



IV. Compliance Section

City of North Miami, Florida

Single Audit Report in Accordance
With Uniform Guidance
Fiscal Year Ended September 30, 2017

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RSM US LLP

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 Auditor’s Report

To the Honorable Mayor and Members of the City Council
City of North Miami, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Miami, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 31, 2018. Our report includes a reference to other auditors who audited the financial statements of the following component units and funds, as described in our report on the City’s financial statements:

Component Units / Funds	Classification
• Community Redevelopment Agency	Major fund
• Museum of Contemporary Art	nonmajor special revenue fund
• North Miami Police Pension Plan	aggregate remaining fund information
• Clair T. Singerman Plan	aggregate remaining fund information

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. The financial statements of the Museum of Contemporary Art fund was not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with the Museum of Contemporary Art fund.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as IC 2017-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Finding

The City's response to the finding 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.

RSM US LLP

Miami, Florida
March 31, 2018



RSM US LLP

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of North Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of North Miami, Florida's (the City) compliance with the types of compliance requirements described in the Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on the City's major federal program for the year ended September 30, 2017. The City's major federal program is 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 federal statutes, regulations and the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 its major federal program for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as item CF 2017-01. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item IC 2017-02 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedules of Expenditures of Federal Awards and Expenditures of State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2018, which contained unmodified opinions on those financial statements, and included a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, 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 schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Miami, Florida
April 23, 2018, except for the Schedules of Expenditures of Federal Awards
and Expenditures of State Financial Assistance for which the date is March 31, 2018

City of North Miami, Florida

**Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2017**

Federal Agency / Pass-through Entity / Program Title	CFDA Number	Grant / Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture				
Pass-through the Florida Department of Health Summer Food Service Program (SFSP)	10.559	04-1024	1176	\$ 33,322
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.218	B-14-MC-12-0039		8,443
Community Development Block Grant	14.218	B-15-MC-12-0039		31,852
Community Development Block Grant	14.218	B-16-MC-12-0039		805,921
Total CDBG - Entitlement Cluster				<u>846,216</u>
Home Investment Partnerships Program	14.239	M-13-MC-12-0231		10,000
Home Investment Partnerships Program	14.239	M-15-MC-12-0231		76,050
Home Investment Partnerships Program	14.239	M-16-MC-12-0231		214,321
Total Home Investment Partnerships Program				<u>300,371</u>
Neighborhood Stabilization Program 3	14.264	B-11-MN-12-0019		56,471
Neighborhood Stabilization Program 1	14.264	B-08-MN-12-0019		43,069
Total Neighborhood Stabilization Program				<u>99,540</u>
Total U.S. Department of Housing and Urban Development				<u>1,246,127</u>
U.S. Department of Justice				
Pass-through the State of Florida Office of the Attorney General Victim's Intervention Program Grant (voca) - FY 2012 and 2013	16.575	V2016-00836	unknown	69,803
Bulletproof Vest Partnership Grant Program - 03	16.607	not applicable		<u>7,382</u>
Cops Hiring Program	16.710	2015-UM-WX-0170		<u>127,264</u>
Law Enforcement Agency Equitable Sharing Funds	16.922	not applicable		<u>3,362</u>
Pass-through Miami-Dade County, Florida Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0304	unknown	28,224
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0940	unknown	38,132
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0624	unknown	42,222
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-DADE-16-F9-176	unknown	7,286
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>115,864</u>
Total U.S. Department of Justice				<u>323,675</u>
U.S. Department of Transportation				
Pass-through the State of Florida Department of Transportation Florida Bicycle Safety and Enforcement Campaign (Bicycle & Pedestrian)	20.205	G0E08	unknown	33,540
Miami-Dade Metropolitan Organization (TPO)	20.205	ARK-62	unknown	64,000
Subtotal - Highway Planning and Construction Cluster				<u>97,540</u>
North Miami Police Department Occupant Protection Program (SEAT BELT)	20.600	M2HVE-17-20-03		<u>40,000</u>
Total U.S. Department of Transportation				<u>137,540</u>
U.S. Department of Treasury				
Law Enforcement Agency Equitable Sharing Fund	21.000	not applicable		<u>203,727</u>
U.S. Department of Health and Human Services				
Preventative Health and Health Services Block Grant	93.758	SOW16-214		<u>116,904</u>
Total expenditures of federal awards				<u>\$ 2,061,295</u>

See notes to schedule of expenditures of federal awards.

City of North Miami, Florida

**Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended September 30, 2017**

State Grantor / Pass-through Entity / Program Title	CSFA Number	Grant / Contract Number	State Expenditures
State of Florida Division of Emergency Management Residential Construction Mitigation Program	31.066	RCMP2017-005	\$ 192,645
Florida State Department of Economic Opportunity Local Economic Development Initiatives (Grant for Elderly)	40.012	not applicable	199,777
Florida Department of State, Division of Library and Information Services State Aid to Libraries	45.030	17-ST-34	25,107
Florida Housing Finance Corporation State Housing Initiative Partnership (SHIP) Program	40.901	not applicable	140,670
State of Florida, Department of Transportation Pass through highway Beautification Council Liter Control and Prevention	55.003	G-OH20	<u>11,217</u>
Total expenditures of state financial assistance			<u>\$ 569,416</u>

See notes to schedule of expenditures of state financial assistance.

