

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

Fiscal Year Ended September 30, 2017

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

RSM US LLP

To the Honorable Mayor
and Members of the City Council
City of North Miami, 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 City of North Miami, Florida (the City), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 31, 2018. Our report includes a reference to other auditors who audited the financial statements of the following component units and funds:

Component Units / Funds	Classification
• North Miami Community Redevelopment Agency	Major fund
• Museum of Contemporary Art	Nonmajor special revenue fund
• North Miami Police Pension Plan	Aggregate remaining fund information
• Clair T. Singerman Plan	Aggregate remaining fund information

This management letter does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

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 Chapter 10.550, *Rules of the 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; report on internal control over compliance in accordance with the Uniform Guidance; schedule of findings and questioned costs; and independent accountant's report on an 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, which are dated March 31, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions taken to address the findings and recommendations made in the preceding annual financial audit report are disclosed in Appendix B – *Status of Prior Years' Findings and Recommendations to Improve Financial Management*.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require 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 to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. 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 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. Such recommendations are included in Appendix A – *Current Year's Findings and Recommendations to Improve Financial Management*.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. As of the date of this letter the 2017 annual financial report for the City was not filed.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of This Letter

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

RSM vs LLP

Miami, Florida

March 31, 2018, except for the
report on compliance for each major federal program
and report on internal control over compliance, for which
the date of each report is April 23, 2018

City of North Miami, Florida

Appendix A – Current Year Findings and Recommendations to Improve Financial Management

ML 2017-01 – Financial Reporting Process

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Condition: We noted that management does not have formalized policies and procedures in place to allow for the periodic preparation of financial statements in accordance with GAAP and to ensure that all year end closing journal entries are recorded in a timely manner.

Cause: See condition above.

Effect: Post-closing journal entries related to routine transactions (i.e. interfund transactions, unavailable revenues, etc.) were required to be made by management, in order for the financial statements to comply with generally accepted accounting principles. Additionally, management may not be able to produce accurate financial statements on a periodic basis for use by those charged with governance, who rely on the financial statements to assess and plan for the ongoing operations of the City.

Recommendation: We recommend that management implement formal policies and procedures to allow for the periodic preparation of financial statements in accordance GAAP and to ensure that all year end closing journal entries are recorded in a timely manner.

Current Year Views of Responsible Officials and Planned Corrective Action: Management agrees a more formalized periodic closing process, such as month-end and quarter-end, needs to be implemented. Although this will not eliminate the need for year-end closing entries, it can help reduce the magnitude of those entries performed at fiscal year-end.

City of North Miami, Florida

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

Finding No	Finding Title	Current Year Status
2016-01	Information Technology Policies and Procedures	Corrected
2016-02	User Access Administration	Certain corrective action taken; See current year condition
2016-03	User Access Reviews	Certain corrective action taken; See current year condition
2016-04	Restorations	Corrected

City of North Miami, Florida

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

ML 2016-02 – User Access Administration

Criteria: Information technology (IT) general controls require that user accounts be added, modified and deleted in a timely manner in order to reduce the risk of unauthorized/inappropriate access to an organization’s relevant reporting applications or data.

Prior Year’s Condition: The following observations on user access administration were noted:

New Hires

- 2 out of 11 *User Access Forms* were not completed and submitted
- 8 out of 11 users had access in Eden that did not agree to the access requested or approved on the *User Access Form*

Terminations

- 9 out of 11 users had improper active accounts in Eden
- 8 out of 11 users did not have a documented *Track-It* ticket or other notification to inform the IT personnel of the employees’ termination
- 3 out of 11 users were not submitted timely into the *Track-It* ticket system in order to timely notifying IT personnel of the employees’ termination
- 4 out of 11 users logged into Active Directory after their termination date (Eden audit logs determined no activity occurred after the specified termination date)

Current Year’s Condition: We noted that system user access rights for employees are not being updated in a timely manner, when an employee separates from the City.

Cause: There is no formal written policy in place to govern the access administration processes.

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

Recommendation: We recommend that the City establish and implement formal policies and procedures over user access provisioning. The policies and procedures should include the use of approved user access forms that specifies all required system access rights, retaining formal documentation for any access modifications made during the period and a timeline for de-provision/removing of system access rights for terminated employees.

Prior Year’s Views of Responsible Officials and Planned Corrective Actions: Management agrees with the observation and will be putting in place an administrative regulation entitled “User Technology and Application Access Review” in which it establishes parameters for user access review and set forth procedures to notify IT regarding terminations, demotions or transfers. In addition, the IT department will require moving forward a new IT access form be completed when employees transfer from one department to another.

Current Year’s Views of Responsible Officials and Planned Corrective Actions: Management agrees with the observation and will further strengthen the user access and provisioning process by strict enforcement of user access forms prior to granting any user access, or changes to existing user access (addition/removals). In addition, IT will be included on routing distribution of the City’s Personnel Action Form which is the form used as to initiate the hiring, termination, promotion or demotion of employees.

City of North Miami, Florida

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

ML 2016-03 – User Access Reviews

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

Prior Year’s Condition: Although a process exists to review Eden users access rights on an annual basis, we noted that the results of the Eden user access reviews performed by management are not formally documented. Additionally, there is no formal process in place requiring the annual review of user access rights to the network.

Current Year’s Condition: Although documented operating procedures are currently in place requiring the review of user access to applications, including Eden, we noted that the Eden system user access review was not performed until after the City’s fiscal year end. In addition, we noted that the access review performed for Active Directory users identified eleven unknown accounts that remained enabled as of the audit fieldwork date.

Cause: There is no formal written policy in place requiring the periodic review of system access rights to the network or Eden application.

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

Recommendation: We recommend that management establish formal written policies and procedures addressing the proper administration of user access rights for the network and Eden applications. Such policies and procedures should address the proper provisioning, modifying, removing and periodic review of access rights assigned to employees. Management should determine as part of the user access review that configured access rights are appropriate based on the employee’s roles and responsibilities. Additionally, the management should document who performed the review, when the review was performed, and if any access changes were required. It is recommended that reviews occur at least on an annual basis.

Prior’s Year Views of Responsible Officials and Planned Corrective Actions: Management agrees with the observation and will be putting in place an administrative regulation entitled “User Technology and Application Access Review” in which it establishes quarterly user access reports to be distributed to the department heads for any changes to be made, as well as annual audit of technology user access. During the quarterly and annual reviews the IT Department will check for Network Access (Active Directory, VPN Access) and access to the ERP System (EDEN).

Current Year’s Views of Responsible Officials and Planned Corrective Actions: At the time of the audit, management had already established procedures to further strengthen the user access review process by performing periodic IT reviews of active directory and EDEN users as outlined in the IT Administrative Regulation for User Technology and Application access review.

Independent Accountant's Report

To the Honorable Mayor and Members of the City Council
City of North Miami, Florida

We have examined the City of North Miami, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies*, during the year ended September 30, 2017. 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 disclosed the following instance of noncompliance with *Section 218.415, Florida Statutes, Local Government Investment Policies*:

The City failed to comply with its adopted investment policy. The adopted investment policy allows a maximum of 60% of the City's portfolio to be invested in the State Board of Administration Trust Fund. As of September 30, 2017, 73% of the City's investment portfolio was composed of State Board of Administration Trust Fund investments.

In our opinion, except for the instance of noncompliance described in the preceding paragraph, the City complied, in all material respects, with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the period October 1, 2016 to September 30, 2017.

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

RSM US LLP

Miami, Florida
March 31, 2018

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