

Martin County, Florida

Single Audit Reports in Accordance with
OMB Circular A-133 and Management Letter in
Accordance With the *Rules of the Auditor General
of the State of Florida*

Fiscal Year Ended September 30, 2012

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Martin County, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2012

			Expenditures		
Federal Grantor/State Agency					
Pass Through Entity/Program Title	CFDA/ CSFA #	Grant/Contract #	County	Subrecipient	Total
U.S. DEPARTMENT OF COMMERCE					
Direct awards					
National Oceanic: NOAA					
Economic Adjustment Assistance	11.307	04-79-06326	\$ 622,457	\$ -	\$ 622,457
NOAA Estuary	11.463	NA22NMF4630234	5,044	-	5,044
ARRA NOAA Oyster Rehab	11.463	NOAA-NMFS-HCPO-2009-2001709	134,141	-	134,141
			139,185	-	139,185
Total Department of Commerce			761,642	-	761,642
ELECTION ASSISTANCE COMMISSION (EAC)					
Passed through the Florida Department of State					
Division of Elections:					
Help America Vote Act (HAVA) Federal Elections Activities	90.401	N/A	28,996	-	28,996
Total Election Assistance Commission			28,996	-	28,996
EXECUTIVE OFFICE OF THE PRESIDENT					
HIDTA - Sheriff	95.001	N/A	2,222	-	2,222
Total Executive Office of the President			2,222	-	2,222
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Florida Dept. of Comm Affairs:					
Manatee Creek - HMPG 1609-103-R	97.039	09HM-37-10-53-01-062	194,864	-	194,864
Structural Elevations	97.039	07HM-2W-10-53-01-40	85,010	-	85,010
Old Palm City HMPG	97.039	11HM-2Y-10-53-01-007	310,726	-	310,726
			590,600	-	590,600
Public Assistance Hurricane - Wilma	97.036	06-WL-&K-10-53-00-756	902	-	902
Emergency Management Performance Grants	97.042	12-FG-10-53-01-110	46,743	-	46,743
Div. of Emergency Management - Fire Fighting Support	97.046	N/A	1,302	-	1,302
Passed through the Florida Dept. of Financial Services					
Homeland Security - 2008-2009 Haz Mat Team	97.067	09DS-51-10-13-00-409	-	132,335	132,335
Homeland Security	97.067	010-DS-39-13-00-16-414	-	63,245	63,245
Homeland Security	97.067	011-DS-9Z-13-00-16-436	-	15,208	15,208
Homeland Security - 2007-2010 Haz Mat Team	97.067	08DS-60-13-00-16-373	-	16,640	16,640
Passed through the Florida Division of Emergency Management					
Homeland Security - 2009-2012 Haz Mat Team	97.067	10DS-39-10-13-00-315	-	42,000	42,000
Homeland Security	97.067	011-DZ-9Z-10-53-01-389	-	43,479	43,479
Direct award			-	312,907	312,907
Federal Emergency Management Agency					
Homeland Security - SAFER Grant	97.083	ENW-2008-FF-00463	566,584	-	566,584
Total Department of Homeland Security			1,206,131	312,907	1,519,038

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 Year Ended September 30, 2012

