City of Miami, Florida
Management Letter in Accordance
With Chapter 10.550, *Rules of the*
***Florida Auditor General* and**
Independent Accountant's Report
on the Examination of the City's Compliance
with Section 218.415, Florida Statutes

For the Year Ended September 30, 2015

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Management Letter in Accordance with Chapter 10.550 of the *Rules of the Florida Auditor General*

Honorable Mayor and Members of the
City Commission
City of Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami, Florida (the City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 31, 2016. Our report includes a reference to other auditors who audited the financial statements of the following component units and funds:

Component Units / Funds	Classification
• Southeast Overtown Park West Redevelopment Agency	nonmajor special revenue fund
• Omni Redevelopment Agency	nonmajor special revenue fund
• Midtown Community Redevelopment Agency	nonmajor special revenue fund
• Virginia Key Beach Park Trust	nonmajor special revenue fund
• Liberty City Community Revitalization District Trusts	nonmajor special revenue fund
• Firefighters' and Police Officers' Retirement Trust	aggregate remaining fund information
• General Employees' and Sanitation Employees' Retirement Trust and Other Managed Trusts	aggregate remaining fund information
• Miami Sports and Exhibition Authority	discretely presented component unit
• Downtown Development Authority	discretely presented component unit
• Bayfront Park	discretely presented component unit
• Civil Investigative Panel	discretely presented component unit
• Coconut Grove Business Improvement District	discretely presented component unit
• Wynwood Business Improvement District	discretely presented component unit

This management letter does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors. Our report also includes an emphasis of matter paragraph relating to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, effective October 1, 2014.

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Auditor's Responsibility

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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required By OMB Circular A-133 and Chapter 10.550, *Rules of the Florida Auditor General*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine 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 the findings and recommendations made in the preceding annual financial audit report, except as disclosed in Appendix B – *Status of Prior Years' Findings and Recommendations to Improve Financial Management.*

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.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, 2015, 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, 2015. As of the date of this letter the 2015 annual financial report for the City was not filed.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Such recommendations are included in Appendix A – *Current Year Findings and Recommendations to Improve Financial Management*.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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Miami, Florida
March 31, 2016, except for the
examination report on the City's compliance with *Section 218.415*,
Florida Statutes, Local Government Investment Policies and the
report on compliance for each major federal program and state
project and report on internal control over compliance, for which
the date of each report is April 29, 2016

ML 2015-01 – Use of Restricted Resources

Criteria: The City should establish a funding timeline for capital project related expenditures prior to obtaining debt financing to fund such projects. This will result in the timely utilization of debt financing proceeds for funding projects. Also, it is the City's policy to use restricted resources first as they are needed, followed by the use of unrestricted resources.

Condition: We noted that the City is not expending available capital project bond proceeds in a timely manner. As of September 30, 2015, the City had $35 million of available bond proceeds restricted for capital projects related to debt issued between fiscal years 2007 through 2010.

Cause: Lack of effective planning, budgeting, and funding of capital projects with available bond proceeds.

Effect: Possible non-compliance with bond indentures, applicable covenants under the City's bond resolution, and tax compliance certificates related to the respective bonds. Additionally, the City is paying interest expense on related bonds and not utilizing the available proceeds to fund City projects.

Recommendation: We recommend that management develop a plan and budget appropriately to allow for the utilization of available bond proceeds to fund allowable City projects. Additionally, the City should establish defined funding timelines for individual capital projects, prior to obtaining debt financing to fund such projects.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the recommendation. The City continues to aggressively spend-down remaining unspent proceeds. During fiscal year 2015 the City Commission approved the use of unspent bond proceeds to pay for Debt Service, for certain issuances, as disclosed in the Fiscal Year 2015 Comprehensive Annual Financial Report. This was the primary reason that the available bond proceeds restricted for capital projects related to debt decreased significantly from last year. The City has implemented measures to minimize the risk of this recurring. The City will focus on finding an optimal balance between issuing bonds and the timing of the expenditures. The timing of the project related expenditures will be scrutinized and factored into the timing of issuing the debt. Furthermore, the City will issue official letters of intent for bond issues. The official letter of intent will enable the City to incur the expenditures and subsequently reimburse itself from bond proceeds.

ML 2015-02 – Accounts Receivable

Criteria: Allowances for uncollectible receivables should be based upon historical trends and the periodic aging of receivables. Additionally, management should assess the collectability of receivables on a periodic basis and write-off balances not deemed to be collectible at a future date.

Condition: The City's allowance for uncollectible receivables was $32.5 million as of September 30, 2015. Management should assess the collectability of the allowed receivable balances and write-off amounts not deemed to be collectible at a future date, after all reasonable collection efforts have been exhausted.

Effect: Gross receivable balances reported in the financial statements may not be collectible at a future date.

Cause: Management has been assessing the collectability of the outstanding receivable balances over time however, formal action has not been taken to write-off amounts not deemed to be collectible at a future date.

Recommendation: We recommend that management assess the collectability of outstanding receivables and take formal action to write-off balances for financial statement reporting purposes, which are not deemed to be collectible at a future date.

Views of responsible officials and planned corrective actions: The City concurs with the recommendation. The City consistently works on collecting outstanding receivables by mailing out letters and sending delinquent accounts to a collection agency. The City also assesses these outstanding receivables periodically. As disclosed in the Fiscal Year 2015 Comprehensive Annual Financial Report, $13.8 million of the $32.5 million of the allowance for uncollectible receivables is related to Parrot Jungle and Gardens of Watson Island Inc. These payments are to begin in 2019. However, the City will establish formal written policies on how and when to write-off balances not deemed to be collectible at a future date.

