

# McGladrey & Pullen

Certified Public Accountants

## City of Pompano Beach, Florida

Single Audit Reports in Accordance with  
OMB Circular A-133 and the Florida Single  
Audit Act and Management Letter in Accordance  
with the *Rules of the Auditor General* of the  
State of Florida  
Fiscal Year Ended September 30, 2008

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City of Pompano Beach, Florida

**Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-Through Entity Federal Program/State Project	CFDA No.	Contractor/ Grant No.	Total Expenditures	Total Transfers to Subrecipients
U.S. Department of Housing and Urban Development:				
Community Development Block Grant	14.218	B-06-MC-12-0026 through B-07-MC-12-0026	\$ 983,328	\$ 319,905
Home Investment Partnerships Program	14.239	M-05-MC-12-0229 through M-06-MC-12-0229	248,540	17,084
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,231,868</b>	<b>336,989</b>
U.S. Department of Homeland Security, FEMA:				
Pass-through Florida Department of Community Affairs				
Public Assistance Grants – Hurricane Wilma	97.036	06-WL-&K-11-16-02-732	181,083	-
Public Assistance Grants – Tropical Storm Fay	97.036	08-PA-C2-11-16-13-551	63,574	-
Pass-through Florida Department of Community Affairs				
State Domestic Preparedness Equipment Support	97.004	07-CI-5R-11-16-02-161	1,524	-
Pass-through Florida Division of Emergency Management				
Hazard Mitigation Program – City Hall Windows	97.039	08-HM-1G-11-1-02-004	688,125	-
<b>Total U.S. Department of Homeland Security, FEMA</b>			<b>934,306</b>	<b>-</b>
U.S. Department of Agriculture:				
Pass-through Florida Department of Agriculture				
Urban Forestry Hurricane Tree Replacement	10.664	10444,10459,5H-124, 5H-125	69,235	-
Pass-through Florida Department of Education				
Summer Food Service Program for Children	10.559	04-0984	11,798	-
<b>Total U.S. Department of Agriculture</b>			<b>81,033</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>2,247,207</b>	<b>336,989</b>

(Continued)

City of Pompano Beach, Florida

**Schedule of Expenditures of Federal Awards  
and State Financial Assistance (Continued)  
Fiscal Year Ended September 30, 2008**

Federal/State Agency, Pass-Through Entity Federal Program/State Project	CSFA No.	Contractor/ Grant No.	Total Expenditures	Total Transfers to Subrecipients
State of Florida:				
Florida Housing Finance Corporation:				
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP	\$ 1,185,723	\$ -
<b>Total Florida Housing Finance Corporation</b>			<b>1,185,723</b>	<b>-</b>
Florida Department of Community Affairs:				
Public Assistance Grants – Tropical Storm Fay	52.000	08-PA-C2-11-16-13-551	10,596	-
<b>Total Florida Department of Community Affairs</b>			<b>10,596</b>	<b>-</b>
Florida Department of Health:				
EMS Matching Grant Program	64.003	M8013	69,727	-
EMS Matching Grant Program	64.005	08-HSD-EMS-8153-01	450	-
<b>Total Florida Department of Health</b>			<b>70,177</b>	<b>-</b>
Florida Department of Environmental Protection:				
Pass-through South Florida Water Management District Water Protection and Sustainability Program	37.066	460001212 & 4600001152	237,100	-
<b>Total Florida Department of Environmental Protection</b>			<b>237,100</b>	<b>-</b>
Florida Department of Transportation:				
Lighting Maintenance	55.000	FM 405118-1-72-22	178,398	-
Pass-through Broward County Broward Beautiful	55.003	F05-03	43,472	-
<b>Total Florida Department of Transportation</b>			<b>221,870</b>	<b>-</b>
<b>Total Expenditures of State Financial Assistance</b>			<b>1,725,466</b>	<b>-</b>
<b>Total Expenditures of Federal Awards and State Financial Assistance</b>			<b>\$ 3,972,673</b>	<b>\$ 336,989</b>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**City of Pompano Beach, Florida**

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
Fiscal Year Ended September 30, 2008**

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**Note 1. General**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects (the "Schedule") presents the activity of all federal programs and state projects of the City of Pompano Beach, Florida (the "City") for the year ended September 30, 2008. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

**Note 2. Basis of Accounting**

The accompany Schedule is presented using the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types.

