

**CITY OF HALLANDALE BEACH, FLORIDA**

**COMPLIANCE REPORTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**CITY OF HALLANDALE BEACH, FLORIDA**  
**COMPLIANCE REPORTS**  
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**CITY OF HALLANDALE BEACH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Total Expenditures	Passed Through to Subrecipients
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b>(Passed through Broward County Community Development Division)</b>				
Community Development Block Grants - Entitlement Cluster				
42nd Year CDBG - Friends of the Hepburn Center				
After School Tutorial Enrichment Program	14.218	NA	\$ 94,355	\$ -
41st Year CDBG - Public Works Improvement Project	14.218	NA	51,374	-
<b>Total U.S. Department of Housing and Urban Development</b>			<u>145,729</u>	<u>-</u>
<b><u>U.S. Department of Justice</u></b>				
Direct:				
Bulletproof Vest Partnership Program 2015	16.607	NA	7,151	-
Bulletproof Vest Partnership Program 2016	16.607	NA	57	-
COPS Hiring Program 2015	16.710	2015UMWX0169	49,396	-
Federal Equitable Sharing Program	16.922	FL0060400	148,325	-
Subtotal direct programs			<u>204,929</u>	<u>-</u>
<b>(Passed through Broward County Sheriff's Office)</b>				
Edward Byrne Memorial Justice Assistance Grant 2013	16.738	2013-DJ-BX-0369	708	-
Edward Byrne Memorial Justice Assistance Grant 2014	16.738	2014-DJ-BX-0394	10,613	-
Edward Byrne Memorial Justice Assistance Grant 2015	16.738	2015-DJ-BX-1021	4,240	-
<b>(Passed through Florida Department of Law Enforcement)</b>				
Edward Byrne Memorial Justice Assistance Grant 2017	16.738	2017-JAGC-BROW-14-R3-261	7,232	-
Subtotal indirect programs			<u>22,793</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>227,722</u>	<u>-</u>
<b><u>U.S. Department of Treasury</u></b>				
Federal Equitable Sharing Program	21.016	FL0060400	3,500	-
<b>Total U.S. Department of Treasury</b>			<u>3,500</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>(Passed through Florida Department of Health and Rehabilitative Services)</b>				
Area-wide Council on Aging of Broward County, Inc.: Special Programs for the Aging, Title III, part B - Aging Cluster				
	93.044	JA117-78-2017	18,199	-
<b>(Passed through Florida Department of Health Division of Community Health Promotion)</b>				
Community Water Fluoridation System Project	93.758	CSSTP-0008-00(238)	1,300	-
<b>Total U.S. Department of Health and Human Services</b>			<u>19,499</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<b>(Passed through Broward County EFSP Board)</b>				
Emergency Food & Shelter National Board Program-Phase 34	97.024	NA	2,946	-
<b>(Passed through the State of Florida Division of Emergency Management)</b>				
Disaster Grants - Public Assistance Program - Hurricane Matthew	97.036	17-PA-U5-11-16-01-170	28,579	-
Hazard Mitigation - Northeast Drainage Project	97.039	17-HM-3B-11-16-02-213	415,843	-
<b>Total U.S. Department of Homeland Security</b>			<u>447,368</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 843,818</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HALLANDALE BEACH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

