



"The Capital City of the Palm Beaches"

**PROCUREMENT DIVISION**

401 Clematis St. 5<sup>th</sup> Floor  
West Palm Beach, FL 33401  
TEL: (561) 822-2100  
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**Addendum #2  
RFP #10/11-123**

**Financial Auditing Services**

Each recipient of Addendum No. 2 to the Request for Proposals (RFP) who responds to the RFP acknowledges all of the provisions set forth in the RFP and agrees to be bound by the terms thereof. This addendum shall modify, clarify, change or add information and clarification and become part of the above referenced RFP.

**Question and Answer:**

- Can you please provide the Single Audit Reporting Package including any management letter. We did not see this on the City's website. We did obtain the CAFR from the website and you provided the Schedule of Expenditures with the RFP.  
*ANSWER: Single Audit is included herein, and has been added as the last section of the FY2009/10 CAFR on the website. There is no separate management letter.*
- Can you please provide the audit fees for FY 2010 and FY 2009? If the fees are stated separately for the financial audit and the compliance (Single) audit, then please provide as separate amounts. If the audit fees are all inclusive please provide as such.  
*ANSWER: Please refer to the answers to Questions 1 and 2, Addendum No. 1. The Single Audit is included in the fees.*
- Is the prior audit firm allowed to bid (i.e. no mandatory rotation policy of the City)?  
*ANSWER: Yes, however, the partners and managers working on prior audits must be changed. See minimum qualifications in RFP.*
- Page 13 of 45 of the RFP states that all required reports are due by January 31 of each year; we did notice that the reports were provided March 30, or thereabouts, for FY 2010. Was this an unusual circumstance?  
*ANSWER: Reports are due by January 31 of each year. The City strives to keep to the stated deadlines.*
- The RFP states that tabs are required for the format; our question is are the tabs for A B and C noted on 4 of 45? Or are tabs required for each Section 1 through 12.  
*ANSWER: Tabs are for items 1-12. Section A is a registration form to be submitted prior to the Proposal and Section C provides insurance certificates will be provided later.*

Proposers must acknowledge receipt of this Addendum Number Two in the space provided below. This Addendum forms an integral part of the RFP documents and therefore must be executed. Failure to return this addendum with your proposal submittal may be cause for disqualification.

Issued By: City of West Palm Beach  
Procurement Division  
May 27, 2011

Signed By: Donna Levensgood  
Donna Levensgood, CPPC, FCCN  
Assistant Purchasing Manager

PROPOSER: \_\_\_\_\_

Signed By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Palm Beach, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the West Palm Beach Firefighters' Pension Fund, the West Palm Beach Police Pension Fund and the West Palm Beach Employees' Retirement System Fund (collectively, the "Pension Trust Funds"), which represent 77% of the total assets and 39% of the total revenues of the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### *Compliance and Other Matters*

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

We noted certain matters that we reported to management of the City in a separate letter dated March 30, 2011.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, the audit committee, management of the City, federal and state awarding agencies and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

West Palm Beach, Florida  
March 30, 2011

**Independent Auditor's Report  
on Compliance With Requirements That Could Have  
A Direct and Material Effect on Each Major Federal  
Program and State Project and on Internal Control over  
Compliance in Accordance with OMB Circular A-133 and  
Chapter 10.550, *Rules of the Auditor General, State of Florida***

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

***Compliance***

We have audited the compliance of the City of West Palm Beach, Florida (the "City"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2010. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*; and Chapter 10.550, *Rules of the Auditor General, State of Florida*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 2010-1 and 2010-2 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding reporting; special tests & provisions; and subrecipient monitoring that are applicable to its Cops Hiring Recovery Grant (ARRA), Justice Assistance Grant (ARRA), and HOME Investment Partnership Program Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-3.

### *Internal Control Over Compliance*

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, State of Florida, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or a state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, the members of the City Commission, the audit committee, management of the City, federal and state awarding agencies and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

West Palm Beach, Florida  
March 30, 2011

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance  
For year ended September 30, 2010