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards**

To the Honorable Mayor and Members of the  
City Commission  
City of Pompano 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 Pompano Beach, Florida (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2009. Our report was modified to include 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 Pompano Beach Police and Firefighters' Retirement System and the City of Pompano Beach General Employees' Retirement System, 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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*.

We noted certain matters that we reported to management of the City in a separate letter dated February 26, 2009.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, management of the City, federal and state awarding agencies, pass-through entities 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.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
February 26, 2009

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Compliance With Requirements Applicable to Each  
Major Federal Program and State Project and on Internal  
Control Over Compliance in Accordance With OMB  
Circular A-133 and Chapter 10.550, *Rules of the Auditor General***

To the Honorable Mayor and Members of the  
City Commission  
City of Pompano Beach, Florida

## ***Compliance***

We have audited the compliance of the City of Pompano Beach, Florida (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state projects 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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items CF 2008-01, CF 2008-02, and CF 2008-03.



### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. 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 or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items IC 2008-01, IC 2008-02, and IC 2008-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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 response and, accordingly, we express no opinion on it.

### ***Schedule of Expenditures of Federal Awards and State Financial Assistance***

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, 2008, and have issued our report thereon dated February 26, 2009. Our report was modified to include a reference to other auditors. Our audit and the audit of other auditors was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, the members of the City Commission, management of the City, federal and state awarding agencies and pass-through entities 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.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
February 26, 2009

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2008

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I - Summary of Independent Auditor's Results

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified that are  
not considered to be material weakness(es)?

\_\_\_\_\_ Yes        X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified not  
considered to be material weakness(es)?

  X   Yes      \_\_\_\_\_ None Reported

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

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section 510(a)  
of Circular A-133?

  X   Yes      \_\_\_\_\_ No

Identification of major programs:

The programs tested as major were as follows:

CFDA Number(s)

14.218

97.039

Name of Federal Program or Cluster

Community Development Block Grant

Hazard Mitigation Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

(Continued)

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2008

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**State Financial Assistance**

Internal control over major projects:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?

  X   Yes      \_\_\_\_\_ None Reported

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

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Chapter 10.550, *Rules  
of the Auditor General*

  X   Yes      \_\_\_\_\_ No

Identification of major projects:

The projects tested as major were as follows:

CFSA Number(s)  
52.901

Name of State Financial  
Assistance Project  
State Housing Initiatives Partnership ("SHIP")

Dollar threshold used to distinguish between type  
A and type B projects:

\$ 300,000

**The City of Pompano Beach, Florida**

**Schedule of Findings and Questioned Costs (Continued)**  
**Fiscal Year Ended September 30, 2008**

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**II – Financial Statements Findings**

A. Internal Control

None reported.

B. Compliance

None reported.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2008

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III –Federal Awards and State Financial Assistance Findings and Questioned Costs

A. Internal Control Over Compliance

IC 2008-01 – Reporting

U.S. Department of Housing and Urban Development (HUD)–  
Community Development Block Grant (CFDA No. 14.218)

Criteria: The City should have adequate internal control policies and procedures in place to provide reasonable assurance that information and amounts reported in the HUD Integrated Disbursement and Information System ("IDIS") and Consolidated Annual Performance Evaluation Report ("CAPER") agree to the program revenue and expenditures recorded in the City's general ledger.

Condition: We noted that information and amounts reported in the IDIS and CAPER for the period ended September 30, 2008 was not in agreement with the City's general ledger.

Context: We identified the different reports which the City is required to submit to HUD on a periodic basis. In addition, we tested the accuracy of information reported in the IDIS and CAPER and noted differences in expenditure and revenue amounts reported in the general ledger verses the amounts reported in those reports.

Effect: The reporting of inaccurate data to the grantor could result in the compilation of information that differs from the City's accounting records, which may result in disallowed or questioned costs of the program.

Cause: This resulted due to failure of Office of Housing & Urban Improvement (OHUI) staff to reconcile what was input into IDIS to the account activity reports provided by the Treasury Division. This condition is also caused by the lack of a formal management review process.

