

The City of West Palm Beach, Florida

Report to the Audit Committee
June 28, 2019





RSM US LLP

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June 28, 2019

The City of West Palm Beach, Florida
West Palm Beach, Florida

Attention: Audit Committee Members

We are pleased to present this report related to our audit of the basic financial statements of the City of West Palm Beach, Florida (the City) as of and for the year ended September 30, 2018. In connection therewith, we have also issued separate reports on internal control over financial reporting and on compliance and other matters, a report on compliance for each major federal program and state project, a management letter in accordance with the *Rules of the Auditor General*, and an attestation report on compliance with Chapter 10.550 of the *Rules of the Auditor General* of the State of Florida, relating to the City's compliance with Section 218.415, Florida Statutes, Local Government Investment Policies. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated August 16, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
Overview of the Planned Scope and Timing of the Financial Statement Audit	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.</p>
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City.</p> <p>The City adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, <i>Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions</i>, effective October 1, 2017. This resulted in the restatement of the beginning net position as of October 1, 2017.</p> <p>There were no other new significant accounting policies, nor have there been any significant changes in existing accounting policies during the current period.</p>
Accounting Policies and Practices (Continued)	<p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Audit Adjustments	<p>Audit adjustments proposed by us and recorded by the City are shown in the attached Summary of Recorded Audit Adjustments.</p>

Area	Comments
Uncorrected Misstatements	Uncorrected misstatements are summarized in the representation letter attached and included with Exhibit A.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting	<p>We have issued, under separate cover, the following reports in connection with our audit, as required by the Government Auditing Standards, Uniform Guidance and Chapter 10.550, <i>Rules of the Auditor General</i> of the State of Florida:</p> <ul style="list-style-type: none"> • Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>. • 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 the Uniform Guidance and Chapter 10.550, <i>Rules of the Auditor General</i>. • Management Letter Required Chapter 10.550, <i>Rules of the Auditor General</i>. • Independent Accountant's Report in Accordance with Chapter 10.550 of <i>the Rules of the Auditor General</i> relating to the City's compliance with Section 218.415, Florida Statutes, Local Government Investment Policies.
Certain Written Communications Between Management and Our Firm	Copies of material written communications between our firm and the management of the City, including representation letters provided to us by management, are attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's September 30, 2018, basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Actuarial Assumptions Used for the Self-Insurance Program (Risk Management)	The City is self-insured for health, general and auto liability, property and workers' compensation. The accrued liability for estimated claims represents an estimate of the eventual loss on claims, including claims incurred but not yet reported.	The City utilizes the services of an actuary, their risk manager, and outside legal counsel to assist in developing any risk reserves for health, general and auto liability, property and worker's compensation claims including those that may have been incurred but not yet reported.	We have audited the underlying data supporting the estimate and have concluded the resulting estimate to be reasonable.
Accounting for Pension Plans and Related Net Pension Liabilities, Expense and Deferred Amounts	Net pension liabilities and related deferred pension amounts and expense are actuarially determined in accordance with the parameters established by the Governmental Accounting Standards Board (GASB). The difference between the total pension liability and Plan Fiduciary Net Position at each Plans' measurement date and any associated deferred outflows/inflows as of the period ended are recognized in the financial statements.	City management and/or the pension plans' management, with input from its actuary, developed the actuarial assumptions based on relevant criteria. City management reviewed and approved the financial statement estimates derived from the pension plans' actuarial reports.	We have audited the underlying data supporting the estimates, including having our specialist evaluate the actuarial reports and assumptions used and conclude the resulting estimates to be reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciation of Capital Assets	Depreciation on capital assets is provided using the straight-line method. The depreciable life of capital assets is established based on management's estimate of the useful lives of the assets.	Depreciation of capital assets is determined using the straight-line method of depreciation over the estimated useful lives of the asset, as assigned by management.	We have audited the underlying data supporting the estimate and have concluded the resulting estimate to be reasonable.
Allowance for Doubtful Accounts	All trade and other receivables are reported net of an allowance for uncollectible amounts to arrive at the net realizable value.	Receivables in enterprise funds are analyzed for their collectability based on the historical experience. The allowance for governmental funds varies based on management's estimates which include the terms of the underlying agreement, and creditors' ability to pay.	We have audited the underlying data supporting the estimate and have concluded the resulting estimate to be reasonable.
Accounting for Other Post-Employment Benefits (OPEB) and the Related Total OPEB Liabilities, Expense and Deferred Amounts	Total post-employment benefits (OPEB) liabilities, related deferred OPEB amounts and expense are actuarially determined in accordance with the parameters established by the GASB.	Management and the actuary determine the appropriateness of the actuarial assumptions to be utilized. The actuary then performs the calculation that is reviewed and approved by management.	We have audited the underlying data supporting the estimates, including having our specialist evaluate the actuarial report and assumptions used and conclude the resulting estimates to be reasonable.
Derivative Instruments	All derivative instruments are recorded at fair value.	Management obtained an analysis of the derivative instruments fair value from a financial expert. The financial expert's fair value were derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.	We have audited the underlying data supporting the estimate and have concluded the resulting estimate to be reasonable.

Summary of Recorded Audit Adjustments

Entry #1:	Debit	Credit
City Center CRA – Accounts Receivable	\$ 33,842	\$ -
City Center CRA – Notes Receivable	36,000	-
City Center CRA – Unavailable Revenue		69,842
To properly reflect accounts receivable and unavailable revenue for the current year.		

