

**CITY OF KEY WEST, FLORIDA**

**COMPLIANCE SECTION**

**For the Fiscal Year Ended September 30, 2009**

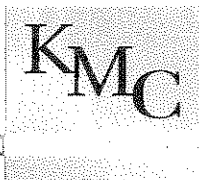
# CITY OF KEY WEST, FLORIDA

## COMPLIANCE SECTION

For the Year Ended September 30, 2009

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

To the Honorable Mayor, City Commissioners and City Manager  
City of Key West, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Key West, Florida (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2010. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, which is the sole discretely presented component unit. Those financial statements were audited by other auditors. 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. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*.

Our consideration of internal control over financial reporting and our tests of compliance with certain provision of laws, regulations, contracts and grant agreements did not include entities audited by other auditors referred to in the previous paragraph. The findings, if any, of those other auditors are not included herein.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 the management of the City of Key West, Florida in our Independent Auditors' Report to City Management included on pages 5 through 10.

The City of Key West, Florida's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of City management, members of the City Commission, the State of Florida Auditor General, Federal and state awarding agencies and other grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
March 31, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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**

To the Honorable Mayor, City Commissioners and City Manager  
City of Key West, Florida

Compliance

We have audited the compliance of the City of Key West, Florida (the "City") with the types of compliance requirements described in *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major Federal programs and state projects for the year ended September 30, 2009. The City'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 grant agreements applicable to each of its major Federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 of America; OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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'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 City's compliance with those requirements.

In our opinion, the City of Key West, 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, 2009.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program or a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program or a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be 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, each major fund and the aggregate remaining fund information of City of Key West, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 31, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Key West, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of City management, members of the City Commission, the State of Florida Auditor General, Federal and state awarding agencies and other grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

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## INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT

To the Honorable Mayor, City Commissioners and City Manager  
City of Key West, Florida

We have audited the financial statements of the City of Key West, Florida (the "City"), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 31, 2010.

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 State, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted on pages 6 through 8 under the heading Prior Year Findings and Recommendations.

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 that the City of Key West, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following findings and recommendations:

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS:**

	<u>STILL APPLICABLE</u>	<u>PARTIALLY IMPLEMENTED</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2007-02: Establish a City-Wide Schedule of Fees and a Cash Receipts Procedures Manual	X		
2007-03: Improve Segregation of Duties - Marinas and Utility		X	
2007-06: Review and Adjust the Penalty Calculation for Stormwater	X		
2007-07: Unmatched Water Meters	X		
2007-09: Capital Assets Acquired With Grant Funding and City-Wide Inventory Controls		X	
2008-01: Unclaimed Wages and Payables			X
2008-02: Request Taxpayer Identification Number and Certification, W-9 Form			X
2008-03: Adjust the Calculation of Fees Payable to Department of the Navy Under the "Mole Pier at Truman Annex" Agreement			X
2008-04: Building Permits - Fee for Services			X
2008-05: Implement an Automated Billing System for General Fund Leases			X
2008-06: Consider Hiring the Assistance of a Full-Time Grant Specialist			X
2008-07: Review Collection Procedures - Sewer, Stormwater and Solid Waste Services	X		

**2007-02: Establish a City-Wide Schedule of Fees and a Cash Receipts Procedures Manual**

The City has diverse revenue sources ranging from parking meters/lots, rentals, fines, bus fares, advertising, building permits, sales and utilities services, etc. These revenues are collected at various locations and processed by the Revenue Department. The City should consider the implementation of a *City-Wide Schedule of Fees*. In addition, management should review current practices used to account for each revenue source and establish written processing guidelines (e.g. policy manuals, flowcharts). This additional documentation can be used in assessing the effectiveness of current practices, evaluating performance, ensuring accuracy and completeness of revenue, and training new hires to perform the process.



**PRIOR YEAR FINDINGS AND RECOMMENDATIONS: (continued)**

**Management's Response:**

The City of Key West clearly recognizes the value to both internal and external customers in the codification of a centralized fee and charges schedule. The City of Key West has begun accumulating documentation necessary to assemble a City-Wide Schedule of Fees and hopes to have it completed in the near future.

The City of Key West has begun to develop written guidelines that will help support the revenue collection and recognition processes.

