

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, 2009

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City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards
and State Financial Assistance
Fiscal Year Ended September 30, 2009

Federal/State Agency, Pass Through Entity, Federal Program/State Project	CFDA CSFA No.	Contractor/ Grant No.	Total Expenditures	Total Transfers to Sub recipients
Federal Awards				
U.S. Department of Housing and Urban Development:				
Direct Assistance:				
Community Development Block Grant Entitlement	14.218	B-07-MC-12-0026 through B-08-MC-12-0026	\$ 1,515,865	\$ 61,294
Neighborhood Stabilization Program (NSP1)	14.218	B-08-MN-12-0024	33,980	-
Home Investment Partnership Program	14.239	M-06-MC-12-0229 through M-07-MC-12-0229	585,489	-
Pass through Florida Department of Community Affairs Pass through Broward County Community Development Block Grant 2005 CDBG Disaster Recovery Initiative/FL DCA	14.228	07DB-3V-11-16-01-Z08	610,703	-
Total U.S. Department of Housing and Urban Development			2,746,037	61,294
U.S. Department of Homeland Security, FEMA:				
Pass through Florida Department of Community Affairs CERT – Emergency Management programs	97.067	09-CI-49-11-16-02-416	6,750	-
Pass through Florida Division of Emergency Management Hazard Mitigation Program – City Hall Windows	97.039	08-HM-1G-11-16-02-004	307,021	-
Pass through Florida Division of Emergency Management Hazard Mitigation Program – Emma Lou Olson Civic Ctr Windows	97.039	08-HM-6G-11-16-02-005	97,623	-
Total U.S. Department of Homeland Security, FEMA			411,394	-
U.S. Department of Justice				
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0142	444,257	-
Total U.S. Department of Justice			444,257	-
U.S. Department of Agriculture:				
Pass through Florida Department of Education Summer Food Service Program	10.559	04-0984	8,099	-
Total U.S. Department of Agriculture			8,099	-
Total Expenditures of Federal Awards			3,609,787	61,294

(Continued)

City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Fiscal Year Ended September 30, 2009

Federal/State Agency, Pass Through Entity, Federal Program/State Project	CFDA CSFA No.	Contractor/ Grant No.	Total Expenditures	Total Transfers to Sub recipients
State Financial Assistance				
Florida Housing Finance Corporation:				
State Housing Initiative Partnership Program	52.901	SHIP	\$ 359,405	\$ -
Florida Department of Environmental Protection:				
Division of Parks and Recreation FRDAP	37.017	DEPA09106	135,611	-
Florida Department of Health:				
EMS Matching Grant Program	64.005	08-HSD-EMS-8153-01	21,859	-
EMS Matching Grant Program	64.005	09-HSD-EMS-8153-01	20,836	-
Total Florida Department of Health			<u>42,695</u>	-
Florida Department of Transportation:				
Aviation Development Grants	55.004	416245-1-94-01 APG37	<u>329,026</u>	-
Total Expenditures of State Financial Assistance			<u>\$ 866,737</u>	\$ -

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2009**

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (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, 2009. 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2010. 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, 2010.

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, 2010

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, 2009. 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.

As described in items 2009-2 and 2009-3 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding eligibility and reporting that are applicable to its State Housing Initiative Partnership Program ("SHIP"). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that project.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009. However, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements which 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 item 2009-1.

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 2009-1, 2009-2, and 2009-3 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2009-2 and 2009-3 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, 2009, and have issued our report thereon dated February 26, 2010. 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, 2010

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2009

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?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> 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?

<u> X </u> Yes	<u> </u> No
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Identification of major programs:

The programs tested as major were as follows:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.228	CDBG Disaster Recovery Initiative
14.239	Home Investment Partnership Program
16.710	Public Safety Partnership and Community Policing Grants

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, 2009

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported

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

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:

<u>CFSA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
52.901	State Housing Initiatives Partnership ("SHIP")
55.004	Aviation Development Grant

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, 2009

II – Financial Statements Findings

None reported.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2009

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

2009-1

Subrecipient Monitoring

**U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA 14.218**

Criteria – Internal Control: The City's internal control should be designed in order to allow for the proper and timely performance of subrecipient monitoring. The control policy should require evidential documentation as to when the monitoring occurred, the individual performing the monitoring and the results of such review.