**Exhibit A—Material Written Communications Between Management
and Our Firm**



"The Capital City of the Palm Beaches"

DEPARTMENT OF FINANCE

P.O. Box 3366
West Palm Beach, Florida 33402
Telephone: 561/822-1314
Fax: 561/822-1349
Accounting Division

April 3, 2019

RSM US LLP
100 NE 3rd Avenue
Suite 300
Fort Lauderdale, FL 33301

This representation letter is provided in connection with your audit of the basic financial statements of the City of West Palm Beach, Florida (the City) as of and for the year ended September 30, 2018, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit services contract dated November 10, 2016 and your arrangement letter dated August 16, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with component units for which the City is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed, when applicable.

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7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. There are no unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with GASB Statement No.10 and 62 beyond those accounted for in the City’s risk retention estimated liabilities.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the combined financial statements in the event of noncompliance.
11. As of and for the year ended September 30, 2018, we believe that the effects of the uncorrected misstatement aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Government Wide Opinion Unit

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditures
Reversed opening Net Position misstatements	\$ -	\$ -	\$ -	\$ -	\$ -
To properly state depreciation expense	1,582	-	(1,582)	-	(1,582)
To properly state depreciation expense	350,487	-	(350,487)	-	(350,487)
	-	-	-	-	-
Total Effect	\$ 352,069	\$ -		\$ -	\$ (352,069)
Statement of Net Position Effect	\$ 352,069	\$ -	\$ (352,069)	-	(352,069)

Stormwater System Fund

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditures
Reversed opening Net Position misstatements	\$ -	\$ -	\$ -	\$ -	\$ -
To properly state depreciation expense	2,486		(2,486)		(2,486)
To properly state depreciation expense	27,210		(27,210)		(27,210)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total Effect	<u>\$ 29,696</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ (29,696)</u>
Statement of Net Position Effect	<u>\$ 29,696</u>	<u>\$ -</u>	<u>\$ (29,696)</u>	<u>\$ -</u>	<u>\$ (29,696)</u>

General Fund Opinion Unit

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditures/ Transfers
Reversed opening Net Position misstatements	\$ -	\$ -	\$ -	\$ -	\$ -
To properly reflect interfund charges at year-end.					1,839,953 (1,839,953)
Total Effect	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Statement of Net Position Effect	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Aggregate Remaining Funds Opinion Unit

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditures/ Transfers
Reversed opening Net Position misstatements	\$ -	\$ -	\$ -	\$ -	\$ -
To properly reflect interfund charges at year-end.				(1,839,953) 1,839,953	
Total Effect	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Statement of Net Position Effect	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Information Provided

12. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, beyond those accounted for in the City's risk retention estimated liabilities.
19. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
21. We are not aware of any communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
23. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
24. We have properly reviewed and classified investments in the financial statements in accordance with the requirements of GASB Statement No. 72.

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25. We agree with the findings of specialists in evaluating our estimated liabilities for self-insurance, total other post-employment benefit liability (OPEB), and the net pension liability of the City. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
26. We have properly implemented the recognition and disclosure requirements of GASB Statements No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions effective October 1, 2017*.
27. We believe that the actuarial assumptions and methods used to measure the City's OPEB and pension liabilities and related costs for financial accounting purposes are appropriate in the circumstances.

Supplementary Information

28. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
29. With respect to the required supplementary information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
30. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

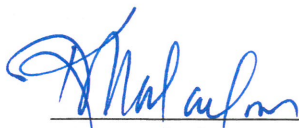
31. In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:
 - a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

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- b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
 - c. Has identified and disclosed to us that there are no instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
 - d. Has identified and disclosed that there are no instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
 - e. Has identified and disclosed to us that there are no instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
 - f. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - g. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 - h. Has a process to track the status of audit findings and recommendations.
 - i. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
 - j. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
32. Management has complied with the requirements of Section 218.415, Florida Statutes regarding investment of public funds.
33. We did not meet any of the conditions described in Section 218.503(1), Florida Statutes which might indicate a deteriorating financial condition.

The City of West Palm Beach, Florida

Mark A. Parks, Jr., CPA, MBA
Director of Finance



Karen Malcolm
Accounting Manager

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32. Management has complied with the requirements of Section 218.415, Florida Statutes regarding investment of public funds.
33. We did not meet any of the conditions described in Section 218.503(1), Florida Statutes which might indicate a deteriorating financial condition.

The City of West Palm Beach, Florida



Mark A. Parks, Jr., CPA, MBA
Director of Finance

Karen Malcolm, CPA
Accounting Manager



WEST PALM BEACH

Finance Department

June 28, 2019

RSM US LLP
100 N.E. 3rd Avenue, Suite 300
Fort Lauderdale, FL 33301

In connection with your audit of federal awards and state projects conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit of state projects conducted in accordance with Chapter 10.550, *Rules of the Auditor General of the State of Florida* (Chapter 10.550), for the year ended September 30, 2018 for the City of West Palm Beach, Florida, we confirm the following:

1. We are responsible for complying and we have complied with the requirements of Uniform Guidance and Chapter 10.550, Rules of the Auditor General, State of Florida.
2. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and state projects.
3. We have prepared the schedule of expenditures of federal awards and state financial assistance in accordance with Uniform Guidance and Chapter 10.550, and have included expenditures made during the period being audited for all awards provided by federal and state agencies in the form of grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, as deemed applicable.
4. We have identified and disclosed all government programs and related activities subject to the Uniform Guidance and state compliance audit.
5. We have made available all federal awards and state projects (including amendments, if any) and any other correspondence relevant to federal and state programs and related activities that have taken place with federal and state agencies or pass-through entities.
6. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards, when applicable.

