

CITY OF HALLANDALE BEACH, FLORIDA
COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CITY OF HALLANDALE BEACH, FLORIDA

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**INDEPENDENT AUDITORS' 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**

To The Honorable Mayor, City Commission and City Manager
City of Hallandale 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, each major fund, and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the Police Officers and Firefighters' Personnel Retirement Trust, 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 control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 City'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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003 to be material weaknesses.

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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Fort Lauderdale, FL
June 30, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

To The Honorable Mayor, City Commission and City Manager
City of Hallandale Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Hallandale 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 the City's major federal program for the year ended September 30, 2014. The City's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 on its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

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 its major federal program for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-004. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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.

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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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, each major fund, and the aggregate remaining fund information (with the exception of the Police Officers' and Firefighters' Trust which was audited by another auditor) of the City as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2015, which contained unmodified opinions on those financial statements. 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 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 basic 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 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Marcum LLP

Fort Lauderdale, FL
June 30, 2015

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Program from:			
Broward County Community Development Division:			
Community Development Block Grant, Urban County Entitlement			
38th Year CDBG – Friends of the Hepburn Center After School Tutorial Enrichment Program	14.218	N/A	\$ 16
39th Year CDBG – Friends of the Hepburn Center After School Tutorial Enrichment Program	14.218	N/A	89,832
40th Year CDBG – Friends of the Hepburn Center After School Tutorial Enrichment Program	14.218	N/A	608
38th Year CDBG Public Works Improvement Project	14.218	N/A	<u>103,406</u>
Total U.S. Department of Housing and Urban Development			<u>193,862</u>
U.S. Department of Justice			
Direct:			
Federal Equitable Sharing Funds	16.922	FL0060400	72,230
Subtotal of Direct U.S. Department of Justice			72,230
Pass-Through Broward Sheriff's Office:			
Edward Byrne Justice Assistance Grant- 2010	16.738	2009-DJ-BX-1425	120
Edward Byrne Justice Assistance Grant- 2011	16.738	2011-DJ-BX-2512	28,769
Edward Byrne Justice Assistance Grant- 2012	16.738	2012-DJ-BX-0035	<u>2,841</u>
Subtotal of Pass-Through Broward Sheriff's Office			<u>31,730</u>
Total U.S. Department of Justice			<u>103,960</u>
U.S. Department of Treasury			
Direct:			
Federal Equitable Sharing Funds	21.000	FL0060400	<u>68,681</u>
U.S. Department of Homeland Security:			
Federal Emergency Management Agency:			
Pass-Through State of Florida Division of Emergency Management			
CERT Grant 2012	97.067	12-CI-24-11-16-02-390	2,909
Hazard Mitigation - NE Drainage - Phase II	97.039	11HM-3B-11-16-02-006	3,918,992
Emergency Food & Shelter	97.024	N/A	<u>2,667</u>
Total Pass-Through State of Florida Division of Emergency Management			<u>3,924,568</u>
Total U.S. Department of Homeland Security			<u>3,924,568</u>
Total Expenditures of Federal Awards			<u>\$ 4,291,071</u>

N/A = Not available

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HALLANDALE BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Hallandale Beach, Florida (the City) under programs of the federal government for the year ended September 30, 2014. The information in this Schedule 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 position or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles combined in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, where in certain types of expenditures are not allowable or are limited as to reimbursement, except for the Equitable Sharing Programs for Justice which follows the: *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, and for Equitable Sharing Programs for Treasury which follow: *Guide to Equitable Sharing for Foreign Countries and Federal, State and Local Law Enforcement*. Pass-through entity identifying numbers are presented where available.

CITY OF HALLANDALE BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

None reported.

