

CITY OF OAKLAND PARK, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development			
Indirect:			
Community Development Block Grant	14.218	NA	\$ 255,852
<i>Total U.S. Department of Housing and Urban Development</i>			<u>255,852</u>
United States Department of Environmental Protection Agency			
Direct:			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP-96424205-0	76,664
<i>Total U.S. Department of Justice</i>			<u>76,664</u>
United States Department of Homeland Security			
Indirect:			
Hazard Mitigation Grant	97.039	06DM-64-11-16-02-131	265,590
Public Assistance Grant	97.036	06-WL&K-11-16-02-707	5,364,541
State Domestic Preparedness Equipment Support Program	97.004	05-DS-11-16-01	2,143
<i>Total U.S. Department of Homeland Security</i>			<u>5,632,274</u>
United States Department of Agricultural			
Indirect:			
Watershed Protection and Flood Prevention	10.904		<u>21,246</u>
United States Department of Transportation			
Indirect:			
Highway Planning and Construction	20.205	ANY87	91,031
		ANZ14	5,418
		AO062	9,713
		ANC56	60,000
			<u>166,162</u>
United States Department of Justice			
Indirect:			
Local Law Enforcement Block Grant	16.592	2004-LBBX1391	27,806
<i>Total Florida Department of Agriculture and Consumer Services</i>			<u>27,806</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,180,004</u>

NA - Not Available

CITY OF OAKLAND PARK, FLORIDA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2006

NOTE 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all the federal award programs activity of the City of Oakland Park, Florida. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF OAKLAND PARK, FLORIDA

**Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2006**

PRIOR YEAR COMMENTS AND STATUS

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.



City of

OAKLAND PARK

F L O R I D A



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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

Honorable Mayor and Members of the City Commission
City of Oakland Park, 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 Oakland Park, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2007. We did not audit the Pension Trust Funds for the General Employees Pension Plan and the Police and Firefighters Pension Plan, which represents 96% of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds for the General Employees Pension Plan and the Police and Firefighters Pension Plan, is based solely on the reports of 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-01 and 2006-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that items 2006-01 and 2006-02 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Commission, management, Federal and State awarding agencies, 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 those specified parties.

Fort Lauderdale, Florida
May 16, 2007

A handwritten signature in black ink, appearing to read "Walter Rios" followed by a stylized flourish.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Commission
City of Oakland Park, Florida

Compliance

We have audited the compliance of the City of Oakland Park, 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* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City's major federal program is 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 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine our 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.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

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 Oakland Park, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Commission, management, Federal and State awarding agencies, 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 those specified parties.

Fort Lauderdale, Florida
May 16, 2007

Watson Rice LLP

CITY OF OAKLAND PARK, FLORIDA

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Part I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified Opinion		
Internal control over financial reporting:			
• Material weakness (es) identified?	<u> X </u>	Yes	<u> </u> No
• Reportable condition(s) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

Federal Awards Section

Type of auditors’ report issued on compliance for major programs:	Unqualified Opinion		
Internal control over major programs:			
• Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
• Reportable condition(s) identified not considered material weaknesses?	<u> X </u>	Yes	<u> </u> None Reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> X </u>	Yes	<u> </u> No
Identification of major programs:			
<u>Name of Federal Programs</u>	<u>CFDA No.</u>		
Public Assistance Grant	97.036		
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
Auditee qualified as a low-risk auditee pursuant to OMB Circular A-133?	<u> X </u>	Yes	<u> </u> No

CITY OF OAKLAND PARK, FLORIDA

Schedule of Findings and Questioned Costs (continued) For the Year Ended September 30, 2006

Part II – Financial Statement Findings

2006-01 Payroll Master files Access

Condition

During our testing of payroll transactions, we noted that all personnel in the human resource department have access to the payroll master records. In addition, changes to the payroll master records are not reviewed by a person other than the one assigned to make changes. The human resources department represented to us that although all of the department's personnel have access to the payroll master records, only one person is designated to add, delete and make changes.