7. We believe that we have complied with the direct and material compliance requirements, except as disclosed in the Single Audit Reports in accordance with Uniform Guidance and Chapter 10.550 for the year ended September 30, 2018.
8. We have made available all documentations related to compliance with the direct and material compliance requirements, including information related to federal program and state projects financial reports and claims for advances and reimbursements.
9. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
10. We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report.
11. We have disclosed to you findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report, when applicable.
12. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
13. We have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
14. There were no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
15. There are no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited.
16. Federal programs and state projects financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
17. The copies of federal programs and state projects financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
18. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance and Chapter 10.550, when applicable.
19. If applicable, management has issued management decisions for audit findings that relates to federal

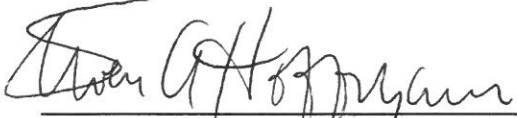
awards it makes to subrecipients and that such management decisions are issued within six months of the acceptance of the audit report by FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

20. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records, when applicable.
21. We have charged costs to federal and state programs in accordance with applicable cost principles.
22. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and Chapter 10.550.
23. We will accurately complete appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate, and timely filing of the data collection form with the Federal Audit Clearinghouse.
24. We have disclosed all contracts or other agreements with service organizations. We have disclosed to you all communications from service organizations relating to noncompliance at those organizations, when applicable.


City of West Palm Beach, Florida



Mark A. Parks, Jr., CPA, MBA, CPPT
Chief Financial Officer



Steven A. Hoffmann, CPA
Special Revenue Accounting Manager



Karen Malcolm
Accounting Manager



"The Capital City of the Palm Beaches"

DEPARTMENT OF FINANCE

P.O. Box 3366
West Palm Beach, Florida 33402
Telephone: 561/822-1314
Fax: 561/822-1349
Accounting Division

April 3, 2019

RSM US LLP
100 NE 3rd Avenue
Suite 300
Fort Lauderdale, FL 33301

In connection with your examination of the City of West Palm Beach, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies (the Statute)* during the year ended September 30, 2018, in accordance with attestation standards established by the American Institute of Certified Public Accountants, we confirm to the best of our knowledge and belief, the following representations made to you during the course of your engagement:


1. We are responsible for the City's compliance with the Statute.
2. We are responsible for establishing and maintaining effective internal control over the City's compliance with the Statute.
3. We have performed an evaluation of the City's compliance with the Statute. Based on our evaluation, the City has complied with the Statute during the year ended September 30, 2018.
4. There has been no known noncompliance with the Statute during the year ended September 30, 2018 or through the date of this letter.
5. There are no known communications from regulatory agencies, internal auditors, or other practitioners concerning the City's possible noncompliance with the Statute received by us during the year ended September 30, 2018 or through the date of this letter.
6. We have made available to you all documentation related to the City's compliance with the Statute.
7. There has been no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control.
 - c. Others where fraud could have a material effect on the City's compliance with the Statute.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, or others.
10. We have responded fully to all inquiries made to us by you during your engagement.

RSM US LLP
100 NE 3rd Avenue
Suite 300
Fort Lauderdale, FL 33301

11. During the course of your engagement you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

The City of West Palm Beach, Florida

Mark A. Parks, Jr.
Director of Finance



Dathan Griffiths
Treasury Manager

The City of West Palm Beach, Florida



Mark A. Parks, Jr.
Director of Finance

Dathan Griffiths
Treasury Manager

Exhibit B—Single Audit Reports in Accordance With the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and the Management Letter in Accordance With the Rules of the *Auditor General* of the State of Florida and Independent Accountant’s Report on an Examination Conducted in Accordance With AICPA Professional Standards, AT-C Section 315, Regarding Compliance Requirement in Accordance with Chapter 10.550, *Rules of the Auditor General*



RSM US LLP

**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**

Independent Auditor's Report

To the Honorable Mayor, Members of the
City Commission and Audit Committee
City of West Palm Beach, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Palm Beach, Florida (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 3, 2019. Our report included an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. Our report also included a reference to other auditors who audited the financial statements of the Firefighter's Pension Fund, the Police Pension fund, and the Restated Employees' Defined Benefit Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Firefighters' Pension Fund and the financial statements of the Police Pension Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
April 3, 2019



RSM US LLP

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 the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, State of Florida

Independent Auditors' Report

To the Honorable Mayor, Members of the
City Commission and Audit Committee
City of West Palm Beach, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of West Palm Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state project for the year ended September 30, 2018. The City's major federal programs and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with statutes, regulations and the terms and conditions of its awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state project based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*, State of Florida. Those standards and the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, 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 or major state project 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state project for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005. Our opinion on each major federal program and state project is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*

We have audited the financial statements of the City as of and for the year ended September 30, 2018, and have issued our report thereon dated April 3, 2019, which contained an unmodified opinion on those financial statements and included an emphasis of matter paragraph for the adoption of GASB Statement No. 75. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

West Palm Beach, Florida
June 28, 2019, except for our report on the
Schedule of Expenditures of Federal Awards,
for which the date is April 3, 2019.

