

CITY OF HALLANDALE BEACH, FLORIDA
REVISED COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF HALLANDALE BEACH, FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the Police Officers and Firefighters' Personnel Retirement Trust, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit are 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Fort Lauderdale, FL
May 15, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hallandale Beach, Florida's (the City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Programs

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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This report is replacing a previously issued report due to the underreporting of Highway Planning and Construction (Federal-Aid Highway Program) – CFDA# 20.205 expenditures. As a result, the program is now being reported as a major program.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (with the exception of the Police Officers' and Firefighters' Trust which was audited by another auditor) of the City as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Marcum LLP

Fort Lauderdale, FL

October 20, 2016, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is May 15, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Program from:			
Broward County Community Development Division:			
Community Development Block Grant, Urban County Entitlement			
39th Year CDBG – Friends of the Hepburn Center After School Tutorial Enrichment Program	14.218	N/A	\$ 8,078
40th Year CDBG – Friends of the Hepburn Center After School Tutorial Enrichment Program	14.218	N/A	98,038
39th Year CDBG Public Works Improvement Project Neighborhood Stabilization Program	14.218	N/A	130,958
	14.218	B-08-UN-12-0002	<u>244,721</u>
Total U.S. Department of Housing and Urban Development			<u>481,795</u>
U.S. Department of Transportation			
Federal Highway Administration			
Pass-Through Program from:			
Florida Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway)	20.205	ARF-74	<u>340,340</u>
Total U.S. Department of Transportation			<u>340,340</u>
U.S. Department of Justice			
Direct:			
Federal Equitable Sharing Funds	16.922	FL0060400	<u>135,990</u>
Pass-Through Broward Sheriff's Office:			
Edward Byrne Justice Assistance Grant- 2012	16.738	2012-DJ-BX-0035	20,610
Edward Byrne Justice Assistance Grant- 2013	16.738	2013-DJ-BX-0369	<u>2,523</u>
Subtotal of Pass-Through Broward Sheriff's Office			<u>23,133</u>
Total U.S. Department of Justice			<u>159,123</u>
U.S. Department of Homeland Security:			
Federal Emergency Management Agency:			
Pass-Through State of Florida Division of Emergency Management			
Hazard Mitigation - NE Drainage - Phase II	97.039	11HM-3B-11-16-02-006	1,554,510
Emergency Food & Shelter	97.024	N/A	<u>2,667</u>
Total U.S. Department of Homeland Security			<u>1,557,177</u>
Total Expenditures of Federal Awards			<u>\$ 2,538,435</u>

N/A = Not available

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HALLANDALE BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Hallandale Beach, Florida (the City) under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal and state agencies, as well as amounts passed through other government agencies are included in the accompanying schedule of expenditures of federal awards.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF HALLANDALE BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2014 Schedule of Findings and Questioned Costs.

MATTERS THAT ARE REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- 2014-001 – *Internal control over financial close and reporting*
- 2014-002 – *Bank Reconciliations*

MATTERS THAT ARE NOT REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- 2014-003 – *Grant Administration*

II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2014 Schedule of Findings and Questioned Costs.

MATTERS THAT ARE REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None.

MATTERS THAT ARE NOT REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- 2014-004 – *Internal control over preparation of the SEFA*

CITY OF HALLANDALE BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards Programs

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

Identification of major federal programs:

<u>Federal Program/Cluster</u>	<u>CFDA No.</u>
Hazard Mitigation Grant	97.039
Federal Equitable Sharing Program	16.922
Highway Planning and Construction (Federal-Aid Highway Program)	20.205

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 YEAR ENDED SEPTEMBER 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2014-001 Internal Control over Financial Close and Reporting – Review and Reconciliation

Criteria

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

Condition

During the course of our audit procedures there were material auditor adjusting journal entries proposed to correct account balances for areas such as administrative charges, pension expense, compensated absences, unearned revenue, capital assets, assets held for resale, and expenditures recorded in the grant fund. In addition, in many instances, schedules requested in our initial planning letter were not accurate and reconciled to the general ledger; some reconciliations for the closing process were not performed. The result was a delay in producing financial reports needed by management and the auditors whereby the auditors had to propose entries and assist the City to adjust schedules that City personnel initially prepared.