Criteria

Internal control should be in place to provide reasonable assurance that changes to the payroll master file are restricted to only authorized persons.

Effect

Due to the absence of restricted access to the payroll master file employees maybe added to the payroll and changes can be made to employee record without management approval.

Recommendation

We recommend that procedures should be in placed to restrict access to the payroll master file. In addition changes to the payroll master file should be reviewed by no less than a supervisor.

Management's Response

Not all HR personnel have access to the master files, only HR Analysts have the access. HR Analysts need to have access to the master files because they are crossed trained to cover one another and have the responsibilities for maintaining employee files and updating the pertinent data. All payroll changes are documented and are authorized by the department director, HR director and the City Manager. These documents are submitted to the accounting as supporting documents for the changes with each pay period. Payroll process is done and verified by the accounting division which is separate from the HR function. Management believes this serves sufficient internal control for segregation of duties. However, HR will seek to improve the control measures for the review process.

2006-02 Customer Master File Access

Condition

We noted that cashiers have access to the customers' master files. It was explained that this set-up is necessary so payments from new customers can be processed by the cashiers.

CITY OF OAKLAND PARK, FLORIDA

Schedule of Findings and Questioned Costs (continued) For the Year Ended September 30, 2006

Criteria

Internal control should be in place that provide reasonable assurance that changes made to the customers' master files are restricted to only authorized persons.

Effect

Due to the absence of restricted access to the customers' master files changes maybe made without management approval.

Recommendation

We recommend that procedures should be in place to restrict access to the payroll master file. This maybe accomplished by providing password with various level of access. In times when a higher access is needed by a cashier to process a transaction, a supervisor's override could be requested on a per transaction basis.

Management's Response

Management concurs and a measure will be in place for restricting the access to the utility billing administration files by the cashiers.

Part III – Findings and Questioned Costs for Federal Awards

2006-03 Compliance Monitoring

Condition

During the fiscal year 2006, multiple individuals have responsibility for ensuring compliance with contract requirements. In addition, the City has not adopted written policies and procedures governing the accounting and administration of its grant programs.

Criteria

Internal control should be in place to ensure that grant administration among various departments will be standardized and that all compliance requirements are addressed on a timely basis.

Effect

The absence of written policies and procedures governing the administration of grant programs contributed to the delay in finalizing the documents, analysis and reports related to the FEMA grant.

Recommendation

We recommend that the City develop written policies and procedures governing the accounting and administration of its grant programs. This should provide, among others, assigning responsibility for all contracts to one individual. The designated compliance personnel should work with the granting agencies to ensure that he/she is aware of all requirements, and then develop a system of internal controls to ensure compliance with those requirements. This individual would be responsible for obtaining appropriate information from other departments, training personnel in contract requirements, be involved in the contract agreement process, and submitting information to grantors.

CITY OF OAKLAND PARK, FLORIDA

Schedule of Findings and Questioned Costs (continued) For the Year Ended September 30, 2006

Having one individual responsible for all grant contracts will increase efficiency as well as ensure that all contract requirements are being complied with.

Management's Response

Management understands the need to monitor all contracts to ensure compliance with grantor requirements and agrees that centralization with one individual is an efficient way for control. Management plans to designate an individual to be responsible for monitoring all grant related matters, designing and implementing the procedures, and coordinating with the departments to ensure all reporting requirements and contract terms are met.



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**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members of the City Commission
City of Oakland Park, 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 Oakland Park, Florida (the "City") as of and for the fiscal year ended September 30, 2006, and have issued a report thereon dated May 16, 2007. We did not audit the Pension Trust Funds for the General Employees Pension Plan and the Police and Firefighters Pension Plan, which represents 96% of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds for the General Employees Pension Plan and the Police and Firefighters Pension Plan, is based solely on the reports of the auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *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*. We have issued our Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program, and Schedule of Findings and Questioned Costs. Disclosures in that report, which are dated May 16, 2007, 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, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed herein.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of recommendations made in the prior year management letters have been addressed in the Status of Prior Year's Recommendations.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of 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.

