

CITY OF HALLANDALE BEACH, FLORIDA
COMPLIANCE REPORTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

CITY OF HALLANDALE BEACH, FLORIDA

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 3, 2013. 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' Personnel Retirement Trust as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness 2012-01.

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 to be significant deficiencies 2012-02 and 2012-03.

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

Miami, FL
May 3, 2013

**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, 2012. 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance which is described in the accompanying schedule of findings and questioned costs as item 2012-04.

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 as of and for the year ended September 30, 2012, and have issued our report thereon dated May 3, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted 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 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 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 expenditure 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 finding 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 Council, 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

Miami, FL
May 3, 2013

CITY OF HALLANDALE BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 Agriculture			
2012 Summer Food Service Program for Children	10.559	04-0995	\$ 7,086
Total U.S. Department of Agriculture			<u>7,086</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 CDBG – Friends of the Hepburn Center			
After School Tutorial Enrichment Program	14.218	10-HFCDD-CDBG-00004	19,896
37th Year CDBG– Friends of the Hepburn Center			
After School Tutorial Enrichment Program	14.218		80,507
Neighborhood Stabilization	14.218	B-08-UN-12-0002	120,377
36th Year CDBG Public Works Improvement Project	14.218	N/A	<u>336,453</u>
Total U.S. Department of Housing and Urban Development			<u>557,233</u>
Federal Highway Administration			
Pass-Through Program from:			
Florida Department of Transportation			
Highway Planning and Construction-A1A Median			
Landscaping Improvement Project	20.205	AQ897	<u>177,000</u>
Total Federal Highway Administration			<u>177,000</u>
U.S. Department of Justice			
Direct:			
Federal Equitable Sharing Funds	16.922	N/A	927,286
Bulletproof Vest Grant	16.607		5,250
Weed & Seed Grant - Palms	16.595	2010-WS-QX-0120	418
C.O.P.S. Hiring Recovery Program Grant-ARRA	16.710	2009-RK-WX-0205	<u>385,357</u>
Subtotal of Direct U.S. Department of Justice			<u>1,318,311</u>
Pass-Through Broward Sheriff's Office:			
Edward Byrne Justice Assistance Grant/ARRA	16.804	2009-SB-B9-3324	31,795
Edward Byrne Justice Assistance Grant- 2010	16.738	2010-DJ-BX-0414	5,380
Edward Byrne Justice Assistance Grant- 2009	16.738	2009-DJ-BX-1425	<u>31,679</u>
Subtotal of Pass-Through Broward Sheriff's Office			<u>68,854</u>
Total U.S. Department of Justice			<u>1,387,165</u>
U.S. Department of Treasury			
Federal Equitable Sharing Funds	21.000	N/A	<u>138,364</u>
Total U.S. Department of Treasury			<u>138,364</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF HALLANDALE BEACH, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
U.S. Department of Homeland Security			
Federal Emergency Management Agency:			
Pass-Through State of Florida Division of Emergency Management			
CERT Grant 2011	97.067	12-CI-24-11-16-02-390	3,363
Hazard Mitigation - NE Drainage - Phase I	97.039	09HM-37-11-16-02-027	111,500
Hazard Mitigation - NE Drainage - Phase II	97.039	11HM-3B-11-16-02-006	<u>9,168</u>
Total U.S. Department of Homeland Security			<u>124,031</u>
U.S. Department of Interior			
U.S. Fish and Wildlife Service:			
Pass-Through Florida Department of Environmental Protection			
Clean Vessel Act Program Grant	15.616	DEP No. MV068 CVA 11-635	<u>4,531</u>
Total U.S. Department of Interior			<u>4,531</u>
Total Expenditures of Federal Awards			<u>\$ 2,395,410</u>

N/A = Not available

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF HALLANDALE BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF HALLANDALE BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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, 2011 Schedule of Findings and Questioned Costs:

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

- 2011-01 Internal Control over Financial Reporting
- 2011-02 Worker's Compensation Liabilities

II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

- 2011-13 Unallowable Costs

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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? X Yes 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: *Unqualified*
 Any audit findings disclosed that are required to be reported
 in accordance with Circular A-133, Section 510(a)? Yes X No

Identification of major federal programs:

<u>Federal Program/Cluster</u>	<u>CFDA No.</u>
Federal Equitable Sharing	16.922
COPS Hiring Recovery Program - ARRA	16.710

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

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, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2012-01 Reporting of Property Held for Sale

Condition

Our audit of the property held for sale, and asset account, related to both the City and the Hallandale Beach Community Redevelopment Agency (CRA), revealed that the account balance was understated by \$1,098,055. The adjusting journal entry necessary to correct the account balance consisted of the following:

- \$910,624 – The fourteen (14) properties that amounted to this portion of the adjustment were acquired in prior years by the CRA but titled in the name of the City. In addition, when acquired, the amounts were recorded as expenditures instead of property held for sale. These properties were retitled in the name of the CRA in August 2012.
- \$66,431 – The four (4) properties that amounted to this portion of the adjustment were acquired by the City and accounted for through their Capital Projects Fund and titled in the name of the City. In August 2012, these four (4) properties were retitled in the name of the CRA however; the City's accounting records were not adjusted for the change in ownership.
- \$121,000 – The eleven (11) properties that amounted to this portion of the adjustment were received as donated property by the City at various dates in prior years from Broward County. The City did not maintain proper records to determine the values of these properties and therefore formal appraisals had to be performed. These properties were retitled in the name of the CRA in August 2012, at their appraised values.

In addition, there were six (6) properties totaling \$1,067,199 that were acquired in previous years with CRA funds however, they were titled in the name of the City.

Criteria

Expenditures incurred in a governmental fund to acquire property that is intended to be resold, should not be reported as expenditures in the current year. These amounts should be capitalized at the fund level as property or assets held for sale. These amounts should not be presented as capital assets in the Statement of Net Assets as it is not the City's intent to retain these properties. In addition, all purchases or donations of property should be properly tracked, maintained and accounted for.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2012-01 Reporting of Property Held for Sale (continued)

Cause

A lack of adequate internal control and policies and procedures over the tracking, monitoring, reconciliation and accounting of transactions incurred for property held for sale resulted in inaccurate financial reporting in both the City and the CRA financial statements.

Effect

As a result of the condition identified, there were three adjustments recorded at the fund level in the CRA to properly adjust and present the real property held for sale amount as well as to record amounts due to the City for properties that were acquired with City funds but titled in the name of the CRA. The adjusting journal entries recorded increased the property held for sale balance in the CRA's and the City's financial statements by \$1,098,055.

- \$910,624 – increased beginning fund balance to eliminate the effect of amounts that were erroneously expensed in prior periods.
- \$66,431 - increased the due to other governments account for an amount that is due to the City's Capital Projects Fund for expenditures incurred to acquire property held for sale that is currently in the name of the CRA.
- \$121,000 - increased the due to other governments account for an amount that is due to the City's general fund for donated property that has been retitled (and purchased) in the CRA's name.

Recommendation

We recommend that the City and the CRA enhance internal controls over the acquisition and record keeping process for property held for sale. The City and the CRA should maintain records for each property, donated or purchased, to support the acquisition price, legal description, lot size, lien search, and any other pertinent information. We also recommend that the six (6) properties that were acquired with CRA funds but were titled in the name of the City, be retitled in the name of the CRA. The City and the CRA should review the property records for all property owned by each entity to ensure they are properly titled and recorded.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2012-01 Reporting of Property Held for Sale (continued)

Views of Responsible Officials and Planned Corrective Actions

The City and the CRA concur with this finding. As a result of inadequate separation of functionality between the City and the CRA, transactions involving the acquisition of real property were improperly tracked and recorded. In recent months, however, the CRA has made strides to clearly delineate such financial transactions. The CRA now has a separate bank account from which many of its operational transactions are funded. There remains a pooled cash account from which CRA investments are currently being handled. The CRA staff has engaged professional accounting services to assess this account and establish the necessary steps to fully annex the CRA's financial transactions from that of the City's.

In addition to the evaluation of its accounts, CRA staff is also conducting a comprehensive analysis of all real estate owned and will create a master database of said inventory. Going forward, this master database will be used to reflect any activity on each parcel, including their disposition. The established CRA policies and procedures will be reviewed and updated to ensure that matters involving any property acquisition and disposition are consistent with agency policy and procedures.