State Grantor/Pass-through Grantor/Program Title	CSFA Number	Grant Identification Number	Total Expenditures	Passed Through to Subrecipients
<b><u>State of Florida Division of Emergency Management</u></b>				
Hurricane Loss Mitigation Program	31.066	16-RC-Q3-11-16-02-283	\$ 170,354	\$ -
Hurricane Loss Mitigation Program	31.066	18-HL-AG-11-16-02-011	3,562	-
State Public Assistance Program - Hurricane Matthew	NA	17-PA-U5-11-16-01-170	4,763	-
<b>Total Florida Division of Emergency Management</b>			<u>178,679</u>	<u>-</u>
<b><u>State of Florida Department of Environmental Protection</u></b>				
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP06170	240,000	-
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP06173	200,000	-
Wastewater Treatment Facility Construction	37.077	WW061720	280,390	-
<b>Total Florida Department of Environmental Protection</b>			<u>720,390</u>	<u>-</u>
<b><u>State of Florida Department of Economic Opportunity</u></b>				
Community Development Technical Assistance Grant	40.038	P0218	34,000	-
<b>Total Florida Department of Economic Opportunity</b>			<u>34,000</u>	<u>-</u>
<b><u>State of Florida Department of Health</u></b>				
Direct:				
Community Water Fluoridation System Project	64.001	SOW 16-035	109,362	-
Subtotal direct programs			<u>109,362</u>	<u>-</u>
<b>(Passed through Broward County)</b>				
Emergency Medical Services (EMS) Matching Award	64.003	17-OMET5 06	15,999	-
Subtotal indirect programs			<u>15,999</u>	<u>-</u>
<b>Total State of Florida Department of Health</b>			<u>125,361</u>	<u>-</u>
<b><u>State of Florida Department of Elder Affairs</u></b>				
<b>(Passed through Areawide Council on Aging of Broward County, Inc.)</b>				
Local Services Program 2016-2017	65.009	JL116-78-2017	66,626	-
<b>Total State of Florida Department of Elder Affairs</b>			<u>66,626</u>	<u>-</u>
<b>Total State Financial Assistance</b>			<u>\$ 1,125,056</u>	<u>\$ -</u>

See accompanying notes to schedule of state financial assistance.

## CITY OF HALLANDALE BEACH, FLORIDA

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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#### **NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance (the "Schedules") includes the federal and state grant activity of the City of Hallandale Beach, Florida (the City) under programs of the federal government and state of Florida for the year ended September 30, 2017. The information in these Schedules are presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements. All awards received directly from federal and state agencies, as well as amounts passed through other government agencies are included in the accompanying schedules.

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedules are reported on 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. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Florida Single Audit Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement, except for the Equitable Sharing programs for Justice and Treasury which follow, *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies*. Pass-through entity identifying numbers are presented where available.

#### **NOTE 3. INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4. NON-CASH AWARDS**

The City did not receive non-cash federal awards during the year ended September 30, 2017.



**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**

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**To the Honorable Mayor, City Commission  
and City Manager  
Hallandale Beach, Florida**

We have audited, 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, 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, 2017, 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 11, 2018. 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 auditor's testing of internal control over financial reporting or on compliance and other matters that are reported 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 purposes 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

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**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 an instance of noncompliance described in the accompanying schedule of findings and questioned costs as item 2017-002 that is required to be reported under *Government Auditing Standards*.

**City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and related corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bradenton, Florida  
June 11, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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**To the Honorable Mayor, City Commission  
and City Manager  
Hallandale Beach, Florida**

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Hallandale Beach, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2017. The City's major federal programs and state financial assistance projects 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550 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 and 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program and State Project***

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 major federal programs and state projects for the year ended September 30, 2017.

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### **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 and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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.

### **Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 11, 2018, 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 and schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General and are 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 expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida  
June 11, 2018



CITY OF HALLANDALE BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified?  Yes  No

Significant deficiencies identified not considered  
to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards and State Financial Assistance Projects**

Internal Control over major programs:  
Material weaknesses identified?  Yes  No

Significant deficiencies identified not considered  
to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for  
major federal programs and state financial assistance Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with the Uniform Guidance?  Yes  No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	<b>U.S. Department of Homeland Security</b> Hazard Mitigation Grants

Identification of major state financial assistance projects:

<u>CSFA Number</u>	<u>Name of State Project or Cluster</u>
37.039 37.077	<b>Dept of Environmental Protection</b> Surface Water Restoration and Wastewater Projects Wastewater Treatment Facilities Projects

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

Federal	\$750,000
State	\$300,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF HALLANDALE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2017-001      Financial Close and Reporting**

Criteria	Prudent policies include a formal closing process with supervisory finance department personnel who are 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 financial information including interim and year-end financial statements.
Condition	<p>During the course of our audit procedures for the fiscal year ended September 30, 2017, there were auditor adjusting journal entries required to correct account balances. These entries are noted below:</p> <ul style="list-style-type: none"><li>• Record debt service payment for the 2007A bonds as a reduction of cash and an increase in expense.</li><li>• Record adjustments to the CRA loan receivables and reclassifications between revenue and expenditure accounts to properly reflect the September 30, 2017, balances.</li></ul>
Cause	The City had a significant amount of finance department personnel turnover, coupled with the delay in issuance of the fiscal year 2016 financial statements and the lack of a sufficient/timely closing process and formal year-end closing procedures.
Effect	Account balances required adjustments to properly reflect the City's financial position as of September 30, 2017.
Recommendation	<p>We recommend that the City institute the necessary controls to facilitate a proper year-end close out. This could include, but is not limited to:</p> <ul style="list-style-type: none"><li>• Performance of monthly account analysis and review by supervisory personnel</li><li>• Performance of analytical reviews of account balances monthly by supervisory personnel</li><li>• Development of a formal year end closeout procedure, including a closeout checklist and assignment of tasks to specific personnel for completion.</li></ul>
Views of Responsible Officials	See accompanying corrective action plan.

