



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members of City Council
City of Tampa, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tampa, Florida, as of and for the year ended September 30, 2006, which collectively comprise the City of Tampa, Florida's basic financial statements and have issued our report thereon dated February 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tampa, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tampa, Florida's financial statements are free of 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*.

We noted certain matters that we have reported to management of the City of Tampa, Florida in a separate letter dated February 16, 2007.



This report is intended solely for the information and use of the Mayor, City Council, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 16, 2007
Certified Public Accountants



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133 and *Rules of the Auditor General***

The Honorable Mayor and Members of City Council
City of Tampa, Florida:

Compliance

We have audited the compliance of the City of Tampa, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. The City of Tampa, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Tampa, Florida's management. Our responsibility is to express an opinion on the City of Tampa, Florida's compliance based on our audit.

The City of Tampa, Florida's basic financial statements include the operations of The Florida Aquarium, Inc., a discretely presented component unit, which expended \$26,684 and \$67,453 in federal and state financial assistance, respectively, which is not included in the schedule of expenditures of federal awards and state financial assistance for the year ended September 30, 2006. Our audit described below, did not include the operations of The Florida Aquarium, Inc. because The Florida Aquarium, Inc. engaged other auditors to perform an audit in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, 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 of Tampa, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Tampa, Florida's compliance with those requirements.



As described in item 2006-6 in the accompanying schedule of findings and questioned costs, the City of Tampa, Florida did not comply with requirements regarding matching that are applicable to its Home Investment Partnerships Grant (CFDA #14.239). Compliance with such requirements is necessary, in our opinion, for the City of Tampa, Florida to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Tampa, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-5, and 2006-7 through 2006-12.

Internal Control Over Compliance

The management of the City of Tampa, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Tampa, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters in the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 16, 2007
Certified Public Accountants

CITY OF TAMPA, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA/CSFA No.	Grant number	Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant (CDBG) #23	14.218	B-98-MC-12-0020	\$ 227,472
Community Development Block Grant (CDBG) #26	14.218	B-01-MC-12-0020	170,432
Community Development Block Grant (CDBG) #27	14.218	B-02-MC-12-0020	217,796
Community Development Block Grant (CDBG) #28	14.218	B-03-MC-12-0020	1,960,219
Community Development Block Grant (CDBG) #29	14.218	B-04-MC-12-0020	1,331,695
Community Development Block Grant (CDBG) #30	14.218	B-05-MC-12-0020	5,722,030
Total program			<u>9,629,644</u>
Home Investment Partnerships Grant-99	14.239	M-98-MC-12-0222	36,389
Home Investment Partnerships Grant-00	14.239	M-99-MC-12-0222	162,323
Home Investment Partnerships Grant-01	14.239	M-00-MC-12-0222	143,127
Home Investment Partnerships Grant-02	14.239	M-01-MC-12-0222	88,803
Home Investment Partnerships Grant-04	14.239	M-03-MC-12-0222	447,600
Home Investment Partnerships Grant-05	14.239	M-04-MC-12-0222	2,928
Home Investment Partnerships Grant-06	14.239	M-05-MC-12-0222	219,297
Total program			<u>1,100,467</u>
Housing Opportunities For People With Aids Grant (HOPWA) – 04	14.241	FL29H03-F003	315,242
Housing Opportunities For People With Aids Grant (HOPWA) – 05	14.241	FL29H04-F003	441,369
Housing Opportunities For People With Aids Grant (HOPWA) – 06	14.241	FL29H05-F003	1,594,336
Total program			<u>2,350,947</u>
Enterprise Community-334541	14.244	96XX-4K-08-39-20-002	15,064
Fair Housing Assistance Program FY01	14.401	FF-204K004019	201
Fair Housing Assistance Program FY02	14.401	FF-204K014019	530
Fair Housing Assistance Program FY03	14.401	FF-204K024019	11,001
Fair Housing Assistance Program FY04	14.401	FF-204K034019	28,802
Fair Housing Assistance Program FY05	14.401	FF-204K044019	8,909
Fair Housing Assistance Program FY06	14.401	FF-204K044019	47,430
Total program			<u>96,873</u>
Emergency Shelter Grants Program FY03	14.231	S-03-MC-12-0011	3,390
Emergency Shelter Grants Program FY05	14.231	S-04-MC-12-0011	5,348
Emergency Shelter Grants Program FY06	14.231	S-05-MC-12-0011	158,298
Total program			<u>167,036</u>
Total U.S. Department of Housing and Urban Development			<u>13,360,031</u>
U.S. Environmental Protection Agency:			
Brownfield Grant	66.818	BP984803-99-0	2,638
Total U.S. Environmental Protection Agency			<u>2,638</u>
U.S. Department of Homeland Security:			
Office of Domestic Preparedness:			
Citizen Corps Component-CERT Training	97.067	06-CI-4K-08-39-01-231	13,195
Public Safety-Education Fire Prevention	97.044	EMW-2004-FP-02864	4,157
Assistance to Firefighters Grant	97.044	EMW-2005-FG-19894	402,689
Operation Liberty Shield	97.004	04-LS-1P-11-16-02-155	96,260
<i>Passed through Florida Department of Financial Services – Florida Domestic Preparedness Strategy</i>			
State Homeland Security Grant-Hazmat Equipment Sustainment	97.004	02-NF-00-00-00-00-909	6,012
<i>Passed through Florida Department of Community Affairs – Division of Emergency Management and Hillsborough County</i>			
Homeland Security Grant-Emergency Preparedness	97.004	05-DS-2n-03-39-01-250	465

(Continued)