			Expenditures		
Federal Grantor/State Agency					
Pass Through Entity/Program Title	CFDA/ CSFA #	Grant/Contract #	County	Subrecipient	Total
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Florida Department of Revenue, Administration for Children and Families:					
Child Support Enforcement Program (Title IV-D)	93.563	CD343	\$ 177,754	\$ -	\$ 177,754
Passed through Florida DCA:					
CSBG Cluster					
Community Services Block Grant	93.569	11-SB-8G-12-00-01-023	-	66,721	66,721
Total Department of Health and Human Services			177,754	66,721	244,475
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct awards					
Office of Community Planning and Development:					
Shelter Plus Care - Chronics	14.238	FL0118C4H090802	41,696	-	41,696
Shelter Plus Care - Chronics	14.238	FL0117C4H091003	57,767	-	57,767
Shelter Plus Care	14.238	FL0117C4H091104	40,637	-	40,637
Shelter Plus Care	14.238	FL0118C4H091003	72,647	-	72,647
Shelter Plus Care	14.238	FL0309C4H091103	31,129	-	31,129
Shelter Plus Care	14.238	FL0309C4H091002	70,682	-	70,682
			314,558	-	314,558
Passed through Florida Department of Community Affairs:					
Community Development Block Grant - Neighborhood Stabilization	14.228	10DB-4X-10-53-01-F14	986,012	-	986,012
Community Development Block Grant	14.228	08DB-D3-10-53-01-A13	106,150	-	106,150
Community Development Block Grant	14.228	B-11-UN-12-0026	61,360	-	61,360
Community Development Block Grant	14.228	07DB-3V-10-53-01-Z05	140,606	-	140,606
			1,294,128	-	1,294,128
Total Department of Housing and Urban Development			1,608,686	-	1,608,686
U.S. DEPARTMENT OF INTERIOR					
Fish and Wildlife Service					
Artificial Reef Project	15.605	FWC-11176	54,000	-	54,000
Clean Vessel Act	15.616	MV073	17,550	-	17,550
Sportfishing and Boating Safety Act	15.622	FWC-08270	500,000	-	500,000
Coastal Program - Bird Island Shoreline	15.630	41420-1124-0000-W5	76,000	-	76,000
Total Department of Interior			647,550	-	647,550

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 Year Ended September 30, 2012

			Expenditures		
Federal Grantor/State Agency					
Pass Through Entity/Program Title	CFDA/ CSFA #	Grant/Contract #	County	Subrecipient	Total
U.S. DEPARTMENT OF JUSTICE					
Direct award					
Office of Justice Programs, Bureau of Justice Assistance:					
SCAAP Grant	16.606	2010-AP-BX-0816	\$ 58,898	\$ -	\$ 58,898
Direct awards					
Drug Enforcement Administration:					
US Marshals Warrant - Fuel	16.000	JLEO-12-0300	2,000	-	2,000
US Marshals Warrant	16.000	JLEO-12-0300	42,744	-	42,744
Operation Road Rash	16.000	FC/FLS/1803	15,321	-	15,321
Equitable Sharing	16.000	FL0430000	33,206	-	33,206
			<u>93,271</u>	-	<u>93,271</u>
Passed through the Florida Department of Law Enforcement:					
Edward Byrne Memorial Grant	16.579	2012-JAGC-MART-1-C4-236	76,864	-	76,864
FY10 Edward Byrne Memorial Grant - Sheriff Dept					
	16.803	2011-DJ-BX-2392	6,197	-	6,197
Passed through the Office of Attorney General, Office of Justice Programs, Office of Victims of Crime:					
Victims of Crime Act Grant (VOCA)	16.575	V12123	45,432	-	45,432
Total Department of Justice			<u>280,662</u>	<u>-</u>	<u>280,662</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Federal Aviation Administration:					
Noise Mitigation Phase 2	20.106	AIP 3-12-0076-015-2009	216,025	-	216,025
FAA EMAS	20.106	AIP 3-12-0076-016-2010	176,998	-	176,998
			<u>393,023</u>	-	<u>393,023</u>
Direct Awards					
Federal Transit Administration:					
Section 5303 FY 10/11	20.505	AQ262	33,715	-	33,715
Section 5307 FY 00/01					
	20.507	FL-90-X420-00	7,693	-	7,693
Section 5307 FY 01/02					
	20.507	FL-90-X439-00	28,079	-	28,079
Section 5307 FY 04/05					
	20.507	FL-90-X542-00	5,403	-	5,403
Section 5307 FY 05/06					
	20.507	FL-90-X586-00	1,689	-	1,689
ARRA Transit Depot					
	20.507	FL-96-X029-00	6,039	-	6,039
Section 5307 FY 06/07					
	20.507	FL-90-X639-00	7,062	-	7,062
Section 5307 FY 07/08					
	20.507	FL-90-X677-00	135,445	-	135,445
Section 5307 FY 08/09					
	20.507	FL-90-X703-00	143,598	-	143,598
Section 5307 FY 09/10					
	20.507	FL-90-X745-00	406,997	-	406,997
			<u>742,005</u>	-	<u>742,005</u>
Section 5311 FDOT JPA FY 08-FY14					
	20.509	FM#425977-1-84-01 (APG54)	56,369	-	56,369