**CITY OF HALLANDALE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2017-002      Noncompliance with Florida Statute 218.415, Local Government Investment Policies**

Criteria	Florida Statute 218.415 states, investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body.
Condition/Cause	As a result of the implementation of GASB Statement No. 73, <i>Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i> , investments related to the City's Professional/Management Retirement Plan's (the Plan) excess benefit plan are required to be reported as assets of the City and not in the Plan's pension trust fund. Approximately \$6,800,000 is invested in domestic and international equity investment funds, which are not in compliance with the City's investment policy.
Effect	As a result, the City is not in compliance with its investment policy or Florida Statute 218.415.
Recommendation	We recommend the City consult with their investment consultant on the best course of action to bring these investments into compliance with the City's investment policy or amend the investment policy to include such investments.
Views of Responsible Officials	See accompanying corrective action plan.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**CITY OF HALLANDALE BEACH, FLORIDA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**STATUS OF PRIOR YEAR AUDIT FINDINGS**

***MW 2016-001 Internal Control over Financial Close and Reporting – Review and Reconciliation***

***Condition***

During the course of the prior audit procedures, there were numerous auditor and City adjusting journal entries to correct account balances which resulted in 61 total entries during the audit. In addition, the City provided the auditors with trial balances for different funds at multiple points throughout the audit making it difficult for the auditor to record entries provided by the City when multiple funds were impacted as some funds had the entries already reflected at the time they were provided.

In many instances, schedules requested in the initial request letter were not readily available at the commencement of the audit engagement and/or not accurate and reconciled to the general ledger; some reconciliations for the closing process were not performed.

***Status***

Partially resolved – see finding 2017-001.

***MW2016-002 Assets Held For Resale – HBCRA***

***Condition***

During the prior audit of assets held for sale and capital assets, significant audit adjustments were required to properly present the account balances. In addition, it was noted that the City's properties held for sale are tracked in an excel spreadsheet by folio number. However, the prior audit noted instances where certain parcels of land were split in which the related costs were not allocated between the parcels using a reasonable methodology.

***Status***

Resolved.

***SD 2016-003 Grants Administration***

***Condition***

During the audit of the Grant Fund, difficulties were encountered reconciling grant revenue schedules to the general ledger due to the fact that developer agreements unrelated to grant activity are also tracked in the Grant Fund. In addition, the grant activities were not reconciled timely resulting in multiple versions of the schedule being provided. Consequently, there were 18 adjusting journal entries to correct revenues in the Grant Fund. Additionally, it was noted that the City does not have adequate procedures in place to track developer agreements and, as a result, management had difficulties determining restricted fund balance amounts related to developer agreements.

***Status***

Resolved.

***SD 2016-004 HBCRA Program Loans***

***Condition***

During the prior audit, it was noted that there were material inconsistencies between the issued loans report, loan payments report and aged loan receivables detail at year-end. When the auditor reviewed the information on the reports using the prior year balance, the reconciliation did not agree to the loan balance at year-end.

***Status***

Resolved.

**CITY OF HALLANDALE BEACH, FLORIDA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)**

***SD 2016-005 Inadequate Tracking of HBCRA Internal Balances***

***Condition***

During the prior audit of the HBCRA's internal balances and ILA/MOU's for services provided by the City to the HBCRA, it was noted that:

- 2015 MOU/ILA invoices totaling approximately \$452,000 were not paid when due on December 31, 2015, as stipulated in the agreements. These invoices were paid on February 4, 2016, per our review of journal entries and corresponding bank statements.
- 2016 MOU/ILA invoices totaling \$1,500,000 were not paid when due on December 31, 2016, as stipulated in the agreements. As of our report date, these invoices have not been paid.
- During 2016, MOU payments that were required to be invoiced to the HBCRA on a quarterly basis were invoiced on an annual basis. As a result, no quarterly payments were made as stipulated in the agreements and the HBCRA was invoiced once in October 2016 to be paid by December 31, 2016.
- At year end September 30, 2014, approximately \$8,600,000 was "Due to the City" relating to a negative pooled cash position in the HBCRA due to the opening of a separate HBCRA bank account opened in response to prior year audit findings that funds were being commingled and out of compliance with Section 163.387, *Florida Statutes*. During the year ended September 30, 2015, \$6,100,000 was paid back to the City with the intention of paying the remaining amount in fiscal year 2016. However, there was no evidence of repayment of the remaining \$2,500,000 owed which was outstanding as of September 30, 2016.

In addition to the findings mentioned above, it was noted that partial payments were made to pay down amounts "Due to the City" from time to time without proper tracking of the individual invoices received by the City. This made it difficult for management to determine the makeup of the remaining balances owed to the City during the audit process.

***Status***

Partially resolved. See MLC 2017-001.

***MW2016-006 Preparation of the SEFA***

***Condition***

During the prior audit, the City provided the auditors with adjustments to grant related expenditures, which triggered a single audit due to aggregate expenditures of federal awards of more than \$750,000. These adjustments were discovered approximately seven months after fiscal year-end.

***Status***

Resolved.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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To the Honorable Mayor, City Commission  
and City Manager  
Hallandale Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Hallandale Beach, Florida (the "City"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 11, 2018. We did not audit the financial statements of the Police Officers' and Firefighters' Personnel Retirement Trust which represents 64% of the assets, 66% of the net position, and 52% of the revenues of the City's aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Officers' and Firefighters' Personnel Retirement Trust is based solely on the report of the other auditors.

### Auditor's 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, 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 11, 2018, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below:

Current year finding  
2017-001

PY Finding  
2016-001 (partially resolved)

### 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 within the notes to the financial statements.

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**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have recommendations to improve financial management noted as items MLC 2017-001 and MLC 2017-002 in Appendix A.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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 fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

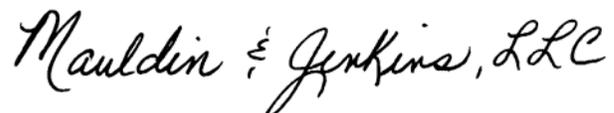
**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 did not have any such findings.

**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 Mayor and Members of City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida  
June 11, 2018



**CITY OF HALLANDALE BEACH, FLORIDA**  
**APPENDIX A – CURRENT YEAR RECOMMENDATIONS**  
**TO IMPROVE FINANCIAL MANAGEMENT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**MLC 2017-001 – Accounting for Interfund Balances**

Observation

During our review of the City's interfund balances, we noted approximately \$18.5 million in amounts receivable/payable between the various funds of the City. The most notable of these balances are listed below:

- General Fund receivable from the CRA in the amount of \$6,500,000;
- Utility Fund receivable from the General Fund in the amount of \$4,500,000;
- Stormwater Fund receivable from the Revenue Bond Fund in the amount of \$2,400,000;
- Workers' Compensation Fund receivable from the Fleet Fund in the amount of \$1,600,000;

Recommendation

We recommend the City review all interfund balances and reduce these amounts as appropriate in the next fiscal year.

Views of Responsible Officials and Planned Corrective Actions

The City will perform a review of the internal balances noted above and reduce these balances through transfers as appropriate.

**MLC 2017-002 – Financial Condition Assessment**

Observation

As part of our financial condition assessment procedures, we evaluated the results of financial indicators developed by the Florida Auditor General for quantitative analysis. This assessment resulted in 11 unfavorable indicators and 10 inconclusive indicators, out of a total of 25 financial indicators. These results appear to have been caused by decreasing cash balances along with increasing liabilities over the past few years.

Recommendation

We recommend that the City continue to carefully monitor its overall financial position and cash position to ensure that it does not find itself with a cash shortage or in the position of needing to issue additional debt to meet cash flow requirements. Specific financial indicators we recommend closely monitoring are as follows:

- Change in net position to beginning net position
- Unassigned fund balance to total expenditures
- Cash and investments to current liabilities
- Current liabilities to revenues
- Debt service expenditures to total expenditures

While the above were the most significant unfavorable indicators, the City should monitor all financial indicators to ensure sound financial condition.