Recommendation: We recommend that the City establish a formal policy and procedure which includes preparation on a periodic basis, a reconciliation of information between general ledger and IDIS to ensure that both systems' information is accurately reported and accounted for. Also, we recommend that program staff be provided adequate training in the preparation of reports and a formal management review process over the reporting function be in place.

Views of responsible officials and planned corrective actions:

OHUI Department Response: Management agreed with the recommendation. In 2008, OHUI staff received in-house training on IDIS and also hired a new staff member in December 2008 who is experienced in the IDIS system for grant reimbursements. OHUI staff is formulating new procedures and guidelines in order to meet IDIS and Naviline timelines. Part of the guideline is to assure that all expenditures are allocated to the correct spending periods. Also, OHUI staff will create a policy and procedures. Target date of June 30, 2009 was estimated to implement the recommendation via the completed OHUI flowchart, policy, and procedures.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2008

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IC 2008-02 – Subrecipient Monitoring

U.S. Department of Housing and Urban Development –  
Community Development Block Grant (CFDA No. 14.218)

Criteria: The City should have adequate internal control policies and procedures in place to provide reasonable assurance that it is in compliance with OMB Circular A-133, which requires that a pass-through entity is responsible for monitoring subrecipient activities and adhering to the terms and conditions of the subrecipient agreement.

Condition: Subrecipient agreements specified that the City: (a) has the right to audit the records of the subrecipient for a period of three years after final payment of grant funds; (b) conduct on-site monitoring visits of the subrecipients; (c) perform annual inventory of all capital equipment purchased by the subrecipients with CDBG funds; and (d) receive and review quarterly reports from subrecipients within 30 or 45 days after each quarter and invoices will not be paid without the quarterly reports. OHUI did not strictly enforce the terms of the agreement and payments were made to subrecipients upon receipt of invoices without receipt of the quarterly reports. All subrecipients tested either did not submit all required reports or missing one or two quarterly reports. We noted no monitoring visit was conducted.

Also, there was no indication that the City has verified whether subrecipients have met the \$500,000 threshold which would require compliance with the federal single audit requirements.

Questioned Costs: Undeterminable.

Context: In fiscal year 2008, there were eleven (11) subrecipients who received CDBG funds. We performed inquiry and verification from subrecipients' files on the submission of required reports and whether OHUI performed monitoring visits or annual inventory. All subrecipient files tested either did not submit all required reports or were missing one or two quarterly reports. We noted no monitoring visits and annual inventory counts were not conducted.

Effect: Subrecipients may not be administering the activities funded by the program in accordance with the provision of the program requirements and grant agreements, which may result in demand for repayment of previous awards.

Cause: The City has not yet developed a formal policy and procedures on subrecipient monitoring and site visit review.

Recommendation: We recommend that the City establish a formal policy and procedure for monitoring and reviewing the activities of the sub-grantees of the program. Each site monitoring should be clearly documented indicating at a minimum, the name of the monitor, the date the monitoring occurred, the procedures performed, and if the subrecipient complied with laws, regulations and the provisions of contracts and grant agreements.

Views of responsible officials and planned corrective actions:

OHUI Department Response: Management agrees with the recommendation. OHUI staff will be preparing a new Subgrantee Monitoring Policy, Procedures and Guidelines and checklist to facilitate this process. The new monitoring policy will include technical assistance to the sub recipient. Also, OHUI staff will attend training in order to be in compliance with HUD standards. OHUI staff will also be revising its subgrantee agreements to include how the budget will be expended to be able to monitor subrecipients more effectively. The additional staff that has been hired will also allow OHUI staff to do on site monitoring of subrecipients. OHUI staff will also implement a new rule that makes subrecipients more responsible in submitting quarterly reports and monthly updates, or risk delay in funding. Repeated offenses will result in termination of agreements. Target date of April 2009 was estimated for the new policy, procedures and guidelines. Two CDBG Coordinators were assigned to implement this recommendation.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2008

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IC 2008-03 – Annual Report to the State

Florida Housing Finance Corporation –  
State Housing Initiatives Partnership Program  
Grant (CFSA No. 52.901)

Criteria: The City should have adequate internal control policies and procedures in place to provide reasonable assurance that the City is in compliance with the reporting requirements of the grant programs and assign responsibility over preparation, review and approval of reports. The City is required to submit a program activity report with the State Granting Agency reflecting the program expenditures recorded in the City's general ledger.

