

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, 2011



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City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2011

| Federal/State Agency, Pass Through Entity Federal Program/State Project | CFDA CSFA No. | Contractor/ Grant No. | Expenditures | Pass through to Sub recipients |
|---|---------------------|---|------------------|-----------------------------------|
| Federal Awards | | | | |
| U.S. Department of Agriculture: | | | | |
| Pass through Florida Department of Agriculture, Division of Forestry | | | | |
| Urban Forestry Hurricane Tree Replacement | 10.664 | U&CF09-45 015147 | \$ 1,350 | \$ - |
| U.S. Department of Housing and Urban Development: | | | | |
| Community Development Block Grants – Entitlement Grants Cluster | | | | |
| Direct assistance: | | | | |
| Community Development Block Grant | 14.218 | B-08-MC-12-0026 B-09-MC-12-0026 | 871,998 | 90,746 |
| Community Development Block Grant NSP (1) | 14.218 | B-08-MN-12-0024 | 1,994,747 | - |
| Community Development Block Grant ARRA Entitlement Grants (CDBG-R) | ARRA 14.253 | B-09-MY-12-0026 | 13,139 | - |
| Total Community Development Block Grants – Entitlement Grants Cluster | | | 2,879,884 | 90,746 |
| Pass through Florida Department of Economic Opportunity | | | | |
| Pass through Broward County | | | | |
| 2005 CDBG Disaster Recovery Initiative/FL DCA | 14.228 | 08-DB-D3-11-16-01-A06 | 315,704 | - |
| Direct assistance: | | | | |
| Home Investment Partnership Program | 14.239 | M-08-MC-12-0229 through M-09-MC-12-0229 | 466,453 | 10,000 |
| Homelessness Prevention and Rapid Re-Housing Program (HPRP) | ARRA 14.257 | S-09-MY-12-0029 | 238,685 | 230,473 |
| Neighborhood Stabilization Program NSP (3) | 14.264 | B-11-MN-12-0024 | 78,140 | - |
| Total U.S. Department of Housing and Urban Development | | | 3,978,866 | 331,219 |
| U.S. Department of Interior, National Parks Service | | | | |
| Pass through Florida Department of Environmental Protection | | | | |
| Land and Water Conservation Fund Grants | 15.916 | 12-00577 LW577 | 87,779 | - |

(Continued)

City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2011

| Federal/State Agency, Pass Through Entity Federal Program/State Project | CFDA CSFA No. | Contractor/ Grant No. | Expenditures | Pass through to Sub recipients |
|---|---------------------|--------------------------|----------------------------|-----------------------------------|
| Federal Awards (continued) | | | | |
| U.S. Department of Energy | | | | |
| Direct assistance | | | | |
| Energy Efficiency and Conservation Block Grant Programs | ARRA 81.128 | DE-SC002703 | <u>471,796</u> | - |
| U.S. Department of Homeland Security, FEMA: | | | | |
| Pass through Florida Division of Emergency Management | | | | |
| Assistance to Firefighters Grant | 97.044 | EMV-2009-FV-02699 | 520,000 | - |
| Pass through Florida Department of Economic Opportunity | | | | |
| CERT – Emergency Management programs | 97.067 | 09-CI-49-11-16-02-416 | <u>7,051</u> | - |
| Total U.S. Department of Homeland Security, FEMA | | | <u>527,051</u> | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 5,066,842</u></u> | <u><u>\$ 331,219</u></u> |
| State Financial Assistance | | | | |
| Florida Housing Finance Corporation | | | | |
| State Housing Initiative Partnership Program | 52.901 | SHIP 09,10 | <u>\$ 87,113</u> | <u>\$ -</u> |
| Florida Department of Transportation: | | | | |
| Aviation Development Grants | 55.004 | 416245-1-94-01 APG37 | <u>951,941</u> | - |
| Florida Department of Health | | | | |
| EMS Matching Grant Program | 64.005 | 07-OMETS-8153-01 | 17,629 | - |
| EMS Matching Grant Program | 64.005 | 10-OMETS-8153-01(7) | <u>54,995</u> | - |
| Total Florida Department of Health | | | <u>72,624</u> | - |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u><u>\$ 1,111,678</u></u> | <u><u>\$ -</u></u> |

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, 2011**

Note 1. Basis of Presentation

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, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Summary of Significant Accounting Policies

The accompanying 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. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 March 27, 2012.