CITY OF TAMPA, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA/CSFA No.	Grant number	Expenditures
<i>Passed through Florida Department of Law Enforcement – Office of Criminal Justice Grants</i>			
State Homeland Security Program (SHSP) Grant	97.004	05-CJ-L3-04-39-02-018	\$ 50,399
Law Enforcement Terrorism Prevention Program (LETPP) Grant 05	97.004	05-CJ-L2-04-39-02-089	170,774
Law Enforcement Terrorism Prevention Program (LETPP) Grant 06	97.004	2006-LETP-HILL-2-NI028	121,646
Total program			865,597
<i>Passed through Florida Department of Community Affairs – Division of Emergency Management</i>			
2003 Urban Area Security Initiative (UASI) Grant II	97.008	04-DS-1S-08-39-02-257	1,692,794
2004 Urban Area Security Initiative (UASI) Grant III	97.008	05-DS-2M-08-39-02-117	5,213,690
2005 Urban Area Security Initiative (UASI) Grant IV	97.008	06-DS-1S-08-39-02-340	138,392
Total program			7,044,876
Total U.S. Department of Homeland Security			7,910,473
U.S. Department of Justice:			
Police Universal Hiring Grant/Supplemental Hiring Grant	16.710	2002-UL-WX-0072	184,704
Technology Grant (in car video)	16.710	2001-CK-WX-0032	18,414
Total program			203,118
Local Law Enforcement Block Grant VIII	16.592	03-LB-BX-2107	447,247
Local Law Enforcement Block Grant IX	16.592	04-LB-BX-1205	81,841
Total program			529,088
Law Enforcement Trust Fund – Federal	16.580	N/A	142,260
Federal Seed – FY03	16.595	00-WS-QX-0076	50,084
Federal Weed – FY03	16.595	00-WS-QX-0076	9,272
Total program			59,356
HIDTA – High Intensity Drug Trafficking Areas – 04	07.000	14PCFP504Z	50,296
HIDTA – High Intensity Drug Trafficking Areas – 05	07.000	15PCFP504Z	157,497
Total program			207,793
Bureau of Justice Assistance Grant – 2005	16.738	2005-DJ-BX-1013	50,000
<i>Passed through the Florida Department of Law Enforcement and Hillsborough County:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-JAGC-HILL-5-M8-023	216,516
Total program			266,516
<i>Passed through the Florida Department of Law Enforcement Office of Criminal Justice Grants (OCJG):</i>			
Project Safe Neighborhood (PSN)	16.609	05-CJ-K6-08-39-02-005	57,566
Total U.S. Department of Justice			1,465,697
U.S. Department of Transportation:			
Federal Highway Administration – FHWA:			
<i>Passed through Florida Department of Transportation:</i>			
1-275/1-4 Downtown Interchange – 33449W – WT6288	20.205	258643-1-46-03	104,937
New Tampa East – West Road Project – 33449U	20.205	410649-1-24-01	299,924
Sidewalk Constr – Westshore fr Woodmere to Beach Way Dr	20.205	404429-1-38-01, 404429-1-58-01	218
40th Street – Hillsborough to Hanna – Segment A – ROW	20.205	257809-1-48-01	6,850
40th Street – Hanna Street to Hanlon Street – Segment B – ROW	20.205	257809-2-48-01	5,658,018
40th Street – Hanna Street to Hanlon Street – Segment B – CONSTR	20.205	257809-2-58-01	123,703
40th Street – Hanlon Street to Yukon – Segment C – ROW	20.205	257809-3-48-01	998,240
40th Street – Yukon to Fire Station – Segment D – ROW	20.205	257809-4-48-01	53,516
40th Street – Yukon to Fire Station – Segment D – CONSTR	20.205	257809-4-58-01	77,584
1-275 from the Howard Franklin Bridge to Himes Ave	20.205	258398-1-56-03	987,726
1-275 from Himes Ave to the Hillsborough River	20.205	258398-1-56-03	918,381
1-275 from the Howard Franklin Bridge to Himes Ave	20.205	258398-1-56-04	186,703
1-275 from Himes Ave to the Hillsborough River	20.205	258399-1-56-04	204,966
1-4 from 14th Street to 50th Street – 33449B-WT6306	20.205	258401-1-46-03	113,492
1-275 Busch/Fletcher Landscape/Maintenance	20.205	258410	4,478

(Continued)

CITY OF TAMPA, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA/CSFA No.	Grant number	Expenditures
Links stage 1 advance corridor construction @ SR 60 (Memorial Hwy) from Courtney Campbell Causeway to Cypress Street	20.205	265844 1 58 03 01	\$ 393,300
Design-Build Traffic Signal Installation Safety Project @ the Intersection of Jefferson Street and Whiting Street	20.205	415260 1 58 01	6,137
Total program			<u>10,138,173</u>
<i>Passed through Florida Department of Transportation – FDOT:</i>			
Aggressive Driving – Tampa L.E.A.D. Program – 334239	20.600	SC-05-13-11/ANV04	54,846
Aggressive Driving – Tampa L.E.A.D. Program – 334248	20.600	SC-06-13-14/AOB65	158,907
Total program			<u>213,753</u>
Total U.S. Department of Transportation			<u>10,351,926</u>
U.S. Department of Interior:			
<i>Passed through Florida Department of Environmental Protection Land and Water Conservation Fund Program:</i>			
Ballast Point Park Restoration Project	15.916	FPN#12-04424	144,641
UPARR – Cuscaden Pool Renovation – GRC1PH572768	15.919	12-CTY-2950-0201	24,980
Total U.S. Department of Interior			<u>169,621</u>
Department of Health and Human Services:			
Metropolitan Medical Response System	83.526	Contract #282-00-0036	360,050
Total Department of Health and Human Services			<u>360,050</u>
U.S. Department of Treasury:			
EEOC – Discrimination Grant 01-010-011	30.008	CONTRACT #0/5010/44	8,240
Total U.S. Department of Treasury			<u>8,240</u>
U.S. Department of Defense:			
Macdill AFD-Joint Land use Study Grant	12.610	EN0412-05-01	75,000
Total U.S. Department of Defense			<u>75,000</u>
Total Expenditures of Federal Awards			<u>\$ 33,703,676</u>
State of Florida – Department of Juvenile Justice:			
Law Enforcement Aftercare Program – 01/02	80.018	F9006	\$ 17,307
Total State Department of Juvenile Justice			<u>17,307</u>
State of Florida – Department of Transportation:			
Boy Scout Blvd-Landscaping 334491	55.003	416528-1-54-01	300,000
Total State Department of Transportation			<u>300,000</u>
State of Florida – Department of Community Affairs:			
State Housing Initiative Program (SHIP)	52.901	S.420.9073	1,080,065
State Housing Initiative Program (SHIP)	52.901	S.420.9073	2,372,506
State Housing Initiative Program (SHIP)	52.901	S.420.9073	717,921
Total State Department of Community Affairs			<u>4,170,492</u>
State of Florida – Department of Health:			
EMS Grant FY04	64.005	C0329	22,917
EMS Grant FY05	64.005	C0329	6,064
Total State Department of Health			<u>28,981</u>
State of Florida – Fish and Wildlife Conservation Commission:			
Ballast Point Boat Ramp Engineering Project (572719)	77.006	FWCC#01242	3,000
Total State Fish and Wildlife Conservation Commission			<u>3,000</u>
State of Florida – Department of Environment Protection:			
Innovative Waste Reduction and Recycling Grant	37.050	Grant Agreement No. IG06-05	29,645
FDEP-FRDAP – New Tampa Community Park-334779	37.017	DEP Agreement No. F6166	120,049
<i>Passed through Southwest Florida Water Management District</i>			
River Garden Habitat Restoration (W381) 337317	37.039	Agreement #03CONS00003	12,569
Total State Department of Environment Protection			<u>162,263</u>

(Continued)

CITY OF TAMPA, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA/CSFA No.	Grant number	Expenditures
State of Florida – Executive Office of the Governor:			
Otted-George Rd Improvements 334595	31.002	Project #96/9729B	\$ 43,008
Otted-George Rd Improvements 33459S	31.002	Project #99/0029B	4,420
Total program			<u>47,428</u>
<i>Passed through Enterprise Florida, Inc.</i>			
MacDill AFB Traffic Improvements	31.003	Contract #DIG-03-06	60,341
DIG-Land Acquisition-Encroachment Protection/Environmental Buffer	31.003	Contract #DIG-06-10	2,000
Total State of Florida-Executive Office of the Governor			<u>109,769</u>
State of Florida – Department of State:			
Regional Cultural Facilities Program			
The Florida Aquarium-Bays, Beaches, & Beyond	45.014	Grant #06-9018	250,000
Total State of Florida Department of State			<u>250,000</u>
Total Expenditures of State Awards			\$ <u><u>5,041,812</u></u>

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

CITY OF TAMPA, FLORIDA

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

Year ended September 30, 2006

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal and state grant activity of the City of Tampa, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 215.97, *Florida Statutes*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Loans Outstanding

At September 30, 2006 the City of Tampa, Florida had the following loans receivable:

<u>Program</u>	<u>Federal CFDA/ State CSFA Number</u>	<u>Amount outstanding</u>
Community Development Block Grant	14.218	\$ 9,143,235
Home Investment Partnerships Grant	14.239	5,030,254
Hope 3 Grant	14.240	3,692,554
State Housing Initiatives Partnership Grant	52.901	7,721,371

Only current year loans issued to eligible recipients or current year borrowings on loans are included as expenditures on the accompanying schedule.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

(1) Summary of Auditors' Results

- (a) An unqualified opinion was issued on the basic financial statements.
- (b) There were no reportable conditions or material weaknesses in internal control disclosed by the audit of the basic financial statements.
- (c) There was no noncompliance which is material to the basic financial statements.
- (d) There were no reportable conditions or material weaknesses identified in the internal control over major federal programs. There were no reportable conditions or material weaknesses identified in the internal control over major state projects.
- (e) An unqualified opinion was issued on compliance for the major federal programs and state projects, except for a qualified opinion on the following compliance requirement:

Matching: Home Investment Partnerships Grant (CFDA #14.239)

- (f) There were 11 findings relative to the major federal programs and one finding relative to the major state projects.
- (g) Major programs:

	<u>CFDA #</u>
Federal Programs:	
U.S. Department of Housing and Urban Development:	
Community Development Block Grant	14.218
Home Investment Partnerships Grant	14.239
Housing Opportunities for People with AIDS (HOPWA)	14.241
U.S. Department of Transportation:	
Local Highway Planning	20.205
U.S. Department of Homeland Security:	
Homeland Security Grant Program	97.067
State Domestic Preparedness Equipment Support Program	97.004
Assistance to Firefighters Grant	97.044
	<u>CSFA #</u>
State Projects:	
Florida Housing Finance Corporation:	
State Housing Initiatives Partnership	52.901
Florida Department of Transportation:	
Boy Scout Blvd. Landscaping	55.003

- (h) The threshold for distinguishing Type A and Type B programs/projects was \$1,011,110 for major federal programs and \$300,000 for major state programs.
- (i) The auditee did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings Associated with Federal Awards

Finding 2006-1

Federal Agency: U.S. Department of Housing and Urban Development

Programs and CFDA numbers:

- Community Development Block Grant (CDBG), CFDA No. 14.218
- Home Investment Partnerships Program (HOME), CFDA No. 14.239
- Housing Opportunities for People with Aids (HOPWA), CFDA No. 14.241

Program Award numbers and award years:

- CDBG – B-98-MC-12-0020; B-01-MC-12-0020; B-02-MC-12-0020; B-03-MC-12-0020; B-04-MC-12-0020; B-05-MC-12-0020
- HOME – M-98-MC-12-0020; M-99-MC-12-0020; M-00-MC-12-0020; M-01-MC-12-0020; M-03-MC-12-0020; M-04-MC-12-0020; M-05-MC-12-0020
- HOPWA – FL29H03-F003; FL29H04-F003; FL29H05-F003

Criteria:

A pass-through entity is responsible for monitoring subgrantees to provide reasonable assurance that they expend grant awards in compliance with Federal and contractual requirements. Monitoring activities may take various forms, such as reviewing financial and programmatic records, interviewing staff and participants, observing operations, arranging for limited scope audits of subrecipient activities, and reviewing single audit results.

Conditions:

We noted the following with respect to the CDBG program:

- Real property acquired or improved with CDBG funds in excess of \$25,000 is subject to “minimum use” requirements. Such properties must be used to meet one of the national objectives (as defined) until five years after expiration of the agreement, or for such longer period of time as determined to be appropriate by the recipient. The City does not have a comprehensive list of properties subject to these minimum use requirements and does not have a monitoring process in place to ensure compliance with these requirements.
- The City did not monitor the Centre for Woman contract (Senior Housing Rehabilitation) with respect to eligibility or environmental requirements.
- The City did not monitor the Hillsborough County Small Business contract for compliance with the “national objective.”

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

We noted the following with respect to the HOME program:

- The City did not monitor the Centre for Woman contract (Emergency Repairs) with respect to eligibility or environmental requirements.

We noted the following with respect to the HOPWA program:

- Any building or structure assisted with funds under HOPWA must be maintained as a facility to provide housing or assistance for individuals with AIDS or related diseases for a minimum time period (generally 10 years). Compliance with this requirement was not specifically documented in the monitoring reports we read. In addition, there is one HOPWA-assisted facility (owned by a former program sponsor) that was not subject to any monitoring activity.
- The City did not monitor two of the ten HOPWA program sponsors in FY 2006. These sponsors were scheduled to be monitored in October of 2006 but this has not yet occurred.

Questioned Costs:

Unknown

Context/Effect:

The City was unable to fully document its compliance with respect to the monitoring of subgrantees.

Recommendation:

We recommend continued focus on and oversight of the monitoring process. An annual monitoring schedule should be developed, formalized and approved at the beginning of each program. It should include all agencies/contracts subject to monitoring and the specific procedures applicable to each. This schedule should be the primary control mechanism to ensure that all agencies are monitored and that the procedures applied are adequate. We also recommend more detailed documentation of monitoring visits, including:

- Names (or identification number) of files or properties selected for review.
- Completion of checklists and/or a specific list of procedures performed.
- Justification of sample size used (where applicable).

HCD should evaluate its monitoring processes on a periodic basis to determine if resources are sufficient.

Management's Response:

HCD is in the process of evaluating the monitoring policy and procedure for each federal and state program. Included in this evaluation is the review of program checklist and a specific list of procedures performed to assess the level of detailed documentation reviewed during monitoring visits. Annual monitoring schedules for each program are being reviewed to ensure all agencies subject to monitoring are included. HCD is in the process of hiring a Contract Monitor that will assist with agency contract monitoring.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Finding 2006-2

U.S. Department of Housing and Urban Development

Program: Community Development Block Grant (CDBG)

CFDA number: 14.218

Award numbers: B-98-MC-12-0020; B-01-MC-12-0020; B-02-MC-12-0020; B-03-MC-12-0020;
B-04-MC-12-0020; B-05-MC-12-0020

Criteria:

Compensation for personnel services rendered in conjunction with Federal awards must be documented and supported as described in OMB Circular A-87. Where employees work on multiple activities, a distribution of their salaries should be supported by personnel activity reports that meet the following standards:

- (a) Reflect an after-the-fact distribution of the actual activity of each employee.
- (b) Account for the total activity for which each employee is compensated.
- (c) Be prepared at least monthly and must coincide with one or more pay periods.
- (d) Be signed by the employee.
- (e) Budget estimates determined before the services are performed do not qualify as support for charges but may be used for interim accounting purposes (as further described in Circular A-87).

Conditions:

Compensation costs for two staff members in the Budget Department and two staff members in Finance were allocated to the CDBG program. We observed the payroll allocations for these four employees and noted that the allocation percentages used were not substantiated by supporting documentation as described above.

Questioned Costs:

\$188,450

Context/Effect:

We observed no other salary amounts allocated in this manner.

Recommendation:

Allocations must be based on underlying data rather than estimates and should be updated on a periodic basis. We recommend the Budget and Finance Departments use weekly timesheets to support allocations of payroll costs. Employees that work exclusively on one grant can sign a semiannual statement to this effect. They would not be required to complete timesheets. All processes relating to cost allocation should be documented in the Policies and Procedures Manual.