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2018

Federal Agency, Pass-through Entity, Federal Program	CFDA Number	Pass-Through Entity Identifying Number	Contract Number	Expenditures	Transfers to Subrecipients
Federal Awards:					
U.S. Department of Housing and Urban Development:					
<u>Direct:</u>					
Community Development Block Grant (CDBG)	14.218	NA	B-10-MC-12-0022 through B-17-MC-12-0022	\$ 904,808	\$ 77,146
Total CDBG Entitlement Grants Cluster				<u>904,808</u>	<u>77,146</u>
Home Investment Partnership Program Grant	14.239	NA	M-10-MC-12-0224 through M-17-MC-12-0224	775,613	105,692
Housing Opportunity for People with AIDS (HOPWA) Grant	14.241	NA	FL-H-15-F-006 through FL-H-17-F-006	3,857,015	3,814,744
Total U.S. Department of Housing and Urban Development				<u>5,537,436</u>	<u>3,997,582</u>
U.S. Department of Homeland Security:					
<u>Direct:</u>					
Assistance to Firefighters	97.044	NA	EMW-2016-FO-03822	116,700	-
Staffing for Adequate Fire & Emergency Response (SAFER II) – Hiring	97.083	NA	EMW-2014-FH-00649	366,168	-
Staffing for Adequate Fire & Emergency Response (SAFER III) – Hiring	97.083	NA	EMW-2016-FH-00463	709,830	-
Total SAFER				<u>1,075,998</u>	<u>-</u>
Passed-through State of Florida Division of Emergency Management:					
Public Assistance Grant – Hurricane Irma	97.036	Z0368	NA	1,226,355	-
Total U.S. Department of Homeland Security				<u>2,419,053</u>	<u>-</u>
U.S. Department of Justice:					
<u>Direct:</u>					
Forfeiture Equitable Sharing Program	16.922	NA	NA	82,161	-
COPS Hiring Program Grant	16.710	NA	2013-UM-WX-0071	111,028	-
Total U.S. Department of Justice				<u>193,189</u>	<u>-</u>
Department of the Treasury:					
<u>Direct:</u>					
Treasury Forfeiture Fund Program	21.000	NA	NA	105,441	-
Total Department of the Treasury				<u>105,441</u>	<u>-</u>

(Continued)

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
 Fiscal Year Ended September 30, 2018

Federal Agency, Pass-through Entity, Federal Program	CFDA Number	Pass-Through Entity Identifying Number	Contract Number	Expenditures	Transfers to Subrecipients
U.S. Department of Transportation:					
Highway Planning and Construction Cluster:					
Federal Highway Administration (FHWA)					
Passed Through Florida Department of Transportation (FDOT):					
Fern St Streetscape/Pedestrian Improvements	20.205	FPN No. 433474-1-58/68-01	NA	89,960	-
Subtotal Highway Planning and Construction Cluster Passed Through Florida Department of Transportation (FDOT)				89,960	-
Transit Services Programs Cluster:					
Federal Transit Administration (FTA)					
Passed Through South Florida Regional Transportation Authority (SFRTA):					
Trolley Job Access and Reverse Commute Program (JARC II)	20.516	FL-37-X072-00	NA	50,968	-
Trolley Job Access and Reverse Commute Program (JARC III)	20.516	FL-37-X082-00	NA	186,223	-
Subtotal Transit Services Programs Cluster Passed Through South Florida Regional Transportation Authority (SFRTA)				237,191	-
Total U.S. Department of Transportation				327,151	-
U.S. Department of Agriculture:					
<u>Direct:</u>					
Childcare Food Program (CCFP)	10.558	NA	NA	38,283	-
Total U.S. Department of Agriculture				38,283	-
U.S. Department of Environmental Protection Agency (EPA):					
<u>Direct:</u>					
Brownfields Program	66.818	NA	BF-00D47416-0	36,476	-
Passed through Palm Beach County:					
Brownfields Program	66.818	BF-00D12713-0	NA	111,834	-
Total U.S. Department of Environmental Protection				148,310	-
Institute of Museum and Library Services					
Passed through Florida Department of State Division of Libraries and Information Service:					
Library Service and Technology Grant – Square 1 Initiative	45.310	16-LTSA-B-03	NA	65,345	-
Total Institute of Museum and Library Services				65,345	-
Total Expenditures of Federal Awards				\$ 8,834,208	\$ 3,997,582

(Continued)

City of West Palm Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
 Fiscal Year Ended September 30, 2018

State Agency	CSFA Number	Contract Number	Expenditures	Transfers to Subrecipients
State Financial Assistance:				
Florida Housing Finance Corporation:				
<u>Direct:</u>				
State Housing Initiatives Partnership (SHIP) Program	40.901	NA	941,833	-
Total Florida Housing Finance Corporation			941,833	-
Florida Department of State:				
<u>Direct:</u>				
Division of Libraries and Information Service - State Aid to Library Programs	45.030	15-ST-62 through 16-ST-61	96,769	-
Historical Preservation Grant - Sunset Lounge	45.031	18.h.sc.100.069	165,386	-
Total Florida Department of State			262,155	-
Florida Department of Environmental Protection				
<u>Direct:</u>				
FRDAP Hillcrest Property Improvement	37.017	NA	50,000	-
Total Florida Department Environmental Protection			50,000	-
Total Expenditures of State Financial Assistance			\$ 1,253,988	\$ -
Total Expenditures of Federal Awards and State Financial Assistance			\$ 10,088,196	\$ 3,997,582

NA – Not Applicable

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

City of West Palm Beach, Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) presents the activity of all federal awards and state projects of the City of West Palm Beach, Florida (the City) for the year ended September 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net positions, or cash flows of the City. The City's reporting entity is defined in Note A to the City's basic financial statements.