Cause

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

In addition, other causes of the entries recorded are due to a lack of:

- a review process for service agreements recorded in the grant fund and supporting documents for the sale of capital assets to determine the nature of the transaction for proper reporting,
- a reconciliation process between pension expenditures/expenses of the City with contributions recorded in the pension plans including coordination with the pension plan auditors and pension plan actuary to ensure review, consistency and reconciliation of the actuarial reports to the pension trial balances and the audited pension financial statements,
- a review process for compensated absences to ensure the calculations are in accordance with the City's pay-out policies,

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-001 Internal Control over Financial Close and Reporting (continued)

- a review process of expenditures/expenses to determine if there are any significant unrecorded capital assets and adequate internal control and policies and procedures over the tracking, monitoring, reconciliation, and accounting of transactions incurred for assets held for resale.

Effect

Multiple account balances were not properly stated prior to performing their necessary closing procedures causing the auditors to incur a significant amount of time proposing entries and assisting the City in adjusting schedules.

Recommendation

We recommend a detailed general ledger account analysis of all accounts be performed on a monthly or quarterly basis and reviewed by supervisory Finance Department staff to ensure accurate recording of transactions. Finance Department supervisory personnel should also perform an analytical review of account balances with the prior year and /or budget balances prior to closing the books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required. We believe that the year-end closing could be expedited by developing a logical order for closing procedures dictated by a checklist and assigning responsibility for completing the procedures to specific City personnel. We recommend that the Finance Department utilize a unique identifier within the fixed asset module to separately account for properties purchased by the Hallandale Beach Community Redevelopment Agency as assets held for resale and import property records within the module for proper recordkeeping. This will mitigate the risk of erroneously recording properties in the wrong fund and ensure that the property purchased is presented correctly in the City's financial statements. We further recommend that City personnel responsible for the books and records and approval of journal entries consult with their auditors in a timely manner or others for unusual or difficult to record transactions prior to recording in the City's books and records especially given the complexities associated with the accounting standards.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-001 Internal Control over Financial Close and Reporting (continued)

Views of Responsible Officials and Planned Corrective Action

Concur.

The City has or will be implementing the following processes and procedures to improve internal controls and ensure accurate and timely financial information:

- Account reconciliations for balance sheet accounts will be performed on a monthly or quarterly basis.
- Account reconciliations will be reviewed and signed by the supervisor.
- A formal month end closing process for the general ledger within 20 days of month end.
- Analytical reviews of budget to actual accounts to be performed on a quarterly basis. Variances exceeding established threshold will be investigated and documented.
- Commission and CRA Board meeting minutes to be reviewed to ensure all pending financial transactions, including grant awards, are tracked and/or recorded.
- A comprehensive schedule of year end closing and audit requirements will be prepared. Schedule will also include required journal entries and reports from third parties.
- A separate fixed asset category has already been established to account for CRA asset held for resale, including any ancillary costs incurred.
- Reconciling items between the General Ledger and the applicable sub ledgers will be reviewed to ensure proper set up in the new ERP modules.
- Coordinate pension data submitted and received by the City, pension plan administrators, auditors and actuaries to ensure accuracy and consistency.

2014-002 Bank Reconciliations

Criteria

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

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-002 Bank Reconciliations (continued)

Condition

During our audit of the fiscal year ended September 30, 2015, we selected three (3) months of bank reconciliations for the City's pooled cash bank account and noted that they were not prepared or reviewed timely. In addition, there was no evidence of sign off by the preparer or the reviewer.

