

CITY OF HOLLYWOOD, FLORIDA
COMPLIANCE REPORTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF HOLLYWOOD, FLORIDA

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor, City Commission and City Manager
City of Hollywood, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hollywood, Florida (the City), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2020. Our report includes a reference to other auditors who audited the financial statements of the City of Hollywood Firefighters' Pension System and City of Hollywood Police Officers' Retirement System (collectively, the Plans), 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 separately by those auditors. The financial statements of the City of Hollywood Firefighters' Pension System 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 opinions 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 City'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. However, material weaknesses may exist that have not been identified.

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 result 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.

Marcum LLP

Fort Lauderdale, FL
May 29, 2020

INDEPENDENT AUDITORS' 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

To the Honorable Mayor, City Commission and City Manager
City of Hollywood, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Hollywood, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *State of Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the City's major federal program and state project for the fiscal year ended September 30, 2019. The City's major federal program 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 federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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; 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. Those standards, 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 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 its major federal program and its state project for the fiscal year ended September 30, 2019.

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 or 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 the 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 or state project 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 or state project 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 or state project 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, material weaknesses may exist that have not been identified.

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 29, 2020, which contained unmodified opinions on those financial statements. Our report includes reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic 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 basic financial statements or to the basic 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 expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Fort Lauderdale, FL
May 29, 2020

**CITY OF HOLLYWOOD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Federal/State Grantor, Pass Through Entity, Program Title	Federal CFDA/ State CFSA Number	Grant/ Contract Number	Passed through to Subrecipients	Funds Expended
FEDERAL GRANTS:				
U.S. Department of Housing and Urban Development:				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant - Year XXXX	14.218	B-13-MC-12-0009	\$ -	\$ 3,075
Community Development Block Grant - Year XXXXI	14.218	B-14-MC-12-0009	-	37,014
Community Development Block Grant - Year XXXXII	14.218	B-15-MC-12-0009	-	500
Community Development Block Grant - Year XXXXIII	14.218	B-16-MC-12-0009	-	5,712
Community Development Block Grant - Year XXXXIV	14.218	B-17-MC-12-0009	-	11,577
Community Development Block Grant - Year XXXXV	14.218	B-18-MC-12-0009	74,937	609,700
Neighborhood Stabilization Program - HERA	14.218	B-08-MN-12-0010	-	370,950
TOTAL Community Development Block Grant - Entitlement Grants Cluster			<u>74,937</u>	<u>1,038,528</u>
Direct Programs:				
HOME Investment Partnership Program Grant	14.239	M13-MC-12-0227	75,674	75,674
HOME Investment Partnership Program Grant	14.239	M15-MC-12-0227	-	15,355
HOME Investment Partnership Program Grant	14.239	M16-MC-12-0227	-	84,000
HOME Investment Partnership Program Grant	14.239	M17-MC-12-0227	-	47
HOME Investment Partnership Program Grant	14.239	M18-MC-12-0227	-	94,684
TOTAL HOME Investment Partnerships Program			<u>75,674</u>	<u>269,760</u>
Direct Program:				
Community Development Block Grants Section 108 Loan Guarantees	14.248	B-97-MC-12-2009	-	500,000
TOTAL U.S. Department of Housing and Urban Development			<u>150,611</u>	<u>1,808,288</u>
U.S. Department of Justice:				
Direct Program:				
Federal Equitable Sharing Agreement	16.922	FL0060500	-	308,285
Indirect Programs:				
Passed through the State of Florida, Department of Legal Affairs:				
Victims of Crime Act Grant (VOCA) - FY 19	16.575	VOCA-2018-City of Hollywood Police-00107	-	69,858
Passed through the Broward County Sheriff's Office:				
Edward Byrne Justice Assistance Grant (JAG) Program - FY 2016	16.738	2016-DJ-BX-0574	-	46,753
TOTAL U.S. Department of Justice			<u>-</u>	<u>424,896</u>
U.S. Department of Transportation:				
Indirect Programs:				
Passed through the State of Florida, Department of Transportation:				
Highway Planning and Construction Cluster:				
Colbert Elementary Safe Routes to School	20.205	436921-1-58-01/ Contract G0V31	-	674,827
TOTAL Highway Planning and Construction Cluster			<u>-</u>	<u>674,827</u>
Highway Safety Cluster:				
State and Community Highway Traffic Safety Program - Speed and Aggressive Driving Grant	20.600	SC-19-13-09/ Contract G1376	-	40,000
TOTAL Highway Safety Cluster			<u>-</u>	<u>40,000</u>
TOTAL U.S. Department of Transportation			<u>-</u>	<u>714,827</u>
U.S. Department of Treasury				
Direct Program:				
Federal Equitable Sharing Program	21.016		-	319,901
TOTAL U.S. Department of Treasury			<u>-</u>	<u>319,901</u>