**2007-03: Improve Segregation of Duties - Marinas and Utility**

*Marinas:* In prior year audits, it was recommended the City improve its segregation of duties over the billing, collection and account adjustment process at the marinas. During our current year audit, we observed additional steps taken by the port staff at the marinas to ensure that additional segregation of duties are in place. We discussed the current procedures with the marina staff and the Finance Department and have determined that the additional segregation of duties implemented during the year are reasonable with the current staffing levels.

*Utility:* Account adjustments are made to the utility billing system for several allowable reasons. Controls should be established to ensure that only approved adjustments, initiated by the customer service department, are entered in the system. During our audit, we noted and were notified that some individuals have system access to both initiate and approve adjustments. We recommend that the City assess its current practices, establish written guidelines and set-up the proper segregation of duties over sewer, stormwater and solid waste receivables.

**Management's Response:**

The City of Key West understands the necessity of segregating certain functions that an individual may have access to perform. Staff reductions have caused this to occur in some areas. In most instances the City of Key has implemented certain other mitigating controls and systems in an attempt to minimize exposures from "complete" segregation. The City of Key West will review these areas and make necessary changes to minimize these instances.

**2007-06: Review and Adjust the Penalty Calculation for Stormwater**

The penalty calculation for stormwater is not in compliance with the City's code. The City's code reads as follows: "user fees shall be subject to a five percent per month (not to exceed 25% late fee)". Our review revealed that the billing system is assessing a "one-time" five percent penalty charge. We recommend that the City brings the penalty calculation in compliance with the code. This could be achieved by either modifying the code or the billing system.

**Management's Response:**

The City of Key West's Code will be modified to conform to the systems ability to apply penalty charges.

**2007-07: Unmatched Water Meters**

During our audit, City staff disclosed that unmatched water meters to the sewer billing system continues to be an issue faced by the City. The City should continue its on-going commitment to evaluate and correct these exception reports, prepared by the Revenue Department, and increase its possible additional billing opportunities. We recommend that management quantifies the effect of unmatched meters, and any other related exceptions, and thoroughly reviews the billing process/system to ensure that revenues are being billed to all recipients of the sewer system.

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS: (continued)**

**Management's Response:**

The City of Key West recognizes the unmatched meters issue and is working to resolve these discrepancies. Recent matching efforts have demonstrated the process of matching can be accomplished but requires a considerable level of effort from several departments to make even the slightest gain on the issue. Under consideration by City Management is the use of several contract employees on a limited basis to handle the field work and the use of available "in-place" resources to update customer account files.

**2007-09: Capital Assets Acquired with Grant Funding and City-Wide Inventory Controls**

Strict guidelines are required for tracking and maintaining capital assets acquired with Federal and State awards. The property control system *must clearly identify* the property and equipment acquired with grant funding and contain specific information. Current controls do not ensure that proper identification requirements are being adhered to in all cases. As previously recommended to the City, in September 2009, the City conducted a physical inventory of its capital assets in conjunction with the Finance Department and the Assistant City Manager's Office.

Written procedures need to be designed, implemented and monitored to ensure the continued compliance with inventory controls and the proper identification of acquisitions and disposals of property and equipment.

**Management's Response:**

The City's fixed asset reporting system has been updated to clearly identify those fixed assets acquired wholly or partially with grant proceeds. The final step, which will be completed by September 30, 2010, is to identify the source and percentage of grant contribution for those fixed assets acquired wholly or partially with grant proceeds.

**2008-07: Review Collection Procedures – Sewer, Stormwater and Solid Waster Services**

During our audit, we noted that delinquent accounts receivable balances related to sewer, stormwater and solid waste services increased significantly. Upon inquiry, staff cited that the Revenue Department may be understaffed, which may cause delays in collection efforts. We recommend that the City assess the cost-benefit of hiring additional staff or outsourcing the services of a collection agency.

**Management's Response:**

The City of Key West has struggled with collection of outstanding utility charges for many years. The ability to "shut off" stormwater services is impossible, the ability to "shut off" refuse collections is undesirable, and the ability to "shut off" sewer services is not practical. Subsequently, the City of Key West has been left with only the ability to file liens against the property which insures eventual collection, but not on a timely basis.

More aggressive collection efforts are planned. Any and all delinquency improvement efforts are under consideration. A working group, to be headed by the City Manager, will be formed to address the issue on a continual basis. It should be noted the extraordinary high stormwater delinquency rate is attributable in large part to a handful of customers – primarily other governmental entities who contest the applicability of a stormwater fee or contest the manner of calculation. Those few accounts are currently in litigation or under review for possible legal action.

## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS:**

### **2009-01: Adopt a Formal Cost Allocation Plan**

The City has not adopted a formal cost allocation plan that details the various methodologies used to support expenditure allocations such as: 1) payments in lieu of taxes (PILOT) from each enterprise fund to the general fund and 2) charges from the internal service fund to every fund/department for various insurances. This situation has caused and may cause future delays in the approval and payment process of grant funding to the City. We recommend that the management of the City develops a formal cost allocation plan, reviewed annually, that reflects a measurement of costs charged to the individual funds/departments.

#### **Management's Response:**

The City strongly endorses the need for a formal cost allocation plan. The City has requested cost proposals from its financial consultants. Proposals have been received and are under review. The goal is to award a task order and complete the cost allocation plan by September 30, 2010.

### **2009-02: Adopt a Formal Fund Balance Policy**

We recommend that the City establish a formal fund balance policy. This policy should be tailored to the needs of the City to insure against unanticipated events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy should ensure that the City monitors and maintains adequate fund balance/net assets and reserves in the City's various operating funds to provide: 1) sufficient cash flow for daily financial needs, 2) secure and maintain investment grade bond ratings, 3) offset significant economic downturns or revenue shortfalls, and 4) provide funds for unforeseen expenditures related to emergencies. As the policy is developed, the City should consider the new Government Accounting Standards Board (GASB) pronouncement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" that will become effective for the fiscal year ending September 30, 2011.

#### **Management's Response:**

The City's policy has always been to maintain between 90 to 120 days of unreserved fund balance in each fund. The City fully supports the need to formalize this policy and will prepare a resolution for adoption by the City Commission. Such policy should not only establish a sound unreserved fund balance level but establish an action plan required when balances fall below acceptable levels.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements 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 financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and; (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

City of Key West, Florida

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 this management letter, unless disclosed in the notes to the financial statements. The City of Key West, Florida was established under the provisions of Chapter 23374, Laws of Florida (1945), as amended. The City of Key West, Florida, includes as its component units: 1) The Housing Authority of the City of Key West, Florida, created by Florida Statute Chapter 421 and by resolution in 1938; and 2) the Key West Local Redevelopment Agency created under Florida Statute 163 and Section 2-446 of the Code of Ordinances of the City of Key West, Florida.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 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 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 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 require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
March 31, 2010

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**For the Year Ended September 30, 2009**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	CSFA Number	Federal or State Grant Contract Number	Expenditures
<b>FEDERAL AWARDS</b>				
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>				
<b>Direct Program:</b>				
Housing Opportunities for Persons with AIDS	14.241	N/A	FLH070008	\$ 453,399
<b>Pass-through Florida Department of Community Affairs:</b>				
Community Development Block Grant - State Program	14.228	N/A	07DB-3V-11-54-02-Z03	4,467,655
Community Development Block Grant - State Program	14.228	N/A	08DB-D3-11-54-02-A11	4,384,073
Community Development Block Grant - State Program	14.228	N/A	08DB-T3-11-54-02-H05	237,419
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<b>Direct Programs:</b>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	2006CKWX0295	124,132
Organized Crime Drug Enforcement Task Forces	16.XXX	N/A	FC/FLS-1591	21,326
Bullet Proof Vest Partnership Program	16.607	N/A	2009BUBX08044212	3,780
<b>Pass-through Florida Department of Law Enforcement:</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2009-JAGD-MONR-2-T8-098	5,035
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<b>Direct Programs:</b>				
Federal Transit-Capital Investment Grants	20.500	N/A	FL-03-0316-00	255,444
Job Access-Reverse Commute	20.516	N/A	FL-37-X019-00	176,333
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	N/A	FL-03-0299-00	2,754
<b>Pass-through Florida Department of Transportation:</b>				
Highway Planning and Construction	20.205	N/A	AP724	259,448
Highway Planning and Construction	20.205	N/A	AP728	238,211
Highway Planning and Construction	20.205	N/A	ANT08	8,438
Formula Grants for Other Than Urbanized Areas	20.509	N/A	AP290	161,988
<b><u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION</u></b>				
<b>Direct Program:</b>				
Nonpoint Source Implementation	66.460	N/A	G0218	310,846
<b>Pass-through the Department of The Army:</b>				
Construction Grants for Wastewater Treatment Works	66.418	N/A	-	443,831
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<b>Pass-through the Monroe County Coalition, Inc.:</b>				
Substance Abuse and Mental Health Services-Projects of of Regional and National Significance	93.243	N/A	-	25,800
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
<b>Pass-through Florida Division of Emergency Management:</b>				
Disaster Grants - Public Assistance	97.036	N/A	06-WL-&K-11-54-00-539	1,766,142
Disaster Grants - Public Assistance	97.036	N/A	08-PA-B9-11-54-13-714	333,024
Disaster Grants - Public Assistance	97.036	N/A	06-KF-B&-11-54-00-592	3,437
Hazard Mitigation Grant	97.039	N/A	09HM-37-11-54-02-031	108,871
Hazard Mitigation Grant	97.039	N/A	09HM-37-11-54-02-030	83,175
<b>Total Federal Awards Expenditures</b>				<b>\$ 13,874,561</b>