II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unmodified Opinion*
 Internal control over financial reporting:
 Material weakness(es) identified? X Yes No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? Yes X None Reported
 Non-compliance material to financial statements noted? Yes X No

Federal Awards Programs

Internal control over major awards programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? Yes X None Reported
 Type of auditors’ report issued on compliance for major
 awards Programs: *Unmodified Opinion*
 Any audit findings disclosed that are required to be reported
 in accordance with Circular A-133, Section 510(a)? X Yes No

Identification of major federal program:

<u>Federal Program/Cluster</u>	<u>CFDA No.</u>
Hazard Mitigation Grant	97.039
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>

Auditee qualified as low-risk auditee? Yes X No

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2014-001 Internal control over financial close and reporting

Criteria

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded – this includes implementing a year-end closing checklist assigning responsibility for completing the procedures to specific City personnel. Timeliness of closing procedures is crucial to providing accurate accounting data and financial information including interim and year-end financial statements.

Condition

During the course of our audit procedures there were numerous material auditor adjusting journal entries proposed to correct account balances for areas such as administrative charges, due to the Hallandale Beach Community Redevelopment Agency (CRA), due from other governments, retainage payable, and expenditures recorded in the grant fund to properly account for the activity of the Hazard Mitigation Grant. Accounts payable in the Sewer fund was also adjusted due to an overstatement and a prior period adjustment was recorded in that fund to correct the treatment of a credit due to the City. In addition, in many instances, schedules requested in our initial planning letter were not readily available at the commencement of our audit engagement; and/or not accurate and reconciled to the general ledger; some reconciliations for the closing process were not performed. The result was delay in producing financial reports needed by management and the auditors whereby the auditors had to propose entries and assist the City to adjust schedules that City personnel initially prepared.

Cause

Lack of adequate internal controls and a sufficient/timely closing process and development of formal year-end closing procedures.

Effect

Multiple account balances were not properly stated prior to performing their necessary closing procedures causing the auditors to incur a significant amount of time proposing entries and assisting the City in adjusting schedules that City personnel did not prepare accurately. This also caused delays in completing the audit and preparation of the City's financial statements.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-001 Internal control over financial close and reporting (continued)

Recommendation

We recommend a detailed general ledger account analysis of all accounts be performed on a monthly or quarterly basis (in a timely manner) and reviewed by supervisory Finance Department staff to ensure accurate recording of transactions. Finance Department supervisory personnel should also perform an analytical review of account balances with the prior year and /or budget balances prior to closing the books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required. We believe that the year-end closing could be expedited by developing a logical order for closing procedures dictated by a checklist and assigning responsibility for completing the procedures to specific City personnel. We further recommend that City personnel responsible for the books and records and approval of journal entries consult with their auditors in a timely manner or others for unusual or difficult to record transactions prior to recording in the City's books and records especially given the complexities associated with the accounting standards.

Views of Responsible Officials and Planned Corrective Action

Several changes to the annual closing process are being put in place. The Finance Department will ensure that the closing process is done on a monthly basis in our accounting software and reconcile the general accounts as well as the funds. This will allow the Associate Controller to perform various analytical reviews to address significant variances in a timely manner. The Finance staff is also currently working with other municipalities to create an accounting manual that will outline the monthly and yearly closing processes in our accounting software. Finally, staff will be working on the audit schedules provided by client on a quarterly basis instead of creating them at year-end for the audit. This new procedure will give our finance staff time to complete the schedules throughout the year which will be updated for the audit.

The monthly, quarterly and annual processes and audit schedules will be assigned and reviewed by the Associate Controller to ensure that they are completed in a timely manner and all transactions are recorded accurately to avoid audit adjustments.

In case of complex accounting issues, the Chief Financial Officer will be involved as well as the external auditors to provide guidance for the best possible scenario.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-002 Bank Reconciliations

Criteria

Prudent practice would dictate that a formal bank reconciliation be performed each month prior to the end of the following with the appropriate review and sign off as evidence of the completeness, the accuracy and timeliness of the reconciliation. Performing timely monthly bank reconciliations reduces the risk that errors, fraud or misuse of funds could go undetected and/or uncorrected.