City of North Miami, Florida

Notes to Schedules of Expenditures of Federal Awards and Expenditures of State Financial Assistance

Note 1. General and Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and Expenditures of State Financial Assistance (the Schedules) present the expenditure activity of all federal programs and state awards of the City of North Miami, Florida (the City) for the year ended September 30, 2017. All expenditures related to federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedules. The information in the Schedules are presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Florida Auditor General*. Because the Schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance/net position or cash flows, where applicable, of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Basis of Accounting

The accompanying Schedules are presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in proprietary fund types of the City. Such expenditures are reported following the cost principles contained in the Uniform Guidance and the Rules of the Department of Financial Services of the State of Florida, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Recovery

The City did not recover its indirect costs using the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

City of North Miami, Florida

Schedule of Findings and Questioned Costs

I – Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> X </u>	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> None Reported

Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	<u> X </u> Yes	<u> </u> No

Identification of major programs:

The program tested as major is as follows:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant - Entitlement Grants Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

(Continued)

City of North Miami, Florida

Schedule of Findings and Questioned Costs (Continued)

Section II – Financial Statements Findings

A. Compliance

No matters to report.

B. Internal Control

IC 2017-01 – Month-End Account Reconciliation

Criteria: Internal control policies and procedures require the proper reconciliation and review of account balances to allow for the accurate recording of transactions on an ongoing basis.

Condition: The City provides credits to its water and sewer fund customers for varying reasons, mainly resulting from water leaks. When a credit is issued to customers, a series of accounting journal entries are proposed by the accounting department in an effort to adjust its cash balance account. We noted that the series of journal entries results in a net amount that erroneously misstate *revenue* and the *customer over payment* account balances. The journal entries were not properly reviewed and analyzed for propriety and its overall impact on the financial statements. We also noted that the corresponding general ledger accounts affected by the journal entries were not reconciled and adjusted for accuracy on a timely basis.

Context: The condition relates to the proper recording of utility billing credits granted to customers.

Cause: Established controls requiring the reconciliation and review of the water and sewer fund's accounts failed to identify the errors noted. There was a lack of proper review of the journal entries posted to record the transactions.

Effect: For the year ended September 30, 2017, approximately \$1.8 million of water and sewer utility billing credits granted to customers were not properly accounted for in the water and sewer fund financial statements. Both the water and sewer fund *revenue* and *customer over payment* account balances were misstated.

Recommendation: We recommend that management review the design of established controls and implement the changes necessary to allow for the proper reconciliation and review of the water and sewer fund's account balances to ensure that utility billing credits being granted to customers are properly accounted for on an ongoing basis. Detail account balances should also be reconciled to the general ledger control accounts, on a timely basis.

Views of Responsible Officials and Planned Corrective Action: Management concedes that although a reconciliation was being done, it was not comprehensive enough to resolve the issues caused by a poor system setup. Once the further issues were fully investigated and vetted, the proper steps were taken to put the accounts involved in order. Management has made the reconciliation procedures involving this process a more robust one. The City will work with the software vendor support to rectify the faulty system set up to prevent the issue from occurring and thus reducing the need for manual corrections as part of the reconciliation.

City of North Miami, Florida

Schedule of Findings and Questioned Costs (Continued)

Section III – Federal Awards Findings and Questioned Costs

A. Compliance

CF 2017-01 Reporting

U.S. Department of Housing and Urban Development
Community Development Block Grant Entitlement
CFDA No. 14.218

See Section III – Federal Awards Findings and Questioned Costs
IC 2017-02 Reporting

B. Internal Control over Compliance

IC 2017-02 Reporting

U.S. Department of Housing and Urban Development
Community Development Block Grant Entitlement
CFDA No. 14.218

Criteria: Grantees are required to file the following reports on a quarterly and annual basis, as applicable:

- *SF-425 – Federal Financial Report* due on a quarterly basis and within 30 days after each calendar quarter ending date (March, June, September and December).
- *HUD 60002 – Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons* due on an annual basis and within 90 days of the grantee's fiscal year-end.

Condition: We noted that City did not file the *SF-425 – Federal Financial Report* and *HUD 60002 – Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons* reports in fiscal year 2017, as required by program guidelines.

Context: See "Condition" above.

Questioned Costs: Not applicable.

Cause: Management did not establish proper internal control policies and procedures to allow for the filing of reports on an ongoing basis, as required by program guidelines.

Effect: Failure to comply with program reporting requirements may result in a disallowance of program expenditures and/or loss of future grant funding.

Recommendation: We recommend that the City implement internal control policies and procedures necessary to allow for ongoing compliance with the reporting requirements of the grant program.

Views of Responsible Official and Planned Corrective Actions: Management concurs with the finding. In 2018 the City's Community and Development Department now have access to the HUD site and quarterly reports are now being submitted and management expects to be in compliance with the reporting requirements of the CDBG program going forward.

City of North Miami, Florida

Summary Schedule of Prior Year's Audit Findings

Finding No.	Finding Title	Current Year Status
Financial Statements Findings		
<u>Internal Control Over Financial Reporting</u>		
IC 2016-01	Material Adjustments	Corrected
IC 2016-02	Significant Issues Documentation	Corrected
IC 2016-03	Change Management	Corrected
Federal Awards Findings and Questioned Costs		
<u>Compliance Findings</u>		
CF 2016-01	Reporting	Repeated; see CF 2017-01
<u>Internal Control Over Compliance Findings</u>		
IC 2016-04	Reporting	Repeated; see IC 2017-02
State Awards Findings and Questioned Costs		
<u>Internal Control Over Compliance Findings</u>		
IC 2016-05	Reporting	Corrected
<u>Compliance Findings</u>		
CF 2016-02	Reporting	Corrected