Note 2. Summary of Significant Accounting Policies

The Schedule is presented using the modified accrual basis of accounting for expenditures accounted for in the governmental funds and on the accrual basis of accounting for expenses of the proprietary fund types, which are described in Note A to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Recovery

The City did not recover its indirect costs using the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

City of West Palm Beach, Florida

Schedule of Findings and Questioned Costs

I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ No

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

 X Yes _____ No

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

14.241

Housing Opportunity for People with AIDS (HOPWA) Grant

97.036

Public Assistance Grant – Hurricane Irma

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

(Continued)

City of West Palm Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

Section II. Financial Statement Findings

A. *Internal Control Over Financial Reporting*

No matters to report.

B. *Compliance*

No matters to report.

Section III. Federal Awards and State Financial Assistance Findings and Questioned Costs

A. *Internal Control Over Compliance*

Federal Awards

2018-001

Subrecipient Monitoring

**U.S. Department of Housing and Urban Development
Housing Opportunity for People with AIDS (HOPWA) Grant (CFDA# 14.241)**

Criteria: Per the City's subrecipient agreements, the City is required to monitor the subrecipient to ensure that a Housing Quality Standard (HQS) inspection is conducted of each housing unit under lease at least annually to confirm that the unit still meets HQS. The inspection may be conducted in conjunction with the family's annual recertification.

Condition: The City was unable to provide evidence that a monitoring review was completed of the subrecipient's compliance with the annual HQS inspection for each housing unit under lease.

Questioned costs: Undeterminable.

Context: This condition is considered to be systemic in nature.

Effect: Failure to properly review the subrecipient's compliance with all grant requirements may result in disallowance by the grantor of project expenditures.

Cause: The City elected to review specific requirements during their subrecipient monitoring which did not include a review of compliance with the HQS requirement.

Recommendation: We recommend that the City establish policies and procedures over the review of all compliance requirements during their subrecipient monitoring to help ensure the City complies with all grant requirements.

Views of responsible officials and planned corrective action: The Department of Housing and Community Development will conduct additional training to the HOPWA providers on its policies and procedures concerning HQS inspections. Each client file will include supporting documentation of an annual HQS inspection.

Schedule of Findings and Questioned Costs (Continued)

2018-002

Allowable Costs/Costs Principles

**U.S. Department of Homeland Security (DHS) – Passed-through State of Florida
Division of Emergency Management
Public Assistance Grant (Hurricane Irma) (CFDA# 97.036)**

Criteria: Per the Compliance Supplement, the public assistance program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower. The City is required to review the project worksheets submitted for reimbursement to ensure that the costs charged to the grant are in accordance with the guidelines.

The Compliance Supplement also references force account labor straight-time costs. The straight or regular time salaries and benefits of a subgrantee's permanently employed personnel are not eligible in calculating the cost of eligible work for emergency protective services or debris removal under Sections 403 and 507 of the Stafford Act (42 USC 5170b and 5173, respectively).

Condition: We noted that the incorrect equipment rate was applied to the hours worked by City employees using City-owned equipment for Hurricane Irma cleanup. We also noted 9 employees were charged for equipment use that was not supported by their timesheets. In addition, 10 out of 31 timesheets selected for eligible force account labor testing, the City was unable to provide a timesheet to support the amount charged. There was no formal procedure in place to ensure the costs charged to FEMA for reimbursement were reviewed before submission.

Questioned costs: Not applicable.

Effect: The costs charged to FEMA for reimbursement are incorrect and may be disallowed by DHS.

Cause: An independent review of the spreadsheet used to calculate the equipment costs charged to the program did not occur. In addition, the project worksheet was not reconciled with the employee timesheets to ensure completeness and accuracy.

Recommendation: We recommend that the City establish procedures over the review of the project worksheets (including the equipment rates, equipment codes and hours worked) and perform a recalculation of the amount charged for reimbursement to ensure that errors do not occur in the computations. We also recommend that procedures be established to reconcile equipment usage to employee timesheets.

Views of responsible officials and planned corrective action: The Finance Department will develop standard operating procedures and designate City staff who will perform formal reviews of FEMA project worksheets to ensure costs charged to FEMA for reimbursement are eligible and allowable. In addition, the City issued a Request For Proposals to hire a FEMA Public Assistance consultant who will assist in creating project worksheets and perform formal procedures to ensure costs charged to FEMA for reimbursement are reviewed before submission.

City of West Palm Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

State Financial Assistance

2018-003 Special Tests

**State of Florida Housing and Finance Corporation -
State Housing Initiatives Partnership Program (SHIP) (CSFA No. 40.901)**

Criteria: Loans or grants for eligible rental housing constructed, rehabilitated, or otherwise assisted from the local housing assistance trust fund must be subject to recapture requirements as provided by the county or eligible municipality in its local housing assistance plan unless reserved for eligible persons for 15 years or the term of the assistance, whichever period is longer. (Florida Statutes Part VII, Section 420.9071(25) and Section 420.9075(5)(i and j)). Per the promissory notes issued by the City, the agreement states, "the property shall remain the principal residence of the Mortgagor throughout the Term of the Note. If the Mortgagor fails to occupy the dwelling as a principal residence, uses the premises for business or economic purposes, sells, leases or rents all or a portion thereof, assigns the Note and/or this Mortgage or in any manner transfers title, use, or occupancy of the dwelling before the last day of the Term of the Note, the entire principal amount of the Note becomes immediately due and payable in full. In the event of the death of the Mortgagor prior to the end of the Term of the Note, the outstanding balance of the loan becomes immediately due and payable." The City is required to monitor and evaluate the owner to ensure that the property remains the principal residence of the owner.

Condition: For 4 out of 20 loans selected for testing, the City was unable to provide evidence of their review over the residency requirement.