Management's Response:

The city concurs with this comment. The Budget and Finance Departments will use weekly timesheets to support allocations of payroll costs. Additionally, any employee working exclusively on one grant will sign a semi-

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

annual statement to this effect and will not be required to complete timesheets. The policies and procedures manual will be updated accordingly.

Finding 2006-3

Federal Agency: U.S. Department of Housing and Urban Development

Program: Community Development Block Grant (CDBG)

CFDA number: 14.218

Award numbers: B-05-MC-12-0020

Criteria:

The City is required to ensure that contractors and subcontractors are paid prevailing wage rates for construction projects covered by Davis-Bacon and Related Acts.

Conditions:

The City did not, in some cases, maintain sufficient documentation and/or have sufficient controls in place to determine whether contractors and subcontractors were paid prevailing wage rates for construction projects covered by the Davis Bacon (DB) Act.

Ten CDBG projects selected for expenditure test work were subject to DB requirements. The City maintained DB records for seven of these projects and a subrecipient maintained documentation for the remaining two projects. The City was unable to locate DB records for one project. We requested 22 payroll records from the seven projects maintained by the City and noted issues in 12 cases.

Questioned Costs:

Unknown

Context/Effect:

The City could be liable for additional payment of wages to construction workers if the wage rates actually paid were less than prevailing rates (as defined by the Department of Labor.)

Recommendation:

Oversight of Davis Bacon (DB) compliance varies, depending upon the type of project. Projects managed by the City's Public Works Department are reviewed by one person, projects managed by the Housing Department are reviewed by another individual, and projects involving the Tampa Housing Authority are subject only to periodic monitoring. We recommend the City consider centralization of DB compliance, so that the process is handled consistently.

HCD has recently developed and formalized policies and procedures for DB. Written policies and procedures relating to DB should be established for other involved departments as well. The DB coordinator should be part of the review process for all applicable invoices. Prior to remitting any payments to contractors, the DB

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

coordinator should formally indicate his/her approval of the invoice based upon the contractor's compliance with the DB Act.

Management's Response:

The City partially concurs with this comment. While the timeliness of obtaining the documentation could have been improved, the City feels that this is a concern and not a finding. A finding is a "deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized." While the Davis Bacon monitoring records were not complete at the beginning of the audit process, all certified documents were provided to the KPMG audit staff prior to the conclusion of the audit. Additionally, all contractors were found to be in compliance with the Davis Bacon and other Related Acts, therefore no sanctions or corrective actions could be authorized.

Based upon comments from the prior year's audit, the city provided training to staff involved in the compliance review for Davis Bacon and implemented control mechanisms as a part of the invoice payment process. These controls, however, were enacted mid-year, so a majority of the initial deficiencies occurred prior to this time. While the City does not currently have the staffing in place to consolidate these responsibilities as recommended, it will refine the Davis Bacon policies and procedures to ensure this process is handled consistently throughout the City.

Finding 2006-4

Federal Agency: U.S. Department of Housing and Urban Development

Program: Housing Opportunities for People with Aids (HOPWA)

CFDA number: 14.241

Award numbers: FL29H03-F003; FL29H04-F003; FL29H05-F003

Criteria:

Grant expenditures must be subject to the appropriate level of review to ensure that costs are allowable under the grant and are supported by adequate documentation.

Conditions:

We selected 25 expenditure items to ensure that costs were allowable under the grant and were supported by adequate documentation. Most HOPWA expenditures are associated with cost-reimbursement contracts between the City and Program Sponsors (or subrecipients). The expenditures in our sample were not, in some cases, accompanied by adequate supporting documentation. Examples include the following:

- Payroll charges not supported by underlying documentation, such as timesheets and payroll registers. (Noted for two of 10 program sponsors.)
- Allocations of operating costs to HOPWA based upon estimates or other undocumented methodologies. (Noted for four of 10 program sponsors.)

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

- Invoices for operating costs that did not clearly identify the items purchased and/or were not clearly coded to the HOPWA program. (Noted for three of 10 program sponsors.)
- Forty hours of religious training charged to HOPWA.
- Administrative charges of 7% that were not supported by any underlying documentation. (Noted for two of 10 program sponsors.)
- Charges that appeared to be “administrative” in nature classified as “operating.” (Noted for three of 10 program sponsors.)

Questioned Costs:

None. The HOPWA program coordinator addressed each issue with the appropriate Program Sponsor and adjusted final invoices as determined necessary.

Context/Effect:

Expenditures totaling \$751,576 were selected for testing. Total HOPWA program expenditures for FY 2006 were \$2,350,947. We selected at least one invoice from each of the City’s HOPWA program sponsors.

Recommendation:

We recommend a more extensive review process for sponsor invoices. A checklist was developed in late FY 2006 to guide staff through the detail review of cost-reimbursement invoices. We recommend continued use of this checklist. Once the checklist has been completed and signed by staff, the invoice and completed checklist should be reviewed and approved by a manager.

The HOPWA grant covers a large geographic area and has a variety of sponsors carrying out different programs. To fulfill the City’s obligations with respect to this diverse program, we recommend HCD designate one staff person, on a full-time basis, to oversee this grant. We also recommend additional support staff to review invoices and perform other administrative tasks as required. The City has not been fully expending its 3% administrative allowance and thus has HOPWA administrative funds available.

Management’s Response:

The HOPWA Checklist, developed in 2006, is now being used for detailed review of cost-reimbursement. This checklist is acceptable to KPMG and HUD. The checklist will be reviewed and signed by management prior to processing request for cost reimbursements. HCD is in the process of hiring a Contract Monitor to assist the HOPWA coordinator with various required administrative tasks.

Finding 2006-5

Federal Agency: U.S. Department of Housing and Urban Development

Program: Home Investment Partnerships Program (HOME)

CFDA number: 14.239

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Award numbers: M-03-MC12-0222

Criteria:

HOME program funds must be committed to affordable housing within 24 months of the date granted. HOME program funds are available to participating jurisdictions for expenditure for affordable housing activities for a period of five years. HUD may reduce or recapture funds that are not committed or expended within these time periods.

Condition:

The HOME "Deadline Compliance Status Report" (updated as of 12/31/06) shows uncommitted 2004 grant funds of \$175,873.

Questioned Costs:

None

Context/Effect:

The City is at risk of losing HOME grant funds of \$175,873.

Recommendation:

The City is aware that they need to spend HOME funds expeditiously and are pursuing various strategies. We recommend, however, the City take a more aggressive approach to budgeting program income and awarding HOME funds. The City has been receiving large amounts of program income each year, but is including much smaller amounts in its procurement process (the HUD Annual Action Plan). Changes in this process need to be made to avoid this potentially damaging issue of not meeting the HOME commitment and expenditure levels.

Management's Response:

HCD has formalized the issuance of a Request for Proposal for Affordable Housing Developments. This process is intended to solicit HOME program eligible, multi-unit projects that require large financial subsidy. This effort is intended to aggressively market the HOME program resources. Based on expenditures of funds over the past fiscal year, HCD rate of expenditure has increased and HOME funds are being spent more expeditiously. HCD is meeting with the Budget Office to better coordinate the commitment and expenditure of HOME program entitlement and HOME program income funds in timely manner.