Condition

During our audit of the fiscal year ended September 30, 2014, we selected 3 months of bank reconciliations for the City's pooled cash bank account; July 2014, August 2014 and September 2014, and noted that they were not prepared or reviewed timely. There was no evidence of sign off by the preparer or the reviewer and based on our inquiry we were informed that they were not prepared in a timely manner. In addition, based on this finding, we requested the October 2014 and November 2014 bank reconciliations but the City was not able to provide those to us as they had not yet been prepared. **Based on further inquiry, it was noted that as of June 19, 2015, the bank reconciliations since September 30, 2014 have not yet been prepared.**

Cause

There is a lack of adequate internal control over financial close and reporting as it relates to the bank reconciliation process.

Effect

Without bank reconciliations being prepared and reviewed timely for accuracy and completeness, the City would not know if the cash position is accurate and whether or not there were errors, fraud or misuse of funds.

Recommendation

We strongly recommend the City implement internal controls associated with the preparation and review of bank reconciliations that will ensure reconciliations are prepared and reviewed on a monthly basis. Monthly bank reconciliations must be prepared and reviewed within 30 days of the month end to ensure accuracy and completeness of cash balances reported by the City and possibly identify fraud or misuse of funds.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-002 Bank Reconciliations (continued)

Views of Responsible Officials and Planned Corrective Action

Formal bank reconciliation policy/procedures have been put in place. The reconciliations will be completed by the 20th of the following month on all accounts. Once completed, reconciliations will be reviewed and signed off by the Associate Controller and then reviewed and signed off by the CFO. Entries that need to be made that month will also be completed by the 20th and reviewed for accuracy and input prior to month end. This procedure will result in timeliness, accurate and completeness of all bank reconciliations.

Furthermore, the City will be bringing resources during the summer and fall to assist with all pending bank reconciliations and to document the processes. This will assist staff in getting caught up with all reconciliations and to be in a better position for next year's audit.

2014-003 Grant Administration

Criteria

In accordance with the agreement entered into by the City of Hallandale Beach, Florida (the City) and the State of Florida Division of Emergency Management (the Division), the Hazard Mitigation Grant expenditures require a 25% local share.

Condition

The expenditures reported in the Hallandale Beach Community Redevelopment Agency (CRA) for the Hazard Mitigation Grant project should only be those funding the City's 25% match requirement as stipulated by the grant agreement. The remaining 75% of the expenditures should be reported in the Grant Administration Fund and consequently presented on the Schedule of Expenditures of Federal Awards (SEFA). During our audit we identified a misallocation of program expenditures between the CRA and the Grant Administration Fund in the amount of approximately \$422,000, thus causing the SEFA to be inaccurate. The SEFA is used to determine the extent of testing required under the Federal Single Audit Act (OMB Circular A-133).

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-003 Grant Administration (continued)

Cause

Lack of communication between the finance department and program managers to ensure they adhere to accounting policies related to compliance and financial reporting standards and lack of a reconciliation and review process by the Finance Department of grant activity tracking schedules prepared by program managers.

Effect

The expenditures reported on the SEFA were understated by approximately \$422,000 (see page 5 and noncompliance finding number 2014-004). The grant was not properly administered and accounted for and not in compliance with terms stipulated by the granting agencies which ultimately may result in loss of funding. In addition, with the SEFA not being accurate, an improper determination by the auditor of major programs is at risk.

Recommendation

We recommend that the Finance Department implement centralized financial controls and procedures to ensure that information reported to the grantor is accurate, complete, agrees to the underlying records and is prepared in accordance with OMB Circular A-133.