The Rules of the Auditor General (Section 10.554(1)(h)3.), require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we noted certain matter of internal control that needs improvement that we reported as item ML-2006-1 and ML-2006-2.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned

costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., 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. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Section 10.554(1)(h)4.).

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that 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. The City of Oakland Park, Florida was reincorporated in June 1929 by Chapter 14041, Laws of Florida. The City of Oakland Park, Florida included the Oakland Park Community Redevelopment Agency, a blended component unit.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503 (1), Florida Statutes. 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.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City for the fiscal year ended September 30, 2006, 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, 2006.

As required by the Rules of the Auditor General (Sections 10.554(1)(h)6.c.) and 10.556(7), we applied financial assessment procedures as of September 30, 2005. It is management's responsibility to monitor the entity'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 the City. There were no findings that identified deteriorating financial conditions.

This management letter is intended solely for the information of the Mayor, City Commission and management, 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.

Fort Lauderdale, Florida
May 16, 2007

Waters Rice LLP

CITY OF OAKLAND PARK, FLORIDA

Management Letter Current Year Recommendations and Management's Responses

ML-2006-01 Timekeeping

Finding

The City's timekeeping policies and procedures are outdated. As a result, there is no uniformity in the documentation of actual hours worked by employees. The following deficiencies were noted during our review of payroll transactions for two departments:

- 1) Manual entries made to the timecards were not countersigned by a supervisor;
- 2) Timecards were neither signed by employees nor their supervisor;
- 3) Timecards were kept for four (4) months only; and
- 4) Three (3) hourly employees did not have timecards.

Recommendation

We recommend that the City update its timekeeping policies and procedures. Once this is finalized an internal training should be conducted to ensure uniform compliance of the new policies and procedures.

Management's Response

Management agrees that certain division's timekeeping system should be updated. Timekeeping policies and procedures are being reviewed for improvement and training will be provided to ensure uniform application. The departments that use a timecard system will ensure the following:

- 1) Manual entries on time cards will be countersigned by a supervisor;
- 2) Timecards will be signed by both the supervisor and employees; and
- 3) Timecards will be kept for at least three fiscal years.

ML-2006-02 Written Policies and Procedures

Finding

Various City's written policies and procedures need to be updated (time keeping, purchasing, billing and collections, community development revenue generating activities).

Recommendation

We recommend that these policies and procedures be reviewed and updated to incorporate the current policies and procedures followed by City personnel.

Management's Response

Management concurs that written policies and procedures are essential parts of the internal control and required periodic updates. Currently, a preliminary purchasing policy has been prepared and will be reviewed by a process improvement team. Utility billing and collections, timekeeping, and community development revenue policies and procedures will be reviewed and updated to reflect current workflow.

CITY OF OAKLAND PARK, FLORIDA

Management Letter

Status of Prior Year's Recommendations and Management's Responses

<u>Finding Number</u>	<u>Prior Year Comment</u>	<u>Comment Has Been Addressed</u>	<u>Comment Partially Implemented</u>
ML-05-01	Preparation of Financial Statements		X
ML-05-02	Investment Policy		X
02-04	Rate Studies	X	
01-1	Business and Technology Review	X	
01-2	Utility System	X	

ML-05-1 Preparation of Financial Statements

2005 Finding and Recommendation:

During the 2005 audit, we noted that the City did not prepare interim financial reports that provide information on the City's financial position and changes in its financial position in accordance with accounting principles in the United States (GAAP) for Governmental entities (similar to year-end financials), and certain required disclosures were not identified by management in the preparation of its external financial statements. During the audit, the Finance Department was still making adjusting entries up to six months after the balance sheet date.

