipient. Please further note that, as of the 2013/14 fiscal year, Sub-recipients are required to attend a contract compliance workshop prior to the issuance of their contracts and receive copies of the US Department of Housing and Urban Development expenditure and compliance manuals.

City of Miami Beach, Florida

**Schedule of Prior Year Audit Findings
Federal Awards Programs**

Finding #	Finding Title	Status	Explanation
IC 2012-01 and CF 2012-01	<p>Allowable Costs (CFDA No.14.218 and 14.253; CFDA 14.228 and 14.251)</p> <p>There were no procedures in place over payroll to monitor and ensure that personnel activity reports delineating the hours worked by employees on each grant or certifications for those employees that work solely on one grant, are completed. There were individuals whose salaries were charged to the federal program that did not have certifications completed. In addition, there were no personnel activity reports or similar documents delineating the hours worked on each grant and other activities for employees that worked on multiple grants.</p>	Not Corrected	See similar finding at IC 2013-01 and CF 2013-01.
CF 2012-02	<p>Reporting (CFDA No. 20.205)</p> <p>Monthly reports for October 2011 and February 2012 were not submitted timely for one project.</p>	Corrected	The City corrected the specific finding in fiscal year 2013.