

CITY OF HALLANDALE BEACH, FLORIDA
COMPLIANCE REPORTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

CITY OF HALLANDALE BEACH, FLORIDA

TABLE OF CONTENTS

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 <i>Government Auditing Standards</i>	1-2
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	3-5
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	6-8
Schedule of Expenditures of Federal Awards.....	9
Note to Schedule of Expenditures of Federal Awards.....	10
Summary Schedule of Prior Audit Findings	11
Schedule of Findings and Questioned Costs	12-16

**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***

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

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 of Hallandale Beach, Florida (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 2, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Police Officers' and Firefighters' Retirement Plan 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, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies; or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02 to be significant deficiencies.

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*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Commission, management, and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
April 2, 2012

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

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

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 2, 2012. We did not audit the financial statements of the Police Officers' and Firefighters' Retirement Plan, which represents 57% and 49%, respectively, of the assets and revenues 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' Retirement Plan is based solely upon the report of the other auditors.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and a Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 2, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 significant findings and recommendations made in the preceding annual financial audit report except as noted in the accompanying summary schedule of prior audit findings under the heading Prior Year Financial Statement Findings and Status.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our findings and recommendations are incorporated in the accompanying schedule of findings and questioned costs.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, our findings and recommendations are disclosed in the accompanying schedule of findings and questioned costs.
- Section 10.554(1)(i)6., 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.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, City Commission, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
April 2, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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 each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 2011-03 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Allowable Costs that are applicable to its COPS Hiring Recovery Program (CFDA 16.710). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

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, except for the police and firefighters retirement system, as of and for the year ended September 30, 2011, and have issued our report thereon dated April 2, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 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 financial statements. The information has been subjected to auditing procedures applied in the audit of the

financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the 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 financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, City Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
April 2, 2012

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Program from:			
Florida Department of Education			
Forest Health Improvement -ARRA	10.688	16086	\$ 18,000
2010 Summer Food Service Program for Children	10.559	04-0995	508
2011 Summer Food Service Program for Children	10.559	04-0995	10,872
			<u>11,380</u>
Total U.S. Department of Agriculture			<u>29,380</u>
U.S. Department of Housing and Urban Development			
Pass-Through Program from:			
Broward County Community Development Division:			
Community Development Block Grant, Urban County Entitlement			
36th Year – Friends of the Hepburn Center			
After School/Homework Tutorial Program	14.218	10-HFCDD-CDBG-00004	60,101
Neighborhood Stabilization	14.218	B-08-UN-12-0002	86,962
Hepburn Center Parking Lot	14.218	N/A	19,087
			<u>166,150</u>
Total U.S. Department of Housing and Urban Development			<u>166,150</u>
Federal Highway Administration, Department of Transportation			
Pass-Through Program from:			
Florida Department of Transportation WHBB/ARRA	20.205	423788-1-58-01	3,474
Total Federal Highway Administration			<u>3,474</u>
U.S. Department of Justice			
Federal Equitable Sharing Funds	16.000	N/A	711,794
2010 Weed & Seed Grant - Palms	16.595	2009-WS-QX-0210	11,150
2011 Weed & Seed Grant - Palms	16.595	2010-WS-QX-0210	154,706
			<u>165,856</u>
C.O.P.S. Hiring Recovery Grant-ARRA	16.710	2009-RKWX0205	402,311
Subtotal of Direct U.S. Department of Justice			<u>1,279,961</u>
Pass-Through Broward Sheriff's Office			
Edward Byrne Justice Assistance Discretionary Grant	16.580	N/A	9
Edward Byrne Justice Assistance Grant/ARRA	16.804	2009-SB-B9-3324	65,051
Edward Byrne Justice Assistance Grant 2009	16.738	N/A	7,355
Subtotal of Pass-Through Broward Sheriff's Office			<u>72,415</u>
Total U.S. Department of Justice			<u>1,352,376</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency:			
Direct:			
2010 Emergency Food & Shelter	97.024	N/A	1,524
2011 Emergency Food & Shelter	97.024	N/A	780
			<u>2,304</u>
FEMA Assistance to Firefighters	97.044	EMW-2009-FO-03347	12,008
Subtotal of Direct U.S. Department of Homeland Security			<u>14,312</u>
Pass-Through State of Florida Division of Emergency Management			
CERT Grant 2010	97.067	10-CI-43-11-16-02-306	6,486
FEMA Severe Repetitive Loss Improvement Property Acquisition Project	97.110	SRL-PJ-04-FL-2008-026	6,660
Hazard Mitigation - NE Drainage - Phase I	97.039	09HM-37-11-16-02-027	32,865
Pass-Through City of Miramar			
UASI	97.067	09-DS-48-11-16-02-448	518
Subtotal of Pass-Through State of Florida Division of Emergency Management			<u>46,529</u>
Total U.S. Department of Homeland Security			<u>60,841</u>
Total Expenditures of Federal Awards			<u>\$ 1,612,221</u>

N/A = Not available

See accompanying note to Schedule of Expenditures of Federal Awards.

