

CITY OF LAUDERDALE LAKES, FLORIDA

COMPLIANCE SECTION

For the Year Ended September 30, 2014

CITY OF LAUDERDALE LAKES, FLORIDA

COMPLIANCE SECTION

For the Year Ended September 30, 2014

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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, Vice Mayor, and Commissioners Members
City of Lauderdale Lakes, Florida
Lauderdale Lakes, Florida

We have audited in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to the financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lauderdale Lakes, Florida (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 28, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are disclosed in the Schedule of Findings and Questioned Costs as items 2011-05 and 2012-06.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These significant deficiencies are disclosed in the Schedule of Findings and Questioned Costs as items 2010-02, 2012-04 and 2014-02.

Compliance and Other Matters

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

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

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 28, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor, Vice Mayor, and Commissioners Members
City of Lauderdale Lakes, Florida
Lauderdale Lakes, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Lauderdale Lakes, Florida's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended May 28, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

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

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

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

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 28, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Lauderdale Lakes, Florida

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 28, 2015

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

To the Honorable Mayor, Vice Mayor, and Commissioners Members
City of Lauderdale Lakes, Florida
Lauderdale Lakes, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Lauderdale Lakes, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated May 28, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 24, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of findings and recommendations made in the previous audit report are noted in the accompanying Schedule of Findings and Questioned Costs Part E.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Lauderdale Lakes, Florida was established as authorized in Chapter 61-2386 of Special Act of Florida.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination 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.

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

Annual Financial Report

Section 10.554(1)(i)5.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, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations to improve financial management are included in the Schedule of Findings and Questioned Costs Part E.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 28, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SECTION 218.45, FLORIDA STATUTES

To the Honorable Mayor, Vice Mayor, and Commission Members
City of Lauderdale Lakes, Florida
Lauderdale Lakes, Florida

We have examined City of Lauderdale Lakes, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 28, 2015

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2014

Federal Agency, Pass-through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Indirect Programs:				
United States Department of Housing and Urban Development - Pass through Broward County				
Community Development Block Grants 38th Year Minor Home Repair Program	14.218	B-09-UC-12-001	\$ 116,242	\$ -
Community Development Block Grants Senior Quality of Life Enhancement Program	14.218	B-09-UC-12-001	15,777	-
Community Development Block Grants Senior Transportation Program	14.218	B-09-UC-12-001	<u>48,691</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>180,710</u>	<u>-</u>
United States Department of Homeland Security Pass through State of Florida Department of Homeland Security -				
Emergency Operations Center Project	97.052	13DS-8Z-11-16-02-394	70,022	-
Staffing for Adequate Fire and Emergency Response (SAFER)	* 97.083	-	<u>333,955</u>	<u>-</u>
Total United States Department of Homeland Security			<u>403,977</u>	<u>-</u>

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
(continued)
For the Year Ended September 30, 2014

Federal Agency, Pass-through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
United States Department of Health and Human Services Pass through Broward County - Special Programs for the Aging, Title III-B Grants for Supportive Services and Senior Centers	93.044	JA114-25-2014	<u>36,278</u>	<u>-</u>
Total United States Department of Health and Human Services			<u>36,278</u>	<u>-</u>
United States Department of Agriculture Pass through State of Florida Department of Agriculture - Summer Food Service Program For Children	10.559	04-0987	<u>15,123</u>	<u>-</u>
Total United States Department of Agriculture			<u>15,123</u>	<u>-</u>
United States Department of Elder Affairs Pass through State of Florida Department of Elder Affairs - Child and Adult Care Food Program	10.558	Y3093	<u>3,491</u>	<u>-</u>
Total United States Department of Agriculture			<u>3,491</u>	<u>-</u>
Total Federal Awards			\$ <u><u>639,579</u></u>	\$ <u><u>-</u></u>

CITY OF LAUDERDALE LAKES, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 (continued)
 For the Year Ended September 30, 2014

<u>State Agency, Pass-through Entity State Program</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Direct Project:				
State of Florida Department of Environmental Protection - Statewide Surface Water Restoration and Wastewater Project	37.039	LP6047	\$ <u>79,089</u>	\$ <u>-</u>
Total State of Florida Department of Environmental Protection			<u>79,089</u>	<u>-</u>
Indirect Project:				
United States Department of Elder Affairs Pass through Broward County - Alzheimer's Respite Services	65.004	JZ113-25-2014 JZ114-25-2015	178,427 <u>38,358</u>	- <u>-</u>
Total United States Department of Agriculture			<u>216,785</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u><u>295,874</u></u>	\$ <u><u>-</u></u>