City of Miami, Florida

Appendix B – Status of Prior Years' Findings and Recommendations to Improve Financial Management

Finding No	Finding Title	Current Year Status	Other Explanation
2014-01	Use of Restricted Resources	Repeated	Certain corrective actions taken. See current year recommendation ML 2015-01.
2014-02	Grant Reimbursements	Corrected	
2014-03	Password Configurations	Repeated	
2014-04	User Access Reviews	Repeated	
2014-05	Data Restoration	Repeated	
2014-06	Change Management	Repeated	
2013-02	Accounts Receivable and Due From Other Government Process	Corrected	
2013-04	Tax Exempt Bonds; Post Issuance Compliance	No longer relevant	
2013-05	Information Systems General Control	No longer relevant	

ML 2014-03 – Password Configurations

Criteria: General Information Technology (IT) controls require that passwords settings be sufficient to prevent the unauthorized access to systems and data.

Condition: We noted that password configuration settings for complexity and length do not meet the minimum requirements as stated in the City's Acceptable Technology Use Policy.

Cause: Password configurations have not been setup to meet minimum requirements as stated in the City's Acceptable Technology Use Policy.

Effect: Risks include unauthorized use of systems and disclosure, modification, damage, and/or loss of proprietary information.

Recommendation: We recommend that management adjust password length and complexity configuration settings to meet the minimum requirements as stated in the City's Acceptable Technology Use Policy.

Prior Year Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation. We are in the process of requesting an Administrative Policy Manual (APM) entry to authorize the changes needed to address password length and complexity issues outlined in this finding. APM modifications require City Manager approval which we anticipate obtaining.

Current Year Views of Responsible Officials and Planned Corrective Actions: A password complexity policy has been submitted and is in the review process.

ML 2014-04 – User Access Reviews

Criteria: User access rights to an organization's relevant financial reporting applications or data should be reviewed periodically by management.

Condition: We noted periodic user access reviews are not being performed for the network and Oracle to validate that employee system access rights are appropriate based on the employee's roles and responsibilities.

Cause: The City does not have established policies and procedures in place requiring the review of user access rights on a periodic basis.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: We recommend that management establish formal policies and procedures to allow for the proper administration of user access rights on an ongoing basis. Such policies and procedures should address the proper provisioning, modifying, removing, and periodic review of access rights assigned to employees. Management should determine as part of the user access review that configured access rights are appropriate based on the employee's roles and responsibilities. This review should indicate who performed the review, when the review was performed, and if any access changes are required.

Prior Year Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation. We are in the process of implementing a report to be reviewed by the Department Directors periodically. The report will show the Oracle access each person has in the department. The Department Director will have the ability to request additional access or the removal of it if required. This report and the mechanism to deploy it will be in place by the end of September 2015.

Current Year Views of Responsible Officials and Planned Corrective Actions: The Oracle enhancement to facilitate the periodic review of Oracle access has been developed. We are working to send the first communication to the stakeholders by the end of June 2016.

The Network group is currently evaluating software which will allow for periodic review and reporting of user rights to each department.

ML 2014-05 – Data Restoration

Criteria: General information technology (IT) controls require that procedures be in place to allow for the backup and recovery of financial data on an ongoing basis.

Condition: We noted that stored data (backup) is not being tested on a periodic basis for Oracle and the network to validate the effectiveness and content of the data backups being performed.

Cause: There is no formal policy in place requiring the periodic backup and restoration of data.

Effect: Risks include modification, damage, and/or loss of data. The lack of a strategy for cyclical testing of the stored (backup) data exposes the City to operational disruption.

Recommendation: We recommend that management establish formal policies and procedures requiring the periodic storage (backup) and restoration of data. Such policy should include the requirement that stored data be tested at least on an annual basis, to validate the effectiveness and content of the data storage (backup) being performed.

Prior Year Views of Responsible Officials and Planned Corrective Actions: An Oracle Disaster Recovery Test is done every year prior to hurricane season. The test includes stakeholders mostly from the Purchasing Department, Human Resources and from the Finance Department. During the second quarter of 2014, the City relocated its disaster recovery site. This year we will conduct an Oracle Disaster Recovery Test before June as it was done prior to last year.

Current Year Views of Responsible Officials and Planned Corrective Actions: The Network group is in the process of developing an internal procedure to randomly test restoration of departmental data on a semiannual basis.

ML 2014-06 – Change Management

Criteria: General Information Technology (IT) controls should provide reasonable assurance that program changes, application configuration changes, system changes and maintenance (including changes to system software and data structures), production processing changes (including new jobs, schedule changes), and emergency changes are standardized, documented, approved, and subject to formal change management procedures.

Condition: We noted that network changes are not being formally documented on a consistent basis as required by the City's established policies and procedures.

Cause: Change management documentation requirements are not consistently being performed by City personnel when changes are being made to the City's IT systems.

Effect: Unauthorized changes may be moved to the production environment without management's knowledge.

Recommendation: We recommend that management adhere to its change management program and policies which requires proper documentation for all changes to the City's IT systems.

Prior Year Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. Network changes and patches will go through the current Change Advisory Board (CAB) process and will be documented accordingly. Target date: Immediate.

Current Year Views of Responsible Officials and Planned Corrective Actions: There is a Change Advisory Board (CAB) that meets on a weekly basis to approve planned hardware and software major changes to the Network and Enterprise applications. The IT department is in the process of implementing a tool that will allow us to document incidents occurring from unplanned changes.

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Independent Accountant's Report

The Honorable Mayor, Members of the
City Commission, and City Manager
City of Miami, Florida

We have examined the City of Miami, Florida's (the City) compliance with *Section 218.415*, *Florida Statutes, Local Government Investment Policies* during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Florida Auditor General, the Honorable Mayor, Members of the City Commission, the City Manager, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Miami, Florida
April 29, 2016

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