Federal Grantor/State Agency Pass-Through Entity Federal Program / State Project	CFDA / CSFA No.	Contract Grant No.	Expenditures	Transfers to Subrecipients
<b>U.S. Department of Agriculture:</b>				
Passed-Through Florida Department of Agriculture and Consumer Services:				
Forest Health Improvement Initiative	10.688	ARRA	\$ 13,115	\$ -
<b>U.S. Department of Housing and Urban Development:</b>				
Direct:				
Community Development Block Grant (CDBG)	14.218	B-02-MC-12-0022 thru B-08-MC-12-0022	735,028	160,237
Community Development Block Grant (CDBG) – NSP1	14.218	B-08-MC-12-0022	1,841,924	-
Pass through Palm Beach County:				
CDBG Disaster Recovery Initiative (DRI) Program	14.218	07DB-3V-10-60-01-Z07	526,515	-
Direct:				
Community Development Block Grant (CDBG) – Recovery	14.253	ARRA B-09-MY-12-0022	2,160	-
Total Community Development Block Grant Cluster			<u>3,105,627</u>	<u>160,237</u>
Direct:				
HOME Investment Partnership Program Grant	14.239	M-02-MC-12-0224 thru M-08-MC-12-0224	869,635	399,675
Housing Opportunity for People with AIDS (HOPWA) Grant	14.241	FL-H-06-F-006 thru FL-H-08-F-006	3,025,263	2,929,690
Total U.S. Department of Housing and Urban Development			<u>7,000,525</u>	<u>3,489,602</u>
<b>U.S. Department of Justice:</b>				
Direct:				
Weed and Seed Grant	16.595	2008-WS-QX-0021	11,944	-
Weed and Seed Grant	16.595	2009-WS-QX-0180	101,070	48,507
Justice Assistance Grant (ARRA)	16.595	ARRA NA	59,694	-
COPS Universal Hiring Grant	16.710	2003-UM-WX-0029	3,408	-
Cops Hiring Recovery Grant (ARRA)	16.710	ARRA 2009-RK-WX-0239	268,797	-
Justice Assistance Grant	16.738	2009-DJ-BX-1509	51,797	-
Justice Assistance Grant (ARRA)	16.804	ARRA 2009-SB-B9-2133	422,771	-
Pass through FDLE and Palm Beach County:				
Youth Empowerment Center On-the-Job Training/Apprenticeship (ARRA)	16.804	ARRA NA	158,901	-
Total U.S. Department of Justice			<u>1,078,382</u>	<u>48,507</u>

(Continued)

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance (Continued)  
For year ended September 30, 2010

Federal Grantor/State Agency Pass-Through Entity Federal Program / State Project	CFDA / CSFA No.	Contract Grant No.	Expenditures	Transfers to Subrecipients
<b>U.S. Department of Labor:</b>				
Direct:				
Youth Empowerment Center On-the-Job Training / Apprenticeship	17.261	EA-18769-09-60-A-12	\$ 11,642	\$ -
<b>U.S. Department of Transportation:</b>				
Passed-Through Florida Department of Transportation (FDOT):				
Federal Highway Administration (FHWA) – Flagler Reconfiguration	20.205	FPN No. 420413-1-58-01	358,816	-
Federal Highway Administration (FHWA) – Flagler Traffic Calming	20.205	FPN No. 420414-1-58-01	939,158	-
Federal Highway Administration (FHWA) – Okeechobee Boulevard	20.205	FPN No. 411889-1-58-01	399,071	-
Federal Highway Administration (FHWA) – 24th & 25th Street	20.205	FPN No. 415851-1-58-01	1,070,998	-
Passed-Through Florida Department of Environmental Protection (FDEP):				
Federal Highway Administration (FHWA) – Apoxee Bike and Hike Trail – Phase III	20.219	T27020 / T2720	109,094	-
Direct:				
Federal Transit Administration (FTA) – Trolleys	20.500	FL-03-0269-00	820,175	-
<b>Total U.S. Department of Transportation</b>			<b>3,697,312</b>	<b>-</b>
<b>U.S. Department of Treasury:</b>				
Direct:				
National Foreclosure Mitigation Counseling Grant (NFMC)	21.000	PL 110-289:95X1350	157,800	157,800
<b>U.S. Department of Energy</b>				
Direct:				
Energy Efficiency Conservation Block Grant (ARRA)	81.128	ARRA DE-SC0002809	313,386	-
<b>U.S. Department of Health and Human Services</b>				
Pass through Workforce Alliance:				
Temporary Assistance For Needy Families Program (ARRA)	93.714	ARRA NA	240,772	-
<b>U.S. Department of Homeland Security:</b>				
Direct:				
Hazard Mitigation Grant Program (HMGP)	97.039	10HM-37-10-60-02-003	2,813	-
<b>Total Expenditures of Federal Awards</b>			<b>\$12,515,747</b>	<b>\$ 3,695,909</b>

(Continued)

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards  
and State Financial Assistance (continued)  
For year ended September 30, 2010

