



Hallandale Beach
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400 South Federal Hwy
Hallandale Beach, FL 33009

City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	September 7, 2016		Item Type: <small>(Enter X in box)</small>	Resolution <div style="text-align: center;">X</div>	Ordinance	Other
Fiscal Impact: <small>(Enter X in box)</small>	Yes	No	Ordinance Reading: <small>(Enter X in box)</small>		1st Reading <div style="text-align: center;">n/a</div>	2nd Reading <div style="text-align: center;">n/a</div>
	X		Public Hearing: <small>(Enter X in box)</small>		Yes	No
					X	X
Funding Source:	Various City Operating Funds		Advertising Requirement: <small>(Enter X in box)</small>	Yes		No <div style="text-align: center;">X</div>
Account Balance:	Various		Quasi Judicial: <small>(Enter X in box)</small>	Yes		No <div style="text-align: center;">X</div>
Project Number :	N/A		RFP/RFQ/Bid Number:	RFP # FY 2009-2010-008, Audit Services		
Contract/P.O. Required: <small>(Enter X in box)</small>	Yes	No	Strategic Plan Priority Area: <small>(Enter X in box)</small>			
	X		Safety <input type="checkbox"/>			
			Quality <input checked="" type="checkbox"/>			
			Vibrant Appeal <input type="checkbox"/>			
Sponsor Name:	Daniel Rosemond, City Manager		Department: Finance		Celeste Lucia, Interim Finance Director	

Short Title:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, AUTHORIZING THE CITY MANAGER TO EXPEND ADDITIONAL FUNDING FOR THE ADDITIONAL WORK PERFORMED BY MARCUM LLP FOR COMPLETION OF THE ANNUAL FINANCIAL REPORT FOR THE PERIOD ENDING SEPTEMBER 30, 2015; REVISION TO AND REISSUANCE OF THE FEDERAL SINGLE AUDIT PACKAGE; AND LIMITED PROCEDURES ENGAGEMENT FOR DEPARTMENT OF JUSTICE EQUITABLE SHARING AGREEMENTS, FUNDING IN AN AMOUNT NOT TO EXCEED THIRTY NINE THOUSAND FIVE HUNDRED (\$39,000.00) DOLLARS; AND PROVIDING FOR AN EFFECTIVE DATE.

Staff Summary:

Background:

This agenda item requests City Commission authorization to pay additional fees incurred by the City as part of the 2015 audit and for additional audit services related to grant revenues received from the Department of Justice (DOJ) and Department of Transportation (DOT).

Pursuant to Florida Statute 218.39, and Article V, Division 2, Section 5.04, of the City of Hallandale Beach Charter, the City Commission shall conduct an independent annual audit of all City Accounts by an independent Certified Public Accountant (CPA) firm.

FY 2015 Audit

As in previous years, the City engaged the CPA firm of Marcum, LLP to perform its audit for Fiscal Year ended September 30, 2015. As briefly discussed with the City Commission during the June 17, 2016, Commission meeting, staff encountered many challenges to complete this year's audit:

- Staff encountered a few unusual circumstances that required Marcum's expertise and additional staff time for the following items;
 1. The Assets Held for Resale schedule provided to Marcum at the beginning of the audit did not include all the assets owned by the CRA per the Broward County Property Appraiser ("BCPA") office. Also, the method use for valuing the assets had to be revised from market value to cost. City staff spent a considerable amount time researching and revising the schedule for properties owned by the CRA and/or the City. Consequently, Marcum staff had to verify and review the validity and the integrity of the assets that were not previously recorded. This resulted in additional staff hours that were beyond the original scope of the audit.
 2. The implementation of the new Government Accounting Standard Board (GASB) Pronouncements numbers 67 and 68 created additional review time for both City and Marcum staff. Audit schedules were not completed on time and did not accurately reflect the general ledger balances due to the time constraints created by the lateness in completing the 2014 audit.
- Loss of key staff: During the audit period, the Chief Financial Officer separated from the City at the end of the fiscal year and his replacement resigned at the beginning of the audit fieldwork.
- Extended absence of other Finance staff due to personal circumstances.