(Continued)

**CITY OF HOLLYWOOD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Federal/State Grantor, Pass Through Entity, Program Title	Federal CFDA/ State CFSA Number	Grant/ Contract Number	Passed through to Subrecipients	Funds Expended
U.S. Department of Environmental Protection Agency:				
Indirect Program:				
Passed through the State of Florida, Department of Environmental Protection:				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Fund	66.468	DW060470	-	7,095,342
TOTAL Drinking Water State Revolving Fund Cluster			-	7,095,342
TOTAL U.S. Department of Environmental Protection			-	7,095,342
U.S. Department of Homeland Security:				
Direct Program:				
2017 Assistance to Firefighters Grant	97.044	EMW-2017-FO-04302	-	95,200
2015 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00128	-	275,529
Indirect Program:				
Passed through the State of Florida, Division on Emergency Management and City of Miami:				
Urban Area Security Initiative (UASI) - FY 17	97.067	18-DS-X3-11-23-02-376	-	114,954
Passed through the City of Miami:				
Complex Coordinated Terrorist Attacks (CCTA) Grant Program - Urban Area Security Initiative - Heat Shield Grant - FY 19	97.133	EMW-2016-GR-00097-S01	-	8,232
Passed through the State of Florida, Division of Emergency Management:				
FEMA Disaster Assistance - IRMA	97.036	4337DR	-	9,951,499
TOTAL U.S. Department of Homeland Security			-	10,445,414
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 150,611	\$ 20,808,668
STATE GRANTS:				
State of Florida, Housing Finance Corporation				
Direct Program:				
State Housing Initiatives Partnership (SHIP) Program	40.901	225001	\$ 63,698	\$ 1,273,953
Total State of Florida, Housing Finance Corporation			63,698	1,273,953
State of Florida, Department of Environmental Protection:				
Direct Programs:				
City of Hollywood Marina Boat Ramp Resiliency Improvements	37.098	R1805	-	75,950
Total State of Florida, Department of Environmental Protection			-	75,950
State of Florida, Department of Transportation:				
Direct Program:				
Hollywood Service Development Grant - Trolley Grant	55.012	ARD59 / 434973-1-84-01	-	39,498
Total State of Florida, Department of Transportation:			-	39,498
State of Florida, Department of Elder Affairs:				
Indirect Programs:				
Passed through the Areawide Council on Aging of Broward County, Inc.:				
Local Service Programs - Elderly Grant 2018-2019	65.009	JL 118-29-2019	-	156,992
Local Service Programs - Elderly Grant 2019-2020	65.009	JL 119-29-2020	-	14,351
Total State of Florida, Department of Elder Affairs			-	171,343
State of Florida, Fish and Wildlife Conservation Commission				
Direct Program:				
City of Hollywood, Derelict Vessel Removal Project	77.005	FWC - 17326	-	14,085
Total State of Florida, Fish and Wildlife Conservation Commission			-	14,085
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 63,698	\$ 1,574,829

See accompanying notes to schedule of federal awards and state financial assistance.

CITY OF HOLLYWOOD, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Hollywood, Florida (the City) under programs of the federal government and the State of Florida for the fiscal year ended September 30, 2019. The information in this 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, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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 RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – OUTSTANDING LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

On July 19, 2002, the City received a \$5,585,000 loan commitment from the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. As of September 30, 2019, the outstanding loan balance is \$200,000.

CITY OF HOLLYWOOD, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2018-001 – Non-deferral of Revenue Recognition for Special Programs and Local Housing Assistance (SHIP) Fund was not repeated in the current year.

II. PRIOR YEAR FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.

CITY OF HOLLYWOOD, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial
Statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported
Non-compliance material to financial statements noted? Yes No

Federal Award and State Project

Internal control over major programs:

Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

Type of auditors’ report issued on compliance for
major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be
reported in accordance with CFR 200.516(a)
or Chapter 10.557, *Rules of the Auditor General*?

Yes No

Identification of major programs/project:

CFDA No.
97.036

Federal Program or Cluster
Division of Emergency Management –
Disaster Relief Funding, Hurricane Irma

CSFA No.
40.901

State Project
State Housing Initiatives Partnership Program Grant

Dollar threshold used to distinguish between Type A and
Type B programs – Federal

\$750,000

Dollar threshold used to distinguish between Type A and
Type B projects – State

\$300,000

Auditee qualified as low-risk auditee pursuant to the
Uniform Guidance?

Yes No

CITY OF HOLLYWOOD, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.