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
March 27, 2012



**Independent Auditor's Report
on Compliance With Requirements That Could
Have A Direct and Material Effect on 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*
and on the Schedule of Expenditures of Federal
Awards and State Financial Assistance**

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

Compliance

We have audited the City of Pompano Beach, Florida's (the "City") compliance 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 could have a direct and material effect on each of the City's major federal programs or state projects for the year ended September 30, 2011. 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 each of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances 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 2011-1.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A133 and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 2011, and have issued our report thereon dated March 27, 2012. Our report was modified to include a reference to other auditors. Our audit, and the audit of other auditors were 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
March 27, 2012

The City of Pompano Beach, Florida

**Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2011**

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 | _____ <input checked="" type="checkbox"/> No | |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported | |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |

Federal Awards

Internal control over major programs:

| | | | |
|--|---|--|--|
| Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ <input checked="" type="checkbox"/> 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?

| | | | |
|--|---|----------|--|
| | _____ <input checked="" type="checkbox"/> Yes | _____ No | |
|--|---|----------|--|

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> |
|-----------------------|--|
| various | Community Development Block Grants - Entitlement Grants Cluster (ARRA) |
| 14.257 | Homeless Prevention and Rapid Re-Housing Program (ARRA) |
| 81.128 | Energy Efficiency and Conservation Block Grant (ARRA) |
| 97.044 | Assistance to Firefighters Grant |

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

Auditee qualified as low-risk auditee? _____ Yes _____ No

(Continued)

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2011

State Financial Assistance

Internal control over major projects:

| | | |
|---|-----------------------|--------------------------------|
| 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 |

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*

| | |
|-----------------------|---------------------|
| <u> </u> Yes | <u> X </u> 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> |
|-----------------------|---|
| 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, 2011

II – Financial Statements Findings

None reported.

The City of Pompano Beach, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2011**

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

2011-1

Reporting

**U.S. Department of Housing and Urban Development
Community Development Block Grant - Entitlement - ARRA (CFDA No. 14.253)**

**U.S. Department of Energy
Energy Efficiency and Conservation Block Grant – ARRA (CFDA 81.128)**

Criteria: Section 1512 of the American Recovery and Reinvestment Act (ARRA) states that, among other reporting requirements, the non-federal entity should report the amount of ARRA funds received that were expended for projects or activities.

Condition: The amount of funds received and expended on ARRA programs as reported in the City's financial records did not agree with the amount reported on FederalReporting.gov.

Questioned costs: None

Context: This condition appears to be systemic in nature. Of the total quarterly reports filed during the fiscal year-ended September 30, 2011 for the two programs referenced above, we sampled four filings (two per program referenced above). During our testing procedures, it was noted that one of the four sampled filings had reported "funds invoiced/received" amounts which were not in agreement with the accounting records. It was also noted that three of the four sampled filings had reported "expenditure" amounts which were not supported by the accounting records.

Effect: The City inaccurately reported their expenditures to the Federal government under the various ARRA grants noted above. For the reporting of activities through quarter ending March 31, 2011, CFDA 14.253 under reported the amount of funds invoiced and received by \$14,181 and under reported the expenditure amount by \$18,751; CFDA 81.128 under reported the expenditure amount by \$48,802. For the reporting of activities through quarter ending September 30, 2011, CFDA 81.128 under reported the expenditure amount by \$431,796.

Cause: The City's designed internal control over the ARRA reporting requirements for these grants was not operating effectively.

Recommendation: We recommend the City implement a review procedure for the departments operating the ARRA grants under discussion to ensure the information being reported is adequately supported by the appropriate records and documents.

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2011

View of responsible officials and planned corrective action: Management agrees with the finding for CFDA # 14.253, Community Development Block Grant, Entitlement, ARRA. This grant, CDBG-R, had to be reported in three different systems quarterly. The error was made only in the FederalReporting.gov system. It should be noted that the CDBG-R grant was completed as of June 30, 2011. A final report was issued by the City's Office of Housing and Urban Improvement Director on July 12, 2011. This report correctly reflects the activity of the City's financial records. At this time, further action will not be needed, since the grant is closed and the final report was submitted in July 2011.