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**(continued)**  
**For the Year Ended September 30, 2009**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	CSFA Number	Federal or State Grant Contract Number	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>				
<b><u>EXECUTIVE OFFICE OF THE GOVERNOR</u></b>				
Economic Development Transportation Fund	N/A	31.002	OT09-077	\$ 1,569,737
Enterprise Florida, Inc.	N/A	31.003	DIG-06-11	149,567
Enterprise Florida, Inc.	N/A	31.003	DIG-07-04	14,228
Enterprise Florida, Inc.	N/A	31.003	DIG-05-05	12,874
<b><u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u></b>				
Acquisition, Restoration of Historic Properties	N/A	45.032	SC726	25,625
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>				
Seaport Grants	N/A	55.005	ANS44	708,349
<b><u>FISH AND WILDLIFE CONSERVATION COMMISSION</u></b>				
Artificial Reef Grants Program	N/A	77.007	FWC-08247	<u>1,000,000</u>
<b>Total State Financial Assistance Expenditures</b>				<b><u>\$ 3,480,380</u></b>

**NOTES:**

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the full accrual basis of accounting.
- (2) Total amount paid to subrecipients with federal funds was \$ 453,399 from the Housing Opportunities for Persons with AIDS federal program. Other federal programs did not utilize subrecipients. There were no subrecipients from the state financial assistance programs.
- (3) Adjustments were made in current year expenditures to include costs incurred in prior fiscal years related to various hurricane grants. These additional expenditures are reflected in the current year's Schedule of Expenditures of Federal Awards.

CITY OF KEY WEST, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2009

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Key West, Florida.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Key West, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs and state projects are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to 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.
5. The auditors' report on compliance for the major Federal programs and state projects for the City of Key West, Florida expresses an unqualified opinion.
6. No audit findings relative to the major Federal programs and state projects for the City of Key West, Florida are reported in Part C of this schedule.
7. The programs/projects tested as a major programs/projects include the following:

<u>Federal Program</u>	<u>Federal CFDA No.</u>
U.S. Department of Housing and Urban Development – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
U.S. Department of Transportation – Highway Planning and Construction	20.205
U.S. Environmental Protection Agency – Construction Grants for Wastewater Treatment Works	66.418
U.S. Department of Homeland Security – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
 <u>State Project</u>	 <u>State CSFA No.</u>
Executive Office of the Governor – Economic Development Transportation Fund	31.002
Department of Transportation - Seaport Grants	55.005
Fish and Wildlife Conservation Commission – Artificial Reef Grants Program	77.007

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(continued)  
For the Year Ended September 30, 2009

**A. SUMMARY OF AUDITORS' RESULTS (continued)**

8. The threshold for distinguishing Type A and Type B for Federal programs was \$ 416,237. The threshold for distinguishing Type A and Type B for state projects was \$ 300,000.
9. The City of Key West, Florida was not determined to be a low-risk auditee pursuant to OMB Circular A-133.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS AUDITS**

NONE

**D. OTHER ISSUES**

1. We noted certain matters that we have reported to the management of the City of Key West, Florida in our Independent Auditors' Report to City Management included on pages 5 through 10.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal program or State projects.
3. No corrective action plan is required because there were no findings required to be reported under the Federal and the Florida Single Audit Act.