Condition: We noted that the activity report filed with the State for the period ended June 30, 2008, was not in agreement with the City's accounting records.

Context: We identified the different reports which the City is required to submit to the State agency on a periodic basis. In addition, we tested the accuracy of information reported in the annual report and noted the following:

- a. We found differences in expenditure amounts reported in the general ledger verses the amounts reported in the annual report.
- b. We noted instances in which participants were reported in different program years in the general ledger and SHIP Tracking Report.

Effect: The reporting of inaccurate data to the grantor could result in the compilation of information that differs from the City's accounting records, which may result in disallowed or questioned costs of the program.

Cause: There were adjusting journal entries posted to the general ledger that were not incorporated in the SHIP Tracking Report. This condition is also caused by the lack of formal management review and reconciliation process before the report is submitted to the State.

Recommendation: We recommend that the City establish a formal policy and procedure which ensures that information reported to grantor agencies agrees to the accounting and other pertinent records. Such policy should require sufficient time that allows for the completion of the report and review and reconciliation between OHUI and Finance Department.

Views of responsible officials and planned corrective actions:

OHUI & Finance Department Responses: Management agrees with the recommendation. OHUI staff will complete its annual report by August 1<sup>st</sup> of the reporting year. At that time, OHUI staff will forward a copy of the report to Finance staff with reconciling back-up/detail and the reconciliation of the amounts. Finance staff will review the SHIP report and attached reconciling support and provide feedback information by the third week of August on an annual basis. If the SHIP report was submitted to Finance staff and reconciling support was omitted, then Finance staff will return the information to OHUI staff to identify and reconcile any differences. After the review by Finance staff, OHUI staff will make any corrections to the report and then submit it to the State by September 10th of each year, which would be before the annual State reporting deadline of September 15<sup>th</sup>. Target date of August 2, 2009 was estimated to implement the recommendation. One CDBG Coordinator and the Accounting Systems Analyst were assigned to implement this recommendation.

**The City of Pompano Beach, Florida**

**Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2008**

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**B. Compliance Findings**

**CF 2008-01 – Reporting**

**U.S. Department of Housing and Urban Development (HUD)–  
Community Development Block Grant (CFDA No. 14.218)**

See IC 2008-01

Views of responsible officials and planned corrective actions: Management concurs with the recommendation. See IC 2008-01 for detailed views of responsible officials and planned corrective actions.

**CF 2008-02 – Subrecipient Monitoring**

**U.S. Department of Housing and Urban Development –  
Community Development Block Grant (CFDA No. 14.218)**

See IC 2008-02

Views of responsible officials and planned corrective actions: Management concurs with the recommendation. See IC 2008-02 for detailed views of responsible officials and planned corrective actions.

**CF 2008-03 – Annual Report to the State**

**Florida Housing Finance Corporation –  
State Housing Initiatives Partnership Program  
Grant (CFSA No. 52.901)**

See IC 2008-03

Views of responsible officials and planned corrective actions: Management concurs with the recommendation. See IC 2008-02 for detailed views of responsible officials and planned corrective actions.



**City of Pompano Beach, Florida**

**Summary Schedule of Prior Year's Audit Findings  
Fiscal Year Ended September 30, 2008**

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**I – Findings Required to be Reported in Accordance With Generally Accepted Governmental Accounting Standards**

**A. Internal Control**

**IC 2007-01 – Grants Management**

Current Year's Status: Corrective action taken.

**B. Compliance Findings**

None reported.

**City of Pompano Beach, Florida**

**Summary Schedule of Prior Year's Audit Findings  
Fiscal Year Ended September 30, 2008**

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**II – Findings and Questioned Costs for Federal Award Programs and State Financial Assistance Projects**

**Internal Control and Compliance Finding**

**A. Internal Control over Compliance**

**IC 2007-01 – Grants Management**

Current Year's Status: Corrective action taken.

**IC 2007-02 – Activities Allowed/Allowable Costs**

**U.S. Department of Housing and Urban Development (HUD) –  
Community Development Block Grant (CFDA No. 14.218)  
Home Investment Partnerships Program (CFDA No. 14.239)**

Current Year's Status: Corrective action taken.