Finding 2006-6

Federal Agency: U.S. Department of Housing and Urban Development

Program: Home Investment Partnerships Program (HOME)

CFDA number: 14.239

Award numbers: M-98-MC-12-0222; M-99-MC-12-0222; M-00-MC-12-0222; M-01-MC-12-0222;
M-03-MC-12-0222; M-04-MC-12-0222; M-05-MC-12-0222

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Criteria:

Each participating jurisdiction (PJ) must provide eligible matching contributions of 25% of HOME funds drawn from the U.S. Treasury during the fiscal year (excluding certain draws relating to administration and CHDOs.) Match funds must be contributed permanently to the HOME program and as such, all repayment, interest or other return on investment must be deposited in the PJ's HOME account to be used for HOME projects (24 CFR 92.218-222 and 92.220(a)(1)).

Conditions:

The City utilizes the State Housing Initiatives Partnership (SHIP) program to fulfill "match" requirements. The City was not aware, however, that SHIP loans used as "match" must be permanently contributed to the HOME program. As such, program income from any SHIP match loans that have been repaid was not deposited in the HOME account as required.

Questioned Costs:

The City has not yet determined whether any loans used as "match" have been repaid and if so, how much program income was incorrectly deposited into the SHIP program (instead of HOME).

Context/Effect:

It appears that this situation has existed since the time the City began using the SHIP program to meet its "match" requirement.

Recommendation:

We recommend the City determine whether any loans used as "match" have been repaid. If this situation has occurred, the City needs to develop a plan to reimburse the HOME program (from the SHIP program) for any such amounts.

We recommend the City develop detail policies and procedures with respect to HOME match and provide training for all personnel involved in the HOME match process. As part of this process, the City needs to develop procedures to separately identify SHIP "match" loans and ensure repayment of these loans is deposited into the HOME Investment Trust Fund local account. The City should revise and refile its 2006 match report with HUD, based upon the new procedures.

Management's Response:

HCD will research previous HOME match reports to determine the implications of using SHIP funds as match and the implications of the correct receipt of SHIP program income. HCD is considering other forms of match for the HOME program.

Finding 2006-7

Federal Agency: U.S. Department of Housing and Urban Development

Program: Home Investment Partnerships Program (HOME)

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

CFDA number: 14.239

Award numbers: M-99-MC-12-0222; M-04-MC-12-0222

Criteria:

Eligible administrative and planning costs for the HOME program are described in 24 CFR 92.207.

Condition:

The City owns real property (lots and houses) that it intends to use in an “in-fill” housing program. The City charged \$35,401 of property taxes and \$16,978 of other costs (such as appraisals) associated with such properties to the HOME program using its “administrative” allocation. This does not appear to be an allowable use of HOME administrative funds as described in 24 CFR 92.207.

Questioned Costs:

\$49,451

Context/Effect:

There were no other such expenditures charged to the HOME program in FY 2006.

Recommendation:

We recommend the City reimburse the HOME program for these expenditures and fund such costs with nongrant resources until a project is specifically identified for the HOME program.

Management’s Response:

HCD will reimburse the referenced HOME administrative expenditures with HOPE 3 funds.

Finding 2006-8

Federal Agency: U.S. Department of Housing and Urban Development

Program: Community Development Block Grant (CDBG)

CFDA number: 14.218

Award numbers: B-98-MC-12-0020; B-01-MC-12-0020; B-02-MC-12-0020; B-03-MC-12-0020;
B-04-MC-12-0020; B-05-MC-12-0020

Criteria:

Grant expenditures must be subject to the appropriate level of review to ensure that costs are allowable under the grant and are supported by adequate documentation.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Condition:

We selected 25 expenditure items to ensure that costs were allowable under the grant and supported by adequate documentation. We noted the following exceptions:

- West Tampa CDC – Administrative costs of \$14,077 were not adequately documented.
- Center for Women – Documentation associated with the Senior Housing Rehabilitation program was not sufficient in some areas. Administrative payroll charges of \$6,208 were not supported by timesheets and the methods used to allocate overhead charges of \$6,662 were not documented.

Questioned Costs:

\$26,947

Context/Effect:

Expenditures totaling \$2,466,001 were selected for testing.

Recommendation:

We recommend the City review and update its policies with respect to review and approval of subrecipient invoices for the CDBG program. Sufficient documentation should be gathered, reviewed, and approved prior to making any payments. Documentation should be required to support all aspects of the work performed by subrecipients, whether on a cost-reimbursement basis, performance basis, or unit-price basis. Specific documentation requirements should be incorporated into all contracts.

Management's Response:

HCD has researched the above referenced comments and has corrected any deficiencies in CDBG policies and procedures related to documentation for payments.

Finding 2006-9

Federal Agency: U.S. Department of Housing and Urban Development

Programs: Community Development Block Grant (CDBG)
Home Investment Partnerships Program (HOME)
Housing Opportunities for People with Aids (HOPWA)

CFDA numbers: 14.218; 14.239; 14.241

Program Award numbers and award years:

- CDBG – B-98-MC-12-0020; B-01-MC-12-0020; B-02-MC-12-0020; B-03-MC-12-0020; B-04-MC-12-0020; B-05-MC-12-0020
- HOME – M-98-MC-12-0020; M-99-MC-12-0020; M-00-MC-12-0020; M-01-MC-12-0020; M-03-MC-12-0020; M-04-MC-12-0020; M-05-MC-12-0020
- HOPWA – FL29H03-F003; FL29H04-F003; FL29H05-F003

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Criteria:

The City must provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Condition:

The City has various schedules that are used throughout the year to compare Integrated Disbursement and Development System (IDIS) cash draws to grant expenditures. They do not, however, have any year-end controls in place to ensure that reports submitted to HUD met the above criteria. There was no formal review process associated with the HUD financial reports.

Questioned Costs:

None.

Context/Effect:

The City subsequently reconciled financial data per the general ledger to year-end IDIS reports.

Recommendation:

We recommend a written policy that establishes responsibility and describes the procedures for reconciliation of all year-end HUD reports. Supervisory review of reports should be included to assure accuracy and completeness of the data and information included in the reports. The general ledger (or other reliable records for nonfinancial data) should be the basis for the reports. Reconciliations and management reviews should be formally documented.

The City should maintain ongoing reconciliations of financial data in FAMIS to housing department documentation and reports. These reconciliations are made more difficult by the City's accounting set-up. The City maintains a separate set of general ledger accounts for each open grant year. In FY 2006, there were SIX open grant years for CBDG and eight for HOME. As such, these various sets of records must be combined to analyze expenditures, draw cash, reconcile activity to IDIS, etc. We recommend the City consider simplifying its general ledger system and utilize one set of records for each program.

Management's Response:

The City partially concurs with this comment. The criteria for this finding was that the City must provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

While the City has not established a formal written policy for this year-end reconciliation, City staff members utilize the tools and policies already in place to ensure that the CAPER meets the above criteria. By comparing previous and current year-end FAMIS reports to the IDIS reports, the City is able to verify that expenditures and drawdowns reconcile. Based upon this information, the City asserts that this, too, is not a finding but a concern. The City does, however, agree that a formal reconciliation that can be reviewed by auditors and HUD would be a useful tool.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

As a means to address this concern, as recommended, the City will develop a written policy that establishes and describes the procedures for reconciliation of all year-end HUD reports. Additionally, the City will consider the recommendations concerning the City's financial accounting software and limitations in the general ledger system.