Questioned costs: \$297,761.

Context: As of September 30, 2018, there were 195 loans with outstanding balances. We noted for the 20 loans selected for testing, three of the properties changed ownership and one of the properties we were unable to determine primary residency.

Effect: Failure to properly document and review all grant requirements may result in disallowance by the grantor of project expenditures.

Cause: Due to staff constraints, the City was unable to perform due diligence over all SHIP loans outstanding as of year-end.

Recommendation: We recommend that the City review and revise its policies and procedures over the review of all SHIP loans to provide for compliance with all grant requirements.

Views of responsible officials and planned corrective action: The Department of Housing and Community Development conducts a sample review of loans on an annual basis. As opposed to conducting a sample review, the Department will perform a detailed analysis of all 195 SHIP loans (payable or deferred) to ensure that the residency requirements are met during the term of the agreement/note. Upon review, the Department will properly document the program files and/or work with City Attorney's office, where applicable, to seek appropriate remedies in accordance with the individual contracts/agreements.

In addition, the Department will develop standard operating procedures and designate staff who will conduct this review no less than annually.

City of West Palm Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

B. Compliance

Federal Awards

2018-004 Allowable Costs

**U.S. Department of Homeland Security – Passed-through State of Florida
Division of Emergency Management
Public Assistance Grant (Hurricane Irma) (CFDA# 97.036)**

Criteria: Per the Compliance Supplement, the public assistance program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower.

The Compliance Supplement also references force account labor straight-time costs. The straight or regular time salaries and benefits of a subgrantee's permanently employed personnel are not eligible in calculating the cost of eligible work for emergency protective services or debris removal under Sections 403 and 507 of the Stafford Act (42 USC 5170b and 5173, respectively).

Condition: For 7 out of 21 items selected for testing, the City charged the incorrect rate for the equipment used to perform eligible work for Hurricane Irma cleanup. In addition, it was noted that 9 out of the 21 timesheets selected for equipment use was not properly supported by a timesheet. Lastly, 10 out of 31 timesheets selected for eligible force account labor testing, the City was unable to provide a timesheet to support the amount charged.

Questioned costs: \$45,700

Context: This condition is considered systemic in nature.

Effect: Failure to comply with the requirements of the grant may result in disallowance by the grantor of project expenditures.

Cause: The equipment rates noted in the spreadsheet for some cost centers were in the wrong row, therefore, resulting in the incorrect recalculation of the equipment costs charged. The project worksheet was not reconciled with the employee timesheets.

Recommendation: We recommend that the City establish procedures over the review of the project worksheets (including the equipment rates, equipment codes and hours worked) and perform a recalculation of the amount charged for reimbursement to ensure that errors do not occur in the computations.

Views of responsible officials and planned corrective action: The Finance Department will develop standard operating procedures and designate City staff who will perform formal reviews of FEMA project worksheets to ensure costs charged to FEMA for reimbursement are eligible and allowable. In addition, the City issued a Request For Proposals to hire a FEMA Public Assistance consultant who will assist in creating project worksheets and perform formal procedures to ensure costs charged to FEMA for reimbursement are reviewed before submission.

City of West Palm Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

State Financial Assistance

2018-005 Special Tests

**State of Florida Housing and Finance Corporation -
State Housing Initiatives Partnership Program (SHIP) (CSFA No. 40.901)**

Criteria: Loans or grants for eligible rental housing constructed, rehabilitated, or otherwise assisted from the local housing assistance trust fund must be subject to recapture requirements as provided by the county or eligible municipality in its local housing assistance plan unless reserved for eligible persons for 15 years or the term of the assistance, whichever period is longer. (Florida Statutes Part VII, Section 420.9071(25) and Section 420.9075(5)(i and j)). Per the promissory notes issued by the City, the agreement states, "the property shall remain the principal residence of the Mortgagor throughout the Term of the Note. If the Mortgagor fails to occupy the dwelling as a principal residence, uses the premises for business or economic purposes, sells, leases or rents all or a portion thereof, assigns the Note and/or this Mortgage or in any manner transfers title, use, or occupancy of the dwelling before the last day of the Term of the Note, the entire principal amount of the Note becomes immediately due and payable in full. In the event of the death of the Mortgagor prior to the end of the Term of the Note, the outstanding balance of the loan becomes immediately due and payable."

Condition: For 4 out of 20 loans selected for testing, we were unable to determine if the recipient complied with the residency requirement per recapture requirements either because there was no homestead exemption filed per review of the 2017/2018 tax bill or the recipient was no longer the owner of the property.

Questioned costs: \$297,761.

Context: As of September 30, 2018, there were 195 loans with outstanding balances. We noted for the 20 loans selected for testing, three of the properties changed ownership and one of the properties we were unable to determine primary residency.

Effect: Failure to comply with grant requirements may result in disallowance by the grantor of project expenditures.

Cause: Due to staff constraints, the City was unable to perform due diligence over all SHIP loans outstanding as of year-end.

Recommendation: We recommend that the City establish policies and procedures over the review of all SHIP loans in accordance with grant requirements.

Views of responsible officials and planned corrective action: The Department of Housing and Community Development conducts a sample review of loans on an annual basis. As opposed to conducting a sample review, the Department will perform a detailed analysis of all 195 SHIP loans (payable or deferred) to ensure that the residency requirements are met during the term of the agreement/note. Upon review, the Department will properly document the program files and/or work with City Attorney's office, where applicable, to seek appropriate remedies in accordance with the individual contracts/agreements.

In addition, the Department will develop standard operating procedures and designate staff who will conduct this review no less than annually.