Federal Grantor/State Agency Pass-Through Entity Federal Program / State Project	CFDA / CSFA No.	Contract Grant No.	Expenditures	Transfer to Subrecipients
<b>State of Florida:</b>				
<b>Florida Department of Environmental Protection:</b>				
Direct:				
Florida Recreation Development Assistance Program (FRDAP)				
Phipps Park	37.017	A8052	\$ 104,881	\$ -
Currie Park	37.017	A8051	200,000	-
Statewide Surface Water Restoration and Wastewater Projects				
Northlake Boulevard Lox Slough Restoration	37.039	LP6748	19,206	-
Stub Canal Stormwater Improvement	37.039	LP6868	502,437	-
Pass through Palm Beach County:				
Pollution Control Device (PCD) Lakewood & Edmor Streets	37.039	R2006 0880	59,121	-
<b>Total Florida Department of Environmental Protection</b>			<b>885,645</b>	<b>-</b>
<b>Florida Department of State – Division of Libraries and Information Service:</b>				
Direct:				
State Aid to Library Construction Grant	45.020	06-PLC-19	14,894	-
State Aid to Library Programs	45.030	07-ST-60 and 08-ST-61	13,637	-
<b>Total Florida Department of State</b>			<b>28,531</b>	<b>-</b>
<b>Florida Housing Finance Corporation</b>				
Direct:				
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP	966,780	338,111
<b>Florida Department of Transportation:</b>				
Direct:				
Belvedere Road & I-95 Beautification Project	55.003	FM No. 423847-1-58-01	120,002	-
Forest Hill Boulevard Landscape Improvements	55.003	FM No. 424779-1-58-01	33,411	-
<b>Total Florida Department of Transportation</b>			<b>153,413</b>	<b>-</b>
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 2,034,369</b>	<b>\$ 338,111</b>

The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2010

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1. **General** – The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) presents the activity of all federal programs and state projects of the City of West Palm Beach, Florida (the “City”) for the year ended September 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. **Basis of Accounting** – The accompany Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. The information in this schedule is presented in accordance with requirement of OMB Circular A-133, *Audit of State, Local Government, and Non-profit Organizations* and Chapter 10.550, *Rules of the Auditor General, State of Florida*.

The City of West Palm Beach

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2010

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I - Summary of Independent Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	_____	X	Yes	_____	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____	Yes	_____	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

	_____	X	Yes	_____	No
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Identification of major programs:

The programs tested as major included the following:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants – Entitlement
14.253	Community Development Block Grants – Entitlement – ARRA
14.239	HOME Investment Partnerships Program
16.710	Public Safety Partnership and Community Policing Grants – ARRA
16.804	Edward Byrne Memorial Justice Assistance Grant – ARRA
20.500	Federal Transit – Capital Investments Grants
81.128	Energy Efficiency and Conservation Block Grant Program – ARRA

(Continued)

The City of West Palm Beach

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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Dollar threshold used to distinguish between type

A and type B programs: \$ 375,532

Auditee qualified as low-risk auditee?  X  Yes   No

***State Financial Assistance***

Internal control over major projects:

Material weakness(es) identified?   Yes  X  No

Significant deficiency(ies) identified not considered to be material weakness(es)?   Yes  X  None Reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*?

X  Yes   No

Identification of major projects:

The projects tested as major included the following:

CSFA Number(s)

37.017

Name of State Financial Assistance Project

Florida Recreation Development Assistance Program

52.901

State Housing Initiatives Partnership (SHIP) Program

Dollar threshold used to distinguish between type

A and type B projects: \$ 300,000

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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II – Financial Statements Findings

None reported.

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

2010-1

Reporting  
Special Tests and Provisions

U.S. Department of Justice (DOJ) -  
Public Safety Partnership and Community Policing Grant ARRA (CFDA No. 16.710)  
Edward Byrne Memorial Justice Assistance Grant - ARRA (CFDA No. 16.804)

Criteria: Section 1512 of the American Recovery and Reinvestment Act (ARRA) states that, among other reporting requirements, the non-federal entity should report the amount of ARRA funds received that were expended for projects or activities. Per 2 CFR 215, section 21 “Uniform Administrative Requirements for Grants and Agreements” and the A-102 Common Rule provisions, recipients agree to maintain records that identify adequately the source and application of ARRA funds.

Condition: It was noted the amount of expenditures indicated on the City’s schedule of expenditures of federal awards did not agree with the amount indicated and reported on FederalReporting.gov as of September 30, 2010. The City underreported expenditures for CFDA 16.710 by \$233,449 and CFDA 16.804 by \$242,274. These items were included in the subsequent quarterly report.

Questioned costs: Not applicable.

Context: This condition appears to be an isolated incident.