Finding 2006-10

Federal Agency: U.S. Department of Housing and Urban Development

Program: Housing Opportunities for People with Aids (HOPWA)

CFDA number: 14.241

Award numbers: FL29H03-F003; FL29H04-F003; FL29H05-F003

Criteria:

If grant funds are used to provide a community residence, the grantee must, prior to the expenditure of such funds, obtain and keep on file certifications relating to the services to be provided, the adequacy of funding, and the capabilities of the project sponsor (24 CFR Section 574.340).

Condition:

The City has one HOPWA sponsor that operates two community residences. The required certifications were on file, but were not signed until September 26, 2006, which was after the expenditure of funds.

Questioned Costs:

None.

Context/Effect:

The City is not in compliance with this requirement.

Recommendation:

We recommend the City obtain the required certifications in a timely manner.

Management's Response:

Certification will be obtained in a timely manner.

Finding 2006-11

Federal Agency: U.S. Department of Housing and Urban Development

Programs and CFDA numbers:

- Community Development Block Grant (CDBG), CFDA No. 14.218
- Home Investment Partnerships Program (HOME), CFDA No. 14.239
- Housing Opportunities for People with Aids (HOPWA), CFDA No. 14.241

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Program Award numbers and award years:

- CDBG – B-98-MC-12-0020; B-01-MC-12-0020; B-02-MC-12-0020; B-03-MC-12-0020; B-04-MC-12-0020; B-05-MC-12-0020
- HOME – M-98-MC-12-0020; M-99-MC-12-0020; M-00-MC-12-0020; M-01-MC-12-0020; M-03-MC-12-0020; M-04-MC-12-0020; M-05-MC-12-0020
- HOPWA – FL29H03-F003; FL29H04-F003; FL29H05-F003

Criteria:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. When a non-federal entity enters into a covered transaction with an entity at a lower tier, they must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (OMB Circular A-133; 24 CFR 24.300).

Condition:

The City did not verify that entities were not suspended or debarred prior to entering into a covered transaction (e.g., basically a vendor contract > \$25,000 or any subaward to a subrecipient).

Questioned Costs:

None

Context/Effect:

The City did not verify this information for any covered transactions associated with CDBG, HOME, or HOPWA grants.

Recommendation:

We recommend the City establish written policies and procedures with respect to suspension and debarment for HUD grants. Prior to entering into a covered transaction, the City should verify that the entity is not suspended or debarred using one of the methods described above.

Management's Response:

HCD will modify the CDBG, HOME, HOPWA, and EPLS policy and procedures to verify, prior to entering into a covered transaction, that each entity selected for funding is not suspended or debarred for HUD grants.

(4) Findings Associated with State Awards

Finding 2006-12

State Agency: Department of Community Affairs

Program: State Housing Initiatives Partnership (SHIP) Program

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

CSFA number: 52.901

Award number: S.420.9073

Criteria:

A pass-through entity is responsible for monitoring subgrantees to provide reasonable assurance that they expend grant awards in compliance with state and contractual requirements. For the SHIP program, rental units constructed, rehabilitated or otherwise assisted with SHIP funds must be monitored at least annually for 15 years or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements.

Conditions:

The City has not monitored Mobley Park Apartments to determine compliance with tenant income and affordability requirements. The number of SHIP-assisted units was never designated for this project. The City is now in the process of getting units designated for SHIP purposes.

Expenditures associated with three multi-family projects were included in the SHIP Annual Report filed in September 2006. The City monitored these projects for initial compliance with tenant income and rental rate requirements. In some cases, however, the individuals/units monitored differed from the units included in the SHIP Report. As such, the City was unable to ascertain the eligibility of each unit included in SHIP Report.

The City received tenant income certifications for the two HOME-assisted units managed by Versaggi Properties. One certification did not contain income data for all household members and the second certification was outdated.

Questioned Costs:

Unknown.

Context/Effect:

We observed monitoring documentation and monitoring reports associated with all SHIP-assisted rental housing projects.

Recommendation:

As noted above, HCD is in the process of getting SHIP units designated for the Mobley project. We recommend monitoring of the Mobley project on an annual basis as required. If HCD intends for this project to be monitored by a third party (in conjunction with its low-income housing tax credits), HCD should coordinate this with the appropriate party and obtain the monitoring reports to ensure compliance with all SHIP requirements.

We recommend the City ensure that rental units included in the SHIP Annual Report are monitored for compliance with income and affordability requirements. We also recommend more detailed documentation of monitoring visits and training (as needed) for Versaggi Properties on income certification requirements.

CITY OF TAMPA, FLORIDA

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Management's Response:

HCD is in the process of sending the new project owner a letter requesting the formal designation of the SHIP units at Mobley Park Apartments. HCD has monitored this project and obtained State FHFA Tax Credit Annual Reports documenting the number and income eligibility of the SHIP units at Mobley Park Apartments, but the formal designation has not been received. Once designated for this project, all SHIP units will be monitored.

HCD will ensure rental units included in the SHIP Annual Report are monitored for compliance with income and affordability requirements. Additional detailed documentation of monitoring visits and training will be included in monitoring reports.



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Management Letter

The Honorable Mayor and Members of City Council
City of Tampa, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tampa, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2007.

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; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have also issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, and our Report on Compliance and Internal Control Applicable to Each Major Federal Program and State Project, and the related Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 16, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental audits performed in the state of Florida and require certain items be addressed in this letter.

The *Rules of the Auditor General*, Section 10.554(1)(h)(1), require that, unless otherwise required to be reported in the auditors' report on internal control over financial reporting and on compliance and other matters or in the schedule of findings and questioned costs, a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of prior year recommendations is discussed in Appendix B.

As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(2), the scope of our audit included a review of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General*, Section 10.554(1)(h)(3), require that we address in the management letter any findings and recommendations to improve the City's financial management, accounting



procedures, and internal controls. Recommendations to improve the City's financial management, accounting procedures, and internal controls are included in Appendix A.

The *Rules of the Auditor General*, Section 10.554(1)(h)(4), require disclosure in the management letter of the following matters if not already reported in the auditors' report on internal control over financial reporting and on compliance and other matters or in the schedule of findings and questioned costs, unless clearly inconsequential:

- (a) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit.
- (b) Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
- (c) Deficiencies in internal control that are not reportable conditions, including, but not limited to:
 - (1) Improper or inadequate accounting procedures (i.e., the omission of required disclosures from the annual financial statements);
 - (2) Failures to properly record financial transactions; and
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The results of our audit disclosed no violations of laws, rules, regulations or contractual provisions or abuse, no improper or illegal expenditures, or other deficiencies in internal control.

The *Rules of the Auditor General*, Section 10.554(1)(h)(5), also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes of the financial statements. In that regard, the legal authority to establish a municipality is Article 8, Section 2(a) of the Constitution of the state of Florida. The City of Tampa was created under the laws of Florida number 745 of the year 1855 and number 3779 of the year 1887. The Community Redevelopment Agency (CRA) component unit was created in 1982 under part 3 of Chapter 163 of the Florida Statutes and the City of Tampa ordinance numbers 2119-H and 2871-H. The Florida Aquarium, Inc., discretely presented component unit, was created in 1986 as a Florida subchapter C nonprofit corporation as defined in Internal Revenue Service regulation section 501(c)(3). The Aquarium assets were purchased and a management agreement was enacted by the City in 1996 as authorized by City of Tampa ordinances numbers 96-1653, 96-1880, 96-1902, and 96-1922. The Tampa Historic Streetcar, Inc, discretely presented component unit, was incorporated November 20, 1998 as a not-for-profit organization.