SIGNIFICANT DEFICIENCIES

2012-02 Reporting of Stormwater Fees

Condition

Our audit of the City's utility billing for the enterprise funds indicated that the Stormwater fee calculation being performed by the City's system did not accurately calculate the amount charged to its commercial customers. The square footage utilized to determine the equivalent rate units (ERU) did not agree to Broward County's property records.

Criteria

In order to accurately perform the ERU calculation, the City needs to maintain accurate square footage records for the impervious area of the various stormwater commercial accounts.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

2012-02 *Reporting of Stormwater Fees (continued)*

Cause

There is a lack of adequate internal control over the oversight and procedures to ensure that square footage utilized to determine the ERUs are reconciled to the permitting activity and building records of the City.

Effect

As a result of the condition the City has inaccurately billed several commercial accounts, both over billed and under billed, for stormwater fees. The impact of all the stormwater commercial billing activity for the year ended September 30, 2012 resulted in an understatement of revenues of approximately \$12,000.

Recommendation

We recommend that the City design and implement internal controls to ensure that the square footage records in the stormwater billing system for ERU calculation purposes are reviewed and compared those records to the building department to ensure the amounts agree.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this finding. In carefully reviewing the cause of this condition, City staff discovered that the database of commercial customers being used to determine ERU's was based on historical data rather than utilizing regularly updated Broward County property appraiser data. The City's code clearly outlines the stormwater fee for commercial users (Sec. 30-243). Therefore, this finding did not call into question a discrepancy in the application of the appropriate classification, but rather the calculation of the fee to certain commercial properties.

Going forward, the City will amend its procedure to ensure an accurate database. To do so, at the beginning of each month, Finance staff will prepare a memo to the Development Services department, inquiring of any changes to commercial properties. Additionally, the Utilities and Engineering Division will provide the Finance Department quarterly updates received from the County so that this information is compared to existing City records. Any discrepancies identified will be researched with the assistance of both the Development Services Department and Utilities and Engineering Division. A standard operations procedure is being prepared that

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

2012-02 Reporting of Stormwater Fees (continued)

Views of Responsible Officials and Planned Corrective Actions (continued)

identifies specific timelines regarding this process. Furthermore, the conversion of the Utility Billing and Land Management applications to the system of the expected vendor will include a process modification to automate this billing process. This revised procedure will ensure that all commercial customers are properly accounted. The Utility Billing module is the last application to be converted and this date is estimated to be May 2014.

2012-03 Reporting of Capital Assets

Condition

Our audit of the City's capital asset records, which include property, plant, and equipment, for the governmental activities and enterprise funds indicated that the City's software erroneously calculated depreciation expense as well as maintained understated accumulated depreciation balances for several assets.

Criteria

The establishment and maintenance of accurate accounting records for capital assets are necessary to help assure that the City's property, plant and equipment are accurately maintained and presented on the financial statements.

Cause

The system utilized to maintain the capital asset balances appears to have inherent limitations which results in the inaccurate calculation of depreciation expense and consequently, accumulated depreciation. In addition, there is a lack of adequate internal controls over the oversight and procedures to ensure that capital asset records are properly maintained.

Effect

As a result of the condition identified, there were three (3) adjustments recorded to reduce beginning net assets as well as three (3) adjustments to reduce current year depreciation expense in the enterprise funds to properly account for the capital asset amounts. The adjustments were as follows:

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

2012-03 Reporting of Capital Assets (continued)

Effect (continued)

- A reduction to beginning net assets was recorded in the Water Fund in the amount of \$1,074,155 in order to increase beginning accumulated depreciation. In addition an adjustment to reduce the current year depreciation expense was recorded in the amount of \$75,379.
- A reduction to beginning net assets was recorded in the Stormwater Drainage Fund in the amount of \$187,612 in order to increase beginning accumulated depreciation. In addition an adjustment to reduce the current year depreciation expense was recorded in the amount of \$31,794.
- A reduction to beginning net assets was recorded in the Sewer Fund in the amount of \$1,565,939 in order to increase beginning accumulated depreciation. In addition an adjustment to reduce the current year depreciation expense was recorded in the amount of \$125,733.

