

Attachment B  
**HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY**  
**(A COMPONENT UNIT OF THE CITY OF HALLANDALE BEACH, FLORIDA)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**MATERIAL WEAKNESSES (CONTINUED)**

***2014-002 BANK RECONCILIATIONS (CONTINUED)***

***Views of Responsible Officials and Planned Corrective Action***

The bank reconciliations for FY 2015 lagged in their completion as a result of competing priorities for completing the FY 2014 audit and preparing the FY 2016 Annual Budget. HBCRA hired a consultant to assist with completing the FY 2015 bank reconciliations from October 2014 to June 2015. The Fiscal Operations Manager completed the bank reconciliations for July thru September 2015 in October 2015.

HBCRA recognizes the critical nature of bank reconciliations to ensure accurate knowledge of the Agency's cash position at any given time. Procedures have been established requiring bank reconciliations to be completed monthly and also includes that they be reviewed and approved by the Associate Controller. It should be noted that the HBCRA Board approved a new Accounting Clerk III position as part of the FY 2016 budget. This new position will be primarily responsible for completing bank reconciliations, with oversight performed by the Fiscal Operations Manager. The new Accounting Clerk III was hired in January 2016.

***2015-001 ASSETS HELD FOR RESALE***

***Criteria***

Expenditures incurred in a governmental fund to acquire property that is intended to be resold, should not be reported as expenditures in the current year. These properties should be capitalized and reported as Assets Held for Resale at both the fund level and the government-wide level. These properties should not be presented as capital assets as it is not the HBCRA's intent to retain these properties.

***Condition***

During our audit of property held for resale and capital assets, significant audit adjustments were required to properly present the account balances.

- The beginning balance presented for Land in the HBCRA capital assets was reduced by \$2,187,723. This amount was composed of:
  - \$1,376,326 that was reclassified to assets held for resale as of the beginning of the year.
  - \$809,485 which was transferred to assets held for resale in prior year however the amount had not been properly removed from capital assets
  - \$1,918 which was a capital asset sold in the prior year that was erroneously included in capital assets.

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**MATERIAL WEAKNESSES (CONTINUED)**

***2015-001 ASSETS HELD FOR RESALE (CONTINUED)***

- The assets held for resale were increased by \$1,639,698 in order to reclassify amounts erroneously recorded as expenditures during the year.
- A prior period adjustment was recorded to assets held for resale in the amount of \$3,912,026 in order to record:
  - \$2,672,239 of property that was paid by the HBCRA and erroneously included in the capital assets of the City.
  - \$1,376,326 of capital assets that should have been categorized as assets held for resale.
  - (\$136,539) reduction in property held for resale due to costs capitalized that should have been expensed.
- Assets held for resale were increased by \$190,305 due to construction in progress associated with assets held for resale that should have been accrued as of year-end.

***Cause***

A lack of adequate internal control and policies and procedures over the tracking, monitoring, reconciliation, and accounting of transactions incurred for assets held for resale resulted in inaccurate financial reporting in both the City and the HBCRA financial statements.

***Effect***

The net effect of the adjustments described above amounted to an increase of \$5,742,029 to assets held for resale and a decrease of \$2,187,723 capital assets of the HBCRA.

***Recommendation***

We recommend the City and HBCRA improve internal controls over the acquisition and record keeping process for assets held for resale. The City and the CRA should review property records for all property owned by each entity to ensure they are properly titled and recorded.

***Views of Responsible Officials and Planned Corrective Action***

Acknowledged. During the year end closing process, HBCRA staff reviewed the Broward County Property Appraiser's (BCPA) website to ensure that properties (land) owned by the CRA were correctly recorded. During this search, HBCRA staff found approximately 20 properties that were listed with HBCRA as the property owner, but were not included in the CRA's list of assets.



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**MATERIAL WEAKNESSES (CONTINUED)**

***2015-001 ASSETS HELD FOR RESALE (CONTINUED)***

HBCRA staff and City staff conducted a very comprehensive research of the BCPA and internal records to determine which properties were owned by the HBCRA and which properties were owned by the City. At the conclusion of this extensive review, properties owned by the HBCRA were accurately recorded as Assets Held for Resale.

To ensure that CRA purchases are accounted for properly in the future, land that is classified as Assets Held for Resale will be accounted for in the City's fixed asset module under a separate asset classification, Assets Held for Resale. In addition, all documents related to the transaction, including HBCRA Board action documenting intent of the purchase, will be scanned and uploaded as part of the asset record. Standard Operating Procedures will be established requiring that after any acquisition or disposition of real property for the HBCRA, the Real Estate Coordinator will formally notify the CRA Fiscal Operation Manager, Chief Financial Officer, Associate Controller, and Accountant (s) of such transaction. The CRA Fiscal Operations Manager will update the annual Asset Held for Resale Roll-forward schedule to add properties acquired or remove properties that have been disposed by the HBCRA. The CRA Fiscal Operations Manager will work with the Associate Controller to ensure the journal entries are made to record the acquisition or disposition to the General Ledger in the Munis System.

**SIGNIFICANT DEFICIENCY**

***2014-001 LOANS RECEIVABLE***

***Criteria***

The aged receivables report and the new loans report (the AutoPal Reports), the two reports generated from the new Autopal loan software, should be reconciled to loan receivables schedules maintained by the HBCRA in order to ensure that all loans are properly monitored and reported. Monitoring of the applicable compliance requirements for loans should be performed throughout the year and evidence of the monitoring procedures should be maintained by the HBCRA.