CITY OF LAUDERDALE LAKES, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
September 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the grant activity of the City of Lauderdale Lakes, Florida (the "City") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – CONTINGENCY

For purposes of the Schedule, Federal and State awards include grants and contracts entered into directly between the City and agencies and departments of the Federal and State governments and pass-through agencies, as applicable. The City did not transfer awards to subrecipients during the fiscal year ending September 30, 2014.

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would be a liability of the City of Lauderdale Lakes, Florida. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and State laws and other applicable regulations.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the basic financial statements.
2. Material weaknesses and significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of City of Lauderdale Lakes, Florida were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control relating to the audit of the major Federal awards programs is reported in the Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.
5. The auditor’s report on compliance for the major Federal programs for City of Lauderdale Lakes, Florida expresses an unqualified opinion.
6. No audit findings relative to the major Federal programs for City of Lauderdale Lakes, Florida are reported in Part C of this schedule.
7. The programs tested as a major program are as follows:

Federal Program	Federal CFDA No.
United States Department of Homeland Security - Staffing for Adequate Fire and Emergency Response	97.083

8. The threshold for distinguishing Types A and B programs was \$ 300,000 for the major programs.
9. The City of Lauderdale Lakes, Florida was determined to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS– FINANCIAL STATEMENT AUDIT

The status of findings and recommendations made are noted in the accompanying Schedule of Findings and Questioned Costs Part E.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

No matters to be reported.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

D. OTHER ISSUES

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
2. No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATION:

2014-01 Investigate Old Outstanding Checks

Condition

During our audit, we noted that the City's operating bank account reconciliation includes old outstanding checks. The City should follow a formal, clearly defined policy for disposition of uncashed checks. Long-outstanding checks should be researched, reissued if vendors are found to be due the original amounts and, if no vendor is located, remitted to the state authority as escheated funds.

Criteria

Prudent cash reconciliation policies include a review of outstanding checks to determine if the check was lost or if other dispositions may apply.

Cause

A policy should be followed for the disposition of uncashed checks.

Effect

The City is susceptible to errors which can lead to the misstatement of cash balances.

Recommendation

We recommend that the City establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted.

Management's response:

Management acknowledges and accepts the auditor's recommendation concerning old outstanding checks. Management will implement an Administrative Policy utilizing The State of Florida guidelines for Unclaimed Property as the foundation. The policy will include the proper disposition of the outstanding items documented with appropriate supporting records to include any correspondence with vendors whose payments remain outstanding after sixty (60) days and the vendor's invoice.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

CURRENT YEAR INTERNAL CONTROL COMMENTS AND RESPONSES (continued)

***2014-02 ACCOUNTS PAYABLE RECONCILIATION PROCEDURES**

Condition

We noted during the course of the audit that accounts payable balances were not properly reconciled to reflect the appropriate balances as of year-end.

Criteria

Prudent policies include a formal closing process which include reconciliations of subsidiary ledgers. This reconciliation process should include a review detailed aged accounts payable ledger, and adjustments to the appropriate accounts along with reconciliation following up with vendor requests concerning payment to ensure appropriate measures related to processing are being taken this process should be documented on the original invoices to document the related accounting recognition procedures. Formal closing procedures may also include the following: determination that all transactions have been recorded and posted, reconciling general ledger accounts with subsidiary ledgers or schedules and making necessary adjustments, running/printing year-end reports in order to have a record of historical transactions for the year (they will be useful during the audit), etc.

Cause

The cause of the conditions is the lack of a formal accounts payable closing process which incorporates a thorough review by finance personnel.

Effect

The lack of the implementation of these procedures may result in misstatements in the financial statements preventing proper management consideration for those balances.

Recommendation

The City should consider developing formal accounts payable interim and year end closing procedures to accounts payable. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. Review of this process should be completed and fully documented. The implementation of formal procedures will reduce the need for numerous adjustments to financial records during the audit process, delay in the preparation of financial reports needed by management and the auditors.