Management agrees with the finding for CFDA #81.128 for the U. S. Department of Energy, Energy Efficiency and Conservation Block Grant. In the past, the Public Works Director would be responsible for obtaining the expenditures and invoiced/received amounts from the City's financial records for preparation of the applicable reports. To prospectively implement the recommendation beginning February 8, 2012, the Controller for the Finance Department will provide the Public Works Director with the expenditures and amounts invoiced and/or received for the Energy Efficiency and Conservation Block Grant. The revised March 31, 2011 and September 30, 2011 reports were submitted on February 08, 2012.

The City of Pompano Beach, Florida

**Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2011**

2011-2

Reporting

U. S. Department of Homeland Security

Assistance to Firefighters Grant – CFDA 97.044

Criteria: Supervisory review of reports filed with the granting agency should be performed to assure accuracy and completeness of data and information included in the reports.

Condition: We noted a report filed with the granting agency did not appear to contain evidence of supervisory review.

Questioned costs: Not applicable

Context: The City is required to file a semi-annual financial report with the U.S. Department of Homeland Security. The one semi-annual financial report tested did not contain evidence of a supervisory review.

Effect: The lack of supervisory review could lead to potential inaccurate and incomplete data and information being reported.

Cause: Administrative oversight.

Recommendation: We recommend the City establish policies and procedures over the review of grant reports being filed with the granting agency to ensure that supervisory review is evidenced in the file.

View of responsible officials and planned corrective action: Management agrees with the recommendation and gave a prospective implementation date of February 7, 2012. The department has assigned a Division Chief to prepare the reports and the Fire Chief to review the reports. The department also reported that this report was submitted timely and accurately and reporting requirements for the grant were met to-date. The department stated that the Fire Administration Division Chief was responsible for gathering all information to prepare the report from department staff and the City's Finance and Planning Departments. Then the Fire Administration Division Chief reviews the information and prepares the report for the Fire Chief's review. In the past, the Fire Chief did not physically sign the report as it was submitted electronically with the Fire Chief's electronic signature. However, in the past, we were informed that log-on access for use of this electronic signature has also been provided to additional backup Fire staff given the potential absence of the Fire Chief which can also include the Fire Administration Division Chief. In the future, to implement the recommendation, a draft of the electronic report will be printed prior to submittal and the Fire Chief or the Assistant Fire Chief in his absence will be required to sign-off on a hard copy of the draft report for the Fire Department's files. This additional procedure will provide an audit trail for the supervisory review of the report and also implement the recommendation.

City of Pompano Beach, Florida

**Summary Schedule of Prior Year's Audit Findings
Fiscal Year Ended September 30, 2011**

2010-1 – Allowable Costs

**U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grant (CFDA 14.218)
Community Development Block Grant Recovery (ARRA) (CFDA 14.253)
Homeless Prevention and Rapid Re-Housing Program (ARRA) (CFDA 14.257)**

Audit Finding: It was noted that the City did not require employees who worked solely on one Federal grant award to complete signed semi-annual "period of certification" forms stating they work only on one grant during that semi-annual period which is required by the OMB Circular A-87. In addition, it was noted that the City does not maintain Personnel Activity Reports (PAR) which reflects the distribution of hourly activity performed in whole or in part to the various Federal grant awards which is also required by the OMB Circular A-87.

Corrective Action Taken: Corrective action taken.

2010-2 – Eligibility

**Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (CSFA 52.901)**

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

Corrective Action Taken: Corrective action was taken.

2009-3 – Annual Reporting to the State

**Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (CSFA 52.901)**

Audit Finding: We noted the amounts reported in the SHIP annual report did not agree with the financial records.

Corrective Action Taken: Corrective action was taken.



**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, 2011 and have issued our report thereon dated March 27, 2012. 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 That Could Have a Direct and Material Effect on 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 of the State of Florida* and on the Schedule of Expenditures of Federal Awards and State Financial Assistance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated March 27, 2012, 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 governs 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. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements or fraud, illegal acts or abuse and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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, 2011 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the 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
March 27, 2012

City of Pompano Beach, Florida

**Appendix A – Current Year’s Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2011**

None Noted

City of Pompano Beach, Florida

**Appendix B – Prior Year’s Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2011**

None Noted