City of West Palm Beach, Florida

**Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended September 30, 2018**

Financial Statement Findings and Federal Awards Findings and Questioned Costs

No.	Prior Year Finding	Observation is Still Relevant	Observation No Longer Relevant
2017-001	Post-Closing and Financial Reporting Process		X
2017-002	Reporting Internal Control – FEMA – SAFER II and SAFER III		X
2017-003	Reporting – FEMA – SAFER III		X

City of West Palm Beach, Florida

Management Letter in Accordance With the *Rules of the
Auditor General* of the State of Florida
September 30, 2018

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

To the Honorable Mayor, Members of the
City Commission and Audit Committee
City of West Palm Beach, Florida

Report on the Financial Statements

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 West Palm Beach, Florida (the City), as of and for the year ended September 30, 2018, and have issued our report thereon dated April 3, 2019. Our report included an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. We did not audit the financial statements of the Firefighters' Pension Fund, the Police Pension Fund and the Restated Employees' Defined Benefit Retirement System, which represent 78% of the assets/deferred outflows, 82% of the fund balance/net position and 45% of the revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighters' Pension Fund, the Police Pension Fund, and the Restated Employees' Defined Benefit Retirement System are based upon the reports of the other auditors. Our report does not address their respective internal control or compliance.

Auditor's Responsibility

We conducted our audit 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and the Chapter 10.550, *Rules of the Florida Auditor General*.

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 and Report on Internal Control Over Compliance, Schedule of Findings and Questioned Costs, and Independent Accountant's Report on Examination Conducted in Accordance With *AICPA Professional Standards, AT-C Section 315*, 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. The status of prior audit findings and recommendations are included in Appendix B to this report under the heading "Status of Prior Year Findings and Recommendations."

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 A1 to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a, and 10.556(7), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate 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.b. 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.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. This report does not include any matters that were reported on by other auditors as identified above. The recommendations to improve the City's financial management have been addressed in "Current Year's Recommendations to Improve Financial Management" in Appendix A to this report. Management's responses to the recommendations to improve the City's financial management have been addressed in "Current Year's Recommendations to Improve Financial Management" in Appendix A to this report. We did not audit the City's response, and accordingly, we express no opinion on it.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, require us to communicate 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, City Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

West Palm Beach, Florida
April 3, 2019, except for the report on
compliance for each major federal program and state project
and the report on internal control over compliance,
for which the date is June 28, 2019

City of West Palm Beach, Florida

Index of Current Year Observations and Recommendations

No. Current Year's Observations and Recommendations

2018-001	Supervisory approval of employee timecards
2018-002	User access review
2018-003	Data recovery testing

City of West Palm Beach, Florida

Appendix A—Current Year’s Recommendations to Improve Financial Management

ML 2018-001

**Supervisory Approval of Employee Timecards
(Comment has been repeated from ML 2017-001 and ML 2016-001)**

Criteria: The City’s internal control policies and procedures require all Department Managers to electronically review and approve each employee’s timecard between the pay period-end date (Friday) and the payroll period close date (the following Monday at 12:00 p.m.) in Kronos.

Condition: It was noted three out of twelve employee timecards selected for testing were not approved by the Department Manager in Kronos prior to processing for the following departments: City Administrator, City Clerk, Support Serv. Equipment and Fire Suppression. In the prior year, we noted four out of twelve employee timecards were not approved by the Department Manager.

Context: This condition is considered to be systemic in nature.

Effect: Failure to review employee timecards may lead to inaccurate processing of payroll for any pay period.

Cause: The City did not follow its policies and procedures in reviewing timecards prior to processing payroll. The payroll was processed without first obtaining evidence of proper approval.

Recommendation: We recommend that the City review its policies and procedures in place with both payroll processing personnel and the departments to help ensure all payroll transactions are properly approved and accurately recorded.

Views of Responsible Officials and Planned Corrective Action: The Finance department continues to monitor supervisors’ review of timecards to ensure payroll transactions are accurately recorded. We are currently working with City administration to enforce the policy which has resulted in further improvements since fiscal year 2018.

City of West Palm Beach, Florida

Appendix A—Current Year’s Recommendations to Improve Financial Management

ML 2018-002

**User Access Review
(Comment has been repeated from 2017-002 and 2016-006)**

Criteria: Access rights to the organization’s relevant financial reporting applications or data are monitored periodically by management.

Condition: The user access reviews were not performed for Oracle eBusiness Suite, Oracle CC&B or the network during fiscal years 2016, 2017 and 2018.

Cause: User access reviews were not completed in fiscal years 2016, 2017 and 2018.

Effect: Risks include unauthorized usage, damage or misuse of IT resources.

Recommendation: User access reviews should be completed for systems with an impact on financial reporting at least annually.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this recommendation. When an employee leaves the organization, their access to the Oracle applications is terminated by Human Resources and the account is locked. The current workflow was designed to ensure that the concept of unauthorized usage, damage or misuse of the application does not arise therefore eliminating the risk for unauthorized usage, damage or misuse of City resources. The City will work on a solution to ensure that an annual review of user access is performed.

Appendix A—Current Year’s Recommendations to Improve Financial Management (Continued)

ML 2018-003

Data Recovery Testing

Comment has been repeated from 2017-003 and 2016-007)

Criteria: Data recovery testing is performed periodically to test the effectiveness of the restoration process and determine that data, transactions and programs that are necessary for financial reporting can be recovered.

Condition: A full scale recovery test for Oracle eBusiness Suite, Oracle CC&B and the network was not performed in fiscal years 2016, 2017 and 2018. A full restoration has not been performed in at least four years.

