



City of Miami Beach

SINGLE AUDIT REPORTS IN ACCORDANCE WITH OMB CIRCULAR A-133

September 30, 2014

CITY OF MIAMI BEACH, FLORIDA

SINGLE AUDIT
September 30, 2014

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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 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, 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 March 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Miami Beach Florida Employees' Retirement Plan, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors. Our report also includes a reference to other auditors who audited the financial statements of the City Pension Fund for Firefighters and Police Officers, as described in our report on the City's financial statements. The financial statements of the City Pension Fund for Firefighters and Police Officers 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 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.

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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.


Crowe Horwath LLP

Miami, Florida
March 30, 2015

INDEPENDENT AUDITOR'S 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

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, 2014. 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.

Opinion on Each Major Federal Program

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 for the year ended September 30, 2014.

(Continued)

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

The City's response to the internal control over compliance 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.

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 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 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.


Crowe Horwath LLP

Miami, Florida
March 30, 2015

CITY OF MIAMI BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2014

<u>Federal Grantor/Pass-Through Entity Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Expenditures</u>
Federal Grants			
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs			
Community Development Block Grant/Entitlement Grants	14.218	B-11-MC-120014	\$ 845,686
Community Development Block Grant/Entitlement Grants (NSP3)	14.218	B-11MN-12-0039	49,284
			<u>894,970</u>
Home Investment Partnership Program	14.239	M-11-MC-12-0212	105,158
Community Development Block Grants - Section 108 Loan Guarantees	14.248	B-94-MC-12-0014	1,017,347
Pass-through Department of Community Affairs			
Community Development Block Grants - Neighborhood Stabilization Program	14.228	10DB-4X-11-23-02-F16	7
Pass-through Dept. of Community Affairs - Pass Through - Miami Dade County			
Supportive Housing Program	14.235	FL0177L4D001205 and FL0177L4D001306	68,276
			<u>68,276</u>
Total U.S. Department of Housing and Urban Development			<u>2,085,758</u>
<u>U.S. Department of Justice</u>			
Direct Program			
National Institute of Justice			
Congressionally Recommended Awards - Teen Club 2010	16.753	2010-DD-BX-0435	40,131
Federal Equitable Sharing Agreement	16.000	FL-0130700	367,092
Edward Byrne Memorial Justice Assistance Grant Program - JAG Program (FY2012)	16.738	2012-DJ-BX-0123	42,630
Edward Byrne Memorial Justice Assistance Grant Program - JAG (FY2013)	16.738	2013-DJ-BX-0450	51,512
Pass-Through State of Florida/Miami Dade County			
Edward Byrne Memorial Justice Assistance Grant Program Cluster - Criminal Justice Records Improvement	16.738	N/A	8,524
			<u>102,666</u>
Pass-Through State of Florida/Office of the Attorney General			
Crime Victim Assistance - VOCA	16.575	V13027	61,131
			<u>61,131</u>
Total U.S. Department of Justice			<u>571,020</u>

CITY OF MIAMI BEACH, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2014

Federal Grantor/Pass-Through Entity Program Title	Federal CFDA Number	Grant/ Contract Number	Expenditures
<u>U.S. Department of Commerce</u>			
Pass-Through State of Florida Department of Environmental Protection Coastal Zone Administration Awards	11.419	CM231	24,425
Total U.S. Department of Commerce			<u>24,425</u>
<u>U.S. Department of Transportation</u>			
Pass-Through State of Florida Florida Department of Transportation			
Highway Planning and Construction Middle Beach Recreational Corridor Phase 1	20.205	APG78	534,200
Highway Planning and Construction Middle Beach Recreational Corridor Phase 2	20.205	APT97	109,227
			<u>643,427</u>
Pass-Through Florida Department of Transportation Highway Planning and Construction - Pedestrian and Bicycle Safety Enforcement	20.205	TWO #945-001/BDV25	70,486
Total U.S. Department of Transportation			<u>713,913</u>
<u>U.S. Department of Homeland Security</u>			
Pass-through United Way of Miami-Dade Emergency Food and Shelter National Board Program-EFS Phase 30	97.024	159400-076	12,705
			<u>12,705</u>
Pass-through State of Florida: Florida Division of Emergency Management			
Pass-through City of Miami Homeland Security Grant Program - Urban Areas Security Initiative 2011	97.067	12DS-22-11-23-02-236	73,158
Homeland Security Grant Program - Urban Areas Security Initiative 2012	97.067	14DS-C5-11-23-02-212	36,694
			<u>109,852</u>
Pass-through State of Florida: Florida Department of Community Affairs			
Hazard Mitigation Grant	97.039	11 HM-2Y-11-23-02-003	383,450
Pass-through State of Florida: Florida Division of Emergency Management			
Pre-Disaster Mitigation Grant - Talmudic University	97.047	13DM-24-1 1-23-02-281	9,757
Pre-Disaster Mitigation Grant-Mount Sinai	97.047	12 DM-5J-11-23-02-293	411,260
			<u>421,017</u>
Total U.S. Department of Homeland Security			<u>927,024</u>
Total Expenditures of Federal Awards			<u>\$ 4,322,140</u>