**B. Compliance Findings**

**CF 2007-01 – Reporting**

**U.S. Department of Housing and Urban Development (HUD) –  
Community Development Block Grant (CFDA No. 14.218)**

Current Year's Status: Corrective action taken.

**CF 2007-02 – Activities Allowable/Allowable Costs/Davis-Bacon Act**

**U.S. Department of Housing and Urban Development –  
Community Development Block Grant (CFDA No. 14.218)  
Home Investment Partnerships Program (CFDA No. 14.239)**

Current Year's Status: Corrective action taken.

**CF 2007-03 – Subrecipient Monitoring**

**U.S. Department of Housing and Urban Development –  
Community Development Block Grant (CFDA No. 14.218) and  
Home Investment Partnerships Program (CFDA No. 14.239)**

Current Year's Status: Findings were not corrected. There was a similar finding noted in the current year's audit. See item CF 2008-02.

**City of Pompano Beach, Florida**

**Summary Schedule of Prior Year's Audit Findings  
Fiscal Year Ended September 30, 2008**

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**CF 2007-04 – Annual Report to the State**

**Florida Housing Finance Corporation –  
State Housing Initiatives Partnership Program  
Grant (CFSA No. 52.901)**

Current Year's Status: Findings were not corrected. There was a similar finding noted in the current year's audit. See item CF 2008-03.

**CF 2007-05 – Reporting**

**Florida Department of Environmental Protection –  
Florida Recreation Development Assistance Program (FRDAP) (CSFA 37.017)**

Current Year's Status: Corrective action taken.

**CF 2007-06 – Schedule of Expenditures of Federal Awards and State Financial Assistance**

Current Year's Status: Corrective action taken.

# McGladrey & Pullen

Certified Public Accountants

## **Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida**

To the Honorable Mayor and Members of the  
City Commission  
City of Pompano 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 Pompano Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2008 and have issued our report thereon dated February 26, 2009. Our report was modified to include a reference to 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 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated February 26, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information which is not 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 made in the preceding annual financial audit report. See Appendix B herein, and the accompanying schedule of findings and questioned costs.

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, relating to local government investment policies.

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, accounting procedures, and internal controls. Please see Appendix A for the current year's recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. Violations of provisions of contracts and grant agreements were reported in the accompanying schedule of findings and questioned costs.

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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. See the accompanying schedule of findings and questioned costs for the current year's 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. This information is disclosed in Note 1 of the City's 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, 2008 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, 2008. 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.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, management of the City, federal and state awarding agencies, pass-through entities and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
February 26, 2009

**Appendix A –Current Year’s Recommendations to Improve Financial Management,  
Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2008**

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**ML 2008-01 – Request for Reimbursement of CDBG Funds**

Criteria: Policies and procedures should be in place to ensure that regular and timely request for reimbursement of CDBG/HOME grants are made.

Condition: We noted that the City has experienced significant delays between, when an eligible grant expenditure is incurred, and when a request for reimbursement is submitted to the grantor. For example, expenditures incurred from October 2007 through March 2008, were submitted for reimbursement in June 2008, and expenditures incurred from April 2008 through June 2008, were submitted for reimbursement in July 2008.

Context: In connection with our OMB Circular A-133 compliance testing, we tested the reimbursement requests submitted by the City to HUD and noted that there was a significant amount of time before expenditures are reported for reimbursement.

Effect: Due to the significant time delay to submit expenditures to be reimbursed, the City risks the opportunity for timely reimbursement of funds. In addition, since these funds are on a reimbursement basis, the City is at risk of losing interest due to the fact that these expenditures are initially funded by the City.

Cause: A delay in OHUI staff obtaining training on the IDIS resulted in the delay in processing reimbursement requests.

Recommendation: We recommend that the City implement a policy to ensure that reimbursement requests are submitted on a monthly basis, as allowable by HUD, in order to avoid the City’s resources being used to subsidize for program expenditures for an extended period of time.