Views of Responsible Officials and Planned Corrective Action

Acknowledged. Grant administration and review to ensure accounting policies compliance and financial reporting is a function of the Finance Department. Due to staff turnover, the current skeleton staff in Finance was unable to reconcile and review the grants as required in a timely manner. The periodic review and reporting process was left to the program managers whose grants are located in several departments throughout the City. The Finance Department has requested a Senior Accountant position in the next budget cycle. One of the major duties of the Senior Accountant will be to ensure that information reported to the grantor by the program managers is accurate, timely and in compliance with the grant agreement. This review process by the Senior Accountant and the program managers shall be done on a quarterly basis, or more often if needed, thereby addressing any issues or adjustments throughout the year before the year-end audit.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-003 Grant Administration (continued)

Views of Responsible Officials and Planned Corrective Action (continued)

In addition, the need to train program managers on the accounting policies related to compliance, as well as the use of the financial modules is duly noticed. Accordingly, training for all program managers is scheduled to take place to facilitate a better understanding of the grant process as it relates to financial reporting.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Noncompliance

2014-004 Internal Control Over Preparation of the SEFA

Criteria

OMB Circular A-133 requires that the schedule of expenditures of federal awards (SEFA) agree or be reconciled to the financial statements and that the SEFA should be accurately prepared.

Condition

During our audit we identified a misallocation of program expenditures between the Hallandale Beach Community Redevelopment Agency (which accounts for the 25% local share match requirement and should not be included on the SEFA) and the Grant Administration Fund (which accounts for the activity associated with the 75% federal share that should be included on the SEFA) in the amount of approximately \$422,000, thus causing the SEFA to be inaccurate.

Cause

Lack of adequate internal control over compliance due to inadequate communication between the finance department and the program manager.

Effect

The expenditures reported on the SEFA were understated by approximately \$422,000 which could have resulted in non-compliance with OMB Circular A-133 had it not been identified by the auditor (see grant administration finding number 2014-003).

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Noncompliance (continued)

2014-004 Internal Control Over Preparation of the SEFA (continued)

Recommendation

We recommend that the Finance Department implement centralized financial controls and procedures to ensure communication and reconciliation with program managers and that information reported to the grantor is accurate, complete, agrees to the underlying records and is prepared in accordance with OMB Circular A-133.

Views of Responsible Officials and Planned Corrective Action

Grant administration and review to ensure accounting policies compliance and financial reporting is a function of the Finance Department. Due to staff turnover, the current skeleton staff in Finance was unable to reconcile and review the grants as required in a timely manner. The periodic review and reporting process was left to the program managers whose grants are located in several departments throughout the City. The Finance Department has requested a Senior Accountant position in the next budget cycle. One of the major duties of the Senior Accountant will be to ensure that information reported to the grantor by the program managers is accurate, timely and in compliance with the grant agreement. This review process by the Senior Accountant and the program managers shall be done on a quarterly basis, or more often if needed, thereby addressing any issues or adjustments throughout the year before the year-end audit. Currently, the City has hired a consultant to review the grants until the Senior Accountant is hired.

In addition, the need to train program managers on the accounting policies related to compliance, as well as the use of the financial modules is duly noticed. Accordingly, training for all program managers is scheduled to take place before the end of the current fiscal year to facilitate a better understanding of the grant process as it relates to financial reporting.

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

To The Honorable Mayor, City Commission and City Manager
City of Hallandale Beach, Florida

Report on the Financial Statements

We have audited the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the City) as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015. We did not audit the financial statements of the Police Officers' and Firefighters' Personnel Retirement Trust, which represents 60%, 63% and 56%, respectively, of the assets, fund balance/net position, and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as they relate to the amounts included for the Police Officers' and Firefighters' Personnel Retirement Trust is based solely upon the report of the other auditor.

Auditors' Responsibility

We conducted our audit 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.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City has made these disclosures in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit we reported one such finding on the schedule of findings and responses as item number 2014-04.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commission and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
June 30, 2015

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

To The Honorable Mayor, City Commission and City Manager
City of Hallandale Beach, Florida

We have examined the City of Hallandale Beach, Florida's (the City) compliance with Section 218.415 Florida Statutes during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of management, the City Commission, others within the City and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, Florida
June 30, 2015