Effect: The City under reported their expenditures to the Federal government under the various ARRA grants noted above.

Cause: Administrative oversight.

Recommendation: We recommend the City’s finance department host training on the common ARRA compliance requirements, specifically the ARRA reporting requirements, to ensure that all personnel involved with ARRA grants are aware of the respective compliance requirements and the City’s internal control policies and procedures.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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View of responsible officials and planned corrective action: The City acknowledges the reporting error. Fiscal year 2009-2010 was the first year for the ARRA grants, and minimal information was available on the new reporting requirements. In the case of the CFDA 16.710 and CFDA 16.804, the employee who was administering the grants actually received some misleading information from published literature, which led to the reporting error. Section 1512 of the American Recovery and Reinvestment Act (ARRA) states that, among other reporting requirements, the non-federal entity should report the amount of ARRA funds received that were expended for projects or activities. The reporting requirement was misinterpreted to read that only the funds that were both expended and received were to be reported. This error was corrected on the next submitted QPR, which was for the Quarter Ending December 31, 2010.

There were and are controls in effect that would have caught the mistake in the form of a financial report review done on a regular basis in which the expenditures, receivables and revenue for each City grant are compared to the submitted grant reports. The difference between the submitted report's funds received and funds invoiced and the expenditures per the submitted report would equal the due from government receivable on the balance sheet. Unfortunately, that financial report review was not done within the usual time frame in the year under audit and so did not function as designed to catch the error within the fiscal year.

In October, 2011 the City conducted a comprehensive training for grant administrators. This training covered many aspects of grant administration, including reporting requirements. Additional procedures have been implemented by the City to ensure that similar reporting errors will not occur again. The police department personnel who administer both of these grants, as well as other grant administrators, have been instructed on the misinterpretation and have implemented a procedure whereby each submittal to a granting agency is reviewed and compared in detail to general ledger totals by a reviewer. This procedure is done in detail regardless of whether the total amounts agree to each other. The City believes these procedures have greatly reduced the likelihood of future reporting errors.

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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2010-2

Subrecipient Monitoring

U.S. Department of Housing and Urban Development (HUD) -  
HOME Investment Partnerships Program (CFDA No. 14.239)

Criteria: A pass through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition: During-the-award monitoring was not performed during the period under audit for this program.

Questioned costs: Not applicable.

Context: This condition is considered to be systemic in nature.

Effect: The City is not in compliance with the grant's subrecipient monitoring requirements.

Cause: The City is required to monitor the contractors during the construction phase, during the period under audit, the City began construction; however no evidence of monitoring was noted.

Recommendation: We recommend the City implement policies and procedures to ensure it performs the necessary during-the-award monitoring procedures as prescribed by the OMB Circular A-133.

View of responsible officials and planned corrective action: The City acknowledges there were delays with subrecipient monitoring related to the HOME Investment Partnership Program in the fiscal year ended September 30, 2010. However, the City believes the problems that caused these delays are being corrected and there is not an ongoing control problem. The City has always had policies and procedures in place requiring completion of compliance requirements, including subrecipient monitoring. However, severe staffing issues in the Housing and Community Development Department ("HCD") in fiscal year 2009 – 2010 led to a breakdown of those procedures to the extent that monitoring for the HOME Investment Partnership Program was not completed on a timely basis. The City has responded to that situation by reorganizing the HCD Department including creation of a Program and Compliance Section that focuses on all compliance requirements for HCD programs. The City recognizes that monitoring is one of the core elements of a well designed internal control system and believes that the reorganization will insure that a similar breakdown in procedures will be prevented in the future.

**Schedule of Findings and Questioned Costs (Continued)**  
**Fiscal Year Ended September 30, 2010**

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The Program and Compliance Section of the HCD Department is now responsible for compliance monitoring with all the applicable rules and citations for HCD programs and/or agreement and must ensure that program funds are used in accordance with all program rules and regulations, determine the adequacy of performance under the written agreements and take appropriate action when performance problems arise. The HCD Department is currently in the process of completing and reviewing the monitoring for the entire Home Investment Partnership project, including the program expenditures in fiscal year 2009 – 2010. As of the date of this report, no subrecipient problems have been uncovered by this monitoring.

HCD's new Monitoring Process determines program and financial performance and regulatory compliance and is completed in one (1) or more of the following four (4) stages:

- Desk Audit Compliance Review of records and files
- On-site Monitoring of files
- On-site Physical Inspection of Units, if applicable
- Technical Assistance

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2010

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2010-3

Reporting

Florida Department of Environmental Protection (FDEP) –  
Florida Recreation Development Assistance Program (CSFA No. 37.017)

Criteria: All grant agreements will require submittal of three project progress reports per calendar year, as specified per agreement. Reports shall be submitted every January 5, May 5, and September 5 for the duration of the agreement summarizing the work accomplished, problems encountered, percentage of completion and any other information which should be requested by the Department such as photographs.