Cause: A full scale recovery test was not completed in fiscal years 2016, 2017 and 2018 for Oracle eBusiness Suite, Oracle CC&B and the network and testing of the viability of backups was only performed via the completion of ad hoc requests.

Effect: Risks include data loss, increased recovery time and financial loss.

Recommendation: Data recovery testing should be documented and performed once a year to test the effectiveness of the restoration process and determine that data, transactions and programs that are necessary for financial reporting can be recovered.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this recommendation. The City currently uses a tape backup solution for the historic retention of the Oracle eBusiness and CC&B application databases. A pass/fail audit of backups of Oracle eBusiness suite and CC&B databases is performed regularly to validate success of the backup process. Project delays have prevented full implementation of the Oracle Disaster Recovery Cloud solution. Once completed full scale recovery tests will be performed.

City of West Palm Beach, Florida

Appendix B—Status of Prior Year’s Findings and Recommendations

No.	Prior Year’s Observations	Observation is Still Relevant	Comment No Longer Relevant
2017-001	Supervisory approval of employee timecards	X	
2017-002	User access review	X	
2017-003	Data recovery testing	X	

Appendix B—Status of Prior Year’s Findings and Recommendations (Continued)

ML 2017-001 and ML 2016-001

Supervisory Approval of Employee Timecards

Criteria: The City’s internal control policies and procedures require all Department Managers to electronically review and approve each employee’s timecard between the pay period-end date (Friday) and the payroll period close date (the following Monday at 12:00 p.m.) in Kronos.

Prior Year Condition: It was noted three out of twelve employee timecards selected for testing were not approved by the Department Manager in Kronos prior to processing for the following departments: Drainage, WTR Treatment Plant and Criminal Investigation.

Context: This condition is considered to be systemic in nature.

Effect: Failure to review employee timecards may lead to inaccurate processing of payroll for any pay period.

Cause: The City did not follow its policies and procedures in reviewing timecards prior to processing payroll. The payroll was processed without first obtaining evidence of proper approval.

Prior Year Recommendation: We recommend that the City review its policies and procedures in place with both payroll processing personnel and the departments to help ensure all payroll transactions are properly approved and accurately recorded.

Prior Year Views of Responsible Officials and Planned Corrective Action: We agree that the City did not follow its policies and procedures to ensure all payroll transactions are properly approved and accurately recorded. The Finance Department is currently reviewing and revising processes for payroll and the issue of approvals will be addressed.

Current Year Status: A similar condition was found in the current year. Please refer to ML 2018-001 for more details.

City of West Palm Beach, Florida

Appendix B—Status of Prior Year’s Findings and Recommendations (Continued)

2017-002 and 2016-006 – User Access Review

Criteria: Access rights to the organization’s relevant financial reporting applications or data are monitored periodically by management.

Prior Year Condition: The user access reviews were not performed for Oracle eBusiness Suite, Oracle CC&B or the network during fiscal year 2016 and fiscal year 2017.

Cause: User access reviews were not completed in fiscal year 2016 and fiscal year 2017.

Effect: Risks include unauthorized usage, damage or misuse of IT resources.

Prior Year Recommendation: User access reviews should be completed for systems with an impact on financial reporting at least annually.

Prior Year Views of Responsible Officials and Planned Corrective Actions: The City agrees with this recommendation. When an employee leaves the organization, their access to the Oracle applications is terminated by Human Resources and the account is locked. The current workflow was designed to ensure that the concept of unauthorized usage, damage or misuse of the application does not arise therefore eliminating the risk for unauthorized usage, damage or misuse of City resources. The City will work on a solution to ensure that an annual review of user access is performed.

Current Year Status: A similar condition was found in the current year. Please refer to ML 2018-002 for more details.

City of West Palm Beach, Florida

Appendix B—Status of Prior Year’s Findings and Recommendations (Continued)

2017-003 and 2016-007 – Data Recovery Testing

Criteria: Data recovery testing is performed periodically to test the effectiveness of the restoration process and determine that data, transactions and programs that are necessary for financial reporting can be recovered.

Prior Year Condition: A full scale recovery test for Oracle eBusiness Suite, Oracle CC&B and the network was not performed in fiscal year 2016 and fiscal year 2017. A full restoration has not been performed in at least three years.

Cause: A full scale recovery test was not completed in fiscal year 2016 and fiscal year 2017 for Oracle eBusiness Suite, Oracle CC&B and the network and testing of the viability of backups was only performed via the completion of ad hoc requests

Effect: Risks include data loss, increased recovery time and financial loss.

Prior Year Recommendation: Data recovery testing should be documented and performed once a year to test the effectiveness of the restoration process and determine that data, transactions and programs that are necessary for financial reporting can be recovered.

Prior Year Views of Responsible Officials and Planned Corrective Actions: The City agrees with this recommendation. The City currently uses a tape backup solution for the historic retention of the Oracle eBusiness and CC&B application databases. A pass/fail audit of backups of Oracle eBusiness suite and CC&B databases is performed regularly to validate success of the backup process. Project delays have prevented full implementation of the Oracle Disaster Recovery Cloud solution. Once completed full scale recovery tests will be performed.

Current Year Status: A similar condition was found in the current year. Please refer to ML 2018-003 for more details.



RSM US LLP

Independent Accountant's Report

The Honorable Mayor, Members of the
City Commission, and Audit Committee
City of West Palm Beach, Florida

We have examined the City of West Palm Beach, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* for the year ended September 30, 2018. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2018.

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

RSM US LLP

West Palm Beach, Florida
April 3, 2019