Views of responsible officials and planned corrective actions:

OHUI Department Response: Management agrees with the recommendation. In 2008, OHUI staff received in-house training on IDIS and also hired a new staff member in December 2008 who is experienced in the IDIS system for grant reimbursements. OHUI staff is formulating new procedures and guidelines in order to meet IDIS and Naviline timelines. OHUI staff will take corrective action to timely input expenditures and will create a flowchart to show the proper procedures to obtain necessary information for timely reimbursements. Also, OHUI staff will create a policy and procedures. Two CDBG Coordinators will be assigned to ensure that reimbursement requests are processed timely. Target date of June 30, 2009 was estimated to implement the recommendation via the completed OHUI flowchart, policy and procedures.

**Appendix A –Current Year's Recommendations to Improve Financial Management,  
Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2008**

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**ML 2008-02**

Criteria: The City has established policies which require that duplicate copies of participant files be maintained by OHUI for those participating in the Substantial Housing Rehabilitation Program (SHRP). In addition, the City requires that each file, participating in the First-time Homebuyers Program (FTHB) include certain City's prescribed forms.

Condition: We noted that the City did not have adequate review controls, or indicate evidence of the occurrence of a review, to ensure that participant files were completed to include all of the City's specific prescribed documentation.

Context: We selected twelve (12) participants from the SHRP and FTHB, and tested the controls over the completeness of the City's specific prescribed documents based on the OHUI developed checklist. Our testing disclosed that two (2) housing rehabilitation participant's files did not contain the duplicate copies of the required documentation. In addition, five (5) participant files for FTHB did not contain the City's specific required documents.

Effect: The City failed to comply with its additional established policies for participant files. Also, the City's interest in the property relating to the FTHB may be at risk.

Cause: The review process was not performed in a diligent manner.

Recommendation: We recommend that the City comply with its policy, whereby review by personnel responsible for reviewing each participant's file is performed to ensure the completeness of all of its required documentation. This should be evidenced by supervisory sign off along with the date when such review occurred.

Views of responsible officials and planned corrective actions:

OHUI Department Response: Management agrees with the recommendation. OHUI staff is currently designing the new file system for participant file documentation that will track files in the computer and files in file cabinets, plus a checklist of forms to be included in first time homebuyers and substantial housing rehab participant files. At the January 27, 2009 City Commission meeting, the new Rehabilitation Policy and Procedure book was presented by OHUI staff. As part of the new rehabilitation plan, all qualifications will be done in house starting with the 2009 Rehab lottery. OHUI staff is also implementing new flow charts to better track progress on qualification and progress of rehab. Two CDBG Coordinators were assigned to implement the recommendation.

**City of Pompano Beach, Florida**

**Appendix B – Status of Prior Year’s Recommendations to Improve Financial Management,  
Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2008**

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**ML 2007-01** – Control Objectives for Information-related Technology, (CobiT®) Control Objective DS 8 states “Manage service desk and incidents to ensure that the IT organization and the management and control of IT resources are appropriate for the entity.”

Current Year’s Status: Corrective action was taken.

**ML 2007-02** – CobiT® Control Object DS 5 states “Ensure a system security framework is maintained to provide adequate control and security of information.”

Current Year’s Status: Corrective action was taken.

**ML 2007-03** – CobiT® DS7 states “Educate and Train Users – Establish and regularly update a curriculum for each target group of employees regarding value of information as an asset and corporate values (ethical values, control and security culture”).

Current Year’s Status: Corrective action was taken.

**ML 2007-04** – CobiT® DS-5 states “Security Testing, Surveillance and Monitoring – A logging and monitoring function enables the early detection of unusual or abnormal activities that may need to be addressed.”

Current Year’s Status: Corrective action was taken.

**ML 2007-05** – CobiT® AI2 states “Software Quality Assurance – Develop – The quality assurance plan should include quality criteria and validation and verification processes, including inspection, walkthroughs and testing in a separate development, testing and operational environment.”

Current Year’s Status: Corrective action was taken.

**ML 2007-06** – Completeness and Review of Participants’ File – U.S. Department of Housing and Urban Development – Home Investment Partnership Program

Current Year’s Status: Corrective action was taken.

**ML 2007-07** – Completeness and Review of Participants’ File – Florida Housing Finance Corporation – State Housing Initiative Partnerships Program.

Current Year’s Status: Findings were not corrected. There was a similar finding noted in the current year’s audit. See item ML 2008-02.