

# City of Lauderdale Lakes, Florida

Compliance Section  
For the Year Ended September 30, 2015

# City of Lauderdale Lakes, Florida

Compliance Section  
For the Year Ended September 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 12, 2016.

**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. The material weakness is disclosed in the Schedule of Findings and Questioned Costs as item 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 and 2011-05.

### **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*.

### **City's Response to Findings**

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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 12, 2016

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* that could have a direct and material effect on each of the City's major federal programs for the year ended May 12, 2016. 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 federal statutes, regulations, and terms and conditions of its federal awards 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, 2015.

## 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 our 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 12, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* 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

**Purpose of this Report**

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
May 12, 2016

## 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, 2015, and have issued our report thereon dated May 12, 2016.

### 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; OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Florida 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 Required by 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 May 12, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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. and 10.556(7), 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. and 10.556(7), Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, 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 12, 2016

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, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

This report is intended solely for the information and use if 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 12, 2016

**City of Lauderdale Lakes, Florida**  
**Schedule of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**For the Year Ended September 30, 2015**

| <u>Federal Agency, Pass-through Entity<br/>Federal Program</u>  | <u>CFDA<br/>Number</u> | <u>Contract/Grant Number</u> | <u>Expenditures</u> | <u>Transfers to<br/>Subrecipients</u> |
|---|------------------------|------------------------------|---------------------|---------------------------------------|
| <b>Federal Agency Name:</b>   |                        |                              |                     |                                       |
| Indirect Programs:  |                        |                              |                     |                                       |
| United States Department of Housing and<br>Urban Development -<br>Pass through Broward County   |                        |                              |                     |                                       |
| Community Development Block Grants<br>39th Year Minor Home Repair Program   | 14.218                 | -                            | \$ 146,917          | \$ -                                  |
| Community Development Block Grants<br>Senior Quality of Life Enhancement<br>Program   | 14.218                 | -                            | 38,958              | -                                     |
| Community Development Block Grants<br>Senior Transportation Program   | 14.218                 | -                            | <u>11,487</u>       | <u>-</u>                              |
| Total United States Department of<br>Housing and Urban Development  |                        |                              | <u>197,362</u>      | <u>-</u>                              |
| United States Department of Justice<br>Pass through State of Florida Department<br>of Justice -<br>Office of Community Oriented<br>Policing Services (COPS) |                        |                              |                     |                                       |
|   | 16.710                 | 2014UMWX0036                 | <u>83,333</u>       | <u>-</u>                              |
| Total United States Department of<br>Justice  |                        |                              | <u>83,333</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, 2015**

| <u>Federal Agency, Pass-through Entity<br/>Federal Program</u>   | <u>CFDA<br/>Number</u> | <u>Contract/Grant Number</u> | <u>Expenditures</u> | <u>Transfers to<br/>Subrecipients</u> |
|--|------------------------|------------------------------|---------------------|---------------------------------------|
| United States Department of Homeland Security<br>Pass through State of Florida Department<br>of Homeland Security -<br>Staffing for Adequate Fire and<br>Emergency Response (SAFER)              | * 97.083               | EMW-2012-FH-00031            | <u>821,416</u>      | <u>-</u>                              |
| Total United States Department of<br>Homeland Security   |                        |                              | <u>821,416</u>      | <u>-</u>                              |
| United States Department of Health and<br>Human Services<br>Pass through Broward County -<br>Special Programs for the Aging, Title III-B<br>Grants for Supportive Services and<br>Senior Centers | 93.044                 | JA114-25-2014                | <u>53,839</u>       | <u>-</u>                              |
| Total United States Department of<br>Health and Human Services   |                        |                              | <u>53,839</u>       | <u>-</u>                              |
| United States Department of Agriculture<br>Pass through State of Florida Department<br>of Agriculture -<br>Summer Food Service Program<br>For Children   | 10.559                 | 04-0176                      | <u>33,000</u>       | <u>-</u>                              |
| Total United States Department<br>of Agriculture   |                        |                              | <u>33,000</u>       | <u>-</u>                              |
| United States Department of Elder Affairs<br>Pass through State of Florida Department<br>of Elder Affairs -<br>Child and Adult Care Food Program   | 10.558                 | Y4093                        | <u>4,714</u>        | <u>-</u>                              |
| Total United States Department<br>of Agriculture   |                        |                              | <u>4,714</u>        | <u>-</u>                              |
| Total Federal Awards   |                        |                              | <u>\$ 1,193,664</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, 2015**

