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Management Letter

To the Board of Commissioners
Delray Beach Community Redevelopment Agency
Delray Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 26, 2021.

Auditor's Responsibility

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Reports on Investment Compliance and Redevelopment Trust Fund Compliance on our examinations 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, which are dated March 26, 2021, 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 financial audit report. The following recommendations made in the prior year management letter dated March 20, 2019 were addressed by the CRA and no longer apply: 2018-001 *Bank Reconciliations*, 2019-001 *Locking QuickBooks*, 2019-002 *Segregation of Duties*, 2019-003 *Mathematical Accuracy of Budgets*, 2019-004 *Financial Statement Review*, 2019-006 *Backdating of Checks*, 2019-008 *Account Signers*, 2019-009 *CRA Trust Fund Monies* and 2019-010 *Capital Outlay Coding*.

The following findings reported in the prior year management letter require further action:

2019-005 Payroll Tax Return Reconciliation

We noted that the CRA's payroll tax returns were generated by its payroll service company but the returns were not reconciled to the general ledger during the year. Quarterly payroll tax returns should be reconciled to the general ledger to ensure compliance and proper recording. We recommend that the CRA reconcile the payroll tax returns to the general ledger quarterly.

2020 Update: This comment still needs to be addressed.

2019-007 Segregation of Unspent Debt Proceeds

Debt proceeds are currently held in the same cash account as revenue from other sources. We recommend that debt proceeds be maintained in a separate bank account and general ledger account in order to facilitate the tracking of amounts received and expenses incurred, as well as to provide clear documentation of the funds remaining.

2020 Update: The CRA established an account for debt proceeds during the year but did not utilize the account to facilitate the tracking of amounts received and expenses incurred. We recommend debt proceeds be paid from the designated account or that the amounts spent be transferred out of the account monthly in order to provide clear documentation of the funds remaining.

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the CRA 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 CRA 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 CRA. It is management's responsibility to monitor the CRA'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. The results of our procedures disclosed no matters that are required to be reported.

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 offer the following recommendations:

2020-001 Month End Reconciliations

During our review of reconciliations at September 30, 2020, we noted the following: 1) the payroll accrual for September 30, 2020 had been prepared but had not been posted to QuickBooks, and 2) there was a payable to the CRA recorded on the Block 60 Parking Condominium Association, Inc. ("Block 60") books that was not recorded as a receivable on the CRA's books. Month end

reconciliations are a key control in preparing accurate financial statements. We recommend that the detailed month end checklist that the CRA has established be utilized to ensure that all asset and liability accounts are reconciled and that all required entries are prepared and posted in QuickBooks prior to the generation of financial statements and closing of the fiscal period.

2020-002 Duplicate Check Numbers

We noted two check numbers that were duplicated and used twice in QuickBooks and posted to the general ledger. Failure to compare the beginning check number entered into QuickBooks to the first check number on the physical checks to be printed can result in the wrong check number being assigned to checks posted in the software or the same check number being entered more than once. We recommend that the check number on the physical checks to be printed be compared to the first check number entered into QuickBooks prior to printing the check run.

2020-003 Accounts Receivable Review

We noted that there were a significant number of receivables which were over ninety days past due at September 30, 2020. In response to our inquiry, management noted that the majority of the accounts needed to be adjusted or written off as uncollectible. We recommend that accounts receivable balances be reviewed on a monthly basis and any accounts that are deemed uncollectible be written off.

2020-004 Village Square Elderly, Ltd. Note Receivable

The repayment terms in the promissory note with Village Square Elderly, Ltd. state that payments shall equal the "remaining cash flow from the property after payment of the required payments on the first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year". We noted that no calculation of the amount due had been prepared for 2020 but that the minimum payment of \$25,000 was received by the CRA. The promissory note does not provide a definition of the term "remaining cash flow from the property" or indicate how that amount should be calculated and therefore the amount due for 2020 is unclear. We recommend that the CRA obtain a legal opinion to provide clarification regarding the components of the calculation to determine the amount due for 2020 and future years.

2020-005 Debt Service Fund

The CRA Accounting Policies and Procedures were revised in 2020 and require that debt must be accounted for in a debt service fund. The CRA has not established a debt service fund and accounts for debt in the general fund. We recommend that the CRA review the policy and either comply with the policy or revise the policy to reflect the use of the general fund for all debt service activity.

Management's written responses to the above comments, included in the Response to Management Letter, have not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 determined that the CRA provided the necessary information to the City of Delray Beach, Florida, for proper reporting within the audited financial statements of the City 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

*Cale, Dutton, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
March 26, 2021