It was recommended that:

- a) Management prepare monthly financial reports that provide information regarding the City's financial position and changes in its financial position, on a GAAP basis;
- b) Financial performance indicators should be prepared so that indications of deteriorating financial condition, if any, are detected and corrected in a timely manner by management; and
- c) Management adopt a year-end closing schedule that includes the timing of the receipt of the General Employees Pension Plan and Police and Firefighters' Pension Plan audit reports in a time frame which allows a timely review and inclusion in the City's external audit.

2005 Management's Response:

Management recognizes that timely financial reporting serves as an important control of the City's financial operations. At present, the City is in compliance with reporting requirements by external regulations and covenants. Currently management does prepare interim reports, such as monthly financial activity reports summarizing budget and actual financial data for all major funds together with a monthly renaissance project report that provides detailed financial information since inception on the capital improvement projects funded under the \$18.5 million loan from the Florida Municipal Loan Council (FMLC) program. These reports are submitted monthly at the second meeting of the month to the City Commission. In the governmental sector interim reports

CITY OF OAKLAND PARK, FLORIDA

Management Letter

Status of Prior Year's Recommendations and Management's Responses

are prepared primarily for internal use and are generally prepared on the budgetary basis, not GAAP. In addition, the recommended GAAP reporting is not practiced by other cities similar to our size in our area.

Overall, management concurs with the recommendation for improving the interim reporting to the City Commission. Similar to the capital improvement reporting under the FMLC loan currently provided to the City Commission, it is the City's intent to initiate this reporting format for the remaining capital improvement projects beginning in fiscal year 2007. This reporting was expected to begin in fiscal year 2006, however, due to a severe shortage of senior staff within the Finance Department, together with a hurricane season that required significant use of accounting personnel, the additional reporting initiative was postponed. It should be noted that with the tremendous growth experienced in the City's capital improvement projects over the past three years, together with the additional accounting work created to ensure compliance with new accounting statements recently implemented, there has been no increase in accounting staff. Existing staff has absorbed the additional responsibilities.

With regard to the pension fund annual audit reports, these audit reports and financial records are prepared by other entities that are not controlled by management. However, management will continue to request those entities to assist us with more timely coordination with our annual financial reporting.

In relation to adjusting entries, certain adjusting journal entries for year-end may only be prepared after the September 30th year-end date, and are completed within 45 to 60 days after year end per policy. One example of this is tax revenue accrual. Other adjustments are made as a result of the audit or internal analysis and occur only after the issues emerge. This is a standard procedure and is practiced by other cities similar to our size in our area. As noted above, due to a severe shortage of senior staff within the Finance Department, a hurricane season that required significant use of accounting personnel, and working with new auditors, the adjusting entries timeline was pushed further back for the fiscal year 2005 audit. We anticipate a much tighter timeline for fiscal year 2006.

Current Year Status:

Management's plan to improve internal reporting process is still in progress.

Management's Response

Management has improved the monthly financial activity reports to the Commission for all major funds by providing more useful information in an easy to read format. The monthly report includes budget to actual comparison for major revenues by source and expenditures by function. A net change in financial position has been added to the monthly report. Capital improvement project report has been revised to include all funds in a summary form and project-level reporting is expected to be finalized shortly for Commission review.

CITY OF OAKLAND PARK, FLORIDA

Management Letter Status of Prior Year's Recommendations and Management's Responses

ML-05-2 Investment Policy

2005 Finding and Recommendation:

Presently, the City has no formal deposit or investment policy but does follow the requirements of Section 218.415, Florida Statutes in its investment decisions. However, for purposes of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, a formal investment policy as defined by Government Standards Board is one that has been formally adopted and limits a government's allowable deposits or investment.

It was recommended that the City formally adopt a deposit and investment policy. We believe that a formal deposit and investment policy that defines the City's tolerance for risk would better prepare the City to manage risks associated with its deposit and investment activities in the future.