Criteria – Compliance: In accordance with the OMB A-133 Compliance Supplement, a pass through entity is required to, at the time of the award; provide the subrecipient with the Federal award information (such as, CFDA title and number, award name, name of Federal agency) and applicable compliance requirements. The OMB A-133 Compliance Supplement also indicates the control objective for subrecipient monitoring is to provide reasonable assurance the Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. The pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Condition: We noted the City did not have a formalized policy or practice of requiring documentation of the review of the subrecipient's single audit reports. We also noted that the City did not have supporting records of the subrecipient's award agreements that would allow management to determine whether the subrecipient award is in compliance.

Questioned costs: not applicable

Context: We selected one out of the three subrecipients for this major program.

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

Cause: The City's failure of internal controls and lack of appropriate recording keeping.

Recommendation: We recommend the City establish a formal policy that incorporates the timely review and documentation of monitoring subrecipients, and also addresses the proper record keeping and retention of agreements and files to be used for future reference.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will implement the proper internal control procedures for sub-recipient monitoring. Within the upcoming year, management plans to revise the record retention policy, and other policies, to ensure adequate file maintenance and sufficient documentation. Management will also provide training for program administrators, to ensure full comprehension of all internal control procedures. Management understands the importance of maintaining program documentation and will make an effort to correct shortcomings. The Office of Housing and Urban Improvement ("OHUI") staff assigned for this recommendation is the Program Administrator. The estimated target date of implementation was given as immediate.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2009

2009-2

Eligibility
Florida Housing Finance Corporation
State Housing Initiative Partnership Program – CSFA 52.901

Criteria – Internal Control: Proper internal control policies should require the cataloging and safekeeping of program participant's files and information that are pertinent to their initial and continuing compliance with the program.

Criteria – Compliance: Per the City's Local Housing Action Plan filed with the State of Florida, only very low, low, and moderate income persons or households are to receive assistance under the in-fill program.

Condition: The program administrators were unable to provide participant file information in order to demonstrate compliance with the eligibility requirements.

Questioned costs: \$55,000

Context: Of the 12 participant files selected for testing, 2 participant files could not be located or were not provided.

Effect: The inability to locate pertinent record information related to program participants could result in the disallowance of program funding.

Cause: The City's failure of internal controls and lack of appropriate recording keeping.

Recommendation: We recommend the City review its record retention policy and implement internal control procedures which will achieve the control objectives outlined in the State's Compliance Supplement for the eligibility requirements.

Views of responsible officials and planned corrective actions: Management agrees with this finding. The department is in transition and has been for some time. It is possible the files were submitted to OHUI's storage area and were not properly researched during the course of the audit. OHUI is in the process of restructuring program files. This process is being implemented to ensure sufficient documentation, existence, and maintenance. OHUI's goal is to provide exceptional record retention going forward. OHUI staff assigned for this recommendation is Contracted Assistance. The estimated target date of implementation was given as immediate.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2009

2009-3

Reporting
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program - CSFA 52.901

Criteria – Internal Control: 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.

Criteria – Compliance: 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, 2009, 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 program (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 the OHUI and Finance Departments.

Views of responsible officials and planned corrective actions: Management agrees with this finding and is actively making corrections to eliminate the reoccurrence of this situation. In addition, the Internal Audit Department organized a conference call with the City's local SHIP Compliance Officer and the OHUI Director, which resulted in an agreed upon process and timeline for resubmission of the revised 2009 SHIP annual report. OHUI obtained the necessary staff, with the essential skill set, to reconcile the SHIP general ledger accounts for re-submittal of the SHIP annual reports to the State. Revisions to the SHIP tracking report will also be completed and maintained by OHUI. The tracking report will be used, on a regular basis, to document SHIP transactions. A monthly reconciliation, between the tracking report and general ledger, will be performed. All reconciling items will be researched and cleared within 30 days of identification. At the end of the award term, the tracking report will be used to compile the SHIP annual report.

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2009

Also, in the future, both OHUI and Finance departments will not only vouch amounts on the draft report to the City's general ledger, but Finance Department staff will provide a sign-off on the draft report to indicate that Finance Department review has occurred. It will then be the responsibility of the OHUI Director (or designee other than the report preparer) to ensure that the data, as signed off by Finance, is what is ultimately submitted, as the final SHIP annual report to the State. OHUI staff assigned for this recommendation is Contracted Assistance. The revised re-submittal target date for the 2009 SHIP annual report to the State was given as March 2010. The implementation for this recommendation is immediate.