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

To the Honorable Mayor, City Commission and City Manager
City of Hollywood, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Hollywood, Florida (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 29, 2020. We did not audit the financial statements of the City of Hollywood Firefighters' Pension System and City of Hollywood Police Officers' Retirement System (collectively, the Plans), which represent 54%, 62% and 36%, respectively, of the assets, net position/fund balance and revenues/additions of the aggregate remaining fund information.

Auditors' 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 Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' 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; Schedule of Findings and Questioned Costs; Summary Schedule of Prior Audit Findings; and Independent Accountants' 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 schedules, which are dated May 29, 2020, 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 recommendations made in the preceding annual financial audit report have been addressed in the summary schedule of prior audit findings and in Appendix A to this report.

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 I to the financial statements. The City included the following blended component unit: the Hollywood Community Redevelopment Agency, comprised of the Downtown District and the Beach District.

Financial Condition and Management

Section 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.b. 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. Our assessment was performed as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have recommendations to improve financial management which are described in the current year observations section in Appendix A. In addition, we did not report audit findings in the schedule of findings and questioned costs.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b) Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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, State and other granting agencies, the Mayor and the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
May 29, 2020

CITY OF HOLLYWOOD, FLORIDA

**APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO
IMPROVE FINANCIAL MANAGEMENT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

No.	Observations	Observation Is Still Relevant	Observation Addressed or No Longer Relevant
<u>Current Year</u>			
MLC 2019-001	SHIP Grant - Noncompliance with Reporting Requirements		
MLC 2019-002	General Information Technology Recommendation		
<u>Prior Year</u>			
MLC 2017-001	Opportunity to Reassess Active Agreements in Order to Eliminate Unnecessary Interest Expense		Addressed
MLC 2018-001	Other Post-Employment Benefits		Addressed
MLC 2018-002	Implementation of Required Uniform Guidance (UG) Procurement Guidelines	Repeated	
MLC 2018-003	Improper Recognition of Transaction – Water and Utility Fund		Addressed

CITY OF HOLLYWOOD, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MLC 2019-001 SHIP GRANT – NONCOMPLIANCE WITH REPORTING REQUIREMENTS

Observation

As part of our Florida Single Audit testing, the State Housing Initiatives Partnership (SHIP) Program (CFSA 40.901) was selected as a major program for fiscal year 2019. The SHIP program is designed to create affordable housing for low-income and moderate-income households through assistance to purchase a home, money to repair or replace a home, and many other types of housing assistance. The SHIP funds awarded to the City are received in advance of expending the funds. The program operates on a three year cycle, requiring the SHIP funds to be encumbered within two years of receiving the funds and fully expended by the third year (close out period). As part of the SHIP program reporting requirements, an annual report is required to be completed and submitted to Florida Housing Finance Corporation by September 15 of each year pursuant to Florida Statute section 420.9071(4). As of September 15, 2019, the SHIP program was required to prepare a close out report relating to the funding received for the 2016-2017 fiscal year. However, during the audit year, the City's housing department noted that there were still monies relating to the 2016-2017 fiscal year funding that were not expended as the result of the following:

1. Contractor procurement delays
2. Construction delays due to unanticipated repairs
3. Negotiations to include the sale of the homes with the First Time Home Buyer's Program
4. Delay in the approval of the First Time Home Buyer's Program

As such, the remaining SHIP funds were used to construct two properties, which were not completed until subsequent to September 30, 2019 and therefore an extension was granted for the close-out report to be filed by December 2019. The City's housing department was not able to find a buyer for the newly constructed properties and did not meet the December 2019 extended filing due date. A second extension was filed and denied by grantor. The close out report for the funding received for the 2016-2017 fiscal year is currently pending the sale of the newly constructed properties.

Effect

The City was not in compliance with the reporting requirements of the SHIP program and the granting agency can withhold future funding until the reporting requirements are met.

Recommendation

We recommend that SHIP funds received by the City are properly tracked to ensure they are encumbered and fully expended within the required three year period in order to ensure that all annual reports are filed in a timely manner.

CITY OF HOLLYWOOD, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MLC 2019-001 SHIP GRANT – NONCOMPLIANCE WITH REPORTING REQUIREMENTS (CONTINUED)

Management's Response

Management is aware of the conditions required to meet expenditure requirements of the State Housing Initiatives Partnership three year cycle. The encumbrances and expenditures are actively monitored. The delay in expenditures related to the 2016-2017 fiscal year are a result of the unanticipated events noted within the above finding. Management is currently working with the County and the First Time Home Buyer's Program to sell the houses to eligible recipients. In addition, management has involved the SHIP administrators regarding the sale of the properties noted above.