As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(6)(a) the scope of our audit included a review of the provisions of Section 218.503(1), *Florida Statutes* regarding financial emergencies. In connection with our audit, we determined that the City is not in a state of financial emergency as a consequence of conditions described in Section 218.503(1), *Florida Statutes*.

As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(6)(b) we determined that the annual financial report for the City of Tampa for the fiscal year ended September 30, 2006, to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.



As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(6)(c) and 10.556(7), we applied financial condition assessment procedures pursuant to Section 10.556(7), *Rules of the Auditor General*. 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 the same.

* * * * *

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

KPMG LLP

February 16, 2007
Certified Public Accountants

Current Year Recommendations

General Employees Retirement Fund

We noted during our review of the actuarial report for the General Employees Retirement Fund that the actuary is using the 1983 Group Annuity Mortality Table. This mortality table is more than 20 years old and has been updated several times. We suggest the City consider having the actuary utilize a more current mortality table (such as the RP-2000 Mortality Table) when performing future actuarial analysis.

Management's Response

We will discuss the recommendations with the City and state actuaries to determine the appropriateness of the same.

Schedule of Expenditures of Federal Awards and State Financial Assistance

The City prepared four versions of the Schedule of Expenditures of Federal Awards and State Financial Assistance before determining that the schedule was accurate. As a result, the determination of the major federal programs and state projects subject to audit was revised four times and ultimately resulted in identifying an additional major state project subject to audit in the later stages of fieldwork.

We recommend procedures be developed to help ensure that the schedule of expenditures of Federal awards and state financial assistance is being prepared accurately and completely.

Management's Response

We will review our current procedures to determine whether changes need to be made.

Construction in Progress

We noted during our testing of fixed assets that construction projects in progress (CIP) is tracked outside of the FAACS system and that a reconciliation of CIP to the general ledger is not being performed timely.

We recommend that procedures be developed to ensure that a timely reconciliation between the FAACS system and supporting documentation of CIP additions recorded in the general ledger be prepared and that such reconciliation be reviewed by someone other than the preparer.

Management's Response

We will review our current procedures to determine whether changes need to be made.

System Access – Powerful System ID's for Network/Peoplesoft

During our review, KPMG noted that three system id's retained powerful access which seemed inappropriate: eadmin, emstest, and networktp. As a result of inappropriate powerful access existing, the risk of changing production systems without appropriate checks and balances is present.

To mitigate the risk of powerful access to production data and applications, KPMG recommends that the City limit the use of powerful system id's to only those specific personnel who require it as a nature of their job function. Having test id's with super user access, for example, opens the system up to inappropriate changes or data modifications. Additionally, generic id's that are not specific to an individual are difficult to track and produce audit trails that often cannot be linked back to a specific individual.

Management's Response

We agree with this recommendation. The accounts have been removed from NDS. These accounts did not have access to the HRMS and were used for System Backup and NAS storage.

Retention of Unit Testing Documentation for Peoplesoft

While appropriate testing and sign off processes are in place, KPMG noted that PeopleSoft Unit Testing is not retained. As a result of testing documentation not being retained, KPMG could not gain complete confidence that testing occurs before migration of changes to production for Peoplesoft changes, both standard and emergency. The risk of migrating changes to production without appropriate approvals could result in production data or code being modified without business knowledge or oversight.

To mitigate the risk of production changes without approvals, the City should retain all documentation to provide reasonable assurance that any changes to production on a normal basis or an emergency basis, for the Peoplesoft system, have gone through the appropriate channels of approval and authorization.

Management's Response

We agree with this recommendation and development of change management processes is underway.

Hard-Copy Documentation Authorizing Development/System Changes

Verbal approvals or the origination of the change request are accepted currently as authorization for program change/program development activities. Unauthorized or unapproved changes to the production environment for financially significant applications can compromise the data integrity/processing capability of the system and result in a misstatement of financial data.

To mitigate the risk of unauthorized changes to the production environment, the City should require that all verbal authorizations be followed up by a hard copy change request, or at the least retain electronic correspondence that documents the authorization process in all cases.

Management's Response

We agree with this recommendation and development of change management processes is underway.

Application Configuration Change Management Controls

During our review, KPMG noted that no controls were identified to ensure that application configuration changes are properly authorized, tested, and approved. As a result of inadequately documented and functional controls over application configuration changes, system parameters or variables may not be subject to the same change management processes as changes to code or underlying infrastructure. This creates the risk of procedural inconsistencies in the production environment, which could result in a system failure or jeopardize continuity or data integrity within the Financial Applications.

Application configuration change management procedures should be formally documented and followed at all times.

Management's Response

We agree with this recommendation and development of change management processes is underway.

Data Migration Controls

During our review, KPMG noted that no controls were identified to ensure that data migrations due to system changes or development are properly verified as retaining the integrity of the migrated financial

data. As a result of improper data migration, financial data and other sensitive information may become corrupted and unusable. This creates the risk of inconsistencies in the production environment, which could compromise continuity or data integrity within the Financial Applications.

Data migration controls that focus on the testing of the underlying financially significant data should be properly documented and placed into practice, thus reducing the potential for data corruption or loss of use in financial applications.

Management's Response

We agree with this recommendation and development of change management processes is underway.

Test Restorations

During our review, KPMG noted that no controls were identified to address test restorations of financial applications. As a result of not testing the restoration process, the risk of backup media being corrupt or unusable is not mitigated, and the level of knowledge of systems personnel in performing complex restorations of financial data could not be verified.

KPMG recommends that the City perform at least one test restoration of each financially significant application throughout the course of the fiscal year. Optimally, the test restorations should occur semi-annually to ensure that the backup media is of usable quality and that the staff is knowledgeable in how to effectively restore financial applications so that when a production restoration is necessary there will be a necessary level of familiarity.

Management's Response

We agree with this recommendation. The financial systems in use by the City are an unsteady patchwork of legacy hardware and software systems. For systems that have an alternate, nonproduction environment, a periodic restoration test should be performed. Development of a way ahead plan is underway.

Access Controls Over Backup Media

During our review, KPMG noted that no controls were identified to address the physical access to backup media. As a result of not having appropriate controls over backup media, the risk of fraud or corporate malevolence is not mitigated, and inappropriate personnel could have access to financially sensitive and significant data.

KPMG recommends that the City implement appropriate controls to provide for the security of the backup tapes and backup media. For financially significant applications, the backup media should be stored in a locked safe at the minimum, with access to the combination restricted to only those personnel whose job functions require access to the backup media. Additionally, KPMG recommends processes be put in place by which new user access to backup media is properly approved, existing access is regularly reviewed, and access for terminated employees is immediately revoked.

Management's Response

We agree with this recommendation. Backup tapes are created and sent to a secure vault facility daily. Between the time they are created and picked up, they are in the secure computer room. Procedures will be developed to further secure the tapes while awaiting pick-up. New user access is approved at the time of employment and training completion. Access to computer room is terminated upon end of need.

Prior Year Recommendations

Review of Construction in Process

We noted in our review of construction projects in progress (CIP), that several significant projects had not been transferred timely into fixed assets. Currently, CIP projects are only closed and transferred to fixed assets by the Property Control Department upon the receipt of a completed capital outlay form from the individual departments. The Property Control Department does send quarterly reminders to the department supervisors requesting them to complete and submit capital outlay forms on a timely basis. In addition, we noted two projects totaling \$11.8 million which were transferred out of CIP as a result of the department's determination that the projects provided no future economic benefit. We recommend the City enhance its existing procedures regarding set up and close out of CIP projects. Policies should be developed to help ensure that only future capital assets are recorded as CIP. Additionally, each project's status should be frequently monitored. Such monitoring should include a review for current activity as well as variances in expected completion dates.