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2012

Federal Grantor/State Agency Pass Through Entity/Program Title	CFDA/ CSFA #	Grant/Contract #	Expenditures		
			County	Subrecipient	Total
MPO Transportation Planning (10/11)	20.205	AA081/ FM#416353-1-14-01	\$ 243,883	\$ -	\$ 243,883
MPO Transportation Planning (12/13 and FY14)	20.205	AA081/ FM#427829-1-14-01	72,662	-	72,662
Runke/Aster Sidewalk	20.205	FM#427396-1-58-01	78,911	-	78,911
Downtown Stuart Pedestrian Sidewalk	20.205	FM#427932-1-58-01	297,459	-	297,459
			<u>692,915</u>	<u>-</u>	<u>692,915</u>
Section 5317 - NEW FREEDOM	20.521	FL-57-X033-00	44,582	-	44,582
Total Department of Transportation			<u>1,962,609</u>	<u>-</u>	<u>1,962,609</u>
OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY					
Passed through the FL Dept. Envir. Protection:					
State Revolving Funds	66.458	SW63612S	25,483	-	25,483
Leilani Heights	66.460	G0264	60,195	-	60,195
SJRWMD - Bird Island	66.456	26960	90,953	-	90,953
Total Office of Water Environmental Protection Agency			<u>176,631</u>	<u>-</u>	<u>176,631</u>
Total Expenditures of Federal Awards			<u>\$ 6,852,883</u>	<u>\$ 379,628</u>	<u>\$ 7,232,511</u>
FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS					
Passed through Division of Emergency Management:					
FY12 Emergency Preparedness	31.063	12-BG-83-10-53-01-043	\$ 48,112	\$ -	\$ 48,112
FY13 Emergency Preparedness	31.063	13-BG-83-10-53-01-043	32,323	-	32,323
			<u>80,435</u>	<u>-</u>	<u>80,435</u>
HAZMAT	31.067	12-CP-03-10-53-01-204	4,591	-	4,591
Total Florida Department of Community Affairs			<u>85,026</u>	<u>-</u>	<u>85,026</u>
FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS, DIVISION OF HOUSING FINANCE CORPORATION					
Passed through State Housing Initiative Program:					
State Housing Initiative Program (SHIP) 11/12	52.901	N/A	212,676	-	212,676
State Housing Initiative Program (SHIP) 08-11	52.901	N/A	445,001	-	445,001
Florida Homebuyer Opportunity Program	52.901	N/A	328,804	-	328,804
Total Florida Department of Community Affairs - Housing Finance			<u>986,481</u>	<u>-</u>	<u>986,481</u>

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 Year Ended September 30, 2012

			Expenditures		
Federal Grantor/State Agency					
Pass Through Entity/Program Title	CFDA/ CSFA #	Grant/Contract #	County	Subrecipient	Total
FLORIDA DEPARTMENT OF HEALTH, BUREAU OF EMERGENCY MEDICAL					
Direct Programs:					
Emergency Medical Services Award FY10	64.005	FDH C9043	\$ 6,263	\$ -	\$ 6,263
EMS Stretcher	64.003	M1076	53,196	-	53,196
Total Florida Department of Health, Bureau of Emergency Medical			59,459	-	59,459
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION					
Direct Programs:					
Beach Erosion Control:					
Bathtub Beach Park Dune Restoration	37.003	07M12	6,982	-	6,982
Bathtub Beach Nourishment	37.003	12M12	42,932	-	42,932
St. Lucie Inlet Beach Management	37.003	10M11	2,995,878	-	2,995,878
Shore Protection	37.003	12M11	2,262,451	-	2,262,451
			5,308,243	-	5,308,243
Water Management District - Land Acquisition:					
Manatee Pocket	37.022	4600001417	2,686,199	-	2,686,199
Manatee Creek	37.022	4600001418	56,250	-	56,250
			2,742,449	-	2,742,449
Statewide Surface Water Restoration and Wastewater Projects:					
Tropical Farms	37.039	S0361	80,782	-	80,782
Rainfall Gage Network	37.039	4600002413	2,364	-	2,364
Old Palm City/Danforth Creek	37.039	4600001182	431,679	-	431,679
Kitchen Creek Restoration	37.039	4600000729	5,009	-	5,009
Leilani Heights	37.039	4600000561	13,412	-	13,412
Leilani Heights	37.039	4600001187	179,966	-	179,966
Cypress Creek Restoration	37.039	4600001635	27,600	-	27,600
Indiantown Treatment Train	37.039	S0534	551,567	-	551,567
Old Palm City	37.039	OT060148	51,788	-	51,788
			1,344,167	-	1,344,167
Total Florida Department of Environmental Protection			9,394,859	-	9,394,859
FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
Mosquito Control:					
Mosquito Control Arthropod Control	42.003	FDACS013082	25,815	-	25,815
Total Florida Department of Agriculture and Consumer Services			25,815	-	25,815