Recommendation

We recommend that the City enhance internal controls over the financial close and reporting process to include a detail review of the capital asset reports generated by the subsidiary system prior to amounts being adjusted on the general ledger. In addition, the City's personnel should perform recalculation of certain balances to ensure both current year depreciation as well as total accumulated depreciation to date is accurate. The City should also consider acquiring an improved capital asset management system.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this finding and is aware of the need to acquire an improved capital asset management system. A vendor has been selected, and the contract may be signed as early as mid-May. Conversion to the new system is anticipated to begin by the summer of 2013, and it is hoped that financial modules, including capital asset maintenance, will be on the new system by January 2014. In preparation for the conversion, Finance staff will manually calculate accumulated depreciation for every one of its 1700 active capital assets to assure the accuracy of the data to be converted, as well as the accuracy of FY13 journal entries. Once the new system is operational, standard operating procedures will require capital asset accountants to annually test major assets to ensure the reliability of the data, and ultimately the accuracy of the depreciation transactions. Evidence of supervisory review will be part of the procedure.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

NONCOMPLIANCE

2012-04 *Untimely Reporting*

CFDA 16.922 – Federal Equitable Sharing

Condition

During audit procedures performed for the Federal Single Audit, we noted that the City of Hallandale Beach submitted the Federal Equitable Sharing Report through e-mail appropriately 60 days after year end. However, the report was not signed by the City Manager until December 20, 2012 and was not faxed to the Asset Forfeiture and Money Laundering Section (AFMLS) of the Department of Justice until January 7, 2013.

Criteria

The terms and conditions of the grant award require that the City comply with the terms and conditions in the Guide to Equitable Sharing for State and Local Law Enforcement Agencies. Per Chapter X, section A of the Guide, State and local law enforcement agencies must submit the form within 60 days after the end of an agency's fiscal year, regardless of whether funds were received or maintained during the fiscal year. The report must be completed electronically and emailed to [aca.submit\(a\)usdoj.gov](mailto:aca.submit(a)usdoj.gov). Once the City emails the report, the Affidavit/Signature page must be printed, signed, and faxed to the AFMLS.

Cause

Lack of Adequate internal controls over the completion, review, and submittal of the Federal Equitable Sharing Agreement and Certification.

Effect

The final step in the reporting process of, which consists of printing, signing, and faxing the Affidavit/Signature page to the Asset Forfeiture and Money Laundering Section was not completed until 98 days after year end. The delay in appropriately submitting this report has resulted in the City not being in compliance with the Reporting compliance requirement of the grant.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

NONCOMPLIANCE (CONTINUED)

2012-04 Untimely Reporting (continued)

CFDA 16.922 – Federal Equitable Sharing (continued)

Recommendation

We recommend the City enhance the internal controls over completion, review, and submittal of the Federal Equitable Sharing Agreement and Certification in order to ensure that all steps of the reporting process are completed within the 60 days after the end of an agency's fiscal year as denoted by the Guide to Equitable Sharing for State and Local Law Enforcement Agencies.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with this finding. Corrective measures will include the enhancement of internal controls over completion, review, and submittal of the Federal Equitable Sharing Agreement and Certification in order to ensure that all steps of the reporting process are completed within the 60 days after the end of an agency's fiscal year as denoted by the Guide to Equitable Sharing for State and Local Law Enforcement Agencies. The City will do this by completing all calculations necessary to electronically file the certification by October 31 of each year instead of November 30 which is the actual deadline. The remaining thirty days will provide ample time for the four departments involved (Finance, Police, City Manager's Office, and City Attorney's Office) to coordinate all reviews, approvals, required signatures, and response to Department of Justice ("DOJ"). Additionally, all routing and cover sheets during this process will prominently display the November 30 deadline for final signatures and response to DOJ. It is important to note that the City readily acknowledges the importance of timely filing of these documents. However, the filing delay in this case did not cause the City to lose ANY equitable sharing funds and the City was immediately deemed IN COMPLIANCE by DOJ upon filing the document with no adverse consequences.

**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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2013. We did not audit the financial statements of the Police Officers' and Firefighters' Personnel Retirement Trust, which represents 58% and 60%, 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' Personnel Retirement Trust 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 based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and a Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 3, 2013, 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 findings and recommendations in the preceding annual report.

- 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, we did not have any such recommendations.
- 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, we did not have any such findings.
- 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, 2012, 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, 2012. 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 a 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

Miami, FL
May 3, 2013