Management Response:

Management acknowledges and accepts the auditor's recommendation concerning accounts payable procedures. Management reviewed existing work processes and will implement revised accounting policies and procedures to address this comment. The assignment of the account payable process will be re-assigned among the accounting staff. Additional accounting personnel will be added to review the general staff accounting work to ensure that all transactions have been recorded and posted, reconciled to the general ledger with subsidiary ledges or schedules, and enter any necessary adjustments.

CITY OF LAUDERDALE LAKES, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2014

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RESPONSES (continued)

	STATUS		PAGE REFERENCE
	STILL APPLICABLE	IMPLEMENTED OR NO LONGER RELEVANT	
*2010-02 Year end closing entries and closing procedures including the reconciliation of all balance sheet accounts to reflect the City's financial position accurately	X		17
**2011-05 Timely completion of bank reconciliations	X		18
*2012-04 Reconcile accounts receivable balances to supporting documentation	X		19
**2012-06 Grant administration and review process	X		20
2013-01 Assess the Accounting Department staffing needs	X		21

* The following internal control comments are determined to be significant deficiencies.

** The following internal control comments are determined to be material weaknesses.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RESPONSES (continued)

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

*** 2010-02 Year End Closing Entries**

Condition:

It was noted during the course of the previous years audits that balance sheet accounts which include accrued liabilities, capital assets and interfund balances in all funds reflected on the respective trial balances were not properly reconciled to reflect the appropriate balances as of the fiscal year-end. During the current year audit we found the situation still existed, requiring audit journal entries to be posted in order to correct these balances.

Criteria:

Prudent policies include a formal closing process with supervisory finance department personnel being responsible for the review and evaluation of transactions and balances recorded.

Cause:

The cause of the conditions is the lack and execution of a formal closing process which incorporates a thorough review by finance personnel.

Effect:

The lack of Formal closing procedures may result in misstatements in the financial statements.

Recommendation:

The City should consider developing formal year end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. We believe that a review and evaluation of transactions recorded at year end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. The implementation of formal procedures will reduce the need for numerous adjustments to financial records during the audit process and decrease the time to produce financial reports needed by management and the auditors.

Management's response:

Management acknowledges and accepts the auditor's recommendation concerning year end closing procedures including balance sheet accounts to reflect the City's financial position accurately. Management reviewed existing work processes and will implement revised accounting policies and procedures to address this comment. Additional accounting personnel will be added to review the general staff accounting work to ensure that daily assignments, monthly closeout and reconciliations are properly performed in a timely manner.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

**** 2011-05 Timely Completion of Bank Reconciliations**

Condition

In the previous years it was noted the City did not properly reconcile its pooled cash bank account nor was it completed in a timely manner. Certain significant variances carried forward into the current year and were still unreconciled as of September 30, 2014. As a result, cash balances and related transactions had to be adjusted as a result of the audit procedures for the prior year and the current year to reflect accurate cash balances. The reconciliation of cash on a monthly basis is critical in finding errors that might not be recognized and resolved on a timely basis.

Criteria

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. Bank accounts should be reconciled on a monthly basis which would provide management a useful tool to monitor the City's cash position. The purpose of the bank reconciliation is to prevent and detect errors or misappropriation of assets.

Cause

The monthly bank reconciliations were not prepared correctly or timely.

Effect

The City is susceptible to the possible errors which can lead to the risk of loss and risk of misstatement of cash or other reconciling items.

Recommendation

We recommend that all bank accounts be reconciled monthly to ensure accuracy and accountability for all cash transactions of the City. Once completed, the reconciliation should be reviewed by supervisory personnel not involved in the reconciliation process. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be investigated and properly accounted for as soon as possible, and any journal entries deemed necessary as a result, be recorded.

Management's Response:

Management acknowledges and accepts the auditor's recommendation concerning the timely completion of bank reconciliations. Management reviewed the skill sets and division of work load of the current accounting staff and will implement a monthly scheduled for the completion of bank reconciliations on a consistent basis. Staff will investigate any unreconciled differences and prepare journal entries to properly account for items, as appropriate. The additional accounting personnel will review the general staff accounting work tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

*** 2012-04 Accounts Receivable**

Condition

In the prior year audit it was noted that accounts receivable balances were not accurately reconciled to reflect the appropriate balances as of the fiscal year end. We found the situation also existed in the current year.