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2012

			Expenditures		
Federal Grantor/State Agency	CFDA/ CSFA #	Grant/Contract #	County	Subrecipient	Total
FLORIDA DEPARTMENT OF STATE, DIVISION OF LIBRARY AND INFORMATION					
Direct Programs:					
State Aid to Libraries	45.030	10-ST-32	\$ 25,229	\$ -	\$ 25,229
State Aid to Libraries	45.030	11-ST-31	32,998	-	32,998
Total Florida Department of State, Division of Library and Information			58,227	-	58,227
FLORIDA FISH AND WILDLIFE					
Division of Law Enforcement					
Manatee Pocket Enhancement - Boating Improvements	77.006	FWC07079	286,041	-	286,041
Total Department of Management Services			286,041	-	286,041
FLORIDA DEPARTMENT OF TRANSPORTATION					
Direct Programs:					
Transportation Disadvantaged Planning FY12	55.002	AQB43	14,644	-	14,644
Transportation Disadvantaged Planning FY13	55.002	AQP44	4,247	-	4,247
			18,891	-	18,891
Airport Security Improvements	55.004	420581-1-94-01	380,836	-	380,836
FDOT Customs Facility	55.004	431001-1-94-01	36,005	-	36,005
Update Noise Exposure Maps, Noise A	55.004	414572-1-94-01	214,577	-	214,577
Noise Mitigation Phase 2	55.004	420577-1-94-01	5,685	-	5,685
Airport Access Road	55.004	418166-1-84-01	358,924	-	358,924
Airport Rehab	55.004	422487-1-94-01/AQH37	53,347	-	53,347
Design EMAS Runway	55.004	424742-1-94-01/APF04	3,591	-	3,591
Runway Taxiway Lighting	55.004	236338-1-94-01	6,240	-	6,240
FDOT NCP Update	55.004	430485-1-94-01	42,032	-	42,032
			1,101,237	-	1,101,237
US1/SR-76 Turn Lane	55.008	FM#425863-1-48-01	9,888	-	9,888
Willoughby Extension	55.008	419669-1-38-01	12,214	-	12,214
			22,102	-	22,102
Public Transit Block Grant FY10	55.010	APU07/407189-1-84-02	232,323	-	232,323
Total Florida Department of Transportation			1,374,553	-	1,374,553
Total Expenditures of State Financial Assistance			\$ 12,270,461	\$ -	\$ 12,270,461

The notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Martin County, Florida

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2012

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the grant activity of certain federal award programs and state financial assistance projects of Martin County, Florida (the County) for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Because this schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

2. Summary of Significant Accounting Policies

The Schedule is presented using the modified accrual basis of accounting for expenditures accounted for in governmental type funds and on the accrual basis of accounting for expenses of the proprietary fund types. Such expenditures/expenses are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures/expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



**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***

Honorable Chair and Members of
the Board of County Commissioners
Martin County, Florida

Honorable William D. Snyder
Sheriff

Honorable Carolyn Timmann
Clerk of the Circuit Court

Honorable Vicki Davis
Supervisor of Elections

Honorable Laurel Kelly
Property Appraiser

Honorable Ruth Pietruszewski
Tax Collector

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Martin County, Florida (the "County") as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2013. 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that might be considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

This report is intended solely for the information and use of management, the Board of County Commissioners, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

West Palm Beach, Florida
March 29, 2013



**Independent Auditor's Report
on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Federal Program and State
Project and on Internal Control Over Compliance in Accordance With OMB
Circular A-133 and Chapter 10.550, *Rules of the Auditor General, State of Florida***

Honorable Chair and Members of
the Board of County Commissioners
Martin County, Florida