Views of Responsible Officials and Planned Corrective Actions

The City will carefully monitor the financial condition of the City and implement a process to review the key indicators noted above.



## INDEPENDENT ACCOUNTANT'S REPORT

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**To the Honorable Mayor, City Commission  
and City Manager  
Hallandale Beach, Florida**

We have examined the City of Hallandale Beach, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

Our examination disclosed material noncompliance with the aforementioned requirements applicable to the City during the year ended September 30, 2017. The noncompliance is related to investments that were not in accordance with the City's investment policy. For more information related to the noncompliance, refer to 2017-002 in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the material noncompliance described in the preceding paragraph, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

Bradenton, Florida  
June 11, 2018

A handwritten signature in cursive script that reads "Mauldin &amp; Jenkins, LLC".



Office of the City  
Manager

Roger M. Carlton  
City Manager

Keith S. London  
Mayor

Michele Lazarow  
Vice Mayor

Mike Butler  
Commissioner

Richard Dally  
Commissioner

Anabelle Lima-Taub  
Commissioner

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400 S. Federal Highway  
Hallandale Beach, FL 33009  
Ph (954) 457-1300  
Fax (954) 457-1454

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[www.coHB.org](http://www.coHB.org)

## **CORRECTIVE ACTION PLAN**

**June 11, 2018**

The City of Hallandale Beach respectfully submits the following corrective action plan for the year ended September 30, 2017.

### **CORRECTIVE ACTION PLAN**

**2CFR § 200.511(c)**

#### **Finding 2017-001: Financial Close and Reporting**

Financial close and reporting represents a partially corrected internal control deficiency reported in the year ended September 30, 2016 audit. Our corrective action plan regarding these findings was submitted on December 5, 2017, approximately six months prior to the date of the report herein. As part of our corrective action plan, management has begun the process of developing policies and procedures to ensure that account reconciliations are performed and reviewed on a timely basis, analytical reviews are performed where any variances are investigated, and that a year-end closing checklist is used by staff to ensure the timely closing of our general ledger.

Due to recent vacancies in the City's finance department, financial consultants with expertise in the field of government finance were utilized during the fiscal year ended September 30, 2017 audit process to assist the City in meeting reporting deadlines and for the development and documentation of standard operating procedures which helped streamline our year-end closing process. This resulted in a significant reduction of journal entries proposed by the external auditor and the timely issuance of the CAFR for fiscal year 16/17.

In addition, the City recently hired a new Finance Director and Assistant Finance Director in April 2018 with the skills, knowledge and experience to continue the Finance Department's dedicated effort to improve internal control over financial close and reporting.

The Administration is committed to establishing and maintaining effective controls of the City's financial activities and providing accurate financial information. Procedures have been put in place to ensure internal control over journal entry approval and supporting documentation requirements. We anticipate internal control deficiencies over financial close and reporting to be fully corrected for fiscal year ending September 30, 2018 as we are in the process of developing additional policies and procedures during the current fiscal year.

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**

**Finding 2017-001: Financial Close and Reporting (continued)**

**Anticipated Completion Date:** September 2018

**Person(s) Responsible:**

Emil Lopez  
Finance Director  
elopez@cohb.org  
(954) 457-1371

Barbara Trinka  
Assistant Finance Director  
btrinka@cohb.org  
(954) 457-3056

Geovanne Neste  
Assistant Finance Director  
gneste@cohb.org  
(954) 457-1365

**Finding 2017-002: Noncompliance with Florida Statute 218.415, Local Government Investment Policies**

As a result of the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, investments related to the City's Professional/Management Retirement Plan's (the Plan) excess benefit plan are required to be reported as assets of the City and not in the Plan's pension trust fund. Approximately \$6,800,000 is invested in domestic and international equity investment funds, which are not in compliance with the City's investment policy.

The City's position is that although this is a technicality due to a recent GASB pronouncement, compliance with Florida statute with respect to the City's investments is imperative to protecting public funds and meeting the City's investment objectives. The City has communicated the noncompliance to the various departments who are involved with the administration of the Plan as well as the City's investment consultant to decide as to the best solution that will meet our investment objectives while complying with Florida statutes.

**Anticipated Completion Date:** September 2018

**Person(s) Responsible:**

Emil Lopez  
Finance Director  
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