Condition: It was noted two reports filed with the state were filed after the due date stipulated by the state.

Questioned costs: Not applicable.

Context: The condition appears to be isolated in nature.

Effect: The City is not in compliance with the grant's reporting requirements and the City's controls over this grant's reporting requirement are not operating effectively.

Cause: Administrative oversight.

Recommendation: We recommend the City implement policies and procedures to ensure the required reports are filed within a timely manner as required by the granting agencies.

View of responsible officials and planned corrective action: The City acknowledges that administrative oversight was the reason behind the finding in question. The City has policies and procedures to ensure the required reports are filed within a timely manner as required by the granting agencies. Specifically, the Parks and Recreation Department, upholds that there are sufficient controls in place to ensure that required reports are filed by the stipulated due dates.

City of West Palm Beach, Florida

Summary Schedule of Prior Audit Findings  
Fiscal Year Ended September 30, 2010

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CF 2009-01 Special Tests  
U.S. Department of Housing and Urban Development (HUD)  
Home Investment Partnerships Program (CFDA No. 14.239)

Audit Finding: It was noted that the City failed to conduct on-site inspections on one of its tenant based rental assistance properties.

Corrective Action Taken: Corrective action was taken on this finding.

**Management Letter Required By  
Chapter 10.550 of the Rules of the  
Auditor General of the State of Florida**

The Honorable Mayor, Members of the  
City Commission and City Manager  
City of West Palm Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Palm Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2010 which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2011. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*. 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*, and Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance With OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General, State of Florida* and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida require that certain items be addressed in this letter if not addressed in the aforementioned auditor's reports or schedules.

Section 10.554(1)(i) 1., *Rules of the Auditor General*, requires that a statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been addressed in Appendix B to this report.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires a statement as to whether or not the City complied with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes, relating to local government investment policies.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. There were no recommendations to improve the City's financial management in the current year.

The *Rules of the Auditor General* (Section 10.554(1)(i)4.) require that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (b) control deficiencies that are not significant deficiencies. In connection with our audit, we noted item ML 10-01 included in Appendix A to this report.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note A to the financial statements.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010 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, 2010. In connection with our audit, we determined that the annual financial report is in agreement with the annual financial audit report.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the City, management of West Palm Beach, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

West Palm Beach, Florida  
March 30, 2011

Appendix A – Current Year’s Recommendations  
Fiscal Year Ended September 30, 2010

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No.	Current Year's Observations
ML 10-01	Review of ARRA Section 1512 Reports

**ML 10-01 – Review of ARRA Section 1512 Reports**

Criteria: The City should design, implement, and effectively operate internal control over grant reporting requirements provide reasonable assurance that reports of grant awards submitted to the grant awarding agency or pass-through entities include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program/project requirements.

Condition: During the tests of controls performed over the ARRA Section 1512 reporting requirements, an error was not identified and corrected in a timely manner through the supervisory review or compensating control review done by the grants administrator with regard to the September 30, 2010 filing for the Department of Justice (“DOJ”) American Recovery and Reinvestment Act (“ARRA”) grants.

Effect: The expenditure reporting for the U.S. Department of Justice Public Safety Partnership and Community Policing Grant and Edward Byrne Memorial Justice Assistance Grant was underreported on FederalReporting.gov as of September 30, 2010.

Cause: The error was not detected by the supervisor in their review. In addition, due to year-end work load constraints, the grants administrator was not able to timely review the September 30, 2010 filings of the ARRA Section 1512 reports for the DOJ ARRA grants.

Recommendation: We recommend the City review its current policies and procedures over ARRA reporting to ensure that a timely review is performed of all reports before they are filed to ensure they are accurate.

Views of responsible officials and planned corrective actions: The City agrees with this finding and has implemented new control procedures related to all grant reporting including the reporting for ARRA grants. Personnel, who administer ARRA grants, as well as other grant administrators, have received training on ARRA reporting. In addition, these employees have been instructed to perform an additional detailed review that compares the grant report to the general ledger in detail before the grant report is submitted. The City believes this procedure will greatly reduce the likelihood of future reporting errors.

Appendix B – Prior Year’s Recommendations to Improve Financial Management,  
Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2010

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<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML 09-01	Investment in Joint Venture		X
ML 09-02	Review of Upper Management Payroll Charged to Grants		X