MLC 2019-002 GENERAL INFORMATION TECHNOLOGY RECOMMENDATION

Observation

As part of our audit procedures we reviewed several policies and processes of the City's Information Technology department. We identified several items, where we consider policies, and procedures that can be improved:

- a) Although user access reviews have been historically performed, the frequency and consistency of the process is not enough for the City to reduce the risk of unauthorized access. No user access reviews were noted during the fiscal year 2019.
- b) Privileged user access exists and does not sufficiently enforce segregation of duties. Munis privileged user access was identified for two employees with both business access, in order to perform job functions, as well as system administration access to override controls.
- c) No formal security awareness and training strategy exists to ensure that all employees have the knowledge and skills required to run systems correctly and fulfil their information security responsibilities. In addition, no formal cybersecurity governance committee or technology solutions are in place to address cybersecurity threats, nor is there a formal risk assessment performed.

Effect

As a result of the above observations the potential effects could be;

- a) User access reviews that are not complete or accurate. Incomplete or inaccurate user access reviews result in the inability to properly detect users with inappropriate or unauthorized access to the system.

CITY OF HOLLYWOOD, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MLC 2019-002 GENERAL INFORMATION TECHNOLOGY RECOMMENDATION (CONTINUED)

- b) Employees who perform business functions should be separated from performing application administrative functions. Having both capabilities to perform business functions and full access to application may pose high risk to data integrity.
- c) Vulnerability to viruses and security flaws which can easily be exploited by malicious individuals. Organization's objectives, risks and controls are not properly aligned to strategically manage potential threats and vulnerabilities to IT assets and resources.

Recommendation

We recommend:

- a) The City update the policy and procedures to assist personnel in accurately documenting and completing user access reviews for all systems, applications and network components,
- b) The City should formally implement procedures to manage privileged user access. Employees who perform business functions should not perform application administrative functions. The administrative functions should be segregated.
- c) The City should consider implementing a cybersecurity awareness process and perform periodic vulnerability scans and penetration tests.

Management's Responses

In relation to the above recommendations, the City responses are as follows:

- a) Management will work with the application users to facilitate the implementation and documentation of user access reviews. The IT helpdesk tool will be evaluated to determine if it can be utilized to create recurring tasks so that process can become automated instead of a manual process.
- b) Management will communicate with the Munis application users to require the separation of business users from administrative functions.
- c) Management has already communicated with Human Resources to establish a formal security training for all personnel. Security training will be implemented and scheduled at least twice a year. New employees will also be required to complete security training. A formal risk assessment process will be developed and executed annually, including penetrate testing and incident response readiness. We intend to implement these policies and procedures in fiscal year 2020.

CITY OF HOLLYWOOD, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MLC 2018-002 – IMPLEMENTATION OF REQUIRED UNIFORM GUIDANCE (UG) PROCUREMENT GUIDELINES

Observation

The federal Office of Management and Budget (OMB) provides guidance regarding the procurement procedures for local agencies that are awarded federal funds. In December 2014, OMB issued the “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards”, commonly referred to as “Uniform Guidance” (2CFR § 200), to streamline and consolidate government requirements for receiving and using federal grant awards. As outlined in 2CFR § 200 Subpart D sections 200.317 through 200.326 of the Uniform Guidance, the City is required to incorporate specific federal guidelines as part of their procurement policy. The grace period allowed to the City to implement the procurement standards prescribed in the “Uniform Guidance” on and by October 1, 2018 and it was noted that as of the date of our auditors report, supporting documentation for proof of compliance was not provided to the auditor.

Effect

The City is not in compliance with Federal guidelines as of October 1, 2018, could lose the ability to receive future federal awards.

Recommendation

We recommend the City implement in writing the requirements outlined in 2CFR § 200 Subpart D sections 200.317 through 200.326 of the Uniform Guidance and take the necessary steps to ensure full compliance with the guidance. City management should review the applicable provisions of the Uniform Guidance and update the City’s procurement policies appropriately in order to continue to receive federal awards.

Management’s Response

Although 2CFR § 200 Subpart D sections 200.317 through 200.326 of the Uniform Guidance was not formally adopted into the City’s procurement policies by October 1, 2018, Management and staff are aware of and trained on the requirements of the Uniform Guidance. In addition, the City began to centralize its procurement processes during fiscal year 2019 requiring an update of the procurement policies. As such, the Uniform Guidance is being formally adopted into the procurement policies with the centralization procedural updates. All policy changes have been presented to the City Commission and it is anticipated that all requirements will be formally adopted by the end of fiscal year 2020.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

To the Honorable Mayor, City Commission and City Manager
City of Hollywood, Florida

We have examined the City of Hollywood's (the City) compliance with Section 218.415 Florida Statutes, Local Government Investment Policies for the fiscal year ended September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 Section 218.415 Florida Statutes for the fiscal year ended September 30, 2019.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes, and it is not suitable for any other purpose.

Marcum LLP

Fort Lauderdale, FL
May 29, 2020