Summary Schedule of Prior Year's Audit Findings
Fiscal Year Ended September 30, 2009

IC 2008-01 / CF 2008-01 – Reporting
U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grant (CFDA 14.218)

Audit Finding: 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.

Corrective Action Taken: This comment is a carry forward item which was given an estimated implementation date of February 2010. As of January 2010, the OHUI Department has not completed the reconciliation of information and amounts reported in federal Consolidated Annual Performance Evaluation Report for 2008 (CAPER), the federal draw down system (IDIS) and the City's general ledger for fiscal year 2009. This recommendation was made to ensure the accuracy of reported information between systems. Although the Interim OHUI Director gave an estimated target date of February 2010 to complete the reconciliation, she also anticipated the reoccurrence of timing differences between these systems.

The Internal Audit Department has recommended that new policies and procedures be written and implemented by the OHUI Department to implement the recommendation for periodic reconciliations of revenues and expenditures between the reporting systems. Currently, the Interim OHUI Director has performed the reconciliation. In the future, additional procedures and training will be required to delegate this periodic reconciliation task from the Interim OHUI Director to assigned OHUI staff. Said OHUI staff must possess adequate mastery of technical knowledge to perform periodic reconciliations. In addition, the Interim OHUI Director anticipated supplemental assistance may also be required of Finance staff to perform periodic reconciliations which would require reimbursement of expenses for assistance from the Finance Department. Determination of supplemental assistance from Finance staff and reimbursement of supplemental assistance between departments will be developed in the future, as deemed appropriate.

Due to the resignation of the former OHUI Director and the assumption of these responsibilities by the Interim OHUI Director, the prior implementation date of June 30, 2009 for this recommendation including the 2009 reconciliation and written reconciliation policies and procedures was reset to March 2010.

Corrective action taken to-date to promote periodic reconciliation of federal expenditures and reimbursement draw downs included: (a) Starting in February 2009, the OHUI department implemented a new spreadsheet with detailed information including Treasury reconciliation date for reimbursable IDIS expenditures, IDIS draw-down date, IDIS draw down amount, IDIS draw down voucher number(s) and IDIS draw down differences; (b) In addition, a new practice was adopted to indicate period 13 month draw downs by requiring OHUI staff to use a prefix of Y on IDIS draw downs to identify CDBG expenditures to reduce timing differences between systems.

Summary Schedule of Prior Year's Audit Findings
Fiscal Year Ended September 30, 2009

IC 2008-02 / CF 2008-02 – Subrecipient Monitoring
U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grant (CFDA 14.218)

Audit Finding: 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.

Corrective Action Taken: Finding was not corrected as of September 30, 2009. See item 2009-1.

IC 2008-03 / CF 2008-03 – Annual Reporting to the State
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (CSFA 52.901)

Audit Finding: 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.

Corrective Action Taken: Finding was not corrected as of September 30, 2009. See item 2009-3.

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, 2009 and have issued our report thereon dated February 26, 2010. 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, 2010, 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. Except as noted in Appendix B herein and in the accompanying schedule of findings and questioned costs, corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit 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, 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 provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. 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, 2009 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, 2009. 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 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, 2010

Appendix A –Current Year's Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2009

ML 2009-1

Criteria: Help ensure that management can provide adequate control and security of information.

Condition: Observation and inspection of policies disclosed that IT Policies and Procedures do not include Physical Security regarding data center and facilities:

Context: Security management processes and procedures regarding physical access are not adequately documented (control environments within data center, granting/terminating access to the data center, etc).

Effect: Undocumented procedures can lead to the inability to plan, develop and maintain a secure IT environment.

Cause: Administrative oversight

Recommendation: The City should consider the following: (a) Documenting the already established procedure for managing Physical Access to data center and facilities; and (b) Establishing a review cycle for access granted to the data center.

Views of responsible officials and planned corrective actions: It is currently the policy of the City's Information Technology Department (IT) to change the locks to the main doors of the office and the computer room every time an IT employee is terminated. The IT Department has been performing this task for the past seven (7) years. However, effective February 12, 2010, the IT Department has incorporated this already existing practice and policy into the formal written IT polices.