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

This finding is a repeated finding from the prior year. Upon the issuance of the 2014 CAFR in June 2015, staff immediately began preparing bank reconciliations. Due to the backlog, it took several months to catch up. The City's bank reconciliations are now up to date and performed on a timely basis. In conjunction with internal control improvements noted in Finding 2014-001, bank reconciliations will require supervisory review and sign off. In addition, the cash receipt and bank reconciliation processes will be reviewed in order to streamline the process, and reduce and clear reconciling items.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Noncompliance

2015-001 Federal Equitable Sharing Program – CFDA No. 16.922

Questioned Costs \$14,853

Criteria

Pursuant to section V.B.2.g and Section IX.A.1 of the Guide to Equitable Sharing, shared funds may not be used to establish petty cash accounts, purchase prepaid credit cards or any other type of transaction where expenditures are not monitored and tracked to ensure permissibility in accordance with the Guide to Equitable Sharing.

Condition

During the audit of the Federal Equitable Sharing Program (16.922), it was noted that 1 out of the 12 expenditures selected for testing related to the use of Department of Justice (DOJ) equitable sharing funds to establish and maintain an impermissible petty cash account. The City was expending the DOJ equitable sharing funds from the petty cash account for processing undercover and “buy money” expenditures. Per review of the support provided, the City would keep a running log of this account showing the activity for the 3 undercover officers utilizing the cash. This running log included the case number, date, and reason for the use of the funds. Although the actual expenditures were for items allowable under program guidelines, the DOJ guidelines prohibit maintaining or expending these funds in a petty cash account system. The total amount tested was \$5,000, however, per review of the 2015 Annual Equitable Sharing Agreement, this type of transaction totaled \$14,853 as reported in the 2015 Schedule of Expenditures of Federal Awards (SEFA).

Cause

Lack of an adequate review and understanding of the Equitable Sharing Funds’ requirements.

Effect

Non-compliance with the impermissible use of Department of Justice (DOJ) equitable sharing funds which could result in repayment of funds to the DOJ.

CITY OF HALLANDALE BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Noncompliance (continued)

2015-001 Federal Equitable Sharing Program – CFDA No. 16.922 (continued)

Recommendation

We recommend that the City’s police department no longer utilize petty cash for undercover and “buy money” expenditures and establish policies and procedures to prevent the future establishment of similar types of accounts. We also recommend that the document retention policies and procedures be updated to ensure that all documentation pertaining to equitable sharing revenues and expenditures are retained for a period of five years as required by the Guide to Equitable Sharing.

Views of Responsible Officials and Planned Corrective Action

On January 29, 2016, the City adopted Standard Operating Procedure (S.O.P.) POL-001 which prohibits the establishment of any type of petty cash fund with Equitable Sharing funds for investigative expenses or any other purpose. Section I.C.3 of this policy establishes an Investigative Expense Account within the City’s General Fund for such expenditures in the future. Per DOJ program guidelines, on a quarterly basis, all transactions from the General Fund’s Investigative Expense Account will be reviewed to ensure proper documentation and permissibility under DOJ guidelines. Equitable Sharing funds may then be used to reimburse the General Fund for allowable expenditures in a single document transaction.

S.O.P. POL-001, Section II.B., incorporates a record retention requirement of five years for all Equitable Sharing Program documents and records.

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

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

Report on the Financial Statements

We have audited the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the City) as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2016. We did not audit the financial statements of the Police Officers' and Firefighters' Personnel Retirement Trust, which represents 60%, 63% and 42%, respectively, of the assets, fund balance/net position, and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as they relate to the amounts included for the Police Officers' and Firefighters' Personnel Retirement Trust is based solely upon the report of the other auditor.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 15, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Tabulation of Uncorrected Audit Findings	
Current Year Finding #	2013 – 2014 FY Finding #
2014-001	2014-001
2014-002	2014-002

Official Title and Legal Authority

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

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit we reported one such finding on the schedule of findings and questioned costs as item number 2015-001.

Purpose of this Letter

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

Marcum LLP

Fort Lauderdale, FL
May 15, 2016

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

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

We have examined the City of Hallandale Beach, Florida's (the City) compliance with Section 218.415 Florida Statutes during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Marcum LLP

Fort Lauderdale, Florida
May 15, 2016