2005 Management's Response:

The City has been investing its funds in investments authorized by state statute. The statute does not require formal adoption of an investment policy; neither does GASB 3 or 40 Statement. Those Statements require that risks associated with deposits and investments be disclosed. Those requirements have been met in the City's notes to the financial statements. However, we concur with the recommendation that a written investment policy be formally adopted. In addition, we believe a formal written debt management policy should also be adopted simultaneously to ensure the City maintains sound fiscal policies that complement each other.

With the hiring of a financial advisor during the second quarter of fiscal year 2006, management provided a draft investment policy to the financial advisor for review and comment. In conjunction with the review of the debt capacity of the City, management is also working with the financial advisor to complete a debt management policy. Both policies are expected to be presented to the Commission upon completion.

Current Year Status:

As of the report date the investment policy is in its finalization stage.

Management's Response:

Management has drafted the investment policy. The debt management policy is in the process of being finalized. Both policies will be presented to the Commission after their final reviews.

CITY OF OAKLAND PARK, FLORIDA

Management Letter Status of Prior Year's Recommendations and Management's Responses

02-4 Rate Studies

2005 Status and Recommendation:

During FY2002, outside consultants completed the "Water and Wastewater Capital Improvements Program and Rate Study". The Study outlined several goals over the next five years for the City's Water and Sewer Master Plan, summarized as follows:

Water system projects were identified based on three primary goals:

Goal 1 - Reduce unaccounted-for water loss to a maximum of 12% of water purchased and raise revenues by increasing measured water usage.

Goal 2 - Improve/upgrade the water system to improve water pressure and fire hydrant water flow to the City's customers.

Goal 3 - North Andrews Gardens- The Study recommended that the City removed this capital project from its plans, as it was not considered cost feasible.

Sewer system projects were identified based on two primary goals:

Goal 1 - Reduce inflow and infiltration that increases the volume of wastewater treated at the Broward County and City of Fort Lauderdale Wastewater Treatment Plants.

Goal 2 - Upgrade the City's pump stations from the existing "can type" to the modern "submersible pumps".

The City's unaccounted water loss for the fiscal years 2003, 2004 and 2005 were 25.4%, 10.7% and 14.6%, respectively. The increase in unaccounted water loss by 3.9% made the three-year trend inconclusive. This increase in unaccounted water loss may have cost the City approximately \$145 thousand based on the total cost of water purchased for the fiscal year 2005 of \$3.739 million. It was observed that management does not review unaccounted water loss on a monthly basis; the review was done only as part of the audit's follow-up on prior year's findings and recommendations. We recommend that management review the City's unaccounted for water loss and this calculation be made part of its monthly review of the City's monthly financial reports.

2005 Management's Response:

Management implemented a five-year capital improvement program in fiscal year 2002 to improve the water and sewer system of the City. For the last three years, significant reduction in water loss has occurred through these improvements. Management will analyze the data more closely in fiscal year 2007 when the City's Treasury position is filled. Management believes that a plan has been in place to address the water rate study concerns and will continue to monitor the progress and seek measures to improve the utility system. Specifically improvements have been made which are summarized as follows:

Water system projects:

- Reduced the water loss to within 12% to 15% of water purchased which is considered an industry standard.

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- Upgraded the water system by installing new and replacing old watermains to improve the water pressure and fire flows through Downtown Water System Improvement and Central Prospect Business District projects.
- Implemented multi-year meter change outs through a Meter Replacement Program to ensure meters are in working order and provide accurate readings.
- Removed North Andrews Gardens capital project from the plan. Broward County has agreed in August 2005 to take over the responsibility for future improvement of this water system.

Sewer system projects:

- Reduced inflow and infiltration volume of the wastewater treated at the Broward County and City of Ft. Lauderdale Wastewater Treatment Plants by 18%.
- Upgraded two pump stations in fiscal year 2005 through Wastewater System Improvement project. Four additional pump stations are budgeted for rehabilitation in fiscal year 2006.