**Appendix B – Status of Prior Year’s Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2009**

ML 2008-01 – We noted that the City has experienced significant delays between, when 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.

Current Year’s Status: Corrective action was taken.

ML 2008-02 – 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.

Current Year’s Status: This comment was a carry forward item and an estimated implementation date for corrective action to be taken was given as March 2010. Internal Audit staff has recommended written procedures for the revised November 2009 checklist to indicate the routing and timeliness to complete the internal three way review of required documentation of participant files for federal and state awards. Also, Internal Audit staff recommended the OHUI department adopt a timeliness standard to close participant files after the final disbursement check.

Based on a review of three participants’ files, Internal Audit staff found all required documents were not in the participant files. In addition, revised checklists in July and November 2009 should have required either a two way or three way internal review by OHUI staff of required documentation of participants’ files. However, Internal Audit staff noted that the checklist for the participants’ files only had the sole signature of either the Program Administrator or the Office Assistant I for first time home buyers and did not evidence a multi-party internal review.

When Internal Audit staff relayed the results of completeness tests of participants’ files, OHUI staff stated that only closed files would contain complete documentation and documentation exceptions noted were for open files. In response, Internal Audit staff would expect these files to be closed files with complete documentation as approximately 90 to 120 days had elapsed since the date of the last expenditure for the participant. Thus, we found that there was not a timeliness standard for OHUI staff to close files. We discussed the need for a timeliness standard to be instituted by OHUI staff to timely close participants’ files and the Interim OHUI Director stated that files should be closed within a 90 day time frame from last expenditure. Thus, all required documentation should have been in selected participant files and in some instances was readily assessable to OHUI staff via the internet to print and insert in the participant’s files. Although OHUI staff utilizes an excel spreadsheet for substantial rehabilitation and first time home buyers, all follow-up is done manually. There is no data base or software which automatically tickles dates for participant file updating and monitoring.

Per the Interim OHUI Director, established City Policy of requiring duplicate copies of participant files has been removed from the policies and procedures. OHUI staff will no longer hold up the completion of client files by waiting for the executed lien documents to be returned from Broward County. OHUI staff will print out executed liens from the Broward County website and place copies in the respective client files. OHUI staff will replace the copies with original recorded liens as the liens become available. The Interim OHUI Director has agreed to research the policy requiring that the City be named as additional insured party on housing insurance policies where the subject property is a condominium.

**Appendix B – Status of Prior Year’s Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2009**

Corrective actions to be taken in the future include:

- Regarding the first time home buyers program (“FTHB”), formal written procedures were not implemented and a revised target date of March 2010 was estimated for completion of written procedures for first time home buyers. Written procedures will also address the timeliness of the review. The Office Assistant II of the OHUI Department was assigned to complete these written procedures. Also, in FY 2010, OHUI staff will hire a Community Development Specialist who will have administrative responsibilities and will also do on-site inspections for the substantial rehabilitation program.
- Regarding the substantial rehabilitation program, in FY2010, a Community Development Program Specialist was hired to perform administrative responsibilities and also do on-site inspections for the substantial rehabilitation program.

Corrective action taken in the past included:

- Regarding first time home buyer program, in July 2009, OHUI staff used a first time home buyer’s checklist and also implemented a two party internal review of the completeness of required documentation for participant files by the administrator and program administrator. In November 2009, this checklist was revised to require a three party internal review by the FTHB Office Assistant II, the Program Administrator and Director.
- Regarding the substantial rehabilitation program, 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 which was held on March 25, 2009. OHUI staff is also implementing new flow charts to better track progress on qualification and progress of rehab. Also, in FY2010, OHUI staff will hire a Community Development Specialist who will have administrative responsibilities and will also do on-site inspections for the substantial rehabilitation program.
- In addition, the Interim OHUI Director reported an additional processing step will be added to avoid the future re-occurrence of prior income certifications becoming stale or expired. OHUI staff will send a letter to the participants to determine if they are still interested in first time home buyer assistance and require participants to confirm interest by providing a contract within thirty days of the follow-up letter notification. If participants fail to respond and provide a contract, then the file will be closed.