

**CITY OF MIAMI SOUTHEAST OVERTOWN PARK WEST
REDEVELOPMENT AGENCY AND CITY OF MIAMI OMNI
COMMUNITY REDEVELOPMENT AGENCY
(COMPONENT UNITS OF THE CITY OF MIAMI, FLORIDA)**

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2004

Executive Summary

Sanson, Kline, Jacomino & Company, LLP (SKJ) hereby submits this management letter to the City of Miami Southeast Overtown Park West Redevelopment Agency and City of Miami Omni Community Redevelopment Agency (the Agencies), Component Units of the City of Miami, Florida for the fiscal year ending September 30, 2004. The management letter is presented in accordance with the *Rules of the Auditor General* of the State of Florida. In accordance with *Government Auditing Standards*, we are required to consider the Agencies' internal control during our planning and performing of our audit of the financial statements in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. In fulfilling this responsibility, estimates, and judgments made by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives on internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of its financial statements in accordance with accounting principles generally accepted in the United States of America.

The management letter is organized in the following manner:

- Executive summary;
- Responses to the *Rules of the Auditor General* of the State of Florida;
- Current year's observations, recommendations, and management's responses; and
- Status of prior years' observations, recommendations, and management's responses.

We would be pleased to discuss these comments with you and, if desired, to assist you and management in implementing corrective action steps. SKJ appreciates the cooperation we received from the Agencies' staff and management, and is honored to serve the Agencies as its external auditors.

Sanson, Kline, Jacomino & Company, LLP

Certified Public Accountants

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Management Letter in Accordance with the *Rules of the Auditor General of the State of Florida*

To the Board of Directors of the
City of Miami Southeast Overtown Park West
Redevelopment Agency and City of Miami Omni
Community Redevelopment Agency:

We have audited the financial statements of the City of Miami Southeast Overtown Park West Redevelopment Agency and City of Miami Omni Community Redevelopment Agency, Component Units of the City of Miami, Florida (the Agencies), as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated November 16, 2004.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated November 16, 2004, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. We noted no inaccuracies, irregularities, shortages, defalcations, and violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual financial audit.

The *Rules of the Auditor General* (Section 10.554(1)(g)1.b.) require that we disclose in the management letter, if not already disclosed in the auditors' report on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit report have been followed. **The recommendations made in the preceding annual financial audit report have been corrected, as reported in Appendix B, titled "Status of Prior Years' Observations, Recommendations, and Management's Responses."**

The *Rules of the Auditor General* (Section 10.554(1)(g)2.), state that a management letter shall include a statement as to whether or not a local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Agencies complied with Section 218.415, Florida Statutes, relating to local governmental investment policies.

The *Rules of the Auditor General* (Section 10.554(1)(g)3.) state that a management letter shall include recommendations to improve the local government entity's present financial management, accounting procedures and internal accounting controls. The recommendations made in the current year are reported in Appendix A, titled "Current Year's Observations, Recommendations, and Management's Responses."

The *Rules of the Auditor General* (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred, and were discovered within the scope of the audit; (2) improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; (3) improper or inadequate accounting procedures (for example, the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. **No such conditions were noted during the audit.**

The *Rules of the Auditor General* Section (Section 10.554(1)(g)5.) state that a management letter shall include the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Such disclosure is made in note 1 to the Agencies' financial statements.

The *Rules of the Auditor General* (Section 10.554(1)(g)6.a.), state that a management letter shall include a statement as to whether or not a unit of local government is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

- a. Failure, within the same fiscal year in which due, to pay short-term loans from banks or failure to make bond debt service payments when due.
- b. Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for a) federal Social Security, or b) any pension, retirement, or benefit plan of an employee.
- c. Failure for any one period to pay, due to lack of funds: (1) wages and salaries owed to employees; or (2) retirement benefits owed to former employees.
- d. An unreserved or total fund balance or retained earnings (deficit) for which sufficient resources of the local government entity are not available to cover the deficit for two successive years.
- e. Noncompliance of the local government retirement system with actuarial conditions provided by law.