CITY OF HALLANDALE BEACH, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF HALLANDALE BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2010 Schedule of Findings and Questioned Costs:

Matters that **are** repeated in the accompanying schedule of findings and questioned costs:

- 2010-01 Internal Control over Financial Reporting (revised and included as comment 2011-01)
- 2010-05 Workers' Compensation Liabilities (revised and included in comment 2011-02)

Matters that are **not** repeated in the accompanying schedule of findings and questioned costs:

- 2010-02 Pension Benefits
- 2010-03 Excess Benefit Pension Plan
- 2010-04 Receivables and Allowance for Uncollectible Amounts
- 2010-06 Capital Assets
- 2010-07 Investment Policies – General Employees and Professional Management Pension Plans
- 2010-08 Utility Billing Adjustments
- 2010-09 Information Technology Policies and Controls

II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Matters that are **not** repeated in the accompanying schedule of findings and questioned costs:

- 2010-10 Schedule of Expenditures of Federal Awards Preparation and Completeness

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unqualified Opinion*
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? X Yes _____ 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 auditor’s report issued on compliance for major
 awards Programs: *Qualified*
 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 programs:

<u>Federal Program/Cluster</u>	<u>CFDA No.</u>
Federal Equitable Sharing	16.000
COPS Hiring Recovery Program - ARRA	16.710
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 FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2011-01 Internal Control over Financial Reporting

Criteria

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded. Accounting tasks such as monthly reconciliations, cross-checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

Condition

- During 2011, Finance Department personnel recorded an entry to properly record a \$2.6 million long-term receivable from a developer in the Community Redevelopment Agency fund that was previously expensed in 2010. As a result, a prior period adjustment was required.

Cause

Although supervisory Finance Department personnel performed reviews of schedules, the error noted above was caused by misinterpretation of the true nature of the transaction at the time it was originally recorded.

Effect

The lack of a proper understanding of the nature of the transaction by supervisory Finance Department personnel resulted in a misstatement, in the prior year, of amounts recorded on the books and records of the City's CRA fund.

Recommendation

We recommend that before non-routine transactions are recorded, the City should research or consult as to the proper nature of the transaction, and the recording and presentation that reflects the transaction. This will ensure the proper recording and presentation of the transaction when it occurs.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Views of Responsible Officials and Planned Corrective Actions

Staff agrees with the corrected presentation. Furthermore, balance sheet and other reviews are performed throughout the year to assure similar misunderstandings do not occur.

2011-02 Workers' Compensation Liabilities

Criteria

Governmental Accounting Statements Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 30, *Risk Financing Omnibus an amendment of GASB Statement No. 10* require entities other than pools to base claims liabilities, including “incurred but not reported” (IBNR) claims, on the estimated ultimate cost of settling the claims. IBNR claims are events that have occurred as of the balance sheet date for which a claim has not yet been reported or asserted and may include known loss events expected to later be presented as claims, unknown loss events expected to become claims, and expected future developments on claims already reported.

Condition

The City is self-insured for general liability and worker’s compensation claims. The liabilities recorded in each respective fund are not determined by actuaries, but rather are determined by City personnel. We noted that the liability recorded for workers’ compensation claims was based on an estimate provided by the City’s risk manager, based on his knowledge of the reported cases. We noted that the liability does not include a calculation of IBNR’s, and we were unable to obtain a calculation of this potential liability, however City personnel indicated it would not be material.

Cause

Although the City has not yet received the actuarial valuation, it has recorded the liability at 100% of the Loss Run Report as in the past.

Effect

The effect is that the expense and liability reflected on the books and records may be understated.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Recommendation

We recommend that the procedures be implemented to ensure that the liabilities reflected for self-insured claims are determined in accordance with the requirements of the applicable GASB pronouncements.

Views of Responsible Officials and Planned Corrective Actions

Staff is in agreement that IBNR liabilities should be recorded. An actuarial valuation has been ordered, but since this was the first time the valuation was required, a significant amount of data needed to be collected and analyzed by the Actuary. The valuation has still not been received as of the date of issuance of the financial statements.

SECTION III– FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Noncompliance

2011-03 – Unallowable Costs

**CFDA 16.710 - COPS Hiring Recovery Program – ARRA
U.S. Department of Justice**

Criteria

The terms and conditions of the grant award require that the City comply with the terms and conditions in the COPS Hiring Recovery Program (CHRP) Grant Owner’s Manual. Per Chapter I, section 3 of the Manual, the City may not use CHRP funds for any costs that are not identified as allowable in the Final Funding Memorandum. Section 3 also specifically notes *civilian positions, overtime, training, weapons, communication equipment and vehicles* as costs that cannot be funded with the grant. The Final Funding Memorandum did not list ‘clothing allowance’ as one of the approved benefit categories that are eligible for reimbursement under the program.

Condition

During audit procedures performed for the Federal Single Audit, Marcum noted that the City of Hallandale submitted police overtime costs and clothing allowance costs to the US Department of Justice for reimbursement under the COPS Hiring Recovery Grant. Both costs are considered to be unallowable expenses under the program.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Cause

Control deficiency related to the operating of controls over the ‘allowable cost’ compliance requirement.

Effect

The submittal of the costs for reimbursement has resulted in the City not being in compliance with the Allowable Costs compliance requirement of the grant and the finding of questioned costs of \$15,616.

Recommendation

We recommend that the following procedures be implemented:

- Grant agreements (including referenced program laws, regulations, handbooks, etc) and cost principle circulars should be made available to staff responsible for approving and submitting allowable costs for reimbursement under the program.
- Program management should periodically review evidence of allowable cost information, prior to submittal for reimbursement, in order to make any adjustments to unallowable costs where appropriate and follow-up action should be taken to determine the cause.

Views of Responsible Officials and Planned Corrective Actions

Staff is in agreement with the finding. The time card process for this grant is being revised and overtime and clothing allowances will no longer be charged to the grant. In addition, updating of grant procedures is planned for the current year.