See notes to Schedule of Expenditures of Federal Awards

CITY OF MIAMI BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2014

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, 2014. 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 subrecipients:

<u>Name of Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Federal		
Community Development Block Grant	14.218	\$ 515,144
Community Development Block Grant – Home Program	14.239	63,302
Pre-Disaster Mitigation Grant – Talmudic University	97.047	9,756
Pre-Disaster Mitigation Grant – Mount Sinai	97.047	<u>411,260</u>
Total Federal		<u>\$ 999,462</u>

4. NON-CASH AND FEDERAL INSURANCE

There were no non-cash awards or Federal insurance maintained in the current year.

CITY MIAMI BEACH, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2014

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 deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? X Yes _____ No

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133 X Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grant (CDBG)
14.239	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: Home Investment Partnership Program
97.039	U.S. Department of Housing and Urban Development: Community Development Block Grants – Section 108 Loan Guarantees
	Pass-through State of Florida Department of Community Affairs - Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? _____ Yes X No

CITY MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

A. *Internal Control Over Compliance*

Federal Awards: U.S. Department of Housing and Urban Development (HUD):
Community Development Block Grants/Entitlement Grants (CDBG), CFDA No. 14.218

Internal Control 2014-001: Cash Management - no evidence of proper approval prior to cash draw down.

Criteria: Each draw down reimbursement request in IDIS is required to be approved.

Condition: Of the twenty selections tested, one sample item was determined to be lacking appropriate level of approval before cash was drawn from IDIS. The selection was for a CDBG employee pension charge drawn-down on November 27, 2013 in the amount of \$3,818.50. An expenditure to be reimbursed via draw down in IDIS is required to have been reviewed by an appropriate Analyst and approved by the Program Director prior to cash draw down.

Questioned Costs: None

Context: One of twenty expenditures

Effect: The allocated cash balance for CDBG program could be understated as the expense could possibly be un-allowed after Program Director review/approval.

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

Recommendation: Crowe recommends all expenditures reimbursed through a cash draw down to be appropriately reviewed and approved prior to cash being drawn.

Views of responsible officials and planned corrective action: During the fiscal year under audit, CDBG drawdowns were prepared and analyzed by a financial analyst in the CDBG office and approved by the City's Treasury Manager. The following procedure is currently in place: an Analyst in the CDBG office will prepare the draw from IDIS, it will be reviewed and signed by the CDBG Program Director and approved by the City's Treasury Manager. This will be applicable to both internal and external charges to the CDBG grant.

CITY MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

B. *Compliance Findings*

Federal Awards

Federal Awards: U.S. Department of Housing and Urban Development (HUD):
Community Development Block Grants/Entitlement Grants (CDBG), CFDA No. 14.218

Compliance 2014-002: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - reimbursement based on quote, not an invoice.

Criteria: Transactions should be supported by appropriate documentation.

Condition: We noted that for one out of forty non-payroll transactions selected for testing, the supporting documentation provided was a quote, not an invoice. We noted this transaction, in the amount of \$1,000, was submitted for reimbursement.

Questioned Costs: \$1,000

Context: Draw down request of federal funds based on estimated expenditure and not supported with actual invoice.

Effect: Allotment from federally-funded programs could have been inappropriate draw and reimbursed to sub recipients.

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: The transaction documented in this finding was for allowable emergency services. Due to the emergency, invoices were not provided before or after the services were rendered. It is the City's intention to ensure that all invoices are obtained, reviewed, approved and maintained to support grant expenditures.

CITY MIAMI BEACH, FLORIDA
 SCHEDULE OF PRIOR YEAR FINDINGS
 September 30, 2014

Prior Year Findings and Questioned Costs

Internal Control Over Compliance – Federal Awards

Finding #	Finding Title	Status	Explanation
IC 2013-01	Allowable Costs	Corrected	This was a finding in the second preceding year.
IC 2013-02	Period of Availability	Corrected	
IC 2013-03	Allowable Activities, Allowable Costs and Subrecipient Monitoring	Corrected	
IC 2013-04	Cash Management [Review of Reimbursement Packages]	Corrected	

Compliance Findings – Federal Awards

Finding #	Finding Title	Status	Explanation
CF 2013-01	Allowable Costs	Corrected	This was a finding in the second preceding year.
CF 2013-02	Period of Availability	Corrected	
CF 2013-03	Allowable Activities, Allowable Costs and Subrecipient Monitoring	Not corrected	See current year finding 2014-002.
CF 2013-04	Cash Management and Cash Management	Corrected	