Section 218.503(2) states that local government entity shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1), Florida Statutes have occurred or will occur if action is not taken to assist the local governmental entity.

Nothing came to our attention that caused us to believe that the Agencies are, or during the fiscal year, were in a state of financial emergency as a consequence of conditions in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Sections 10.554(g)(6)c. and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the Agencies 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.

With respect to the financial report for the fiscal year 2004 required to be filed with the State of Florida Department of Banking and Finance pursuant to Section 218.32 Florida Statutes, the Agencies do not file a separate report with the State of Florida Department of Banking and Finance. The financial operations of the Agencies are included in the basic financial statements of the City of Miami, Florida for the year ended September 30, 2004.

This management letter is intended solely for the information and use of the board of directors, management of the Agencies, the State of Florida Office of the Auditor General, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lunson, Klein, Iaconis & Company LLP

November 16, 2004

Appendix A

**CITY OF MIAMI SOUTHEAST OVERTOWN PARK WEST
REDEVELOPMENT AGENCY AND CITY OF MIAMI OMNI COMMUNITY
REDEVELOPMENT AGENCY
(COMPONENT UNITS OF THE CITY OF MIAMI, FLORIDA)**

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2004

**Current Year's Observations, Recommendations
and Management's Responses**

Summary

No.	Current Year's Observation
2004-1	Payments to Vendors

Appendix A

CITY OF MIAMI SOUTHEAST OVERTOWN PARK WEST REDEVELOPMENT AGENCY AND CITY OF MIAMI OMNI COMMUNITY REDEVELOPMENT AGENCY (COMPONENT UNITS OF THE CITY OF MIAMI, FLORIDA)

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2004

2004-1 PAYMENTS TO VENDORS

Criteria/Specific Requirements

Purchases of goods and services and payments to vendors should follow the procurement and accounts payable policies and procedures of the Agency.

Condition Found

We noted two payments to two separate vendors, one for \$7,950 and another for \$3,466, that were paid by the Executive Director using his own personal funds, which was subsequently reimbursed to the Executive Director by the Agency. Based on our discussions with the Executive Director, we noted that the two payments were payments that needed to be made immediately, which immediate payment could not have been made through the normal accounts payable process.

Perspective

The condition noted is considered to be isolated in nature.

Effect

Although the payments to the vendors using the Executive Directors personal funds were adequately substantiated with supporting documentation, the amounts were significant. This could be perceived by outside parties to be inappropriate, as this is not normal practice.

Recommendation

We recommend that the Agency continue to make a concerted effort to use Agency funds to pay vendors. However, we understand that there may be situations that may occur whereby emergency payments are required. Therefore, we recommend that the Agency obtain Board approval for emergency payments allowing the Executive Director to use his own funding in cases like this. The other alternative would be to obtain a corporate credit card controlled by the Executive Director and/or the Finance Officer, to be used only for emergency type payments, and possibly for small purchases outside of the procurement process.

Whichever alternative the Agency chooses, the Agency should document and implement a formal policy that would describe the maximum dollar amount allowed for these types of purchases.

Management's Response

Management agrees with this observation and will take the necessary action to secure Board authorization via a policy that will allow the Executive Director to make such payments on an emergency basis.

Appendix B

CITY OF MIAMI SOUTHEAST OVERTOWN PARK WEST
REDEVELOPMENT AGENCY AND CITY OF MIAMI OMNI COMMUNITY
REDEVELOPMENT AGENCY
(COMPONENT UNITS OF THE CITY OF MIAMI, FLORIDA)

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2003

**Status of Prior Years' Observations, Recommendations,
and Management's Responses**

Summary

No.	Prior Year's Observations	Comment Has Been Resolved	Comment is Still Relevant at 9/30/04
<u>REPORTABLE CONDITIONS:</u>			
99-1	Leased Properties	X	
<u>OTHER OBSERVATIONS:</u>			
2001-8	Budgetary Accounting	X	
2003-1	Capital Assets Additions and Disposals	X	
2003-2	Line Item Expenditure Classifications	X	
2003-3	Maintaining Authoritative Accounting Literature	X	