2006 Status

Management has achieved its goal in minimizing the water loss to 12% that was outlined in the 2002 water rate study. Improvements have been made on both water and drainage projects as the City upgrades its waterlines and drainage system. One major drainage project is near completion with all new water lines and drainage pipe replacement. Six pump stations have been slated for rehabilitation in fiscal year 2007. Sewer inflow and infiltration are being monitored and repairs are being done continually. In addition, Management plans to hire an outside consultant to conduct another water rate study to examine the avenues for future improvements.

01-1. Business and Technology Review

2005 Status and Recommendation:

During fiscal year 2001, the City hired the Florida League of Cities, Inc. to perform a review of the City's business and technology processes and procedures. Through this review the City was provided with suggestions in order to improve their procedures. Some of the suggestions that affect the finances of the City are as follows:

- The Finance Department should be divided into two separate departments, the Finance Department and the Office of Management and Budget. The Office of Management and Budget would handle budgets, grants, bond issues, annexations, implementations of new laws and regulations, the Renaissance Project, and be proactive in other issues related to the budget and rate studies.
- In order to properly use the software the City purchased several years ago, it was recommended that the City obtain a significant amount of additional training on all levels. This includes the information systems personnel as well as the finance, customer service and personnel departments.
- The City currently has a large balance of other accounts receivable related to various

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properties. Collection of the receivables is expected when the properties are sold. Although the City has an allowance for these accounts, it was recommended that the City perform a thorough examination of the accounts, and write off all amounts that will not be collected.

- A formal disaster recovery plan should be prepared.
- The review contained other recommendations related to staffing levels, cash procedures and accounts payable processes.

It was recommended that management continue to pursue the implementation of penalty charges to enhance revenue collection. We believe that the inability of management to charge a penalty on delinquent accounts contributed to its high volume of returned checks which were due to insufficient funds.

2005 Management's Response:

As noted in the previous year's comments, the City implemented in prior years the recommendations suggested by the Florida League of Cities except for a penalty charge for delinquent utility accounts. The penalty charge for delinquent utility accounts has not been instituted due to a system issue. Current software limitation prevents the use of penalties. The City is relying on other methods to enforce the collection of delinquent utility accounts. Employees from various departments including Information System, Human Resources and Finance Departments have been receiving training via in-house, web sessions, and annual user conferences over the last several years. Accounts receivable are being reviewed periodically and written off as accounts are deemed uncollectible. Office of Management and Budget was set up separately for three years but now is combined into Finance department because Management felt that this reorganization is more efficient. A Technology Disaster Recovery Plan was implemented in fiscal year 2003. Management believes that all concerns of this finding have been sufficiently addressed

2006 Status

As noted in prior year response, the only item that was not addressed was the penalty charge for delinquent accounts. Management has since implemented the penalty charge for delinquent utility accounts.

01-2. Utility System

2005 Status and Recommendation

During the prior auditor's examination of the revenues and expenses of the utility system, it was noted that there were variances between the number of gallons of water purchased versus the number of gallons of water sold, and differences between the number of gallons of sewage processed versus the number of gallons billed. This could be caused by various factors, including the City's meters or meters owned by the City of Fort Lauderdale or Broward County.

2005 Management's Response:

This finding is directly related to Finding 02-4, Rate Studies, noted earlier – water loss. As noted above, the City formally implemented a 5-year capital improvement program in fiscal year 2002. The City has an on-going meter change out program to remove old meters that are not in working

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order to ensure accurate reading and billing. Efforts are also being made with the hiring of a Customer Service Manager to monitor billing register and to investigate and follow up on unusual usages. It is believed the water/sewer concerns have been addressed by the City and will continue to address the ongoing need for infrastructure improvements through its adopted 5-year capital improvement program, which is formally review annually in conjunction with the City's operating budget. Management is currently working with the software vendor to resolve the system's penalty charge issue.

2005 Status

See comment under 02-04.