Current Year Status: The City is reviewing its current policies and procedures and expects to take the steps recommend by the auditors.

Information Technology Control Policies and Procedures

Inappropriate System Access to the Utility Billing Rate Codes is MSS

During our review, we noted that the ability to make changes in the Utility Billing system (MSS) is not restricted appropriately. Upon review of the user access list to update the rate codes, there were seven members of the Utility IT Team identified with inappropriate access to make changes in the Rate Codes in the MSS system. As a result of the inappropriate access being assigned, the risk that utility billing rate codes could be changed to an inappropriate amount exists.

To mitigate the risk of user access to sensitive data and applications, we recommend that the City review system access levels granted on a semiannual basis to help confirm users only have access rights necessary to execute their respective job responsibilities.

Current Year Status: The security group that included rate functions and some miscellaneous system configuration functions has been revised. Two security groups – one for configuration functions and one for rate functions – have been created. ITS staff are not authorized for the security group with rate functions. System access levels are being reviewed on an annual basis.

Inappropriate System Access to Update Pay Rate Codes in PeopleSoft

We noted that the ability to make changes to the pay rate codes in PeopleSoft is not restricted appropriately. Upon review of the user access list to make changes to the pay rate codes in PeopleSoft, there was one user identified as having inappropriate access. The Lead System Analyst was on the Security Group with access to change the pay rate codes for the IAFF Define Department. Upon discussions with management, we noted that system access was removed for the user exceptions that were identified during our review. As a result of the inappropriate access being assigned, the risk that pay rate codes could be changed to an inappropriate amount exists.

To mitigate the risk of user access to sensitive data and applications, we recommend that the City review system access levels granted on a semiannual basis to help confirm users only have access rights necessary to execute their respective job responsibilities.

Current Year Status: Access to the identified functions has been corrected and system access levels are being reviewed on an annual basis.

Inappropriate System Access to Powerful System Level ID's

During our review, we noted that the previous Senior Security System Analyst user ID was still present in the Netware Admin Group and RACF Mainframe access with Special and Operations Privileges. The High Level Administrative Accounts with Full Access to Applications and Data was not disabled, revoked, or removed when the employee terminated. Furthermore, the password was not changed. As a result of the inappropriate access being assigned, the risk of migrating an unauthorized change into the production environment, which could result in a system failure, exists.

To mitigate the risk of user access to sensitive data and applications, we recommend that the City review system access levels granted on a semiannual basis to help confirm users only have access rights necessary to execute their respective job responsibilities.

Current Year Status: Access to the identified functions has been corrected and system access levels are being reviewed on an annual basis. However, see also similar current year finding.

Inappropriate Physical Access to the Data Center and Computing Environment

During our review, we noted that over 200 library employees have access to the Data Center with their Key Card. This list should be reduced to only employees that require access to the Data Center. As a result of the inappropriate access being assigned, the risk of unauthorized access to the physical production environment, which could result in a system failure, exists.

To mitigate the risk of user access to hardware supporting sensitive data and applications, we recommend that the City review the list of physical access granted to the Data Center on a semi-annual basis to help confirm users only have physical access necessary to execute their respective job responsibilities.

Current Year Status: Access to the Data Center is reviewed on an annual basis and access is limited to authorized personnel.

KPMG Response to Current Year Status: We identified 150 personnel in the current year who continue to have access. To mitigate the risk of user access to the servers that house the financially significant applications, KPMG recommends that the City business owners review physical access levels to the data center and restrict it appropriately to only those people who need access as a necessary part of their job function.

Lack of Formal Documentation of Policies and Procedures

During our review, we noted that formally documented policies and procedures did not exist for key control areas. The following missing areas were noted in our review:

- User Access Administration
 - Password Parameters
 - User Access Change Policies Including Termination
 - Access to Powerful System Level ID's for In-scope Systems
 - Physical Access to the Data Center Housing the Computing Environment

- Change Management Procedures for Mainframe Applications
 - Roles and Responsibilities
 - Testing and Approval Requirements

- Access to Migrate Changes
- Emergency Change Management Policies for Mainframe Applications

- Computer Operations Management
 - Management of Automated or Scheduled Jobs
 - Backup and Restore procedures
 - Backup Media Handling

As a result of missing or inadequately documented policies and procedures, the risk of procedural inconsistencies in the production environment exists, which could result in a system failure or jeopardize continuity in the City's financial applications.

To mitigate the risk of missing or inadequate documented policies and procedures, we recommend the City develop formally documented policies and procedures for key control areas.

Current Year Status: Various levels of documented policies, procedures and forms exist which cover the key change control and management areas. Information Technology Services (ITS) doesn't feel that there is inherent risk in the current practices in use. See similar current year comments.

Housing and Community Development Department

In performing the single audit of several grants administered by the Housing and Community Development Department (HCD), while we noted some improvements in the later portion of the fiscal year, we noted several observations presented for your consideration.

Payment of SHIP and Emergency Shelter Grant (ESG) Administrative Costs with CDBG Funds

The City is utilizing CDBG funds to pay for some of the administrative costs of the SHIP and ESG programs. Although grant regulations clearly allow the payment of HOME administrative costs with CDBG funds, it is not clear that this is an acceptable practice for the SHIP and ESG programs. We recommend the City address this concern with their HUD representative.

Current Year Status: The City is following up with HUD on this matter.

Timely Expenditure of CDBG Funds

The City has struggled for several years to meet the HUD expenditure ratio of 1.5 (evaluated each July 31) for the CDBG program. To meet the ratio in FY 2005, the City had to take significant actions in the months prior to July 31. We noted, for example, that the City amended its HUD Action Plan in the third quarter to include a new \$500,000 project. The timing on this project was so fast, that all work was completed before the City entered into a contractual agreement with the subgrantee. The City also amended several contracts (including one from \$30,000 to \$300,000) to spend money more quickly. The City has been receiving large amounts of program income each year, but is including much smaller amounts in its budgeting process (the HUD Annual Action Plan). Changes in this process need to be made to avoid this potentially damaging issue of not meeting the CDBG expenditure ratio.

Current Year Status: City staff meets regularly to monitor the expenditure ratio.

Lien Releases

Lien releases were not included in some of the construction files we observed. To protect the City against possible liability and loss, we recommend obtaining lien releases from contractors and subcontractors prior to making payments.

Current Year Status: HCD's revised grant payment policies and procedures require lien waivers for all work completed and submitted for reimbursement, along with lien releases from contractors and subcontractors prior to payment on completed work.

Contractual Agreements with Developers

The City entered into contractual agreements with several developers that were constructing or rehabilitating large multifamily rental projects. These projects utilized SHIP and/or HOME funds, as well as private financing and other capital. The SHIP/HOME contracts did not specify the type of project costs that would be paid with grant funds (e.g., hard costs, soft costs, etc.) or when grant funds were to be released (e.g., pro rata basis, first dollars spent, last dollars spent, etc.). We recommend clarification of this information in future contracts.

Current Year Status: SHIP and HOME program agreement have been modified to identify the type of project costs that are eligible and the timing of when the grant funds will be released.