Marcum LLP's engagement letter (Exhibit 2) dated June 25, 2014, had an estimated fee for their services of \$130,500 itemized as follows:

Engagement Letter Fee:	\$117,000
IT Procedures Fee:	\$ 5,000
CAFR Preparation:	<u>\$ 8,500</u>
TOTAL:	\$130,500

In accordance to the engagement letter, the estimated fee was based on certain assumptions and, should circumstances as noted on "Appendix A" of the engagement letter arise, additional fees might be necessary. As explained above, the challenges faced by staff and the auditors significantly affected the targeted completion dates for the audit, and additional work was performed by the auditors. Consequently, additional fees in the amount of \$25,500 (Exhibit 3) are being requested by Marcum. As these fees are in excess of the City Manager's procurement authority, a resolution authorizing the City Manager to disburse the additional fees is necessary.

Moving forward, to ensure staff is better positioned for the FY2016 audit, Management is in the process of hiring a Finance Director, an Assistant Finance Director and a Senior Accountant, to provide the expertise, guidance and support necessary to ensure that all the unusual circumstances previously mentioned are addressed before the beginning of the audit.

DOJ

In April 2015, the Asset Forfeitures and Money Laundering Section (AFMLS) conducted a review of the Hallandale Beach Police Department's (HBPD) compliance with requirements of the Department of Justice (DOJ) Equitable Sharing Program. During the review, it was noted that the HBPD accounted for revenues and expenditures of DOJ equitable sharing funds with non-DOJ equitable sharing funds. This accounting practice diminishes the effectiveness of HBPD controls and accounting operations. Therefore, the AFMLS required HBPD to have an independent review and reconciliation performed on its DOJ equitable sharing account by a third party independent reviewer. The City retained Marcum to perform the review and provide a report in evaluating the accuracy of the reconciliation of the Hallandale Beach Police Department's ("HBPD") equitable sharing account balances from fiscal year 2011 to fiscal year 2015. A copy of the engagement letter is included as Exhibit 4.

Single Audit

After the fiscal year 2015 audit was completed, it was realized that the Ansin Boulevard Grant, CFDA 20.205 (contract ARF74), in the amount of \$322,000 was not included in the Schedule of Federal Awards "SEFA". This is a Federal Department of Transportation (FDOT) program with funding that is passed through to the State of Florida. This grant meets the criteria to be a major program and should have been tested and reported to the respective agencies on the SEFA in accordance with the Single Audit Act. Therefore, the City must take appropriate action to audit the program and include it in the prior fiscal year SEFA. Marcum will perform the additional procedures to audit the program and provide a report on such program as well as revising all the previously filed Single Audit reports by the City. See Exhibit 5.

Why Action is Necessary:

Pursuant to Chapter 23, Procurement, of the City of Hallandale Beach Code of Ordinances, the City Manager's purchasing authority for Professional Services is \$25,000

While there is an existing Professional Services Agreement between the City and Marcum, LLP (Exhibit 4), for auditing services, the additional fees of \$39,000 being charged by Marcum, LLP are in excess of City Manager's authority, therefore City Commission approval is required to disburse the additional funds.

Fiscal Impact:

The additional audit fees requested total \$39,000.

Proposed Action:

Staff recommends approval of the attached Resolution authorizing the City Manager to expend additional funding for the additional work performed by Marcum LLP for completion of the annual financial report for the period ending September 30, 2015, revision to the Single Audit and the DOJ audit in an amount not to exceed thirty nine thousand (\$39,000.00) dollars.

Attachment(s):

Exhibit 1 – Resolution
Exhibit 2 – Marcum, LLP Engagement Letter dated June 25, 2014.
Exhibit 3 – Additional Fee Request
Exhibit 4 – Department of Justice Grant Fund Engagement Letter
Exhibit 5 – Hallandale FDOT Audit