Criteria

Prudent policies include a formal closing process with supervisory finance department personnel being responsible for the review and evaluation of transactions and balances recorded. The review would include, at a minimum, preparing a detailed aged accounts receivable ledger, reviewing balances for proper valuation including relevant provision for an allowance for doubtful accounts and following up with collection procedures to ensure appropriate measures are being taken for past due accounts.

Cause

The cause of the conditions is the lack of a formal closing process and monitoring of amounts due which incorporates a thorough review by finance personnel.

Effect

Formal closing procedures includes the following: determination that all transactions have been recorded and posted, reconciling general ledger accounts with subsidiary ledgers or schedules and making necessary adjustments, running/printing year-end reports in order to have a record of historical transactions for the year (they will be useful during the audit), etc. Lack of the implementation of these procedures may result in misstatements in the financial statements and or uncollected revenues.

Recommendation

The City should consider developing formal accounts receivable interim and year-end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. We believe that a review and evaluation of transactions recorded at year-end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. The implementation of formal procedures will reduce the need for numerous adjustments to financial records during the audit process, and decrease the time to produce the financial reports needed by management and auditors.

Management's response:

Management acknowledges and accepts the auditor's recommendation concerning reconciliation of accounts receivable balances to supporting documents. Management reviewed existing work processes and will implement revised accounting policies and procedures to address this comment. Additional accounting personnel will be added to review the general staff accounting work to ensure that the interim and year-end closing procedures are completed.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

**** 2012-06 Grant Administration and Review Process**

Condition

During the prior year it was noted that the City as a sub-recipient for federal grant awards was not properly reconciling and recording the grant activity to reflect the appropriate balances as of the fiscal year-end. Additionally, during the current year, it was noted that reimbursement requests for grant expenditures were not timely filed with the respective granting agencies.

Criteria

Prudent policies include a formal review process by supervisory finance department personnel responsible for the recognition of grants, contracts and agreements. The review would include, at a minimum, a determination of the reporting and submission requirements, expenditure limitations, responsibilities the City is to be held accountable for and the preparation of a schedule of expenditures of

Cause

The cause of the condition is the lack of a formal grant administration and review process which is required in order to effectively account for grant funding at the City.

Effect

Lack of the implementation and execution of these procedures may result in misstatements in the financial statements and possible noncompliance issues. Additionally, the City may incur loss of grant revenue or nonrenewal of such grants due to timely reimbursement requests which may be critical to offset expenditures the City funding of these projects.

Recommendation

The City should develop a system of controls over its grant administration and review process. Personnel at the City should be designated to manage grant awards, maintain files of approved grant contracts, track the status of grant funded projects related expenditures, reimbursement requests reporting and other necessary compliance requirements. This individual would also be responsible for timely filing of all reimbursement claims in accordance with each respective grant award. Furthermore, we believe that periodic review and evaluation of grants administration process throughout the year should be performed by management to ensure proper accounting for grant expenditures and utilization of external funding for necessary city projects.

Management's response:

Management acknowledges and accepts the auditor's recommendation regarding the grant administration and review process. Management reviewed existing work processes and will implement revised grant administration policies and procedures to address this comment. The policies and procedures will include periodic review and evaluation of the grants administration process to ensure proper accounting on a monthly and quarterly basis.

CITY OF LAUDERDALE LAKES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

2013-01 Assess the Accounting Department Staffing Needs

Condition

It appears that the responsibilities of the current finance department is challenging the current staff to complete their responsibilities in a timely manner. For example, we noted that there was not enough time spent to accomplish a proper close of the financial reports of the City. The situation appears to have been ongoing over the past several years based on other recommendations in past years as well as this year. We recommend that the City Manager, along with the Finance Director, assess the staffing needs of the accounting department and plan for increasing capacity through hiring or reorganizing the current responsibilities. We believe the City is addressing the needs but appears to still needs to fully implement the corrective action.

Criteria

The finance department needs to have appropriate staffing accompanied by the proper accounting skills to properly record, reconcile and report all financial transactions of the City.

Cause

Possible reasons for this could be due to staff level reductions or increased responsibilities of the financial department.

Effect

Financial reports and transactions are not recorded properly or in a timely manner.

Management's Response

Management acknowledges and accepts the auditor's recommendation concerning staffing needs. Management reviewed the skill sets and division of work load of the current accounting staff. Management has reassigned staff as well as realigned the workload. An additional full time personnel will be added to the existing three (3) person staffing complement.