Honorable William D. Snyder
Sheriff

Honorable Carolyn Timmann
Clerk of the Circuit Court

Honorable Vicki Davis
Supervisor of Elections

Honorable Laurel Kelly
Property Appraiser

Honorable Ruth Pietruszewski
Tax Collector

Compliance

We have audited the compliance of Martin County, Florida (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012. The County's major federal programs and state projects are identified in the summary of auditor's 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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Those standards, OMB Circular A-133 and Chapter 10.550 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 County'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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the County 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 County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining information of the County as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for the purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of County Commissioners, federal and state awarding agencies and pass-through entities, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

West Palm Beach, Florida
March 29, 2013

Martin County, Florida

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2012**

I – Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

	_____ Yes	_____ X	No
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The program tested as major included the following:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
11.463	Habitat Conservation
14.238	Shelter Plus Care
15.622	Sportfishing and Boating Safety Act
20.507	Federal Transit Formula Grants
97.067	Homeland Security Grant Program
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

(Continued)

Martin County, Florida

**Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2012**

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified?	<u> </u>	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major projects:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, <i>Rules of the Auditor General of the State of Florida</i> ?	<u> </u> Yes	<u> X </u> No
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The project tested as major included the following:

<u>CSFA Number(s)</u>	Name of State Financial Assistance Project
37.003	Beach Erosion Control
37.022	Water Management Districts - Land Acquisition

Dollar threshold used to distinguish between type A and type B programs:	\$ 411,171
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Martin County, Florida

**Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2012**

II – Financial Statement Findings

None reported.

III – Federal Award and State Financial Assistance Findings and Questioned Costs

None reported.

Martin County, Florida

**Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2012**

No Prior Year Findings.



**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Honorable Members of the Board
of County Commissioners
Martin County, 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 Martin County, Florida (the County) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013.

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 the *Governmental 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 issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program or State Project and Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule 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 local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

Section 10.554(1)(i)1., *Rules of the Auditor General* require that we determine 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 recommendations made in the preceding annual financial audit report has been noted in Appendix A to this report.

Section 10.554(1)(i)2, *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the County complied with Section 218.415, Florida Statutes, regarding investment of public funds.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the County's financial management. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations or grant agreements or abuse that have occurred or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *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 the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement must be included as to whether or not the local government entity has met one or more of the conditions described in the Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the County is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine that the annual financial report for the County for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information of the County Commission, and management of the County, federal and state awarding agencies, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
March 29, 2013

Martin County, Florida

**Appendix A – Prior Year’s Recommendations to Improve Financial Management
Fiscal Year Ended September 30, 2012**

No.	Prior Year's Observation	Observation is Still Relevant	Observation Addressed or No Longer Relevant
2011-1	Penetration & Vulnerability Testing	x	
2011-2	Disaster Recovery Plan	x	
2011-3	Banner Access	x	

Martin County, Florida

Appendix A – Prior Year’s Recommendations to Improve Financial Management Fiscal Year Ended September 30, 2012

2011-1 Penetration & Vulnerability Testing

Prior Year Observation: A penetration and vulnerability test has not been performed on the network. This increases the risk that weaknesses and vulnerabilities in the network could be exploited. During the lifetime of any network, changes can occur which may create situations that perpetuate imperfect security, and these situations can compound over time.

Prior Year Recommendation: To mitigate the risk that gaps in security can be overlooked, we recommend that a penetration and vulnerability test be periodically performed by a third party.

Prior Year Management’s Response: The Department has evaluated this action for several years now. However as previously noted, vulnerability and penetration testing involves a certain degree of risk to on-line systems which here-to-fore, many of the agencies who are on the network are unwilling to take. Further, none of the traditional consultants we have contacted have been able to assure the County that their testing can be limited nor mitigated. Until such testing can be performed with acceptable mitigation and risk reduction as a responsibility of those conducting tests, we are reluctant to subject to such testing. We have been provided with recommendations of new companies who may be able to provide acceptable risk mitigation and we have contacted several and received quotes from some including Verizon, Accuvant and IBM. However, given the deepening economic downturn conditions and severe budget reductions, this additional cost has not been funded.