| <u>State Agency, Pass-through Entity<br/>State Program</u>  | <u>CSFA<br/>Number</u> | <u>Contract/Grant Number</u> | <u>Expenditures</u>      | <u>Transfers to<br/>Subrecipients</u> |
|---|------------------------|------------------------------|--------------------------|---------------------------------------|
| <b>Direct Project:</b>  |                        |                              |                          |                                       |
| State of Florida Department of Environmental<br>Protection -<br>Statewide Surface Water Restoration and<br>Wastewater Project | 37.039                 | LP6047                       | \$ <u>54,930</u>         | \$ <u>-</u>                           |
| Total State of Florida Department of<br>Environmental Protection  |                        |                              | <u>54,930</u>            | <u>-</u>                              |
| <b>Indirect Project:</b>  |                        |                              |                          |                                       |
| United States Department of Elder Affairs<br>Pass through Broward County -<br>Alzheimer's Respite Services                    | 65.004                 | JZ114-25-2015                | <u>292,735</u>           | <u>-</u>                              |
| Total United States Department<br>of Agriculture  |                        |                              | <u>292,735</u>           | <u>-</u>                              |
| Total Expenditures of State<br>Financial Assistance   |                        |                              | \$ <u><u>347,665</u></u> | \$ <u><u>-</u></u>                    |

\* Denotes a major program

**City of Lauderdale Lakes, Florida**  
**Notes to Schedule of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**September 30, 2015**

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**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, 2015.

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, 2015**

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**A. Summary of Auditor’s Results**

1. The auditor’s report expresses an unmodified 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 relating to the audit of the major federal program are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor’s report on compliance for the major federal programs for City of Lauderdale Lakes, Florida expresses an unmodified opinion on the major federal program.
6. No audit findings relative to the major federal program for the City of Lauderdale Lakes, Florida are reported in Part C of this schedule.
7. The programs tested as a major program are as follows:

| <b>Federal Program</b>  | <b>Federal CFDA No.</b> |
|---|-------------------------|
| United States Department of<br>Homeland Security -<br>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 not determined to be a low-risk auditee pursuant to 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  
 For the Year Ended September 30, 2015**

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**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 reported under the Federal Single Audit Act.

**E. Internal Control Comments and Recommendations**

**Current Year Internal Control Comments and Responses**

None

**Prior Year Internal Control Comments and Responses**

|   | 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                |                                   | 15             |
| *2011-05 Timely completion of bank reconciliations  | X                |                                   | 16             |
| *2012-04 Reconcile accounts receivable balances to supporting documentation   |                  | X                                 |                |
| **2012-06 Grant administration and review process   | X                |                                   | 17             |
| *2013-01 Assess the Accounting Department staffing needs  |                  | X                                 |                |
| *2014-01 Investigate old outstanding checks   |                  | X                                 |                |
| *2014-02 Accounts payable reconciliation procedures   |                  | X                                 |                |

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

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

**Prior Year Internal Control Comments and Responses (continued)**

**\* 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 has implemented revised accounting policies and procedures to address this comment. Additionally, changes in the accounting personnel have improved the review of general staff accounting work to ensure that daily assignment, monthly closeout and reconciliations are properly performed in a timely manner. Management ensures that this comment will not be repeated in the future.

**Prior Year Internal Control Comments and Responses (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. The prior year required the assistance of a sub-contractor to be engaged to complete the reconciliation. While the current year was done by the city staff, it was not completely timely. As a result, cash balances and related transactions had to be adjusted after the start of our field work to reflect accurate cash balances. The reconciliation of cash on a monthly basis is critical to finding errors that might not be recognized and resolved on a timely basis.

***Criteria***

Timely preparation of the bank reconciliations is a key procedure to maintaining adequate control over both cash receipts and disbursements. Bank accounts should be reconciled timely and on a monthly basis which provides for the prevention and detection of errors or misappropriation of assets.

***Cause***

The monthly bank reconciliations were not prepared 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 more timely 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. Any unreconciled differences should be investigated and properly accounted for as soon as possible leading to journal entries deemed necessary as a result.

***Management's Response:***

Management acknowledges and accepts the auditor's recommendation concerning the timely completion of bank reconciliations. Management has implemented a monthly scheduled of 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. Each monthly reconciliation is now being reviewed and signed off by supervisory personnel.

**Prior Year Internal Control Comments and Responses (continued)**

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

***Condition***

During the prior years 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-ends. During the current year audit we found the situation still existed, requiring audit journal entries to be posted in order to properly account for federal awards reported by the City.

***Criteria***

Prudent policies include a formal review process by supervisory finance department personnel responsible for the recognition of grants, contracts and agreements. The review process 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 expenditures of federal awards.

***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 concurs with the auditor's recommendation regarding the grant administration and review process. Revised grant administration policies and procedures have been implemented with periodic review and evaluation of the grants administration process to ensure proper accounting on a monthly and quarterly basis. Management has recommended a personnel dedicated to the review and administration of all City grants to ensure that the City is in compliance will all grant requirements.