Explanation of the Status of the Corrective Action: The Department has evaluated this action for several years now. However, vulnerability and penetration testing involves a certain degree of risk to on-line systems which, here-to-fore, many of the agencies who are on the network are unwilling to take. These agencies include the Sheriff’s Office, Clerk of Circuit Court, Tax Collector, Property Appraiser, Supervisor of Elections, Fire and Emergency Management and others. Further, none of the traditional consultants we have contacted have been able to assure the County that their testing can be limited nor mitigated. Until such testing can be performed with acceptable mitigation and risk reduction as a responsibility of those conducting the tests, we are reluctant to subject to such testing. We have recently been provided with recommendations of new companies who may be able to provide acceptable risk mitigation and testing and will pursue them as recommended. Funding is being provided in the current fiscal year in order to undertake this task and will schedule a test in the current year, if it can obtain concurrence from the various agencies.

2011-2 Disaster Recovery Plan

Prior Year Observation: There is no formal disaster recovery plan for recovering from a disaster affecting data processing services and the loss of financial systems and data. Statistics show that companies without a disaster recovery plan incurred higher costs and take longer to recover from a disaster than companies with a written and tested disaster recovery plan. Also, entities without disaster recovery plans have a greater risk of business failure if they experience a disaster that affects their operations or information systems. Entities should have a business continuity plan, which include provisions for continuing business operations in the event of a disaster and during the recovery period. Also, a disaster recovery plan is not considered complete until it has been tested.

Prior Year Recommendation: We understand that the County currently participates in the Florida Technology Disaster Recovery Consortium and is informally developing disaster recovery technologies. We recommend that the County set a target date for the completion of their comprehensive, formal disaster recovery plan and that the plan be periodically tested and updated based on the results of testing.

Martin County, Florida

Appendix A – Prior Year’s Recommendations to Improve Financial Management (Continued) Fiscal Year Ended September 30, 2012

Prior Year Management’s Response: While not yet part of a formal disaster plan, Information Technology Services (ITS) has undertaken a specific project that will have provided a more resilient and robust disaster mitigation. The project will create an operating environment where a recovery database instance (via Oracle Data Guard) will be maintained in an offsite location at the Public Safety Complex. When completed, this will make the Banner FMS and Ventyx CIS application redundant with offsite disaster recover capability.

Unfortunately, given economic conditions and severe budget reductions, hiring freezes and staff turnover, the Data Guard project is not yet complete and a formal disaster recovery project has had to be put on hold.

Explanation of the Status of the Corrective Action: Martin County has been working on projects over the past five fiscal years to provide the facilities and technology necessary to support a disaster recovery plan. In the current fiscal year (FY13) Martin County has been working with these facilities and technologies to implement and test disaster recovery systems and procedures for each of the financial systems. The target date for incorporating these systems and procedures into a comprehensive, formal disaster recovery plan is the end of the current fiscal year, October 1, 2013.

2011-3 Banner Access

Prior Year Observation: Banner is the County’s General Ledger and Financial System. There is no formal process in place for periodic review of Banner access by management of user departments. Without a periodic review of access, users that are assigned a level of access that is higher than is needed for their job responsibilities, or terminated employees that retain access after they have been terminated, may go undetected.

Prior Year Recommendation: We recommend that the County implement a process for periodic review of Banner access. This review should take place at two levels. From time-to-time, as appropriate, security classes should be reviewed by department management to verify that the classes as defined remain appropriate. In addition, managers of user departments should be required to periodically review and certify, in writing, the access rights of users.

Prior Year Management’s Response: In the past few years, the County has undergone extensive reorganization, had staff and management cuts and turnover, and currently has limited staffing in the Purchasing and Human Resources divisions. Consequently, this task has not yet been fully implemented. ITS had started working with the Finance Division to remove formerly locked accounts and provided access information in order to begin a review. ITS will continue to work with the management of user departments to develop a process to review access authorization as time and resources permit.

Explanation of the Status of the Corrective Action: Information Technology Services Staff has met with the Director of Finance for the Clerk of the Circuit Court and the Grants Compliance/Budget Manager for the Board of County Commissioners Office of Management & Budget to review Financial System access and procedures. As a result of these meetings, a project is under way to develop and implement a policy, procedure and system to review Financial System security classes to verify they remain appropriate. The proposed system will require managers of user departments review the access rights of individual Financial System users. The target date for completion of this project is September 1, 2013.